Russia Serbia Relations at the beginning of XXI Century

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- ESSAY COMPENDIUM –

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Russia-Serbia Relations: Three years' result

Žarko N. Petrović[1]

Towards the end of Kosovo status negotiations in 2007 and 2008 the Serbian political scene was filled with historically frequent, yet unusually intensive surge of enthusiasm towards Russia, its interests, priorities, and its Western Balkans policy. Praises of the modern day Russia and its internal political model became a common practice, which further led to a greater perception, among Serbian citizens, of Russia being a key political resource that Serbia could seriously rely upon. However, all these commendations, wishes and activities, were rather based on emotional and irrational grounds. They were formed by the historical closeness of the two peoples (defined by ethnicity, not by citizenship), and the common religious and cultural heritage, which were, according to this logic, easy to be transferred to the political level. Reasons for this increased enthusiasm naturally lay in the unresolved Kosovo status issue, but also in the rising number of economic and political problems. Russia has been perceived, as many times before in Serbian history, as a protector, with a sufficient political and economic capacity to help resolve Serbian problems. At the same time, scientific and rational arguments about Russia's role and position were practically ignored, starting from the obvious (geographical distance), through more sophisticated ones (realistic interests and politics of Russia), to the completely theological (Russia's vision of Serbia's future and its social and political model) arguments.

Considering the strong emotional discourse, which marked the writings and public appearances of many experts and analysts, there is an apparent need for a more sober and realistic assessment and analysis of Russia's foreign policy. It is necessary to spread information on contemporary Russia and to critically present both positive and negative aspects of this country, that is of great importance for Serbia. Finally, considering the big turn of Serbian foreign policy towards Moscow since 2008, there is also a need for the analysis of such movements, in the light of Serbia's EU integration efforts.

During the last two years, the International and Security Affairs Centre (ISAC Fund) has provided a forum for discussion for a great number of national and foreign authors, partly by organizing several round tables on the topics of Russia and Russia - Serbia relations. The complete material, produced as the result of the project, is available at the ISAC Fund's website. At the very end of this two-year project, ISAC Fund wishes to gather the conclusions and present them to the Serbian public.

The initial presumption of the ISAC Fund was that, in Serbia, there is very little information on contemporary Russia, and that even those come mostly from biased resources, which are either pro-Western or Russian. In addition, the interpreters of these information are often biased themselves, hence distorting the objective image of Russia and Russian – Serbian relations. By providing space for both Russian and Serbian authors of different political backgrounds, the ISAC Fund aimed to achieve balance between the existing varied opinions, from both Serbia and Russia. Extreme views were ignored.

At the same time, the ISAC Fund has strived to further analyse Russian – Serbian relations. Throughout their history, the expectations and desires of the two countries' elites were on several occasions misunderstood or misinterpreted, leading to disappointments and sharp declines of the quality of mutual relations. Several selected texts in this publication develop this thesis in more detail.

The reasons and methods of increasingly close ties between Russia and Serbia

Ever since 2007, when it became clear that the question of Kosovo status will be resolved unfavourably for the territorial integrity of Serbia, the Serbian leadership has been trying to find a way to prevent the

1) *Žarko Petrović, MSt is the Research Director of the International and Security Affairs Centre – ISAC Fund*

independence of Kosovo. When the independence of Kosovo was finally unilaterally proclaimed, Serbia tried to slow down the pace of recognitions and to shift the debate from political to legal field. Such undertaking necessitated the support of the permanent members of the UN Security Council, and above all Russia. Russian support has prevented the acceptance of Kosovo independence by majority of international institutions, especially those where Russia holds a veto power, such as the UN and the OSCE. In addition, this support has contributed to the adoption of the UN General Assembly Resolution A/63/L.2, requesting the advisory opinion of the International Court of Justice on the question of the legality of Kosovo's unilateral declaration of independence. The communication and cooperation established in this period between the Russian and Serbian authorities was intensive and substantial. In 2009, Russia was declared as one of the pillars of Serbian foreign policy, while at the same time these two countries established a "strategy" of common appearances on the international level. This strategy foresaw a coordination of activities on the international stage regarding important issues for both countries. Serbia supported some diplomatic positions of the Russian Federation in the UN and the OSCE. Throughout this period, such high level of cooperation had led both Russian and Serbian officials to speak of a strategic partnership between the two countries.

At the same time, a window of opportunity opened for Russia to re-establish some of the positions it had lost in this part of Europe since the end of the Cold War. Russia's return to the Balkans was, to a large extent, facilitated by its close cooperation with Serbia. Due to its need for Russian support over the Kosovo issue, Serbia established close relations with Russia on political and economic/energy issues, while Russia provided a permanent and strong political support for Serbia, mostly for the purpose of pursuing its own economic and energy interests in this part of Europe. More specifically, Russian Gazpromnyeft bought 51% of the monopolistic Serbian oil industry (NIS), and has also concluded contracts for building of the South stream pipeline through the territory of Serbia, as well as the underground gas storage *Banatski dvor*. There were also intensive negotiations regarding other Russian strategic investments in the Serbian economy, which, however, did not materialize.

The main elements of economic cooperation between Russia and Serbia are in the fields of trade and energy, reflected by the Free Trade Agreement and the Agreement on cooperation in the oil-gas industry between these two states. Political cooperation outside this economic – energy field is limited. Since Russia's appearance before the International Court of Justice in Hague and the support it gave to Serbia at the proceedings following the request of the UN General Assembly for an advisory opinion on the unilateral declaration of independence of Kosovo, there has been a visible stagnation in the relations. Serbia joined the introductory and final statement of the EU at the OSCE Ministerial Council in Athens in December 2009. Soon after, Serbia overcame two significant obstacles in its European path: on December 19th 2009, Schengen visas have been abolished for the citizens of Serbia (except those living in Kosovo), and, at the end of the same year, Serbia submitted its application for EU membership to the Swedish Presidency, regardless of the fact that the Stabilization and Association agreement had not yet gone into force. These steps brought Serbia closer to the EU.

The Limits to Serbia-Russia Cooperation

Three years since the start of the Russian support for Serbian policy on Kosovo and their closer relations, it is possible to assess the boundaries of this rapprochement. Russia is far more visible and present not only in Serbia, but in the entire Balkan region. It has signed numerous energy agreements with the countries of the region, even though its influence is primarily visible in Serbia and Serb-inhabited part of Bosnia and Herzegovina. This influence has grown and has taken a solid place on the Serbian political scene. The signing of the contract during President Medvedev's visit to Serbia, for building a base for emergency situations in the vicinity of Nis, has enabled Russia to try and project part of its "soft power" in the Balkans by using its advanced technology. The exchange of awards and recognitions to prominent individuals, as well as the intensive economic and cultural cooperation, led to a clear and stable position of Russia in Serbia. When the increasingly intense support of the official Moscow to the Republic of Srpska, and the

staunch support for Serbia over the Kosovo status issue is added to this, it is clear that the popularity and the influence of Russia have become a permanent factor on the Serbian political scene.

Russia, however, is not offering any kind of political framework to Serbia which could serve as an alternative to the EU. In fact, the document of the Russian Ministry of Foreign Affairs, which leaked into public in May 2010, clearly speaks of the interests and priorities of Russia in the Balkans, related to energy and economy, or more specifically, to very concrete and precise ways for gaining benefits for Russia. Russia's priority are the questions of "hard security" and the post-Soviet space, where Russia still plays the dominant, and often decisive role. It is within this framework that Russia has formulated its policy towards the Balkans and Serbia. Its main priorities are preventing the expansion of NATO and finalizing the new European Security Treaty. Both issues involve Serbia, and both are of bilateral character.

Considering the history of Serbia's relations with NATO, it is clear that it is a country where Russia can most easily find fertile ground for preventing NATO from completely integrating this part of Europe. When the Serbian Minister of Defence, Mr. Dragan Šutanovac, in his interview for the daily *Press,* on January 9th 2010, tied the European system of values to the cooperation with the Euro-Atlantic security system, and suggested Serbia's entry into NATO, there were several reactions by Kremlin that followed. The president of the Foreign Policy Committee of the State Duma, Mr. Konstantin Kosachov, and the Minister of Foreign Affairs, Mr. Sergey Lavrov, made negative remarks on the perspective of Serbia's joining NATO, while the Russian Ambassador to NATO, Mr. Dmitry Rogozin, went so far as to relate this issue to the question of Russia's support against Kosovo independence. As a sign of further divergence of political priorities of Serbia and Russia, it became clear, during Russian President Medvedev's visit to Serbia, that President Tadic and Serbian leadership would not support his initiative for concluding a new European Security Treaty. This question was of considerable diplomatic importance for Russia, since the basic argument in favour of such an agreement was the fact that there are countries in Europe (such as Serbia), which do not strive for NATO membership, and, hence, require a broader framework to guarantee their safety.

Serbia's latest turn towards strategic partnership with Europe did not go unnoticed in Russia, but Russia did not make a reaction towards this change in Serbian policy. Russia continued to support the territorial integrity of Serbia and to further promote its economic and energy interests in the region. This implies several things: firstly, Russian interests in the region are clear, rather rudimentary and strictly bilateral, i.e. they do not envisage any common political framework with the countries from this area. Furthermore, Russia understands that Serbia does not have a large space for political manoeuvring, and therefore does not react negatively to Serbia's moves towards the EU. On the other hand, it keeps the right to a more rigorous reaction in case Serbia steps closer towards NATO, whose expansion Russia perceives as a threat. Moreover, Russia has remained faithful to the policy of supporting Serbia's stance no Kosovo, and has made no independent moves regarding this question. In this way, Russia has not been in any moment broadening Serbia's manoeuvring space, as that would cause further fatigue and the absence of greater beneficial prospects. What is more, the lack of recognitions of Kosovo by multilateral institutions does suit Russia, as it allows it to always have a ready argument to any possible criticism of its recognition of the two breakaway Georgian provinces – Abkhazia and South Ossetia. Finally, Russia is not a country which changes its foreign policy easily. Its strategic thinking relating to a certain region is being measured in decades. Therefore, the changes in Serbian foreign policy, caused by the traumatic episode with Kosovo, cannot momentarily provoke a Russian reaction, but they can convince both Russian and Western leaders of Serbia's inconsistency.

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Ever since the beginning of the Kosovo status issue resolution, and especially after its proclamation of independence, there has been a growing enthusiasm in both countries regarding mutual cooperation. The increasing parliamentary cooperation, including the signing of The Agreement on Parliamentary Cooperation in October 2009, the awards to prominent individuals, and similar events, led both to an atmosphere of high expectations from Russia in Serbia, as well as to Russia's anticipation that Serbia will have more understanding for some of its foreign policy priorities. However, these expectations did not materialize into a stronger political cooperation. The most visible example of this is Serbia's rejection to

support the new European Security Treaty. Despite the expectations and the rhetoric, in reality there was very little basis for a stronger bond between Russia and Serbia.

Political elites in Serbia face two basic tasks: firstly, to comprehend the foreign policy priorities of Russia, its place and role in the modern world, and, secondly, to adequately consider the position of Serbia in this Russian vision. In this manner, it could be correctly assessed whether Serbia fits into this vision or not, and, thus, what the limits to Russia's and Serbia's cooperation are.

Historical and Political Aspects of Russia -Serbia Relations

Two Russias: On The Two Dominant Discourses Of Russia In The Serbian Public

Dr. Miroslav Jovanovic[1]

In late 2008 and in early 2009 heated debates were held in the Serbian public regarding the signing of the oil and gas arrangement with Russia and the sale of NIS. Similar, and slightly hysterical, debates were held in the spring of 2007, on the issue of a possible Russian veto in the UN Security Council on the future status of Kosovo[2].

Those two events - with an entire series of other indicators - clearly testify to the fact that the Serbian public today is very focused on Russia, events related to Russia and the new yet historical Russian-Serbian relations.

Two Discourses of Russia

It is in the course of these latest events that the Serbian public has again been polarized very clearly and for a zillionth time.

Observed from the extremes of the Serbian public scene, we have, on one side, the apologists of Russia, those who see in Russia a protector, an elder brother or a savior of Serbia, the Serbian people, the Orthodox spirit, etc. That side of the spectrum is very often associated with Tomislav Nikolic, a short-term Serbian Parliament speaker (May 2007), who earned "fame" at that time owing to his clumsy and inept statement about Serbia as a "Russian guberniya", which he was later to disown[3]. We also have on this side intellectuals such as Veselin Djuretic, who publicly champion a confederacy of *Russia and Serbian Lands* as the only salvation for the Serbs[4], and who, like Nikolic at the time, offered Russia a military base on Mt Kopaonik[5]. Such intellectuals include, among others, Radomir Smiljanic, who founded the Putin Association of Serb-Russian Clubs in Serbia[6] and who as well supports the idea of "achieving our goal and

1) *Prof. Dr. Miroslav Jovanović, is a historian and Professor at the Faculty of Philosophy in Belgrade. University of Belgrade*

2) Cf. Antonijevic: Russia Will Not Give In, Glas javnosti, 6 June 2007 (http://arhiva.glas-javnosti.rs/arhiva/2007/06/06/srpski/P0706503.shtml); Slobodan Samardzic: The USA Is Not Deciding about Independence of Kosovo - Americans Are Doing Things on Their Own, Glas javnosti, 12 June 2007 (http://arhiva.glas-javnosti.rs/arhiva/2007/06/12/srpski/T07061101.shtml); Resolution in Two Steps or a Russian Veto, Danas, 11 June 2007 (http://www.danas.rs/vesti/politika/rezolucijaizdvakorakailiruskiveto.56.html?newsid=113394); Serbia and Russia Are Defending Kosovo, Press online, 6 June 2007 (http://www.pressonline.rs/page/stories/sr.html?view=story&id=12804); Russian Support to Serbia for Kosovo, Politika online, 10 June 2007 (http://www.politika.rs/rubrike/Svet/t30993.sr.html);

3) "EU Is Taking Away and Humiliating, Russia is Helping", an interview: Tomislav Nikolic, Politika online, 10 June 2007 (http://www.politika.rs/rubrike/Politika/t27907.sr.html)

4) Interview: Veselin Djuretic, historian, Confederacy of Russia-Serbian Lands - the Only Salvation for the Serbs, Glas javnosti, 9 May 2008 (http://www.glas-javnosti.rs/clanak/glas-javnosti-09-05-2008/konfederacija-rusija-srpske-zemlje-jedini-spas-za-srpstvo)

5) Nikolic: The Russian Base on Kopaonik or on Pasuljanske livade, Blic online, 19 December 2007 (http://www.blic.rs/politika.php?id=23853) Interview: Veselin Djuretic, historian: The Russian Base Creating a Balance, Glas javnosti, 7 July 2008 (http://www.glas-javnosti.rs/clanak/tema/glas-javnosti-07-07-2008/ruska-baza-pravi-ravnotezu)

6) Interview: Radomir Smiljanic, writer, on his three new novels ready for publication: Resisting the Evil Spirit of Time, Glas javnosti, 30 June 2008 (http://www.glas-javnosti.rs/clanak/kultura/glas-javnosti-30-06-2008/odupreti-se-zloduhu-vremena)

becoming part of the Russian Federation"[7], and Sava Zivanov, who emphasizes that "one should strive to get to know Russia in order to *love her even more*".[8]

On the other side of this imaginary front there are those who look upon Russia with mistrust, as a "source of all evil", something one should be beware of, since they believe that Russia has always aspired to occupy and colonize Serbia. It is, however, hard to resist the impression that, at the same time, it is under a strong influence of Western stereotypes, with a barely concealed malicious criticism and a fondness to give arrogant lectures on democracy and human rights. It is in this context that they assess the modern Russian politics and the role of V.V. Putin or D.A. Medvedev in the Russian and world politics. When we come to the numerous negative statements on Russia and Russian politicians, many of which are totally out of place and sometimes truly disparaging, we can quote the president of the Liberal-Democratic Party, Cedomir Jovanovic, as saying that the signing of the NIS sales agreement represents "a colonization of Serbia achieved through the realization of the energy agreement with Russia"[9] or saying that "We know very well why we knelt before Russia - we did it for Kosovo"[10]. We can also quote Vesna Pesic as saying "You know, Russia has recognized Serbia the way it wants it to be and I cannot rule out that with this statement it confessed to having taken part itself in the murder of Zoran Djindjic"[11]. On this side of the spectrum there are also public figures such as Petar Lukovic, who describes the NIS sales agreement as "the most shameful treaty in modern Serbian history" and says that "Boris Tadic presented the Serbian Oil Industry (NIS) to Russia under such humiliating conditions that the German capitulation in the First World War seemed honourable compared to it"[12]. Speaking of modern Russia, Vladimir Gligorov says that the "autocratic regime is striving to impose itself on democratic countries by means of conflicts, especially if they have no significant military power, at least not the one Russia boasts."[13] Let us also quote Nikola Samardzic, among whose numerous statements on modern Russia, uttered too often with a large dose of arrogance, it is those on Vladimir Putin that stand out, especially: "He is an uneducated KGB spy, who talks rubbish from time to time. I do not want to exaggerate and to stress any role or ability of his, as I think he has none..."[14]. He also objects on the EU its lenient policy towards Putin, Russia and concludes: "But what on earth is happening to the EU? They are not able to deal with an average, primitive KGB member such as Vladimir Putin!"[15]

Of course, there are authors in the Serbian public who are trying to give a balanced picture of Russia[16], but the fact is that the mutually excludable *pro & contra* opinions, charged with emotions and therefore very frequent in the internal political battle in Serbia, are much more present and have a much bigger force in society, on which imperative decisions in an *either/or* key are constantly being imposed. (That fits very well in the talk of "two Serbias" - actually two marginal political and ideological groups in Serbia, which, with their aggressive public approach, create a false impression that Serbia has been sharply cleft ideologically and politically and that its only prospects lie in choosing between these two possibilities - which, of course, does not correspond to the real situation in any way whatever, but exclusively suits the aggressive and logoreic champions of the simplified division). Those mutually excludable discourses can be interpreted at several levels:

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7) Interview: Radomir Smiljanic, on his new literary project: Trilogy of Disorder, Only Russia Can Save Us, Glas javnosti, 7 November 2007 http://www.glas-javnosti.rs/clanak/glas-javnosti-07-11-2007/samo-nas-rusija-moze-spasti)

8) One should strive to get to know Russia and one should love it even more, Radio Svetigora 2008 (http://www.svetigora.org/node/3155)

9) Cedomir Jovanovic, president of the LDP, Hostages of Political Ambitions, Poligraf, 24 December 2008 (http://b92.fm/channel/Poligraf/28928.html)

10) The transcript of Cedomir Jovanovic's speech in the Serbian Parliament at a session on the confirmation of the energy agreement with Russia, the Serbian Parliament, 5 September 2008 (http://www.ldp.rs/vesti.84.html?newsId=1693)

11) The State against Serbia, an interview for magazine Dani, 5 March 2008 (http://www.ldp.rs/vesti.84.html?newsId=1225)

12) Petar Lukovic & Tomislav Markovic, Tadic, the Russian Santa Claus: Elementary, My Dear Boris!
Elektronske novine, published on Wednesday, 24 December 2008, 16:59 (http://www.e-novine.com/sr/srbija/clanak.php?id=20537)

13) The Russian Problem – Vladimir Gligorov, Peščanik, 17 August 2008 (http://www.pescanik.net/content/view/1849/1060)

14) Tangent of the Heart, Peščanik, 14 September 2006 (http://www.pescanik.net/content/view/1206/206)

15) Nikola Samardzic, Serbia should be the first to recognize independent Kosovo, Nezavisni magazin BH Dani, No. 553-18 January 2008 (http://www.zokster.net/drupal/node/814)

16) e.g. the articles of Petar Popovic and Slobodan Samardzija in the Politika daily or formerly, by Dragoslav Rancic in NIN

1. at the level of various political "codes" which reflect two opposed political/ideological positions (in that sense, they can be "read" and interpreted as the position of the "first" or "second" Serbia and as the "Russian" or the "American" or "Western" vision of Russia and Russian politics in the Serbian society, or a "pro-Russian" and "pro-American"/"pro-Western" political position);

2. at the level of dominant social stereotypes/myths, which have been present in the Serbian culture for two centuries now and which have become part of collective mentality (reflecting the centuries-long division of the Serbian society into Russophiles and Russophobes, traceable in continuity since no later than 1878);

3. at the level of various strata of historic memory and ideological heritage: Romantic, Communist, Stalinist

The fact is that there are two discourses prevailing in the Serbian public speech which, to a large extent, represent either an uncultured adulation or an uncultured disparaging of Russia, i.e. that it is the champions of primitive, out-of-place Russophilia, on one hand, and the champions of primitive, arrogant Russophobia, on the other, that are the loudest in public, which clearly testify that rational analyses of the mutual relations have been largely expelled from the Serbian public discourse.

The suppression of the rational and the domination of an emotional attitude to politics is one of the serious constant features and faults of the Serbian political mentality. However, its practical consequence - in this specific case - means that the prevalence of two discourses in the Serbian public speech - from an extreme Russophilia to an extreme Russophobia - points to the prevalence of the emotional (love vs. hate) and to the suppression of the rational when envisaging the complex issue of Russian-Serbian relations (both in the present and in the past). Although both approaches are basically irrational, regardless of the positive or negative terms they employ, either side emphasizes in mutual disputes that its stand is an "objective" one and accuses the other side of an "emotional" approach.

Of course, there is absolutely no need to prove that the radically positive or radically negative perceptions of Russia, Russian politicians or Russians in the Serbian public speak little or almost nothing of Russia itself. Those apologetic or disparaging presentations actually show that the Serbian public and social elites - focused on themselves - are in fact not interested at all in the real picture and information of Russia and what is happening there. They actually speak about us and our views of the world around us, of the mythological concept of the experience of Serbian-Russian relations in the past decades and centuries, of our proclivity for stereotypes when we speak of "others" - in this case, the Russians and Russia. Transposed into the past, these images offer a picture of Russia which laid itself, i.e. its own empire, as a sacrifice to "protect" Serbia in 1914[17], or of Russia that "betrayed" Serbia in 1878 having concluded the Treaty of San Stefano, thereby creating a Greater Bulgaria[18]. Russia is thus converted into a symbol with a functional value exclusively in the Serbian political speech and ideological battles.

A big problem, when speaking of the repression of the rational and the domination of the emotional, based on stereotypes and myths, envisaging of Serbian-Russian relations, is the fact that emphasis on an irrational discourse (love vs. hate Russia) imposes on the Serbian public (and very often on the Serbian politics, for that matter) a totally artificial choice, in the form of an imperative dilemma/decision: either Europe or Russia, or, at the metaphysical level, a decision between the East and the West.[19] That enhances the already over-emphasized proclivities in the Serbian politics and public for a constant imposition of making imperative political decisions, for a constant classification of the Serbian society, public persons and politicians into "ours" and "theirs". Such divisions in a small and undeveloped society and in a country such as Serbia represent a big burden and prevent a rational foreign policy from being profiled.

17) Highlight of the week: Russia's Awakening, Sava Zivanov, Politika online, 18 February 2007 (http://www.politika.rs/rubrike/Tema-nedelje/Budjenje-Rusije/t20106.sr.html)
18) Cf. Dubravka Stojanovic, The Serbs and the Russians, Blic online, 15 January 2009 (http://www.blic.rs/temadana.php?id=74306)
19) Regardless of dilemmas in the remote or distant past regarding taking the "Eastern" or the "Western" passage (Borislav Pekic) and fears of and resistance to "Westernization", it was orientation towards the European West (and not towards the East) that brought progress and modernization in all fields. (Ljiljana J. Bacevic, The Serbs and Europe, Belgrade, 2001, 7)

The extent of the emotional perception of Serbian-Russian relations can also be proved by the fact that in Serbia, a large number of scientists and publicists regard as necessary and opportune to voice their opinion in public and analyze Serbian-Russian relations, modern Russian politics or politicians. It is hard to count the total number of texts published in the press and on the Internet. The fact that in the past 10 years at least 30 books on modern Russia have been published is enough to testify to the extent of this production[20]. (The number of books by Serbian authors on the USA and other countries in the West published in the same period is much less.) In most cases, at issue are works with a hypothesis set in advance (mainly the glorification of Putin and Russia), which can be seen from the very titles: *Vladimir Putin and the Resurrection of Russia (2001),R*ise of Russia *(2002), The West or Russia (2004),* A new course of Russia *(2005).*

Speaking of authors in our country, what is fascinating is the fact that in most cases it is those who not only have no special knowledge of Russia, of the nuances in the Russian politics or Russian reality and are not involved in Russia in any way (on the basis of any research or analysis), but also do not know the essential facts of Russia itself and the Russian history, that express their opinions[21]. As a rule, they found their stands on impressionism rooted in an emotional experience of Russia and Serbian-Russian relations *(it seems to me...., I think that...., that reminds me of .....)* and draw their conclusions on the basis of the utilitarianism of presented attitudes in the internal Serbian policy.

A special problem of such an approach is reflected in the fact that thus authors do not present objective information on Russia, but rather "read" the Serbian politics and projections of Serbian wishes into the Russian context. Such an act of "reading into" can be recognized in an enormous number of works. The most characteristic, however, in this respect, include a book by Ljubinka Milicic: *Putin - My Battle for Kosovo*[22], which, with its very title, suggests that the then Russian president has decided not to conduct a Russian policy or fight for Russian interests, but to "fight for Kosovo" like a mediaeval crusader. Another example is an analysis of Slobodan Antonic, who, on the margins of a book by Vinko Djuric, is attempting to explain the formation of Putinism as an ideology of a "patriotic" elite, into which he "reads" a large number of positive social characteristics, which people living in today's Russia can in no way, not by means of any magic wand whatsoever, recognize - for example, that the third principle of Putinism is *progress for all*, not only for the rich, allegations that "Putinians" (without being explained at all what those terms mean) are not corrupted, which is the result of *traditional morals*, that a principle of Putinism is a high-quality patriotic education...An inevitable inference ensues that Serbia, although not so big and powerful as

20) B. Gvozdenovic, Russia, a Land above the Earth: Remembrance: As It Had Been Yesterday, Belgrade 2002, V. Djuric Vladimir Putin and the Resurrection of Russia, Belgrade 2001, V. Djuric Vladimir Putin and the Resurrection of Russia, Part 2, In the Midst of the Journey, Belgrade 2004,
V. Djuric, Putinism: History, Theory, Practice, Belgrade 2008, Lj. Milincic, Vladimir Putin: My Battle for Kosovo, Belgrade 2007, D. Milicevic, Stories from Russia, Belgrade, 2002, Dj. Milosevic, Time of Shame and Crime, Novi Sad 2005, Dj. Milosevic, Russia on the Crossroads, Novi Sad 2003, P. Rak, Nationalist International, Belgrade 2002, J. Salevic, Little Russian Stories, Belgrade 2004, A. Uzelac: Putin's Children, Belgrade 2005, J. Kurjak, O. Popovic-Obradovic, M. Sukovic, Russia, Serbia, Montenegro, Belgrade 2004, J. Kurjak, Political Changes in Russia 1990-1996, Belgrade 2000, Z. Milosevic, The Russian Question Today, Belgrade 2006, D. Mirovic, The West or Russia, Belgrade 2004, The Russian Policy in The Balkans: Collection of Works (edited by Jelica Kurjak), Belgrade 1999, V. Veres, Serbia and Russia – Reality and Illusions, Belgrade, 2000, S. Zivanov, Russia at the Time of Yeltsin – Social Processes and Political Organization (1990-1999), Belgrade 2002, S. Zivanov, Russia at the Turn of the Centuries – the Last Decade of the Russian Empire, from the End of the Crimean and to the Beginning of the First World War (1855-1914), Belgrade 2002, S. Zivanov, The Fall of the Russian Empire1-2, Belgrade 2007, S. Zivanov, Russia and the European Schism: Relations among European Powers on the Eve of the First World War: from the Berlin Congress to the Beginning of the War (1878-1914), Belgrade 2005, N.B. Popovic, Serbia and the Imperial Russia, Belgrade 2007, D. Petrovic: Geopolitics of the Post-Soviet Regions, Belgrade, Novi Sad, 2008, D. Petrovic, Russia at the Beginning of the 21st Century – a Geopolitical Analysis, Novi Sad, Belgrade, 2007, D. Petrovic, Demographic Marks of Modern Russia, Belgrade 2007, etc.
21) Some of them cannot even spell the name of Russian President Yeltsin in the original D. Petrovic, Russia at the Beginning of the 21st Century – a Geopolitical Analysis, Novi Sad, Belgrade, 2007, p.577), or claim they do not want to visit Russia, because: "I don't travel to countries in which people are unequal, mostly poor, unhappy, deprived of basic rights and prospects in democracy and culture of progress, development and tolerance" (Nikola Samardzic, A Month in Siberia, Peščanik, 24 February 2009 ((http://www.pescanik.net/content/view/2737/78)
22) Lj. Milincic, Vladimir Putin: My Battle for Kosovo, Belgrade 2007

Russia and therefore unable to literally *copy Putinism*, must learn how important a dedicated, moral and patriotic elite is.[23]

What is all this leading to? In 99% of cases, the Serbian public discourse is overflooded with texts or statements that are clearly placed into one of the two mythological moulds - the one about Russia as a "protector" and the one about Russia as a "source of all evils". Thus, by "reading" modern Serbian political needs into it, the Serbian public discourse is turning Russia into a political code, which again, as a rule, serves for classification into "ours" and "theirs".

The emotional attitude and the repression of the rational is also expressed through a clearly visible "experience" of Russia (Russian politics, culture, society). Most authors, when writing about Russia, experience it as equal to themselves, i.e. Serbia, and at that level, from both sides, they even keep instructing Russia (e.g. what kind of a more "proper" policy it should apply to protect Serbia, what it "needs" to do in the protection of human rights and how, etc. - as if Serbia were an acknowledged world leader in that field).

In that sense, it is characteristic that in both dominant discourses a self-reception of Serbia as equal with Russia prevails (as it is the case when comparing Serbia to some other "powerful" states - Germany, Britain, France...), which is actually quite an illusory one.[24]

Unlike Serbia - Russia and the Russian society experience Serbia and the Serbs in quite a rational manner (an emotional or irrational attitude, if any, can be perceived in its attitude to Montenegro, while a specific attitude to Yugoslavia can be noticed among elderly Russians).

Historical Framework of Russian-Serbian Relations and the Perception of Russia

The complex three-century-long relations between Russia and Serbia, which have included both cooperation and patronage, but also confrontations and disharmony, are difficult to explain and even more difficult to understand if they are viewed in simplified black and white stereotypical categories of "матушка", "a good protectress", or "an evil, despotic and tyrranical" Russia. One thing is certain - whenever, in the past three centuries, decisions have been made on the fate of Serbia and the Serbs, Russia has always tried, in one way or another, to participate in such decision-making, protecting its own vital interests as a rule (e.g. during the reign of Peter the Great, when the Serbs asked him to protect them from the Turks on one hand, and conversion to Catholicism, on the other, and even today, when resolving the issue of the final status of Kosovo is on the agenda of the international community).

If we observe the general trends of the development of mutual Russian-Serbian relations during the three centuries, periods of close cooperation, patronage and protection, but also conflicts and confrontations, are clearly visible and so are several key points and events.

Intensive Serbian-Russian relations in modern times started developing as early as towards the end of the 17th century (although individual contacts dated back to as early as the Middle Ages), when the most eminent Serbs, led by Patriarch Arsenije III Crnojevic, asked Russian Tzar Peter I The Great to help them liberate themselves from the Turks and when the Russia of Peter The Great decided to embark on a more

23) Slobodan Antonic, "Putinism" – an Idea of a Patriotic Elite, NSPM, Thursday, 5 February 2009 (http://www.nspm.rs/prikazi/qputinizamq-ideja-patriotske-elite.html); By this term Slobodan Antonic probably means the elite one of the most eminent representatives of which is Sergei Polonsky, who is famous for his phrase "who does not have a billion, can go and ...." (Снесло башню, Экспресс газета online, Опубликовано 22 Октября 2008г. (http://eg.ru/daily/politics/11366/print/)

24) It suffices to state just a few examples: Serbia spans 88,361km2 and Moscow and the Moscow district spans 47,000km2; Serbia has a population of 7,479,437 (8,116,552 inclusive of Kosovo), while Moscow has 10,126,424 (16,744,962 people inclusive of the Moscow district); London has a population of 8,278,251 in the urban zone, or 13,063,441 in the "broader" London and Paris has 10,142,977 in the urban zone, or 12,067,000 inclusive of its suburbs; Novi Sad, the second largest town in Serbia, has 191,000 people (altogether 298,139 in the wider territory of the town), while one of the Moscow regions alone, Certanovo, has 341,633 inhabitants, etc.

active policy in the Balkans (which, along with other reforms and changes of the epoch of Peter I, marked the beginning of its more resolute battle for its place among the leading European states).

During the 18th century, the mutual relations were characterized by the fact that Serbs most often addressed Russia with a request to help them in their battle for liberation from the Turkish sway by military, political, educational, cultural, spiritual or financial means, and also, as the Serb people, after the Viennese War and migrations under Patriarch Arsenije III, lived divided, i.e. in two states - Austria and Turkey - to protect them from Catholic pressure and attempts at converting them to Catholicism in the territories under the Habsburgs and the Venetians. This was also the time of mass migrations of Serbs from the Habsburg Empire to Russia, in 1724 and 1747, which were also instigated by the feeling of political, cultural and spiritual affinity. In that century, fighting with the Habsburgs for political influence in these regions, Russia succeeded in imposing itself as the patron of Orthodox Balkan nations, so it was precisely that role that it chose for itself when concluding the peace treaty in Kuchuk-Kainarji in 1774.

At the beginning of the "long-lasting" 19th century, as early as during the First Serbian Uprising (1804-1813), the Serbs showed clearly that they expect essential support from Russia, whether in the case of Uprising deputies, led by Archpriest Mateja Nenadovic, who were sent to Petersburg as early as in 1804 to officially ask for aid from Russia, or in the case of the political projects of Metropolitan Stefan Stratimirovic and Bishop of Backa Jovan Jovanovic, who addressed Russian Tzar Alexander I, proposing him that Russia should establish a protectorate over Serbia. However, the first conflicts and disagreements ensued during the Uprising, between Karadjordje and Russian representative Rodofinikin.

Russia had a role of Serbia's protectress, guarantor and patron in Turkey almost throughout the 19th century (which role it assumed when signing the Treaty of Bucharest with Turkey in 1812), although its politics did not always and fully live up to Serbian hopes and expectations.

The period of Russian patronage lasted until a major political turning-point in mutual relations in 1878, when, after the Treaty of San Stefano and later the Berlin Congress (at which Serbia obtained independence) a first radical dissension between the Russian and Serbian politics occurred. It was then that Russia directed its political aspirations in the Balkans to Bulgaria, leaving Serbia willingly to the Austrian sphere of influence. The cooling down of relations and the Serbian disappointment with Russian politics, which inevitably ensued, were prevailed over only after the Karadjordjevic dynasty returned to the throne in 1903 (they had close ties with the Russian imperial house) and after the Radical politician Nikola Pasic strengthened his position of power.

During the 20th century, radical turning-points in Serbian-Russian relations occurred at several intervals. First, after Serbia reassumed the policy of reliance on Russia, at the time of the outbreak of the First World War in 1914, the Russia of Tzar Nicholas II gave unreserved support to Serbia, which was exposed at the time to an Austro-Hungarian ultimatum and pressure. However, a dramatic turning-point ensued soon – the Romanov dynasty (the patron of Serbia until then) was brought down. Soon, the Russian Empire itself vanished through revolutionary transformations and the civil war of 1917-1920). Ideological intolerance and radicalism exerted a decisive influence on the decision of King Alexander I Karadjordjevic (who was, incidentally, educated in Russia) and Nikola Pasic to sever all political ties and contacts with the new, Communist creation – the USSR.

The intensificiation of relations, but in an entirely different international context, that of the Second World War, the triumph of the USSR, the expansion of the Soviet Empire onto Eastern Europe and the victory of Communists in the civil war in Yugoslavia, ensued as of 1944. That represented a new strong and deep turning-point in mutual relations, which were built in the framework of the Communist ideology and were observed and assessed from that angle. However, very soon, as early as in 1948, Tito and Stalin conflicted and a new radical turning-point occurred in mutual relations. The former closest allies, Yugoslavia and the USSR became bitter opponents within the Communist world.

The end of the 20th century saw new turmoils, temptations and challenges. Both countries underwent a traumatic common experience of the "fall of Communism", in 1985-1991, when both federations, the Soviet and the Yugoslav one, disintegrated. Yeltsin's Russia, although defeated in the Cold War, continued

acting like a great power (looking for its own place in the post-cold war world), while, during the "Yugoslav heritage wars", Milosevic's Serbia often turned to "matuska Russia", expecting help – or rather, expecting that the confrontation between Russia and the West will resume and that the FRY will reoccupy its "comfortable" position between the two opposing blocs. In those years, Russia tried to take part in making decisions on war issues in former Yugoslavia, but its engagement and power failed to satisfy the unrealistic ambitions of the Serbian political leadership (who were, by the way, too often tied with marginal persons from the Russian politics and even helped them financially, hoping they will come to power), which constantly led to new disappointments (especially during and after the NATO bombing of Serbia in 1999).

The political changes in Serbia of 5 October 2000 resulted in changes in mutual relations as well. Owing, to a large extent, to Milosevic's unrealistic expectations from Russia and partly to the Russian decision to "withdraw" from the Balkans, the relations cooled down abruptly in the first years of the 21st century (to such an extent that in June 2001, FRY President Kostunica made a diplomatic gaffe – instead of welcoming Russian President Putin at the airport during his first visit to Serbia after the changes of October 2000, he waited for him in the federal government building).

* * *

Ever since the beginning of the 18th century, the general perception of Russia in these regions has largely depended on mutual political relations. Before that time, in the period from the 15th to the 18th century, the prevailing perception of Russia among the Serbs amounted to a basically religious idea of Moscow as the Third Rome (the elements of which were recognizable in subsequent times as well). After the Viennese War, the address of Serbian dignitaries to Tzar Peter the Great and the migrations of Serbs to Russia, the prevailing idea among the Serbs in the 18th century was that a of a "great Orthodox emperor", who was a protector of the Serbs, whereas Serbian travellers looked upon Russia as their "third homeland", owing to a large number of Serbs that had moved there.

The 19th century brought an image of Russia as the leader of awakened Slavism. In that period as well, though, there were some reserved and even skeptical stances when Russia was at issue.[25] However, the political turning-point of 1878 saw the first traces of Russophobia in the Serbian society. The next, 20th century, highly ideologized due to the Communist victory in Russia, brought two extremities – ideologically close Serbian communists saw in Russia the leader of those who were humiliated and deprived of their rights, while its opponents considered it a sanguinary Communist form of despotism.

The turning-point in 1948 introduced an important novelty in the perception of Russia (USSR). As of that time, local communists waged a never-ending battle against Soviet ones on the following issue: who of them was the true interpreter and successor to Marx and Lenin. That "battle", which was vividly described by M.S.Gorbachev after his meeting with Milosevic, when he said that Milosevic had been arguing with him for two hours about the way he should be leading Russia, turned into an irrational and arrogant manner of belief that politicians and intellectuals here were "used" to "conduct" the Russian policy[26] instead of complying with it. Hence the support Milosevic often received in the 1990s from a circle of

25) Cf. Jakov Ignjatovic, Russian Chauvinism among the Serbs, J. Ignjatovic: Publicist Writings, Book 2, Novi Sad, Pristina 1989, 67-82

26) "The Serbs are persistently putting up resistance and defending their homeland. And Russia is sleeping. We are defending Russia as well, trying to awake it at the same time" (Vojislav Seselj, "The Serbian People and New World Order", New World Order (http://www.antiglobalizam.com/?lang=cyr&str=nsp)). It will be unrealistic if Russia should continue pursuing a course of a repressed historical and traditional consciousness, if it should continue walking along the line of a "diplomatic equidistance" and keep mistaking things for one another in the field of the former Yugoslavia. Therefore the Serbs are still criticized today with indignation, while "Croatian heroes under Stalingrad" are still being used against the Serbs, the way Tito did. (…) Hence the hoax of the recognition of independence of Montenegro played upon President Putin, although he himself had timely seen a solution for the two Serb units in a Serbian Federation. The Russian Russia is going to weep should it soon face NATO bases in Boka Kotorska, in the school of Peter the Great…(Interview: Veselin Djuretic, historian, Confederacy of Russia-Serbian Lands - the Only Salvation for the Serbs, Glas javnosti, 9 May 2008 (http://www.glas-javnosti.rs/clanak/glas-javnosti-09-05-2008/konfederacija-rusija-srpske-zemlje-jedini-spas-za-srpstvo))

marginal persons in the Russian politics and hence the numerous and deep disappointments with the Russian politics during wars in the region of the former Yugoslavia and during the NATO bombing.

A Modern Dilemma - Serbia EU vs. Serbia - Russia

In my opinion, the only option Serbia has today is - BOTH RUSSIA AND THE EU. No other variant is possible in the modern Serbian politics. On one hand, if all Serbian neighbours join the EU and NATO, which is something they are all aspiring to - and some are already there - it is totally illusory to search for Serbian prospects outside the EU. Russia, on its own part, neither will nor is able to replace the EU as far as economy is concerned and under such hypothetical circumstances. On the other hand, any serious political force in Serbia (planning to wield authority in near or remote future) simply needs to count on the "Russian factor" in its political activity, not so much in international relations (more specifically, in relations to Russia or the EU), but, above all, in internal political relations, for a total abandonment of any serious political contact with Russia, the taking of a severe anti-Russian stand and an expressed anti-Russian (Russophobic) rethoric, due to many factors (historical relations, collective mentality and memory, the NATO bombing of 1999 and the self-proclamation of Kosovo's independence in 2008) would clearly open a huge area for those political forces which would occupy that area very easily (or are already doing so by means of a cheap propaganda rethoric) and impose themselves as a very serious (decisive?) political force in Serbia.

Myths about Russia and Dynamics of the Development of Russian Foreign Policy Interests in the West Balkans

Aleksey Timofeev[1]

Summary:The Paper views the development of the dynamics of Russia's foreign policy in the West Balkans and myths thereof, which are present in the ex-Yugoslav area. The author tried to extrapolate a sequence of phases in which Russian interests in the Balkans changed depending on the internal affairs in Russia and its position in the World. The interference of Russia in different periods and impressions of the continuity of that trend in the Balkans represents one of the factors for the creation of myths represented in the "Russophile" and "Russophobic" circles of the Serbian society.

Traditional Serbian impressions of Russians started to formulate before the beginning of the 19th century. The ties between Serbian monasteries and Moscow (arrival of books, icons and certain financial aid) were the only form of Russian presence in the Balkans in 15th, 16th and 17th century. In the 18th century Russia became the place of targeted emigration for one part of the Serbian population from the Austrian areas. Due to the Russo – Turkish wars in 18th and 19th century Russia begun to actively interfere in the West Balkans. All this gave a picture of Russia as „the protector of Serbs", which led to the creation of stereotypes. Due to the intensified impression of "Russia as the protector of Serbs", an opposite stance was created within a segment of the population. A naive belief that Russia shall "always protect the Serbs" and the extrapolation of the term "mother" on a foreign country often lead to the exalted and unrealistic expectations and „demands"[2] due to the clash of reality with a projected image, there were frustrations and "fall of ideals" which resulted in sympathies turning into phobias. The inclusion of the Serbian elite into the mainstream European culture in the form of business and educational ties with Vienna and Paris, played a certain role in the creation of negative mythological constructions connected to Russia. With certain academic knowledge and work habits local stereotypes were accepted and thereby the acceptance of certain local „geopolitical concepts" with one part of the Serbian citizenry. In such a manner a certain division to „Russophiles"or "Russophobes" emerged. Sympathies and phobias somewhat decreased with the disappearance of the Imperial Russia after 1917 when "right" or "left" orientation received more prominence than love towards "West" or "East".

The situation began to change in the 1930s with the increase of extreme nationalism in Germany and strengthening of Germany as a strong state in general. The criticism of the Yugoslav centralism from the right with Croatians and Bosnians started to receive much more mass character than the same criticism from the extreme left. Finally, this trend reached its peak during the Second World War. By the creation of the Independent Croatian State (NDH) as a state which fulfils state building projects of the most part of the Croatian people and part of Bosnian people there was an entire sequence of circumstances – from "Moscow inspired" partisan uprising until the participation of Croatian legions in infantry and air operations in the Eastern front. All in all, this lead to the strengthening of negative prejudices about the USSR and also Russia. Much like during the First World War, mass propaganda and the circumstances of the war had to leave mark on the mass conscientiousness of individuals. On the other hand, most of Serbs and Montenegrins found themselves in difficult circumstances, due to occupations, from the loss of statehood to genocide. For this reason, again, an image of Russia as a protector has been revitalized. This revitalization went parallel with the further development of the concept of "Russia as an opponent of the Serbian welfare" with one part of the society. Due to the complicated and multi-layered civil war in Yugoslavia, different forms of imaginary impressions of Russia nuanced all the way to the emergence of

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2) Rovinsky P.A. Notes on Serbia: 1868 – 1869: (from travelers travel notes), Novi Sad, 1994, Russians on Serbia and Serbs. Под. ред.Шемякин А.Л., Спб., 2006

special pro Russian and pro Soviet stereotypes, anti-Soviet and, at the same time, anti-Russian concepts, anti-Soviet and at the same time Russophile concepts and even anti-Russian but, at the same, time pro-Communist positions. This division of the Serbian citizenry has, with certain permutations survived until the present day.

In most of former Yugoslav countries ruling elites as well as wider social circles managed to recognize in Russia not an opponent or ally but economic partner, whose market and investing potential could be used to the mutual benefit, without any political consequences and influence of traditional myths and stereotypes, without divergence from the firm Euro Atlantic orientation. Lately, Serbia has an opportunity to follow this road. In Serbia, however, even today one could feel the burden of firm mythological constructions connected to phobias and philias of individuals and his or her family and environs. Formulas "my dad sat me in his lap and told me about Russia" or "Grandfather advised me to be aware of the Russians" could be, even today heard in informal conversations with most Serbian citizens.

In the "sympathies" and "phobias" of peoples of the West Balkans, connected to Russia, one can extract one main line of fallacies – notion of some "permanent Russian attitude towards the Balkans". Historically speaking, one could barely speak of some continuity of Russian politics on the Balkans or Southeast Europe. It would be more logical to extract a sequence of separate, less connected periods in Russian foreign politics when continuous following of separately solidified courses were taking place.

The first period of Russian politics in the Balkans. In the conditional boundaries of this period one could delineate since the establishment of a Russian state, after the Tatar invasion of the 15 century all the way to the middle of 18 century. In this period, the Eastern frontier of Turkish Empire lied deep in the East on the territory of modern – day Ukraine. For this reason it was natural that all Orthodox peoples under the rule of *ungodly Agaryans* were viewed as a far away and less known periphery of the Orthodox world with deep background of the neighbouring enemy and the Islamic Empire. Aid, in the form of Church – related objects, cloths and permissions for collecting money in Russia was given at that time to Serbs and Montenegrins based on confessional closeness. Language closeness could give only technical facilitation of communication but were not taken into account in the case of passing certain decisions. Aid which was at that time given to the Orthodox population of the Balkans by some Russian religious circles did not overstep boundaries of confessional solidarity and humanitarian activity and did not have any deeper Governmental foundations.

The second period of Russian foreign policy in the Balkans. The inauguration of the Ekaterina II (1762 – 1796) brought a change in Russia's Balkan policy. Russian state interests in the Balkans were formulated. After the first Russia – Turkey war from Ekaterine's time (1768 – 1774) a peace treaty in Kučuk-Kajnardži was signed. Here Russia for the first time asked and Porta acknowledged the exclusive right of Russia on „protection of Orthodox peoples under the reign of Porta" which gave Russia the opportunity to interfere in the internal affairs of Porta during the course of the entire next century. Even greater changes emerged during the following Russian – Turkish war (1787 – 1792). With the support of her advisor and civil partner Grigoriy Potemkin, Ekaterine II launched the so-called "Greek project". Here one should mention that "Greek" in Russian language until the end of the 18th century meant "Balkan", and Greeks were named "Yelens", per Greek self-identification. This is why this "Greek project" in effect meant "Balkan project". Therefore, it was a project of division of the European Turkey into two parts between Austria and Russia. The Eastern part of the Balkans with Constantinopolis had to be converted into some "renewed Byzantine Empire" in vassal state towards Russia with Ekaterine's grandson Constantine as its head. The draft of the proposal on division was brought to light during negotiations with Austria 1789. However, due to the death of those inclined to this idea Jozeph II (1790), the proponent of this idea Gregory Potemkin (1791) and Ekaterine herself (1796), this project was terminated and the war itself, although victorious, did not bring any changes on the political map of the Balkans. Interestingly enough, West Balkans was left outside of the Russian interest sphere even in the most spectacular form for Russian expansionist appetites depicted in the "Greek project".

The logic of the Russian – Turkish wars led to the, following the Russian – Turkish war (1806 – 1812), land arrival of the Russian troops to the borders of the West Balkans. These events overlapped with the First

Serbian uprising. Already in this first engagement one could see the "*modus vivendi*" which will follow the Russia's behaviour in the West Balkan Peninsula, above all in Serbia from thereon. Moscow does not have ambition to include this area in the composition of the Empire. There were pleas heard by the leaders of the uprising of including Serbia into the Russian Empire, motivated by the hope that this will increase Russia's interest for the fate of Serbs.[3] However, Russia did not have ambition to incorporate war-like and poor province in the middle of the Balkan Peninsula, surrounded from all sides with more powerful and not exactly friendly empires. Russia saw in Serbs only "Orthodox Christians" and the maximum what could have been offered was the care of their status within the foreign Empire. This care was a second grade issue in the case of direct threat to the interests of Russia itself. The Bucharest Peace (1812), Akkerman Convention (1826) and Andrianopolis Peace (1829) have diligently among other Russia's demands fixed an obligation of Turkey to preserve the right of Serbs to autonomy. Turkey had to recognize, under the threat of Russian arms, each time the right of Serbs to autonomy. This road was definitely ended in 1878 when Turkey had to recognize the independence of Serbia. However, both 1878 the end of this road as well as 1812 as the beginning of this road, the interests of the Empire had primacy, and if interests of Serbs or some other "protégées" came into conflict with these Empires's, they had to be buried. In any case, this logic of great powers and their little allies is typical in all times.

It is very difficult to credibly determine what was in the essence of this "defence of Orthodox Christians", and not only Serbs, but also Greeks, Bulgarians, Montenegrins and others. Was this only the cunning way of weakening Turkey (and later Austria as well)? Most probably this motivation had the dominant role in this policy. We cannot in any case claim that, even in the case of the Eastern part of the Balkan Peninsula, this was a preparation of grounds for some further expansion. Valakhiya and Bulgaria in 18 and 19 century, in different times, were in the role of territories under the temporary Russian occupation. However nobody ever in Russian or foreign archive found a document which would show Russia's desire for permanent occupation of this territory. Russia's occupation administration in the Balkans never built big military installations, fortresses or railroads (such as those Russia built in the Caucasus for instance) which gives us a chance to negate this second assumption. As a third possible motivation one could bring forward the fact that Russia until the breakdown of Empire in 1917 represented not only an absolute monarchy but also some form of "Orthodox Theocracy". The role of the Orthodox Church was exceptionally high as well as a level of religious motivation not only with wider social circles but also with ruling Russian elites. Russia of Imperial times one can be compared to Saudi Arabia of modern times, a country which supports follow believers in the world not only for the purpose of economic and political but also for irrational and religious reasons.

The second period of Russian policy in the Balkans ended with a complete failure if one would view it as an attempt of expansion. However, if one views it as an attempt of creation of independent Orthodox states in the Balkans, friendly towards Russia one would have to say that these goals were fulfilled in full. The events of the First Balkan War when the former "protégées" of Russia passed a final verdict to the Ottoman domination in Europe could be seen as a triumph of this policy. Another feature of Russian policy in the Balkans at the time is almost complete absence of economic cover of the relations of Russia towards the Balkans. The trade balance of Russia – Serbia, Russia – Bulgaria, Russia – Montenegro and Russia – Greece relations and its role in the economic balance of these countries was as insignificant at the beginning of the 20th as it was at the end of the 18th century. Only striving of Russia to control Bosphorus and Dardanele straits could be connectd with economic interests.

The third period of Russian foreign policy in the Balkans. After the Revolution and the Civil War 1917 – 1921 Russia disappeared from the political map of the world and the state gained an abbreviation, USSR. The new state which was formed conducted a new, totally unrelated to the previous, policy in the Balkans. As an example of this totally different policy we could mention Soviet military aid to Turkey in fight against Greece which the young Soviet state gave to Ataturk in arms and military specialists during the Greeko-Turkish was of 1919 – 1922).

3) We must mention that these contacts were done pareallel wih contacts with France and Austria, which received similar offers.

This period of the third "Soviet" age, one must divide into several sub periods, because the Soviet foreign polity at that time towards the West Balkans fundamentally changed several times.

The first such sub period is connected to the work of Kominterna – international organization with the headquarters in Moscow with the desire to implement some "world revolution". Due to the political changes there was a complete breakdown of traditional comprehensions of the wider Russian state circles on the Balkans and Balkan nations. The criticism of all that the „cursed Tsarism" was doing led to the complete negation of all steps and connections which were made between Russia and Orthodox peoples of the Balkan Peninsula. The witch hunt against academic *slavistics* and change of diplomatic cadre and governing bureaucracy in general contributed to this. Significant role in this anaesthetising awareness of peoples on existence of the Balkans played a relatively beneficial climate for Russian political emigrants and fierce Bolshevik critics which formed in Balkan countries, above all in Yugoslavia and Bugaria in the period between the two wars. Yugoslavia led the way and did not have diplomatic relations with the USSR until 1940. Kominterna's position was not softer. "Yugoslavia – a dungeon of peoples" and "great Serbian chauvinists – oppressors of the suppressed Macedonians, Croatians, Albanians, Montenegrins Hungarians, Germans and Italians". Later, due to the Hitlers' coming into power and strengthening Stalin's authorities in the USSR, Kominterna softened its sharp criticism. There was a correction of attitudes on Yugoslavia. Kominterna did not any more bring forward thesis on artificial Versailles creation but only on the need for the federalization of Yugoslavia as a state. After the breakout of the Second World War Soviet – Yugoslav relations were created (in summer of 1940). However, this unfreezing of relations did not mean the ceasing of Soviet attempts to postpone, at any cost, Hitler's imminent attack on the USSR. USSR's neutrality was not interrupted even after the lightening destruction of Yugoslavia by the Wehrmacht. Due to Germany's attack on the USSR there was an activization of the Communist Party of Yugoslavia cadre, specially prepared in schools and courses of the Kominterna and the beginning of the partisan was which turned into the Civil War.

The second short, but very significant sub period of the Soviet foreign policy in the West Balkans started in the fall of 1944 with the arrival of Soviet troops which liberated Serbia from the Germans, but installed cruel partisan rule. From then on until 1948 a vassal towards Moscow regime was in power in Yugoslavia. The roots of this state lied in earlier agreements between Stalin, Roosevelt and Churchill. However, one should emphasize a relative low significance of the West Balkans region on the map of Moscow interests. Easiness, with which Stalin accepted Churchill's "fifty – fifty" in defining the future of Yugoslavia is very telling. It is less known that after the insight into the opened Soviet achieves, it became obvious how easy Stalin gave up Yugoslavia after the conflict of 1948. Although border skirmishes and provocations on the borders and propaganda activity were not insignificant, all in all, Moscow never seriously considered an option of military – police return of Yugoslavia under its control. It would be erroneous to consider this short, but very intensive period of the Soviet patronage in Yugoslavia for the internal circumstances in the country. The trails of these contacts remained visible in Serbia all the way until the end of 1990s on very different levels: from the look of the officers military documents to the textbooks of the Ancient World History. This short sub period is interesting also because of the fact that that for the first time there was an attempt of a certain economic expansion of Moscow in the West Balkans. Although in the conditions of command – administrative and Socialist economy, this expansion had relatively non – violent character. The first and the last time tin the history of of Russian and Soviet actions in the West Balkans area there was a strong cultural expansion which, unlike the economic attempts, left more traces in the later time.

From the deterioration of the relations in 1948*, until the fall of the USSR one could point out the third sub period of the USSR's policy towards Yugoslavia*. The relations between Moscow and Belgrade of that time were based on the bloc division in which Yugoslavia was not on the side of the USSR (for instance, during the crisis in Hungary in 1956, Czechoslovakia crisis in 1968, during Afghanistan and Poland events). It is symptomatic that in military rules and exercises the Yugoslav Peoples' Army was preparing to defend the country both from the blue arrows drawn from the West and from the red arrows pointed from the East. Only during the 1970s, with the easing of the sense of jeopardy with the Yugoslav establishment there was strengthening of Soviet – Yugoslav economic and cultural ties. However, this strengthening did not have a dominant character and in any case had a secondary character not only for the USSR but also for Yugoslavia economically and culturally connected to countries o the West Europe above all for Germany.

The statistics of the Serbian export and import for 1991 is very telling. The SFRY export in 1991 was $13.8 billion (Serbia's share was $4.5 billion) and import $14.8 billion (Serbia's share was $5.2 billion. The most important consumer of the Serbian export was Germany ($1.1 billion) and only after Germany the USSR ($0.8 billion)[4] Germany's share of import into Serbia was the most important ($1.9 billion) against $0.7 billion of the Soviet goods. In cultural contact the modern production of culture of the SUSR (music and film) although present in Yugoslavia could not compare with the modern West Euorpean or American cultural expansion which completely flooded the socialist Yugoslavia.

The fourth period of Russian foreign policy in the Balkans. Due to the fall of the Communist ideology and the disappearance of the USSR and SFRY there was a new turn in the history of the Russian foreign policy in the Balkans. This last, contemporary period of Russian foreign policy measures in the Balkans deserves a separate research.[5] We would only point out several most important guidelines of this policy. Russia, from 1991 until today does not have special official political goals in the Balkans. From 1991 until 2009 Russia did not once personify its allies in political elites of neither of the countries of the West Balkans. There were almost no investments of Russian tycoons' in significant local media in countries of the West Balkans. Neither in Serbia nor in Montenegro, let alone other countries o the West Balkans, no journal or TV station turned into a consistent voice of a separate "Russian view" although there are several examples of such "marked" media of other orientation in all countries of the region.

For now, the only consistent expression of separate position of Russian official policy was the example of the status of Kosovo. However, here as well as during the 1990s the basic visible goal is not some real result in the region itself, but a need to express certain „foreign policy messages" to partners on big and far away from the Balkans political theatre. During the 1990s the message sounded as „peace at all cost", and in this decade "peace, but it would be good if you respected us". Today, Western Balkans is outside of the defined Russian interest sphere and only Russian economic interests, by and large connected to private enterprises without major governmental support, are present. The only exceptions are projects connected to the energy sector. Regardless of significance on the region and regardless of the strong Russian institutions backing, these projects are not directed at the achievement of some major goals in the region but are to the much larger extent directed at achieving certain economic Russian goals in the EU. It is difficult to speak of any significant cultural presence of Russia in the region. The level of Russian cultural centres is far behind to similar American, German, Spanish and French institutions. Even the mass presence of Russian tourists in Montenegro is felt weak outside the hotel – service objects intended for the arrival of guests from Russia. Russia after break-up of the USSR definitely accepted role of big and developed state with economic interests, but has no ambitions or capacity of a superpower. Multiple repetition that it has nothing against Serbia's (or other countries from the region) European integration, Russia strived to show absence of its own political ambitions in the region. The contemporary official Russia did not once criticize Atlantic integration of the region firmly and vigilantly as it criticized the striving of former Soviet republics into NATO. Alleged closeness of Russian ties with Serbia is also in the realm of myths. Relations with Montenegro, Bosnia and Croatia are not worse if not better than those established between Moscow and Belgrade. A good testimony of that are not only statements of Russian Ambassadors in these countries but also the same level of visa facilitation granted by Russia to citizens of not only Serbia but to citizens of Montenero, Bosnia and Hercegovina and Croatia. Sometimes relations between ex – Yugoslav Republics with Russia are closer than Russia – Serbia relations. In this context we could mention the more positive climate for Russian investments in Montenegro, Croatian recognition of its citizens of Russian origin as a national minority and some other

4) Economic Sanctions or Military Interference // Nezavisimaya gazeta 1992 – 18 June. (Экономические санкции или военное вмешательство//Независимая газ. - 1992. - 18 июня).

5) See for instance relatively old, but methodologically correct „Russia in the Balkans". Scientific Papers/ Moscow Carnegi Center, 8 Edition, Moscow 1996. (Россия на Балканах. Науч. доклады / Моск. Центр Карнеги; Вып. 8, Москва, 1996).

Conclusion

Generally speaking it would be wrong to claim that there was a constant and continuous Russian policy in the Balkans. However, it would be wrong to claim that new periods in the Russian policy on the Balkans were unconnected to the previous periods. The four extracted periods in Russian foreign policy in the Balkans brought significant changes. Interference of Russian foreign policy interest in the Western part of the Balkan Peninsula from different periods lead to the creation of different "Russophile" and "Russophobe" myths. Another source of these myths are various "conspiracy theories" on alleged Russia's involvement in state coups in Serbia of 29 May 1903, 28 June 1914 or 27 March 1941, "Tito was not a Croatian but Russian secretly infiltrated by NKVD" or that the "late S. Milošević was an ally of the official Russia". In the latest "conspiracy theories" it is alleged that Russia's desire to obtain a military base in Montenegro or in Serbia. These non-economic theories and explanations create a specific relations towards major Russian investments in Serbia. It is symptomatic also of the apocalyptic display in Serbian media of the cooling of relations between the US and Russia towards the end of the mandate of the previous US President as some overture into the nuclear Armageddon. These "conspiracy theories" receive different colour depending on whether the analyst, journalist or simple speaker in the bar is sharing "philias" or "phobias" towards Russia. Neither helps the stabilization of the Western Balkans as a European region which sooner or later must find its way into the Euro Atlantic all the way. Lastly, these myths do not serve neither the interests of the EU nor Russia in the Western Balkan countries. With in these myths there is no room for rational thinking or vision of global and a well connected modern world economy.

Russian – Serbian Strategic Partnership: Scope and Content

Žarko N. Petrović[1]

Introduction

Since 2007 Serbia has had intensive relationships with one of its three[1] or four[2] foreign policy pillars – The Russian Federation. The most visible aspect of bilateral relations, in addition to the construction of the South Stream gas pipeline and overall cooperation in the energy sphere, is the common view on the issue of status of the autonomous province of Kosovo and Metohija. This issue has instigated other issues related to the international law and international relations. For example, since the August 2008 crisis in Georgia, Serbia has never joined the European Union in its position at the meetings of the OSCE Permanent Council.[3] Likewise, Serbia voted against the UN General Assembly Resolution recognizing the right of return by refugees (internally displaced persons) to Abkhazia.[4] Besides, Serbia has expressed "sympathies"[5] or "understanding"[6] for the Russian President Medvedov's initiative to conclude a new European Security Treaty. These harmonized positions indicate that there is a clear coordination, understanding and even strategy of joint positions at the international level between the authorities of the Republic of Serbia and The Russian Federation, both regarding the issue of Kosovo and other international issues.[7] This intensive political cooperation should certainly be viewed in the context of Serbian integration into its "first pillar" – the European Union. For example, in 2008 Progress Report[8], the European Union clearly stated that in the implementation of the oil-gas arrangement with Russia, Serbia had to ensure that the obligations of the Energy Community Treaty are respected, which constitutes a part of Serbia's European integration process.[9] This is a clear signal that Europe expects Serbia to behave in accordance with the rules of the "club" Serbia wants to join, i. e. that Europe is not against the cooperation with Russia as long as that cooperation is within European rules.

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1) The author is the Director of ISAC Fund programme for Russia and Commonwealth of Independent States. In 2008 and 2009 the author was a Political Officer in the OSCE Mission to Georgia (until the cessation of its activities). The positions expressed in this text are exclusively the author's views, based on publicly available data and do not reflect the positions of the Republic of Serbia, OSCE as an organization or any of its participating states;

The European Union, the United States of America and Russian Federation constitute "three pillars" of Serbian foreign policy. These three pillars, although previously mentioned in the presentations of Serbian officials, were last time clearly formulated in President Tadic's address to the Serbian ambassadors in January 2009. Mr. Tadic: "EU – the most important goal" – January 12, 2009 http://www.b92.net/info/vesti/index.php?yyyy=2009&mm=01&dd=12&nav_category=11&version=print

2) On the occasion of Mr. Tadic's visit to China, he spoke about China being one of the pillars of Serbian foreign policy. The interview of the President of the Republic of Serbia Boris Tadic in Politika daily, Tadic: China – Serbian Strategic Partner, available at: http://www.politika.rs/rubrike/Politika/Tadic-Kina-strateshki-partner-Srbije.lt.html

3) EU has the common position about the issues related to the August 2008 conflict between Georgia and Russia and the EU presiding state expresses that attitude at the meetings of the OSCE Permanent Council in Vienna. The neighbouring countries Montenegro and Macedonia regularly join the EU position.

4) Resolution of the General Assembly UN GA/10708, 15 May 2008, available at: http://www.un.org/News/Press/docs//2008/ga10708.doc.htm

5) The interview of V. I. Vornokov, Russian Permanent Representative to OSCE, Rosiyskaya gazeta, 20 August 2008 http://www.mid.ru/Brp_4.nsf/arh/62547841B1A28DDCC32574AB0055AC1B?OpenDocument

6) The stenographic record of statements and answers to the questions asked by media representatives given by the Russian Minister of Foreign Affairs S. V. Lavrov at the joint press conference about the outcome of negotiations with the Serbian Minister of Foreign Affairs V. Jeremic, Moscow, February 20, 2009. (Стенограмма выступления и ответов на вопросы СМИ Министра иностранных дел России С.В.Лаврова на совместной пресс-конференции по итогам переговоров с Министром иностранных дел Сербии В.Еремичем, Москва, 20 февраля 2009 года) http://www.mid.ru/brp_4.nsf/0/B38351266782BAE-6C32575670037ABC8

7) Video press conference of the Ministers Lavrov and Jeremic where Minister Jeremic spoke about this strategy http://www.mid.ru/brp_4.nsf/clndr?OpenView&query=21.2.2009&Lang=%D0%D3%D1%D1%CA%C8%C9

8) Brussels, November 5, 2008, SEC(2008) 2698 final, available at: http://ec.europa.eu/enlargement/pdf/press_corner/key-documents/reports_nov_2008/serbia_progress_report_en.pdf

9) The Treaty was signed on October 25, 2005 in Athens, ratified by the competent authority of the Republic of Serbia on July 19, 2006 and came into effect on July 1, 2006 – *Official Gazette of the Republic of Serbia*, No. 62/2006 dated 19/07/2006.

The general conclusion is that this "Russian pillar" of Serbian foreign policy has become increasingly stronger. Although its strength cannot still be compared with that of the pillar called the European Union, since, according to the data of the Republic Statistical Agency of Serbia more than one half of the total foreign trade in goods goes to EU[10], it has been become stronger and more important. Namely, since 2004 the value of trade exchange with Russia has been constantly increasing. The majority of Serbian import originates from Russia, in the value of almost one billion US dollars per year, consisting mainly of energy resources. On the other hand Serbia exports to Russia mainly medicaments, half-products and some food.[11]

In this review we are going to analyze the issues related to Russian support to Serbia in connection with the Kosovo status issue and the feedback that Russia expects from Serbia at the political and economic agenda.

The review is not dealing with the economic issues separately, but they will be touched upon for the purpose of emphasizing their significance within the political relationships. The fundamental thesis of the review is that the political cooperation or "strategic partnership" between Russia and Serbia is unfavourable for Serbia in its present form, because it does not sufficiently take into account priorities of the Serbian European integrations. In addition, the Serbian policy towards Russia, set up in this way, above all due to the Russian support to the status of Kosovo, must take into consideration the fact that the Russian support does not have a decisive impact on its solution. Also, the fact that Russia assumed a different stance towards the Georgian provinces than towards the Kosovo issue, casts a shadow over the Russian policy of supporting the principle of territorial integrity and sovereignty of Serbia. Consequently, we can say that the EU integration should have the central place within Serbian foreign policy priorities, while the cooperation with Russia is a bilateral issue that should not jeopardize the EU integration at any time. The proper measure of cooperation between Serbia and Russia is "practical – bilateral cooperation"[12], which should not put at risk the European perspective of Serbia. However, this review does not have an intention to suggest that Russia has a plan for impeding European integration of Serbia or to suggest that any of the analyzed Russian actions is illegitimate from the aspect of Russian interests – as seen by the Russian leaders themselves. On the contrary, the review is striving to show that the responsibility lies on the Serbian leadership to accept Russian initiatives, which reflect Russian interests, only if they are not damaging European integrations of Serbia.

Qualitative Improvement in Russia-Serbia Relationships at the Beginning of 2009

It is often emphasized that the qualitative improvement in the bilateral relationships between the two countries occurred on January 25, 2008 when the Agreement in Moscow between the Government of the Republic of Serbia and the Government of the Russian Federation on cooperation in the field of oil and gas industry was signed. However, the Serbian party ratified this Agreement only on September 10, 2008 by the Law that came into effect eight days later. This Agreement started its existence only after President Tadic's visit to Moscow in December 2008.

The strategic partnership in the energy sphere, which had been announced in January 2008, following the signing of the Agreement, returned to be a "practical bilateral cooperation" in July of the same year, when Foreign Minister Vuk Jeremic visited Moscow.[13] Perhaps this could be explained by the Russian questions about the failure of the Serbian side to ratify the Oil-Gas Agreement from January 2008. The meeting between President Tadic and Minister Sergey Lavrov in New York, in the wake of the meeting of the UN General Assembly in September 2008, and Russian active support in passing the resolution of this body calling for an advisory opinion of the International Court of Justice about the unilateral declaration of

10) Republic Statistical Agency, data available at: http://webrzs.stat.gov.rs/axd/index1.php?SifraVesti=356&Link=
11) Ibid http://webrzs.stat.gov.rs/axd/spoljna/index1.php
12) Interview of the official representative of the Russian Ministry of Foreign Affairs Andrey Nesterenko related to the upcoming visit of the Serbian Minister of Foreign Affairs V. Jeremic, July 16, 2008, available in Russian at: http://www.mid.ru/Brp_4.nsf/arh/6319B2237D5B4F40C325748800295D18?OpenDocument
13) Ibid

independence of Kosovo, did improve this cooperation. On the occasion of President Tadic's December visit to Moscow, both Presidents of Russia and Serbia before their meeting publicly mentioned "strategic relationships" between Serbia and Russia.[14] After this visit, it became obvious that the Serbian authorities have serious intentions regarding the oil-gas arrangement and that they are determined not to agree to the change of Kosovo status. Hence, this visit cleared a path towards strategic relationships between the two countries, but only after having determined clearly both of these issues and having defined them in the relationships between the two countries.

When the Minister of Foreign Affairs Vuk Jeremic visited Russia on February 20, 2009, the Russian Minister of Foreign Affairs Sergey Lavrov, at the press conference after the meting, described the state of relationships between the two countries as mutual *interest in building strategic partnership*. Before Jeremic's visit to Moscow, on February 19, 2009, the official representative of the Russian Ministry of Foreign Affairs Andrey Nesterenko had said that the working visit was in line with the agreement on extending intensive Russian-Serbian contacts at the high political level with the aim of developing projects of bilateral cooperation, as well as the agreement on *coordinating approaches and diplomatic efforts related to international problems*.[15] According to Nesterenko, they are *directed towards building a strategic partnership*. The Russian support to the Serbian policy over the Kosovo status issue and the strategy of joint stance at the international level also means joint positions on other issues at the international level. For example, during Minister Jeremic's visit to Moscow on February 20, 2009, Minister Lavrov expressed his gratitude to his Serbian counterpart for the *interested approach of Serbia towards the Russian initiative on signing a new European Security Treaty*.[16] During their conversation at the informal Ministerial Council in Corfu, the bilateral readiness of Russia and Serbia to cooperate closely in their efforts related to crucial international issues, including the issue of Kosovo, was confirmed.[17]

However, before Minister Jeremic's spring visit, Russian officials, even when they were talking about the strategic partnership between Russia and Serbia, spoke about the strategic partnership in the energy sphere (although they did use several different terms to describe that). Therefore, the question is what turned the *strategic partnership in the fuel/energy sphere*[18] into the *strategic partnership* between Russia and Serbia? The statements of Russian officials during this working visit of Serbian Minister did not contain any more the previous clarification "*strategic partnership in the sphere of energy*", which had been determining the state of relationships between Serbia and Russia up to that point. That clarification was used also during the conversation between Lavrov and Jeremic at the Ministerial Council in Helsinki[19] and in the previous contacts between Russian and Serbian officials.[20] Finally, the visit of President Medvedev to Serbia, announced for October 20, 2009 as a first-rate political event, is also directed towards *determining benchmarks for further strengthening of strategic partnership*.[21]

In 2009, the relationship between Russia and Serbia intensified and has been elevated to the level not seen for decades. There are contacts and cooperation in economy and politico-military sphere. By signing

14) The beginning of meeting with the President of Serbia Tadic, on December 24, 2008, available in Russian at: http://www.kremlin.ru/text/appears/2008/12/210958.shtml

15) The interview of the official representative of the Russian Ministry of Foreign Affairs Andrey Nesterenko related to the upcoming visit of Serbian Minister of Foreign Afairs V. Jeremic, February 19, 2009 – available in Russian at: http://www.mid.ru/Brp_4.nsf/arh/342FA6A377E5EA48C3257562004EDC0A?OpenDocument

16) The stenographic record of statements and answers to the questions asked by media representatives given by the Russian Ministry of Foreign Affairs Sergey Lavrov at the joint press conference with Serbian Minister of Foreign Affairs Vuk Jeremic, available in Russian at: http://www.mid.ru/brp_4.nsf/0/B38351266782BAE6C32575670037ABC8

17) Details about the conversation between Ministers Lavrov and Jeremic on Corfu, June 29, 2009 available in Russian at: http://www.mid.ru/Brp_4.nsf/arh/4E76296504640C9AC32575E4004E07F9?OpenDocument

18) Russian President Vladimir Putin, on the occasion of signing Oil-Gas Agreement on January 25, 2008, available in Russian at: http://www.kremlin.ru/appears/2008/01/25/2006_type63377type63380_158116.shtml

19) The interview between Lavrov and Jeremic in Helsinki, available in Russian at: http://www.mid.ru/brp_4.nsf/0/B1C55C0E-C386A565C32575150068BCC6

20) Lavrov – Tadic, September 25, 2008 in New York at the meeting of UN General Assembly, details about the meeting between Ministers Lavrov and Tadic, available in Russian at: http://www.mid.ru/Brp_4.nsf/arh/7CE4EDBF6A43E661C32574CF002059C3?OpenDocument ().

21) A phone conversation between Presidents Medvedev and Tadic, available in Russian at: http://www.kremlin.ru/sdocs/news.shtml?day=5&month=08&year=2009&Submit.x=3&Submit.y=6&value_from=&value_to=&date=&stype=&dayRequired=no&day_enable=true#

the Agreement on constructing the Serbian part of the *South Stream* gas pipeline and selling Serbian Oil Industry (NIS), as well as by planning the construction and modernization of the underground gas storage *Banatski dvor*, with all estimates that this is a political arrangement, this cooperation has been formed in such a way as to reflect not only Serbian interests related to Kosovo, but also many Russian interests. At the same time, other examples also support this assessment. The list of products that are exempted from customs duties or with reduced customs duties specified in the Treaty on Free Trade has been expanded.[22] It is expected that, in addition to the Moscow Bank, some other major Russian banks will come to Serbia, such as Gazprom bank. This will facilitate the expansion of Russian business in Serbia. Serbia requested a loan from Russia in the amount of one billion US dollars, which is being considered, but it is believed that it will be granted.[23] Besides, after many years of delay, the overhaul of the hydroelectric power plant Djerdap I should start and it should be performed by the Russian company *Siloviye Mahsini*. Since April 2009 the Russian engineers have been removing the bombs from the period of NATO bombing.[24] Also, the repair of weapons and military equipment of the Army of Serbia, mainly of Russian origin, is underway.

The conclusion emerges that before the end of 2008 and ratification of the Oil-Gas Agreement the Russians had not spoken about the strategic partnership in the same way as they began to speak after the ratification. Also, a series of previously mentioned changes occurred only after Serbia and Russia had established the foundations of their strategic partnership, which could not be only trade, investments and cooperation related to the status of Kosovo, because these are primarily Serbian interests. It was necessary to build in the strategic partnership Russian interests as well. Russia clearly stated that it is the cooperation related to oil/gas, under the terms and conditions that were finally agreed upon, and cooperation at the international level.[25] From that point on we can speak indeed about the strategic partnership.

Hence, presently we can separate three determiners of strategic partnership between Russia and Serbia: (1) Russian support to Serbian policy related to the status of Kosovo; (2) coordination of positions of the two countries regarding other international issues; (3) Unimpeded implementation of strategic economic projects such as the *South Stream* Project and the entire oil-gas arrangement between Russia and Serbia.

Kosovo Status Issue: the Russian Position

From the beginning of talks related to the status of Kosovo, Russia's standpoint was that the solution must be reached with the consent of both parties "without artificial deadlines".[26] The proclamation of independence followed when it became clear that Russia was not going to yield and that the independence of Kosovo would not be verified by the UN Security Council. The Kremlin has always pointed out its support to the Serbian policy of defending the principle of territorial integrity and sovereignty. However, it has often

22) Ratified – *Official Gazette of FRY* – International Treaties, No. 1/2001. Pursuant Article 4, Paragraph 2 of the Agreement between the Federal Government of the Republic of Yugoslavia and the Government of Russian Federation, which provides that the signatory parties shall adjust the exceptions from the regime prescribed by Article 1 of this Agreement, that shall be applied on the basis of bilateral protocols signed by the signatory parties in accordance with their national legislations, at the seventh meeting of the Working Group for Improving Trade and Economic Cooperation and Enhancing Trade Mechanism between the Republic of Serbia and Russian Federation, the Protocol of Exceptions on Free Trade Regime was signed in Belgrade on April 3, 2009, but it is not clear whether it is subject to new ratification or it will be applied directly on the basis of signatures of the Working Group members.

23) The Russian Ambassador in Serbia Aleksandar Konuzin, http://www.b92.net/info/vesti/index.php?yyyy=2009&mm=08&dd=06&nav_category=11&nav_id=375064

24) According to the data of the Russian Ministry for Emergency Situations, in the period from April 6 – August 12, the specialists from the High Risk Rescue Operation Centre within this Ministry searched 539,413m2 of the territory and they plan to search the additional 418,000 m2. They found 177 explosive devices. Available in Russian at: http://www.mchs.gov.ru/portal_news/detail.php?ID=22992

25) As soon as during his visit to Belgrade on October 9, 2007, Aleksey Miler, the Head of Gazprom said that "our entire business cooperation is a part of one complex project i. e. we consider our participation in the privatization of NIS to be a part of strategic cooperation with Serbia", Vreme, October 18, 2007.

26) Russia opposes artificial deadlines for Kosovo settlement, Ria Novosti 17:2521/06/2007: http://en.rian.ru/russia/20070621/67606516.html

been interpreted in Serbia as supporting and defending Serbia, which has never been the intention of Russian officials. The Russian position about the Kosovo's status issue was precise: Russia was defending the principle of territorial integrity and sovereignty, and not Serbia as a state. Defending this principle, Russia has been supporting the current Serbian policy related to the status of Kosovo, but it has not been defending Serbia. It would be difficult to imagine a situation in which Russia would provide any political or military assistance if Serbia tried to defend its territorial integrity in Kosovo using military force or applying more intensive political measures (for example, economic sanctions against Kosovo).

As soon as in 2003 Russia withdrew its troops from Kosovo, with the explanation that further presence of Russian soldiers would only be used as justification for the developments considered by Russia to be wrong.[27] This stance practically released Russia from liability to be included in the issues related to the status of Kosovo and life of minorities, and released Russia from the costs of that operation. Russia withdrew to the level of discussion about the principles in the international bodies, bilateral and multilateral fora. This move had been done even before the policy related to the options of future status of Kosovo had been formulated and before the framework for the independence of Kosovo that followed after the outrage on March 17, 2004 was established. Namely, at that time the previous approach *standards before status* was transformed into a slogan rather than a policy.[28]

However, Russia kept its Chancery in Pristina and active cooperation with UNMIK, along with several policemen who worked in the corpus of UNMIK police. Russia was also included in the consultations related to the final status of Kosovo. Nevertheless, its standpoint that the parties have to reach an agreement without deadlines was not supported by the states of transatlantic community, primarily by Washington. Since the beginning of establishment of Kosovo independence, Russia has given certain diplomatic support to Serbia, which has been increasing over time and which resulted in postponing the proclamation of independence for a short period of time. The Russian position has all the time been interpreted as the necessity of respecting the international law, Helsinki Final Act 1975, and principles of sovereignty and territorial integrity.

Until August 2008 Russia covertly, and since then openly, had a completely different approach towards Georgian provinces Abkhazia and South Ossetia. Following the military intervention that took place 8–12 August and the defeat of Georgian forces that entered South Ossetia, as well as their expulsion from the Kodori Gorge in Abkhazia, on August 26, 2008 Russia recognized the independence of these two Georgian provinces. In doing that, Russia emphasized that Georgia had committed a crime with its treacherous assault on Tskhinvali[29] thus itself annulling its territorial integrity.[30] In addition, Georgia (unlike Serbia) attacked South Ossetia while the negotiations under international auspices were ongoing. The Russian argument for the recognition of these two Provinces is that it is the method of providing security in these "Republics". Furthermore, many Russian arguments in the favour of independence of Abkhazia and South Ossetia, *mutatis mutandis,* are the arguments provided by the transatlantic community in the case of Kosovo, which is a kind of Russian response to ignoring in relation to Kosovo. Faced with the accusations of being inconsistent in its interpretation and application of international law, since in the case of Kosovo Russia took a completely opposite stance, Russia explained that it was *true* that the cases of Kosovo and Abkhazia and South Ossetia could not be compared because Serbia had not attacked Kosovo the way Georgia attacked South Ossetia, and therefore the case of South Ossetia was *sui generis*, and it was not equal to the case of Kosovo.[31] The words of President Medvedev are the following:

27) Press statements and answers to questions related to the outcome of the meeting with the Prime Minister of Serbia Vojislav Kostunica. The text is available in Russian at: http://www.kremlin.ru/text/appears/2004/06/65300.shtml

28) Kai Eide's Report – Comprehensive Review of the Situation in Kosovo. Available at: http://www.ico-kos.org/?id=6

29) Speech of Ambassador for Special Assignments within the Russian Ministry of Foreign Affairs D.E. Tarabin at the first working session of the Annual Security Conference OSCE, on June 23, 2009. "OSCE approaches and work in the field of early warning, conflict prevention and management, crisis management and post-conflict rehabilitation", Vienna, June 23, 2009 - available in Russian at: http://www.mid.ru/Brp_4.nsf/arh/CE6A9D086155121CC32575E00055A9EA?OpenDocument

30) See also the Announcement of the Russian Ministry of Foreign Affairs dated August 25, 2009, available in Russian at: http://www.mid.ru/brp_4.nsf/0/4107A0E2642142ABC325761D0022E2AA

31) Sergey Lavrov, Face to face with USA: Between non-confrontation and convergence, Journal Profile, No. 38, October 2008, available in Russian at: http://www.mid.ru/Brp_4.nsf/arh/B3C8684DEA14B242C32574E1002FD07B?OpenDocument

Our colleagues told me more than once that the case of Kosovo is unique, as lawyers say casus sui generis. OK, if that case is unique, than this case [of Georgia] is also unique.[32]

Two different cases or two standards for the same case: Kosovo and Georgian Provinces Abkhazia and South Ossetia

The Russian leadership has all along been comparing the cases of Kosovo and renegade Georgian provinces. According to Russia, the issue of Kosovo status and unilateral declaration of independence recognized by the majority of transatlantic community members was a *precedent*, which is also valid for Abkhazia and South Ossetia. Many post-Soviet states, such as Ukraine, Azerbaijan, Georgia, Moldavia, Central Asian states, do not even consider recognizing Kosovo, but neither do they consider recognizing Abkhazia and South Ossetia. Such stance is opposite to the efforts of transatlantic community invested in proving that the case of Kosovo is *sui generis*, unique and that it cannot be applied to other conflicts.[33] Precisely that attitude of treating Kosovo as *sui generis* case and ignoring the Russian position towards Kosovo in the last ten years motivated Russia to create a new *sui generis case* - Abkhazia and South Ossetia.

The refusal of Russia to recognize Kosovo as well as its diplomatic and political support to Serbia, along with its diplomatic, political and economic support to Georgian provinces whose majority population, like Kosovo Albanians, requested independence from Georgia after the armed conflict, raise an issue of consistency of The Russian policy in relation to ethnic conflicts. If one compares the images from these two cases, the result is mixed. In spite of a series of similarities between them and Kosovo, referred to by Russia, there is a series of differences, referred to by the Western countries. Finally, little essence remains, except that real interests prevailed over principles and law.

However, it is necessary to compare both the interests of transatlantic community to recognize the independency of Kosovo as well as the interests of Russia to recognize Abkhazia and South Ossetia. Only then are we going to have a complete outlook at developments and outcomes of these events that marked the beginning of 21st century.

According to the data of the International Crisis Group some eight thousand people died in the 1992–1993 war in Abkhazia.[34] It ended in 1994 with the Moscow Agreement, which established the separation line between the conflicted parties and the political format for negotiations. In 1994, the negotiations began under the auspices of the United Nations and lasted until May 2009 when they ended in a total failure and when the UN Peacekeeping Mission in Abkhazia, Georgia ended with its withdrawal. Although the format for negotiations still exists through the so-called "Geneva Process" among Georgia, Russia, Abkhazia and South Ossetia, dealing with the security and return of the displaced, the United Nations do not have the field mission any more. Since the very beginning, Russia had deployed its peace contingent in the so-called zone of conflict between Abkhazia and Georgia, which was under the peace operations mandate of the Commonwealth of Independent States (CIS) supported by the United Nations. Until 2007 Abkhazia was completely integrated into the Russian economic system and totally dependent of Russia. Russia began to grant its passports to the inhabitants of Abkhazia and almost all inhabitants of non-Georgian ethnic background obtained those passports by 2007. Two months after the Kosovo's declaration of independence on March 2, 2008 Russia officially withdrew from the sanctions imposed in 1996 on Abkhazia by CIS and established formal relationships between Russia and *de facto* authorities of Abkhazia (and South Ossetia)[35]. At the same time, it should be mentioned that Abkhazia continuously enjoyed the support of informal Russian circles, but also the formal ones such as the political and economic support

32) Medvedev defends the solution of two Republics (Медведев отстаивает решение о двух республиках), http://news.bbc.co.uk/hi/russian/russia/newsid_7583000/7583005.stm

33) See Bruno Coppieters, The Recognition of Kosovo: Exceptional but not Unique, Readings in European Security, Centre for European Policy Studies, International Institute for Security Studies, Geneva Centre for the Democratic Control of Armed Forces & Geneva Centre for Security Policy 2009.

34) Report "Abkhazia Today" available at http://www.crisisgroup.org/home/index.cfm?id=4377&l=1

35) Press release of the Russian Ministry of Foreign Affairs: http://www.ln.mid.ru/Brp_4.nsf/arh/79C58F476CAEC4E8C32574040058934C?OpenDocument

of the Moscow City, with its long-term Mayor Yuri Luzhkov. For example Russia was almost always paying pensions to the inhabitants of Abkhazia. The consequence of these facts was that Georgia, but also some other transatlantic community states, since 2004 have not considered Russia to be a fair mediator, but the party to the conflict.

According to the data of the International Crisis Group the conflicts in Abkhazia resulted in 239,000 displaced Abkhaz inhabitants, predominantly Georgians who used to constitute an ethnic majority in that Autonomous Province before the conflict, i. e. the total of 46% of all Abkhaz population. *De facto* Abkhaz authorities in 1999 allowed the limited return of Georgians in Gali Region, at the border with Georgia (some 45-50 thousand people), but they kept their position that the majority of Georgians could not be allowed to return *because the 1992 war disaster would be repeated*[36]. The recognition of Abkhazia happened despite the fact that more than a half of the population had been expelled from Abkhazia (46% of Georgians and an additional small percentage of people belonging to other ethnic groups who escaped at the very beginning of the conflict).

The events in South Ossetia did not essentially differ from the events in Abkhazia. The 1991 – 1992 conflict did result, though, in fewer victims – some 1,000 persons were killed. The 1993 International Framework for Negotiations was under the auspices of the Organization for European Security and Cooperation. Within the framework of the so-called Joint Control Commission, a body consisting of the representatives of The Russian Federation, Georgia, South Ossetia authorities and North Ossetia authorities, no essential progress resulted from negotiations during the entire "frozenness" of this conflict. The Russian Federation had its troops deployed also in this territory, under the mandate of ICS as well.

When Georgia failed in all its attempts to change the negotiating format which was dominated by Russia and that had no perspective for achieving results in the favour of its territorial integrity[37], President Saakashvili decided in favour of a military action. The action ended in failure, and that raised numerous questions related to the conduct in war by all participants and in particular by the troops that belonged to the unofficial authorities of South Ossetia. The conflict ended with the mediation of French President Sarkozy who negotiated the principles of cease-fire and the beginning of a new negotiation process. Russia and Georgia have never signed identical versions of these principles, but in the field they had a practical effect of stopping the conflict and Russian advance within Georgia. Until October 10, 2008 Russian forces withdrew from almost all parts of Georgia outside of South Ossetia. The entire Georgian population was also in this case exiled from South Ossetia and their property was mainly destroyed.[38]

Regardless of whether the cases of Kosovo, Abkhazia and South Ossetia are going to be considered precedents or not, the fact is that these cases have both many similarities and huge differences. In both conflicts until August 2008 Russia supported the principle of Georgian territorial integrity and voted for each UN Security Council resolution and each OSCE Permanent Council's solution that were confirming that integrity. In practice, Russia supported the inhabitants of these two Georgian regions by granting the citizenship of The Russian Federation, which annulled all needs of this people to be a part of Georgia or to go to Tbilisi. Russia was giving them also practical support in the form of money, trade, open and half-open borders, etc. Russia used to justify this double track with humanitarian reasons and need to help the population of these regions who found themselves in an unsupportable situation due to the stubborn policy of Tbilisi.

Both of these two conflicts in Georgia should be viewed in the context of Russian need to keep its influence in the territory of South Caucasus. The Georgian striving towards NATO with the potential accession to NATO would leave Russian military forces in Armenia isolated. Besides, the alternative corridors for the transportation of energy resources – oil and gas from the Sub-Caspian region and Central Asia would

36) Interview of de facto President of Abkhazia Sergey Bagapsh - available in Russian at: http://www.apsny.ru/apsnynews/apsnynews.php?mode=more&more=13626

37) Since the first half of 2007 Georgia has advocated for the change of negotiation format according to the principle 2+2+2, OSCE and EU + Russia and Georgia + authorities of South Ossetia and parallel Provisional Administration of South Ossetia loyal to the Government of Tbilisi.

38) Detailed information about the events can be found at the Internet sites of Human Rights Watch: http://www.hrw.org/en/europecentral-asia/georgia, and Amnesty International http://www.amnesty.org/en/region/georgia

become open and free of any Russian influence. After the conflict in 2008 and unanimous support to Georgia, given in more or less firm form, by the states of transatlantic community, Georgia made it clear that it was going to withdraw from CIS, which would have terminate the mandate of Russian forces in Abkhazia and South Ossetia. Russia decided to recognize its independence partly because, of the mentioned realpolitik arguments, and partly because Russia needed to keep the presence of its armed forces in those territories and consequently its influence in these regions. Ever since, Russian soldiers have stayed in these two regions on the basis of agreement that Russia concluded with Georgia after its recognition. Therefore, Russian interests have evidently prevailed over the principles of preservation and protection of the territorial integrity of each country.

After the recognition of independence of Kosovo – an autonomous province of the sovereign country, Russia took a stance that the notion of state sovereignty and territorial integrity has now become completely relative. A doubt emerged that the weakening of sovereignty principle could have adverse effect on the territorial integrity of Russia itself, taking into account its problems in North Caucasus.[39] For that reason, from Russian perception of international relations the only option was the demonstration of force. This is, among other things, one of the main reasons why Russia opposes so strongly the enlargement of NATO, which is not seen directly as a military threat, but as something that largely narrows political options, including the option of force, in the case of instable North Caucasian Republics – Chechnya, Ingushetia, Dagestan as well as other Republics. These North Caucasus Republics have violent elements, and even terrorists, who advocate for the independence of these Republics from Russia. The presence of NATO on the unstable parts of the Russian border is something quite different from the presence of NATO on the Baltic borders that are stable from the Russian point of view.

The Russian response to the recognition of Kosovo's independence, mindful and consistent until August 2008, when Russia had strong principled position based on the international law and practice, became relative with the changed policy of the Kremlin. Its *moral high ground was* shattered and this consequently affected its capability of influencing and convincing anyone about the need to respect the principles of territorial integrity and sovereignty of Serbia in relation to the Kosovo case. Even the closest Russian partners, Shanghai Cooperation Organization and the members of the Collective Security Treaty Organization, which include some of the closest The Russian allies, such as Belarus, Kazakhstan, Kirgizstan and Armenia, did not follow Russia and did not recognize Abkhazia and South Ossetia. One year after the August events, the independence of those provinces was not officially recognized by any state except Nicaragua, although with uncertain internal consequences for that country.

Impact and Consequences

Despite the announcement from Washington that it wants to "reset" the relationships with Russia and in spite of freezing the prospects for NATO membership for Georgia and Ukraine, the issues of Kosovo, South Ossetia and Abkhazia remain where they are without any perspective for change. In fact, following the principles of realpolitik and intervening in Georgia, Russia drew some "red lines", prevented the integration of Georgia and Ukraine into NATO and put into question the possibility for alternative routes of supplying energy resources through Georgia. In doing so, it seems that Russia has been following its previously defined doctrine of privileged interests.[40]

On the other hand, the recognition of Kosovo's independence was supported by a significant number of states, although not by the majority of the UN member states. Nevertheless, many countries in whose integration processes Serbia would like to enter, opted to support the separation of Kosovo. The interest

39) For the information about the situation and conflict in North Caucasus see: http://www.kavkaz-uzel.ru/articles/139142, also, *Gregory Shvedov,* Caucasus – Confrontation or Cooperation, First Report within the Project of Monitoring Russia – Serbia Relations, http://www.isac-fund.org/publishing.php#analysis

40) In the interview given to the First Channel on August 31, 2008 President Medvedev said that Russia had regions of privileged interest as well as other states with which Russia had had traditionally friendly and special relations. Those regions do not necessarily border Russia. Available in Russian at: http://www.kremlin.ru/appears/2008/08/31/1917_type63374type63379_205991.shtml

of these states in the recognition of Kosovo, even in spite of the USA's obvious desire to develope the best possible relationships with the demographically youngest nation in Europe – Albanians, still lies primarily in the stability of this part of Europe and the need for integrating this part of Europe into the European Union, which is in line with the aspirations of the majority of Serbian citizens.[41] Therefore, the reasons of transatlantic community and Russia to act in connection with the issues related to the status of Kosovo and Georgian provinces Abkhazia and South Ossetia are essentially different. While the Russian reasons for the recognition of Georgian provinces imply Russian interests, the reasons of transatlantic community are based on striving towards common interests – true, with many contradictions.

It can be concluded that Russian policy related to Kosovo has at least two sides of the same coin. One side is a political and diplomatic support to Serbia, traditionally in good relationships with Russia, the country where Russia, and particularly the Russian people are so popular, as a result of traditional and very often mythical ideas about friendship, Pan-Slavism and Orthodoxy. Hence, Russia gets the opportunity to successfully defend its business and political interests in South East Europe, particularly in Serbia, after the whole decade of democratic changes in Serbia.[42] At the same time, if we analyze a range of relationships between Russia and transatlantic community, we shall identify a series of problems and misunderstandings, with the issue of Kosovo and Georgian provinces being only one of them, positioned rather low at the scale of importance. Both Russian and transatlantic community officials are aware that the issues of disarmament, on Conventional Forces in Europe Treaty, energy security and the regulation of Iran and North Korea nuclear programmes, as well as the stabilization of Afghanistan, which all require the cooperation of Russia, are far more important than the issue of these territories.

Therefore, it is possible to talk about Russian "support" to Serbia, but not about "Russia's defence of Serbia". That support, although existing, is conditional and relative. It is conditional because Russia advocates for a legal solution to territorial and ethnic conflicts in the Euro-Atlantic territory, except in case when the vital Russian interests are seriously jeopardized, when, as Kremlin showed in Georgia, it is possible to diverge from these principles following the example of transatlantic community in relation to Kosovo. This Russian approach is far from the present Serbia's position "not to recognize Kosovo ever". Russia sends a message that the independence of Kosovo from Serbia is possible under appropriate conditions, for example, such as the ones legally defined in a new European Security Treaty, which Russia advocates for.[43] Hence, the insisting of Russia to solve the Kosovo's status issue by reaching a mutual agreement is only its temporary diplomatic stance, until the moment when these legal conditions are agreed upon, with or without Serbian consent. The Russian support is also *relative* because with its *mirror action* in Georgia, Russia admitted that even without legally binding and defined principles, if certain adequate conditions are met, such as the attack of central authorities the principles of sovereignty and territorial integrity can be made relative and even annulled, and the right of Abkhaz and Ossetian people to self-determination can be prioritized. Namely, immediately after signing a recognition decree, President Medvedev said that Russia respected all the principles of Final Helsinki Act, whereas 3rd and 4th principles imply territorial integrity of states and 8th principle refers to equal rights and self-determination of peoples:[44]

Tbilisi made its choice during the night of August 8, 2008. Saakashvili opted for genocide to accomplish his political objectives. (...) *The peoples of South Ossetia and Abkhazia have several times spoken out at referendums in favor of independence for their republics.* (...)

A decision needs to be taken based on the situation on the ground. Considering the freely expressed will of the Ossetian and Abkhaz peoples and being guided by the provisions of the UN Charter, the 1970 Declaration on the Principles of International Law Governing Friendly Relations Between States, ***the CSCE Helsinki Final Act of 1975*** *and other fundamental international instruments, I signed Decrees on the recognition by the Russian*

41) Report of International Crisis Group, Breaking the Kosovo Stalemate: Europe's Responsibility Europe Report N°185 21 August 2007
http://www.crisisgroup.org/home/index.cfm?id=5018&CFID=13514066&CFTOKEN=32288909
42) See Pavel Kandelj, «Балканизация» Европы vs «европеизация» Балкан, 15-06-2008, "Россия в глобальной политике". № 3, Май - Июнь 2008, *П.Е. Кандель – к. и. н., ведущий научный сотрудник Института Европы РАН.*
43) See President Medvedev's second principle at the conference of world politics in Evian, France. http://www.kremlin.ru/eng/text/speeches/2008/10/08/2159_type82912type82914_207457.shtml
44) Available at: http://www.osce.org/search/?displayMode=3&lsi=1&q=helsinki+final+act&GO=GO

Federation of South Ossetia's and Abkhazia's independence. (...) it represents the only possibility to save human lives.[45]

Besides, the official Russian policy claimed that the recognition of independence was the only possible way for providing hard security of these Republics, implicitly giving one more argument in the favour of recognition of independence of certain territories in the world.[46]

Hence, using *mutatis mutandis* the same arguments as the members of transatlantic community in relation to the status of Kosovo, President Medvedev gave a reciprocal answer to the recognition of independence of the Serbian province. A recent statement of the Russian Prime Minister Vladimir Putin leads to even more obvious conclusion:

The international legal subjectivity of Abkhazia and South Ossetia begins from the moment of their recognition by at least one of the actors of international relations (...) and therefore, the recognition of Russia is sufficient (...) from the moral-ethical point of view, the comparison between Kosovo, Kosovo precedent, and Abkhazia and South Ossetia is completely founded. There are no essential differences. In both cases there are ethnic conflicts and in both cases the violation of law occurred.[47]

It is clear that following its realpolitik interests Russia recognized Abkhazia and South Ossetia. Russia did it by using the same arguments as the states of transatlantic community. However, in doing so, Russia relativized the principles referred to until that in relation to Kosovo. In addition, Russia continued relativizing both the international laws and the principles of Final Helsinki Act, which makes any further discussion related to Kosovo less consistent. And finally, by proposing the conclusion of new European Security Treaty and by including into that proposal the second principle of uniform solution to ethnic conflicts, Russia sent a message that the past should be left behind, the status quo should be kept and the future rules should be defined.

Russian Initiative for Concluding a New European Security Treaty

The Initiative for concluding a new European Security Treaty was launched by President Medvedev in Berlin, on June 5, 2008, and then on the World Policy Conference held in Evian on October 8, 2008. On that occasion, he presented the basic principles of the new Treaty.[48] Originally vague idea assumed its form in October when Medvedev accepted, after the consultations with the French President Sarkozy, to discuss this initiative within the OSCE. Regardless of the principles, "baskets" and the OSCE history,[49] Russia claims that it is necessary to change the guarantees of so-called *hard security* since this is what failed in August 2008.

On the OSCE Forum for Security Cooperation, held in Vienna on February 18, 2009, Russian Deputy Minister of Foreign Affairs Aleksandar Grushko pointed out the significance of adopting a legally binding document that would be prepared by the member states and organizations such as NATO, EU and OSCE, but also Collective Security Treaty Organization (English: CSTO, Russian: ОДКБ) and Commonwealth of Independent States (CIS). This Treaty would, according to Grushko, tackle only "hard" security issues and would not deal with the "human dimension of security" (free election and human rights) or economic and environmental issues, thus excluding other two OSCE "baskets". In this way Russia formulated its priorities at the international level.

45) Statement by President of Russia Dmitry Medvedev, August 26, 2008, available at: http://eng.kremlin.ru/speeches/2008/08/26/1543_type82912_205752.shtml

46) Press release of the Russian Ministry of Foreign Affairs from August 25, 2009 available in Russian at: http://www.mid.ru/brp_4.nsf/0/4107A0E2642142ABC325761D0022E2AA

47) ITAR Tass, the meeting between the Russian Prime Minister Putin and President of South Ossetia Kokoiti, http://www.itar-tass.com/level2.html?NewsID=14271740&PageNum=0 , also http://news.mail.ru/politics/2853710 See also the RTS news, http://www.rts.rs/page/stories/sr/story/9/Srbija/116721/Putin+o+Kosovu+i+Abhaziji.html

48) Medvedev's speech at the World Policy Conference in Evian, France http://www.kremlin.ru/eng/text/speeches/2008/10/08/2159_type82912type82914_207457.shtml

49) The three OSCE "baskets" are: the first is a politico-military dimension of security, the second is an economic and environmental dimension of security and the third one is a human dimension of security.

In this initiative Medvedev included also the need for harmonizing the principles for regulating ethnic and territorial conflicts in the Euro-Atlantic region (the second principle from the speech of D. A. Medvedev at the World Policy Conference in Evian, October 8, 2008).[50]

At the Ministerial Council in December 2008, during the informal lunch, Minister Lavrov presented the need for a new European Security Treaty and reiterated the principles pointed out by President Medvedev in Evian. On the eve of the Informal Ministerial Summit on the Greek island Corfu, he spoke at the annual OSCE conference in Vienna: Overview of Challenges in the Field of Security on June 23, 2009.[51] Speaking about the atmosphere that requires changes of hard security system, Lavrov said that after the end of the *cold war,* the reason for divided Euro-Atlantic territory also ceased to exist; in his opinion this territory was created by gradually tearing off the parts of the former Warsaw Pact and approaching to Russian borders. Speaking about the principles that should be included in the new Treaty, Lavrov repeated the principles emphasized by President Medvedev in Evian, but he also broadened some of them. To the first principle that involved, *inter alia,* conscientious fulfilment of international obligations respecting the "political independence of states", Lavrov added non-intervention in internal affairs of the states. Thus, Lavrov pointed out dissatisfaction with the EU initiative for establishing "Eastern Partnership"[52], or spreading of EU influence, according to Russia, to the Russian neighbouring countries and the states which Russia considers to be in its region of privileged interests. In addition, Lavrov also mentioned the necessity of respecting the right of every state to remain neutral, which may also refer to Serbia and its proclaimed military neutrality.[53] And finally, Lavrov pointed out the fourth principle according to which none of the military alliances can have an exclusive right to maintain peace and stability in the Euro-Atlantic region – a clear reference to NATO. Like his Deputy Grushko in Vienna, Lavrov emphasized the need for the uniform approach in solving conflicts, indirectly comparing Kosovo with Abkhazia and South Ossetia. At the end of his speech, Lavrov made it clear. If this vision of security cooperation in the Euro-Atlantic region is not achieved, we shall face a threatening "perspective of full re-nationalization or privatization of military-political security with all unwanted consequences deriving thereof". This point of view clearly reflects Russian position as well as long-term perspectives of the OSCE and consequently a Russian vision of security in the Euro-Atlantic region, which is, politically speaking, closely connected with the OSCE process.

OSCE Greek Chairmanship accepted to convene an informal Ministerial Council, the first of its kind, on the Greek island Corfu, on June 27-28, 2009. This event, which gathered the Ministers of Foreign Affairs of almost all OSCE member states, provided Russia with the opportunity to further elaborate its initiative. The reactions from this meeting were abstained. If we take into consideration that The Final Helsinki

50) Firstly: affirm the basic principles of security in the Euro-Atlantic area, observing of international law, sovereignty, territorial integrity and political independence of the states as well as respecting all other principles deriving from the Statute of the UN; secondly: guarantee for uniform interpretation and observance of the principle, clearly defined in the Treaty, of inadmissibility of using force or threatening to use force in the international relations; provide a single approach to the prevention and peaceful conflict settlement in the Euro-Atlantic region, that take into account the different sides' positions and strictly respect peacekeeping mechanisms; thirdly: equal security explained with three "No's" no ensuring one's own security at the expense of others. No allowing acts (by military alliances or coalitions) that undermine the unity of the common security space. And finally, no development of military alliances that would threaten the security of other parties to the Treaty Besides, according to President Medvedev, it is necessary to focus on military-political issues today, given that nowadays the so-called hard security issues play a key role and taking into consideration that exactly in that field there is presently a lack of control mechanisms; fourthly: no state or international organization can have exclusive rights to maintaining peace and stability in Europe; fifthlyestablish basic arms control parameters and reasonable limits on military construction. Also needed are new cooperation procedures and mechanisms in areas such as WMD proliferation, terrorism and drug trafficking. Besides, it would be necessary to evaluate to which extent the previously established structures have been adequate. President Medvedev underlined that he did not suggest at all destroying or weakening what had been previously built, but more harmonized work based on uniform rules.
http://www.kremlin.ru/eng/text/speeches/2008/10/08/2159_type82912type82914_207457.shtml

51) The full text of the speech in Russian language: challenges for hard security in the Euro-Atlantic territory: the OSCE role in creating reliable and efficient security system. (вызовы жесткой безопасности в евро-атлантике роль обсе в создании устойчивой и эффективной системыбезопасности) http://www.mid.ru/brp_4.nsf/0/aded9c34ee795d2bc32575de003decd1

52) Russia's Lavrov Lashes EU Over New 'Eastern Partnership' 22 March 2009, http://www.eubusiness.com/news-eu/1237635122.1/

53) Paragraph 6 of the Resolution of the National Assembly of the Republic of Serbia on the Protection of Sovereignty, Territorial Integrity and Constitutional Order of the Republic of Serbia, (Rezolucija Narodne skupštine Republike Srbije o zaštiti suvereniteta, teritorijalnog integriteta i ustavnog poretka Republike Srbije (Official Gazette of the Republic of Serbia - "Sl. glasnik RS", br. 125/2007);

Act was drafted several years after Brezhnev's initiative and numerous meetings, different forums and formats, it is not surprising that for the time being the situation is still unclear. The Greek Minister of Foreign Affairs Dora Bakoyannis said in her opening remarks that the participants should yet agree about the "goal, content and framework of dialogue", which evidently means that this process in still in its initial phase.[54] The expert comments agree that this initiative is directed primarily at stopping the enlargement of NATO and strengthening the role of Russia in the European security matters.[55]

Serbia and Russian Initiative

As soon as in August 2008, in the interview for *Rossijskaja gazeta* (only two and a half months after the first mentioning of this initiative), the acting Russian representative in OSCE Vladimir Voronkov, said that Serbia, together with the members of Collective Security Treaty Organization (Russia, Belarus, Armenia, Kazakhstan, Kirgizstan, Tajikistan and Uzbekistan) *showed sympathies towards the initiative*.[56] This Treaty was also mentioned on the occasion of Minister Jeremic's visit to Moscow, when Lavrov expressed his gratitude for indeed in that moment only *interested* approach of Serbia to that initiative.[57]

This initiative has dual importance for Serbia. First of all, the security issues addressed by this initiative are important for Serbia, as a member of international community and a state with the EU membership perspective. In the present situation, however, President Medvedev's *second principle* of the initiative is the one which is has extraordinary importance for Serbia. It says:

Treaty should guarantee *the inadmissibility of the use of force or [and] the threat of its use in international relations should be clearly affirmed. It is fundamental for the Treaty to guarantee uniform interpretation and implementation of those principles. The treaty could also cement* ***a unified approach to the prevention and peaceful settlement of conflicts in the Euro-Atlantic space****. The emphasis should be on* ***negotiated settlements*** *that take into account the different sides' positions and strictly respect peacekeeping mechanisms;*

The sympathies of Serbia for this Treaty and seemingly copied Serbian position on Kosovo issue in President Medvedev's principle number two could be easily understood as a support for Serbia in its striving to solve the final status of Kosovo through negotiations. However, this initiative must be seen in the context of other – similar Russian actions in the international sphere.

Russia does not emphasize the cases of Kosovo, Abkhazia and South Ossetia at the international level, but the matter of principles emerging from the efforts to solve each of these cases. Dealing with these issues at the level of principle, Russia points out the inconsistency of the transatlantic community which applies one type of standards in the case of Kosovo and completely different one in the case of Georgian provinces. However, although Russia reiterates its support to the principled position of Serbia, the issue of Kosovo, for example, did not find its place in Medvedev's speech after the meeting with US President Barack Obama, while the latter very clearly expressed the US support for the territorial integrity of Georgia.[58] Russia repeated many times that the issue of Georgian provinces was solved. Therefore, we can conclude that the second principle of the initiative for concluding a new European Security Treaty is more an attempt to find a way of treating other territorial conflicts, Transdniestria and Nagorno–Karabakh (but not Chechnya), in the post-Soviet area, than the attempt to turn back the clock and reopen the issue of status of Kosovo and Georgian provinces on the basis of these principles.

54) Sunday 28th June 2009 - Plenary Session Minister Bakoyannis Opening Remarks, http://www.osce.org/cio/item_1_38493.html

55) See for example Michael Emerson, The Struggle for a Civilised Wider European Order, Elements for European Security Strategy, CEPS Working Document No. 307/October 2008, available at http://shop.ceps.eu/BookDetail.php?item_id=1752

56) Permanent Representative of Russia in OSCE, V. I. Voronkov, Rossiyskaya gazeta, 20 августа 2008 года http://www.mid.ru/Brp_4.nsf/arh/62547841B1A28DDCC32574AB0055AC1B?OpenDocument

57) About the working visit of the Serbian Minister of Foreign Affairs Jeremic to Russia available in Russian at: http://www.mid.ru/brp_4.nsf/0/CACB23E641F8901CC325756300440DA7

58) Joint press conference with the Oresident of USA Barack Obama about the outcome of Russian-American negotiations on July 6, 2009 available in Russian at: http://www.kremlin.ru/transcripts/4733

Serbian foreign policy does not have a great number of available options related to this initiative. As a candidate for EU membership, Serbia will not have the possibility to choose, at its own discretion, which EU requests in the field of Foreign and Security Policy it is going to accept and about which it is going to have its own view. The candidate states are expected to follow the Union in the mentioned field. Even if EU does not have a single policy related to this initiative, it is unrealistic to expect too much difference in the standpoints. The progress of Serbia towards EU membership, as shown in the case of Dutch refusal to ratify the Stability and Association Agreement, depends on all EU member states, including those that expressed the most radical views towards this initiative. Therefore, Serbia should act very cautiously on this front.

The proposal for the new European Security Treaty is still debatable and its future is uncertain. Nevertheless, it is clear that it reflects a great part of the present dispute between Russia and transatlantic community, primarily related to the enlargement of NATO. Although the West is in principle disposed to meet certain Russian requests, the issue arises to which extent. If this proposal puts Serbia in the situation to support actively such Russian proposals and initiatives for the strategic partnership with Russia, it can affect adversely the European perspective of Serbia. The support to such initiatives does not have to create a problem for Serbia if this initiative does not become a problem in the relationships between Russia and the EU. However, if the EU countries have a common stance, which is different from or opposite to Russian, as it often happens within the OSCE, Serbia does not have any space for independent and neutral position.

Finally, there is a question as to whether Russia launched this initiative because the security in the European continent is really at risk or to stop the expansion of NATO and US influence in the East Europe and to obtain some sort of recognition, even tacitly, from the European partners that Russia had *privileged interests* in the *near abroad*. Russia did not include in the proposed principles of a new European Security Treaty the issue of solving frozen ethnic conflicts because it really encounters problems with them, but in order to legalize its recognition of Abkhazia and South Ossetia and prevent possible unwanted actions of the transatlantic community in other frozen conflicts in Transdniestria (between the official authorities in Moldavia and Russian-Ukrainian minority) and in Nagorno-Karabakh (between Azerbaijan and Armenia). Therefore, this initiative does not have much prospects of bringing anything new in connection with the issue of Kosovo status.

Serbia has to view its support to Russian diplomatic initiatives, including the most famous one about the conclusion of a new European Security Treaty, in the context of priority of its European integrations. In that context, Serbia does not have the freedom of action, which Russia in principle expects from Serbia, in the same way it expects from the member states of Russia – NATO Council to act within that Council in the capacity of states and not in the capacity of the NATO members. In that context, the strategic partnership with Russia that includes Serbian support to such initiatives is unlikely to succeed if Serbia maintains that the accession to the European Union is its top priority.

Unhindered Implementation of Strategic Economic Projects

The Russian side was rather surprised with the delays in ratification of oil-gas arrangement in 2008. Since in December 2008 there were no more doubts about whether Serbia was going to fulfil its obligations from the bilateral Treaty from January 25, 2008, this part of the agreement was considered fulfilled.[59]

The frictions between Russia and Serbia related to many economic agreements are not a novelty. The Lukoil's purchase of Beopetrol in 2000 was not without problems either.[60] In addition, the overhaul of Djerdap I, which is the part of Russian clearing debt to Serbia from the Soviet Union period, has been overdue for several years, both due to Serbian and Russian faults, with the hope that it will finally begin

59) Oil-Gas Agreement – signed documents, http://www.srbija.gov.rs./vesti/specijal.php?id=100983
60) Serbian Energy Sector – Situation and Russian-Serbian Energy Relations Today
Zorana Mihajlović Milanović, Ph. D. – First report within the Project "Monitoring Russia-Serbia Relationships", page 39. http://www.isac-fund.org/lat/publishing.php#analize

in 2009.[61] The problems of Russian companies and investors related to business operations in Serbia have recently been mentioned by the ambassador Konuzin himself, though in the constructive manner.[62] It would be wrong to accuse only one party for all these problems. There has been some ill-faith actions on the Serbian side, but there have been also as many hasty moves on the part of Russia that does not act with due diligence when buying Serbian companies, does not perform legal and financial evaluation of standing and business activities of the company in the way it is done by the western companies.[63]

The question emerges how the economic problems between the two countries should be solved. This particularly refers to the huge infrastructural project deals, such as the South Stream. From the economic point of view, the commissioning of the South Stream gas pipeline, with the planned 63 billion m^3 of gas, out of which at least 20 billion m^3 should be transported though Serbia. In economic terms, this pipeline would bring a great economic advantage to Serbia. The Russian side always points out the importance and development of oil-gas arrangements. In other words, the entire Russian state supports this complete arrangement and Serbian side should allow for any problems in its implementation. However, the emerging issues, beginning with legal problems that may occur regarding the expropriation of land, labour disputes and generally, all matters that are not connected with the Serbian government, but with third parties that would participate in the project of building South Stream, are not negligible. They could emerge along with other economic and environmental issues. By signing the Memorandum On Construction Of The South Stream Gas Pipeline in Sochi[64], The Russian Federation clearly set deadlines for commissioning South Stream – end of 2015. Therefore, the delays caused by the problems in Serbia are unacceptable. Serbia is expected to solve all issues in the internal system in the way that does not jeopardize the progress of this project in any way. For example, Article 9 of the Memorandum of Understanding signed between Gazprom eksport doo and Srbijagas implies to *get the exemption to the rule of having 100% regulated access of third parties to the capacities of Banatski dvor, and also obtained all other necessary permits in order to provide Gazprom eksport with unhindered right to use all capacities*. It is clear that Serbian party should obtain all these permits. Srbijagas also guarantees that there is nothing that could obstruct, render difficult or complicate the possibility of implementation of Banatski dvor project.

There are also problems related to EU rules that should be observed by Serbia, more precisely the provisions of the Energy Community Treaty.[65] This Treaty clearly implies transparent relations, market unification, development of competition and enhancement of environmental protection. The Serbia Progress Report clearly indicated that Europe does observe carefully the agreements signed by Serbia; the European Commission pointed out that Serbia had to ensure that the Oil-Gas Agreement was in accordance with Energy Community Treaty.[66] Although many EU countries participate in the South Stream project, the situation, power and political influence of a country that is already an EU member and Serbia that is not yet a membership candidate are incomparable. However, Russia has made it clear that the unhindered implementation of strategic infrastructural projects is a part of strategic partnership between Russia and Serbia. Therefore, it is up to Serbia to find a way how to do it, but the project has to be implemented and gas must flow in the South Stream, naturally if it is constructed, which is still an uncertain fact.

61) B92 Overhaul of Hydroelectric Power Plant Djerdap has been late for eight years, August 14, 2008. http://www.b92.net/info/komentari.php?nav_id=313438

62) Konuzin: A great progress in cooperation, available at: http://www.b92.net/biz/vesti/srbija.php?yyyy=2009&mm=08&dd=05&nav_id=374922

63) The author's conversation with one of the Russian officers in the Serbian company bought by the Russian partner.

64) Signed in the Russian city Sochi on May 15, 2009 between Gazprom and the partner of Italian company ENI, Srbijagas, the Greek company DESFA Corporation and the Bulgarian company Bulgarian Energy Holding. See Vladimir Socor, Jamestown Foundation, Eurasia Daily Monitor, http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=35043

65) Energy Community Treaty was signed in Athens on October 25, 2005. It entered into force on June 1, 2006. Serbia ratified it on July 19, 2006. This is the first binding document in the field of energetics signed between the countries of South East Europe and EU.

66) Brussels, 05/11/2008, SEC(2008) 2698 final, available at: http://ec.europa.eu/enlargement/pdf/press_corner/key-documents/reports_nov_2008/serbia_progress_report_en.pdf

Conclusions

The crucial problem of Russia is its increasing isolation.[67]

The strategic partnership between The Russian Federation and the Republic of Serbia has three determinants: Russian support to Serbian policy related to the status of Kosovo; coordination of standpoints of the two countries in relation to other international issues; unhindered implementation of strategic economic projects, such as *South Stream* and entire oil-gas arrangement between Russia and Serbia, and also other projects that are ongoing or that can be agreed upon.

The integration of Serbia into EU is enjoys huge support of its citizens.[68] Therefore, it should have a central place in Serbian foreign policy. The cooperation with Russia is a bilateral issue that should not get in the way of the integration. The right measure of cooperation between Serbia and Russia is a practical – bilateral cooperation in matters which cannot harm the European perspective of Serbia. Those matters do not include the Russian support to Serbian policy related to the status of Kosovo or the Serbian support to Russian diplomatic initiatives, such as the initiative for concluding the European Security Treaty, because both of these issues can be detrimental for Serbia's EU integrations.

In Moscow on February 20, 2009, Minister Jeremic announced another big strategic infrastructural project.[69] It is still unclear what Minister Jeremic had in mind. The expert public speculates that he referred to the sale of Electricity Company – Elektroprivreda Srbije (EPS) and/or the construction of metro in Belgrade. The content of the announced visit of President Medevedev is important for Serbia. The Ministries and departments that are arranging the visit have already been informed and given practical instructions.[70] The President is not coming to Serbia only to mark October 20, 1944, the day when the Red Army, together with the partisan units, forced out the Nazi occupants from Belgrade, but that visit is going to have a very tangible content. Taking into consideration that in Russia the President is responsible for foreign policy, it is important for Medvedev to add to the symbolic celebration of a famous date from the history of Red Army, another, tangible momentum to Russia-Serbia relations, thus gaining an additional, foreign policy points for himself in the Russian internal policy.[71]

In preparing the visit to Serbia, as well as in developing cooperation, even if it is a strategic partnership with Russia, it is necessary to keep in mind the Russian view of this strategic partnership. The Russian Ambassador Konuzin, in his speech at the Roundtable of ISAC Fund in Belgrade already on April 21, 2009 pointed out that for Russia, Serbia, as a strategic partner, had a "relative character" and "according to the opinion of many Serbs, Russia was a Serbian strategic partner, although the significance of Russia as a strategic partner was not the same for all of them".[72] In other words, Russia is much more important to Serbia than vice versa and it is necessary, first of all, that Serbs understand the meaning of strategic partnership with Russia. It would be difficult to disagree with this view of Ambassador Konuzin. The citizens of Serbia and Serbian elite need to understand the meaning and the price of strategic partnership with Russia. Choosing Russia as a strategic partner is a legitimate political choice, but only if it is based on the informed census in the Serbian society.

Consequently, the strategic partnership with Russia, as it stands now, is not advantageous for the position of Serbia in a long run because it can harm its European integrations. However, in the implementation of joint projects, i. e. in the development of practical – bilateral cooperation, Serbia can develop mutually

67) Dmitri Trenin, the Russian edition of magazine *Foreign Policy* http://www.globalaffairs.ru/articles/0/9044.html
68) On the referendum 79 percent of voters would support the EU membership, June 18, 2009 http://www.seio.sr.gov.yu/code/navigate.asp?Id=104
69) Video press conferences of the Ministers Lavrov and Jeremic http://www.mid.ru/brp_4.nsf/clndr?OpenView&query=21.2.2009&Lang=%D0%D3%D1%D1%CA%C8%C9
70) A phone conversation between Dmitri Medvedev and Serbian President Boris Tadic http://www.kremlin.ru/sdocs/news.shtml?day=5&month=08&year=2009&Submit.x=3&Submit.y=6&value_from=&value_to=&date=&stype=&dayRequired=no&day_enable=true#
71) Mihail Vinogradov, Russian Authorities: the Decision-Making System and the Social Context, the Third Report of the *Monitoring Russia-Serbia Relations* Project, page 15 available at: http://www.isac-fund.org/publishing.php#analysis
72) See about the unique Russian policy towards the Balkans or about the phases of this policy since 1992 at http://www.isac-fund.org/video/007.html

beneficial relations, if constantly bears in mind the priorities of its European integrations. In such case, the economic cooperation based on transparent legal rules, both internal Serbian and European, can contribute both to the benefit of Serbia and to the development of good quality and sustainable relations between Serbia and Russia.

Recommendations

1. The Russian support related to the status of Kosovo does not have a decisive influence on solving that issue, both due to the realistic position of Russia in the international relations and its policy related to the Georgian provinces Abkhazia and South Ossetia. Therefore, the importance of Russian support related to this issue should be reduced in Serbian internal policy, thus preventing the creation of image that the Russian support plays more important role in the solution of this issue. This support should not be taken into consideration when making bilateral economic and other arrangements at the national level between Russia and Serbia.

2. Serbia cannot act freely in the field of foreign and security policy in the international relations, if it is aspiring towards EU integration. Therefore, the support of Serbia to the policy or initiatives such as the initiative for concluding a new European Security Treaty should not be offered in isolation, diverging from the majority of EU countries, because such policy could easily lead Serbia into the conflict with the common EU foreign and security policy.

3. Regardless of the importance of strategic economic projects, such as the construction of South Stream, Serbia has to take care about its legal and political obligations, and in particular the obligations highlighted by the European Commission – the obligation to observe the provisions of the European Security Treaty! The policies and interstate treaties contravening these provisions can in perspective, regardless of the participation of other countries that are already EU members, bring Serbia in the position to choose between energy security that would be provided by Russia and EU integrations. The policy aimed at providing energy security for Serbia cannot be led in isolation, independently from other policies and political priorities, such as the priority of EU integrations.

Observations on Contemporary Russia

Economic Crisis in Russia and Its Effect on the Domestic Politics and Foreign Policy

Dr Nikolay Petrov[1]

Political Dimension of Crisis

The economic crisis Russia now experiences is of a dual nature. It experiences a global crisis, and Russia's own domestic economic crisis, which was catalyzed by the global one. The model of Russia's economic development, based on extraction of natural resources, was coming to a logical end. Russia's inability to keep its economy growing fast was just a matter of time.

Although the political crisis and the consequent reformatting of Russia's political system look inevitable, there will, probably, not be a massive social unrest which will lead to it. According to sociologists it takes about a year to convert job losses and the inability to keep up with habitual life styles into an organized political protest. System's safety margin by this factor goes well beyond 2009, keeping in mind the essential financial reserves to provide certain social guaranties.

The major threat for stability is connected first, with extremely inefficient management which can cause local collapse and inability to prevent expansion of local crisis to a national level; and, second, with intensifying elite clans' fights in a situation of shrinking resources and weakening ability of the person at the top to keep elites under control. Thus, the most probable scenario is appearance of a political crisis not directly out of the economic one, but through elite wars and crisis of management.

In a deepening economic crisis, it is inevitable that there would be an increasing number of public conflicts in the regions. The real question is the extent to which they can be curbed. In recent years, the Kremlin has given a preference to obedient functionaries to fill gubernatorial positions, passing over other candidates with proven leadership skills. If tomorrow these governors must address angry crowds who oppose authorities, most will be unable to meet the challenge. There are people who could handle this turbulent situation. Most of them are experienced politicians from the Yeltsin era who lived through the demonstrations and protests in the late 1980s and early 1990s. But today, they number fewer than a dozen.

The crisis makes weaknesses of the political and managerial systems more visible and crucial and increases the cost of a mistake.

Basics of the Over-Managed Democracy

The *over-managed democracy* (OMD) built in Putin's Russia is a complex echeloned system, which enables the government to eliminate public control and avoid public accountability, while preserving the appearance of and adherence to democratic procedures. There are three tiers of control in the OMD system, involving management of actors, institutions and the rules of the game. The basic elements of Putin's OMD are: (1) strong presidential system of management at the expense of all other institutions and actors, including both houses of Parliament, the Judiciary, as well as businesses, and regional elites; (2) state control of the media, which is used to shape public opinion through dosed and filtered messages; (3) controlled elections, which no longer function as a mechanism of public participation, but serve to legitimize decisions made by elites.

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Emasculated institutions can no longer fulfill their functions within the system. They are gradually replaced by substitutions, which are fully controlled by the President, and do not have independent source of legitimacy. The Kremlin, driven by considerations of making easier practical management, destroyed the system of checks and balances that was still functioning, even if not perfectly. The resulting system is reduced to a purely mechanical configuration,[2] which lacks flexibility with regards to the changing environment; and is incapable of self-adjustment and self-development.

The configuration of power is highly rigid and mechanical. Because it does not have a system of checks and balances that would help adjust to ever-changing external environment, nor does it allow for leeway at the main "joints", it is constantly in need of manual management and retuning. As a result the system's macro managers who are very few, have to deal with different emergency problems. Specific interests dominate over general ones, and the tactics prevails over strategy. The resulting low-quality performance is aggravated by lack of transparency and numerous administrative conflicts that hinder free and fast circulation of information.

Not only is the OMD system inefficient due to the abovementioned reasons and consuming more resources, but its inefficiency is growing over time. Whether in Russia or Venezuela, this makes such a system strongly dependent on ever increasing influx of money to compensate for declining efficiency. The system thus is not self-sufficient and depends upon external factors such as the price of oil and gas.

Management mechanism is too primitive in comparison to a very complicated subject it pretends to manage. Side-effects, especially if not only the most immediate ones are taken into account, can easily outweigh the desired result.(There is lack of cost-benefits analysis at both stage of decision making and after decisions have been realized, many decisions prove ineffective or even counterproductive. Management of democracy from a single center, disregarding regional diversity, yields dissimilar results, which can lead to desired consequences in some cases and undesired ones in others. Hence, another serious contradiction of OMD – the one between undivided authority and rigid centralism in management and varying reaction in the society, which differs a lot along regional, "urban-rural", status, ethnic, and other lines.

The oversimplified OMD system based on vertical chains of command not only lacks proper checks and balances, but also foolproof mechanisms which prevent it from handling large-scale systemic crises resulting from ill-planned, unbalanced or simply inadequate decisions. OMD has progressively ruined or weakened foolproof mechanisms, such as:

– Free and independent media;

– Parliament representing interests of major social-political and regional groups; serious public discussions of major reform plans;

– an opportunity for the society to express its preferences by means of more or less free and fair elections in which various national agendas are displayed, as well as by means of referenda on most important issues;

– Governors elected by popular vote and ensured of a fixed term in office and therefore responsible before their voters;

– Sufficient NGOs, including think tanks and watch dogs capable, both, to provide independent examination of governmental plans and decisions and to alert authorities as well as the society, in the event that decisions pose a threat.

OMD is most technologically refined when applied to elections. The system relies on the following elements: unacceptably high thresholds for participation, which include financial and direct administrative entrance fee and numerous obstacles; manipulated selection of candidates; strongly regulated access to media resources; the same agent who establishes the rules participates in elections and has the authority to

2) When replacing institutes by substitutes Putin did not leave them any space for maneuver, any freedom of action; thus nodes of this system are connected in a very rigid way.

oversee that they are observed. Once a violation has been tracked, repressive measures promptly follow. All of the above is conducted by election commissions controlled by the Center, by law enforcement agencies and by courts working in collusion. In the absence of transparency and public control, the rule-setting agent is free to change any rule any time, if the existing ones fail to produce the needed result. The end result is a network of 'mines' produced in the electoral system[3]. The basic OMD contradiction is that one can not ensure predetermined election results and, at the same time, maintain a democratic decorum. This makes the OMD model unstable and its drifting towards either a tougher management or democracy inevitable. In other words, to improve the OMD model, which fails to yield the desired result, the government needs either to increase manageability or to promote a more democratic culture.

By excluding political forces and numerous citizens whose interests they represent from participating in (a) elections, and (b) the decision-making that follows, the OMD system not only undermines itself in terms of efficiency and legitimacy, but also turns potential systemic opposition into an anti-systemic opposition. The price of eliminating the day-to-day control by citizens and having clogged the channel to let off steam can thus be an explosion, which can ruin the whole system.

Based on the personality of the one who stays atop rather than on a balance of institutions, the OMD system is potentially very unstable. It presents huge political risk especially when the system like a huge whirligig loses momentum as the transfer of power in the major political office draws closer.

The OMD cannot reproduce itself. It therefore requires manual management, constant intervention from outside. The combination of the flaws of a command system with those of a democratic one calls for a huge and complicated overseeing bloc. Otherwise there is a strong temptation for the medium-level elite to over-manage elections and to misuse the existing opportunities in its own favor. It is this growing oversight bloc, which should compensate for declining publicity and transparency that places additional burden onto the system and makes it even less flexible.

Personality-driven character of current Russian political regime and weakness of all other institutions except for the President make Putin-Medvedev's approval ratings[4] of vital importance for the system. It is a single base for relative political stability, a hook which keeps the whole political regime. Unlike in 1998 when the system survived very unpopular President due to strong Upper and Lower Chambers of the Federal Assembly, nothing can compensate now for lack of trust to the leader. That's why not only Putin himself, but the political class on the whole should be interested in keeping Putin's rating high, which is becoming more and more tricky due to the crisis and decline in economic prosperity.

How Authorities Deal With the Crisis

The government deals with economic crisis in reactive way, acting as a firefighter. Its actions look mostly logical, although belated in many cases. What is more important to my mind is the absence of any appropriate actions in the political sphere and the sphere of management.

President Medvedev in his State of the Nation speech has criticized the system in a very harsh way: "Governmental bureaucracy, just as before, as 20 years ago, is governed by the same distrust to the free individual and activity. Bureaucracy periodically makes business a nightmare, so that something will not be done wrong, takes control of the mass media, so that something wrong will not be said, interferes with

3) They are: gathering of signatures and checking them; candidates' reporting on their profits and property; the volume and technicalities of a campaign financing; rules of agitation. There is a side-show in Petrodvorets in Saint Petersburg outskirts, where children are running at a paved place. A stream of water/fountain can appear anytime under any of bricks and nobody knows when and where. There is unnoticeable old man who knows, sitting aside and switching on this or that fountain time to time. Something similar is going on with mines mentioned: the rules are established in such a way, that each candidate violates them here and there. Authorities turn a blind eye toward these violations until certain moment, but anytime they are ready to punish disagreeable candidate absolutely legally. It's about selective use of law, thus.

4) Although reported Medvedev's rating is pretty high it's several percentage points lower than Putin's. The fact that it oscillates in absolutely the same way Putin's rating does means that there is one and the same leader's approval rating and Medvedev's one is the reflection of Putin's.

the election process, so that the wrong person will not be elected, pressures the courts, so that the wrong person will not be sentenced etc".

Diagnosis made by the President looks well, however the cure prescribed is absolutely inappropriate. Medvedev's political package includes decorative changes dealing with political parties and composition of both Houses of the Parliament. They have nothing in common with the real problems the system is confronted with, including the extremely weak division of power both vertically and horizontally, lack of feedback between authorities and society, almost complete absence of regional and social groups interests' representation.

There are two different schools of thought: conservers, 'keepers' who think that Russia should just wait for a while before crisis will be over and pre-crisis situation will come back; and 'doers' who are claiming for immediate strategic actions, not only to confront the crisis but to prepare the country for life after the crisis. Not only that the latter are much less in numbers, but they are also divided into two camps: 'statists' and supporters of 'a third way' who are in favor of isolationism and economic nationalism, and 'liberals' claiming for institutional reforms and broader cooperation with the West. As these liberals are in minority within a minority chances for shifts in this direction do not look real under present circumstances.('liberal doers' are in minority among 'doers' who in turn are in minority in relation to 'keepers')

Who Could Benefit from the Crisis?

Among positive consequences of the crisis one can mention the impossibility to continue with paternalistic model in both state to citizens and center to regions relations. Thus, both citizenry and regions although suffering now from the crisis can benefit from it in the end.

The regional elections on March 1 were the first vote Russia has held during the crisis. As the "war of interpretation" of the election results is in full swing, almost every political party is claiming victory. The "United Russia" leaders tout the fact that the party won even under difficult economic conditions in all nine regional parliaments, where elections took place. Their opponents point out that not only did the "United Russia" did far worse in every region than it did during the 2007 State Duma elections, but it also lost badly wherever the slightest hint of competition existed.

The party's losses in the eyes of the public are probably of less significance than its loss of status among the regional political elites. United Russia's greatest setbacks occurred not only in major cities with their large -- and less-controllable -- voter populations, but also among the Caucasus republics. United Russia on average lost about 10 percent of its usual voter base, but in Kabardino-Balkaria and Karachayevo-Cherkessia[5] the losses stood at 25 percent. That signals the end of United Russia's monopoly among the administrative elite in the regions.

The picture turns out to be more interesting and varied on the municipal level. That is where candidates' personal influence plays an even greater role, and the state's rigid control of the political machine is less apparent. United Russia claimed victories in Novosibirsk, Chelyabinsk, Chita, Birobidzhan and Blagoveshchensk, where the incumbent mayors were re-elected by wide margins. In cities where a runoff election is required -- Smolensk, Murmansk, Petropavlovsk-Kamchatsky and Tomsk United Russia's incumbent mayors either already lost in the first round on Sunday or stand a good chance of losing once the opposition voters consolidate their support for a single candidate in the second round (playoff). In Tver, the Communist Party walked way with a clear victory, bringing in twice the number of votes as United Russia in the city's legislature. United Russia failed to achieve 40 percent representation in the city legislatures in Bryansk, Ulan-Ude and Tolyatti. In Tolyatti, second place went to the opposition movement December that includes representation from Yabloko and Right Cause.

5) Ethnic Republics of the Russian Federation.

Not only did the participating parties but the entire electoral system passed the test of whether it could function under crisis conditions. Although the country is still very much struggling with overcoming the economic crisis, it has entered a new phase of political activity.

United Russia's weakness, which was clearly demonstrated during March 1 elections, will only increase with time. Here the hard numbers from the election results are of less importance than the growing political rivalry within the party, disagreements between the party's regional and federal leadership and the conflicts between United Russia and local political elites that surfaced even during the last elections two years ago. United Russia is gradually transforming from a monolithic bureaucracy under strict Kremlin control into something resembling a true political party. In just a short time, United Russia might lose its standing as the dominant party.

The Kremlin faces another problem from the loyal "opposition parties" in the Duma. As they gain more voter support, their loyalty to the Kremlin will dissipate. On the other hand, the current mood of protest will probably not provide them with significant long-term support in a system dominated by United Russia and its spin-off parties in the Duma.

Real liberalization of the party and electoral systems is inevitable, and it must supplant the current, merely decorative system under President Dmitry Medvedev. If the Kremlin does not take concrete steps in that direction by the next elections, the growing pressure from dissatisfied voters with no place to vent their anger will simply blow the lid right off the kettle.

Crisis And Foreign Policy

According to Fedor Luk'yanov[6], general paradigm of Russia's foreign policy has never changed, although there were changes in trajectory connected with fluctuations in balance of forces, both real and percept by the Kremlin. Relations with the West which are not based on any kind of common ideology, look like teeter-totter and can be described as cyclic ups and downs with average duration of the cycle approximately 4 years. The 2008 Georgian war marked the bottom of the current cycle and the next top should be observed in 2010.

The crisis did not lead toward revision of concepts of both foreign policy and domestic politics yet. The gap between changing social-economic environment and foreign policy course is increasing. To my mind, a strategic mistake was made not only in August 2008, but even earlier starting from Putin's speech in Munich in 2007, where a new "tough" foreign policy doctrine was manifested, but the timing chosen has made it a double mistake. However, being presented by state controlled media as 'Russia's rising from knees' it got strong public support and led toward an increase in Putin's-Medvedev's approval rating. The crisis all over the world changed the political agenda and overshadowed Georgian events sending Russian political elite a wrong message. January 2009 events of Russian-Ukrainian gas war illustrate this pretty well.

One can see shifts in Russian policy with regard to 'near abroad' which is considered to be a 'zone of Russia's privileged interests'. The Kremlin refused from its 2005-2008 mercantile standing, which was taken after the Orange revolution and decided to capitalize Russia's relative financial advantages to restore her influence in post-Soviet space by giving loans to Armenia, Kyrgyzstan, Moldova and even Ukraine.

Revision of Russia's foreign policy is hardly possible before it will be fully recognized by Russian political elites that 'the golden age' of petro wealth and 'energy superpower' ambitions is over. Not only Russia suffers from the crisis but all other countries as well. It let 'keepers' to think that within a year or so the crisis will end, prices of raw materials will come back to the pre-crisis level and they will continue with foreign and domestic political concepts which took their final shape in 2007. It will take some time to realize that not only will the crisis last for a long time and recovery of global economy will take much longer, but also that exit for Russia will be very different from the entrance.

6) Presentation on March 12, 2009.

Conclusion

I would not wait for any essential shifts before 2009 fall when the first signs of political hangover among Russian ruling elites will perhaps appear. The same financial safety net which provides ordinary Russians from serious suffering in result of the crisis making it possible for the government to carry social obligations and to keep all earlier promises in this regard, prevents the government from making serious decisions including revaluation and revision of both domestic and foreign policy concepts which have been embodied in flesh just by the crisis. Huge accumulated financial resources possess the political class to postpone complicated decision in these spheres just buying an expansive respite. The problem is that the time already bought was wasted in terms of rethinking of changes in Russia's position in crisis and post-crisis world, and the need to modernize its foreign and domestic policy doctrines as well as the whole managerial and political system in order to respond new challenges. However there are only two basic options possible – either accelerated political evolution in case the system is capable to undertake it in order to survive, or coming to collapse followed by the new system's appearance. And as time passes there is less and less room for maneuvering.

Russian Authorities: the Decision-Making System and the Social Context

Mikhail Vinogradov[1]

In describing the political situation in Russia it is necessary to define six basic factors which set out the conditions for making the most important political decisions.

1. Most of the public political institutions (including the Parliament and political parties) do not play a serious role in the political life and merely approve decisions made by the President and the Head of the Government.

2. The interaction between President Dmitry Medvedev and Prime Minister Vladimir Putin is at odds. In spite of good personal relationship, it is getting increasingly harder for Medvedev and Putin to eliminate emerging differences.

3. The decision-making system is often defined by the correlation of powers between the leading influential groups, although most of them do not have clear political views.

4. The decision-making in international politics is concentrated in the hands of the President and the Prime Minister. The role of other institutions (including the Ministry of Foreign Affairs) is not significant. Decisions made are often determined by the internal political situation.

5. In spite of the economic crisis, the society still does not take keen interest in politics. Russian authorities effectively control the societal agenda by having control over the television networks and by hindering emergence of opposition movements.

6. The role of political experts in the decision-making system has diminished. During the last few months there have been attempts to increase the role of experts, however, in general, like the Parliament and the political parties, the political experts only approve or pass decisions made by the officials, and do not participate in the process of their creation and development.

The Role of the Public Institutions

The significant reduction of the role of public political institutions, including the Parliament and political parties, was the result of changes which took place during the period of Vladimir Putin's presidency. The Parliament was, in effect, isolated from participation in the decision-making process and was subordinated in its activity to the Administration of the President. As for the political parties, over the period of 8 years, *Yedinaya Rossiya* (the "United Russia") gained dominant positions. Vladimir Putin is its formal leader and the Party won a majority at the federal and regional levels. However, *Yedinaya Rossiya* did not become an instrument of control of political elites and the center of the decision-making. In effect, while membership in the party makes it easier to be elected to parliaments of all levels, it does not however impose any serious obligations with regard to any group.

Two other parties – *Spravedlivaya Rossiya* (the "Fair Russia") and *Pravoye delo"* (the "Right Cause") are formally close to the authorities but they do not have the level of influence which *Yedinaya Rossiya* has.

As a result of these changes, the role of elections has considerably diminished in Russia's political life. The most important feature is competition between the informal influence groups, rather than election

1) * *Mikhail Vinogradov is the Director of the "St. Peterburg Policy Fund" from Moscow*

campaigns (the results of which are usually predictable). Lately, these groups have been fighting for state resources (distribution of budgetary funds, control over the state companies and corporations, creation of preferences for businesses under their control), while the Parliament was only rubber stamping decisions passed by the Executive, without any serious influence over their content.

The President – Prime-Minister Relationship

Vladimir Putin's decision to leave the post of the President and let Dmitry Medvedev have the Head of State chair could not have left the composition of political powers unaffected. Formally speaking, the Russian Constitution offers broad possibilities for the distribution of competences between the President and the Prime Minister. For instance, the Constitution does not stipulate clearly who controls the activity of security and law-enforcement agencies – the Head of State or the Head of Government (their subordination to the President is stipulated in the Federal Law "On Government", which can easily be changed as needed). Nominally, the President can dismiss the Prime Minister, however, in practice it is hard to imagine this to happen since *Yedinaya Rossiya*, lead by Putin, has the majority in the Parliament. Legally speaking, even in this case the President has enough opportunities for such an action, but it is unlikely he will be ready to use them.

The relationship between Putin and Medvedev underwent two crises. The first one took place in the summer of 2008. Putin's increasing jealousy towards Medvedev resulted in a Russian-Georgian war, which allowed Putin to demonstrate that he is the one in charge. In support of this claim there were a series of signs aimed to demonstrate that it was Putin who took main decisions. Indirectly, this was lately confirmed by the French press, which reported that Nicolas Sarkozy was persuading precisely Putin not to allow the attack on Tbilisi. In addition to that, the international isolation of Russia that followed those events (nobody was expecting that it would be so short) was disadvantageous for Medvedev who had certain credit of trust with Russia's Western partners. Not surprisingly, according to the poll conducted by Levada Center in February 2009, 34% of the Russian population thought that the real power in Russia belongs to Putin (a year ago it was 20%), 12% - to Medvedev (23% - in 2008), and equally to both of them – 50% (41% - in 2008). Also, the Prime Minister took over the decision-making on key issues related to financial support of large-scale enterprises, during the economic crisis.

Medvedev met this without particular objections, and acquiesced with the role of politician number two, which even gave grounds to rumors about his early resignation and change for Putin. But at the beginning of 2009 the situation changed again. Experts more and more often started talking about tensions in the relationship between the two highest officials. Number of actions (the result of Russian-Ukrainian gas conflict, putting on the wanted list of the businessman Evgeny Chichvarkin) was considered by Medvedev's team as explicitly unfriendly. In response, Medvedev seriously strengthened the criticism of the Government in his statements and undertook a number of steps that were understood in the society as a sign of a long-awaited "thaw". The crisis itself more and more often started to be interpreted by Medvedev as a chance to extend his independence, and the press more often started to name new candidates for the Prime Minister's replacement. However, the interaction potential between Medvedev and Putin has still not been exhausted yet. They can still completely settle their differences. Moreover, it cannot be ruled out that provoking Medvedev towards independence may be Vladimir Putin's "trap", who strives to completely impede Medvedev's thirst for autonomy.

Groups of Influence in Russian Authorities

As in during the time of Boris Yeltsin and Vladimir Putin, the main intrigue of Russian politics is in the non-public strife between different elite clans and groups. As a rule, groups are united by personal closeness of participants, their joint work experience and common business interests. Sometimes these groups have common views on political or economic policies, but this issue is not principal for them.

At the time of Vladimir Putin's presidency, the Head of State did not participate in any particular clan and was an arbiter between them. Now the situation has somewhat changed. Without having strong human resources, Dmitry Medvedev inevitably became a uniting base of one of the clans, which includes the group of his personal protégés (Minister of Justice, Aleksandr Konovalov, President of the Higher Arbitration Court, Anton Ivanov, Authorized Representative of the President in Ural, Nikolai Vinnichenko). This group gains more strength due to Medvedev's closeness to a number of influential businessmen and officials (the Head of *"Gazprominvestholding"* Alisher Usmanov, former Head of the Administration of the President Aleksandr Voloshin, Press-Secretary of the President Natalia Timakova). Some experts also include into this group the First Deputy Head of the Administration of President Vladislav Surkov and Economic Advisor of President Arkadiy Dvorkovich. And even though within the mentioned clan one can observe tough competition (especially around Surkov), after one year of Medvedev's presidency his team remained sufficiently intact.

In the economic sphere one can single out two key groups – around the Deputy Prime Ministers Igor Sechin and around Aleksey Kudrin. Sechin is a powerful official who, during Putin's presidency relied on the law-enforcement bodies. Lately, he changed his main sphere of interests and is now engaged in the oil and other energy sectors. In Sechin's hands is the control over the state company *Rosneft* and the Ministry of Energy. The level of Sechin's political ambitions has in a way decreased, however, the influence of the group, led by him still includes such influential persons as Boris Gryzlov, the Speaker of the State Duma, Aleksandr Bastrykin, the Head of the Investigation Committee at the General Prosecutor's Office, and Sergey Bogdanchikov, the President of the company *Rosneft*. Some experts also include the First Deputy Prime Minister Viktor Zubkov (the Prime Minister in 2007-2008) and his son-in-law, the Minister of Defense, Anatoly Serdyukov in the "Sechin" team.

The second group is united around the Minister of Finance Aleksey Kudrin. Among it's most powerful representatives are: the Chairperson of the Central Bank Sergey Ingnatyev, and representatives of a number of influential economic agencies. The main task of Kudrin is to protect budgetary funds (including the filled-up Stabilization Fund) from attacks of lobbyist. To date, the Stabilization Fund consists of the Reserve Fund ($ 136 bln.) and the National Welfare Fund ($ 83 bln.). The budget deficit in 2009 is planned to be covered by 55% of funds from the Reserve Fund and 19% - from the National Welfare Fund.

The groups of Sechin and Kudrin cannot be unambiguously referred as to "Putin's" or "Medvedev's" teams. Sechin's mindset is close to Putin's, but, when necessary, he also builds relations with the President. Kudrin is also Putin's old close associate. But the significance of the Minister of Finance post together with political support from one of the old-timers of the Russian politics Anatoly Chubais (who managed to establish good relations with Medvedev), allowed Kudrin not to be in the middle of the confrontation between the two groups.

Leadership of the Administration of the Government Personnel led by the Deputy Prime Minister Sergey Sobyanin, who actively promotes his protégés to the high official posts, becomes a relatively new Putin – oriented center of gravity. The Sergey Chemezov's group who is the head of the *Russian Technologies* company, which managed to merge a large number of Russian enterprises, including weaponry manufactures, still has powerful positions as before. Finally, *Gazprom*, headed by Aleksey Miler, remains to be Putin's "personal guard".

Other groups, which used to have power during Vladimir Putin's presidency, have lately decreased their level of political assertiveness. Former powerful figures such as the head of *Russian Railways* Vladimir Yakunin, businessman Yuri Kovalchuk, former head of Drug Enforcement Agency Viktor Cherkesov, found themselves on the periphery. The same goes for a number of powerful *oligarchs*. Roman Abramovich and Oleg Deripaska are now concentrated on saving their own businesses.

The influence of once super powerful security agencies has also lately diminished. Former "heavy-weights" for different reasons stepped away from active participation in controlling the security block (Igor Sechin and Nikolai Patrushev ex-Director of Federal Security Service (FSB)). Heads of the Ministry of Internal Affairs of the Russian Federation (MVD) and the Office of the Prosecutor Rashid Nurgaliev and Yuri Chaika are considered to be temporary and insufficiently influential figures.

Information on group membership of the most powerful Russian politicians

President	Dmitry Medvedev	Relies on the status of the President and his influence group
Head of the Government	Vladimir Putin	Plays a role of an arbiter in confrontation between different influence groups
Head of the Administration of the President	Sergey Naryshkin	Has a work experience both with D. Medvedev and V. Putin. Relatively passive official.
First Deputy Head of the President's Administration	Vladislav Surkov	Lately, draws closer to D. Medvedev, but is very negatively perceived by other associates of the President.
First Deputy Prime Minister	Igor Shuvalov	Coordinates struggle against the economic crisis within the Government. Politically lacks independence. There are different scenarios of his career development – from upcoming resignation to the post of Prime Minister.
First Deputy Prime Minister	Victor Zubkov	The level of political ambitions is relatively low.
Deputy Prime Minister, Minister of Finance	Aleksey Kudrin	Became a target of strong lobbyist attacks in the struggle for budgetary funds. However, has a high survival potential and relative autonomy.
Deputy Prime Minister	Igor Sechin	Is a powerful figure thanks to personal contacts within the elite, and control over significant part of the Energy Sector.
Deputy Prime Minister, Head of the Government Personnel	Sergey Sobyanin	Concerns himself with the strengthening of government personnel in the interests of V. Putin.
Deputy Prime Minister	Aleksandr Zhukov	His influence is gradually decreasing.
Deputy Prime Minister	Dmitry Kozak	Was one the most visible persons in V. Putin's team, but because of the confrontational character gradually pushed to the periphery.
Minister of Foreign Affairs	Sergey Lavrov	As a result of secondary role of Ministry of Foreign Affairs his influence is decreasing.
Minister of Defense	Anatoly Serdyukov	V. Zubkov's protégé. Managed to gain considerable authority within the elite, but little popularity in the Army.
Minister of Internal Affairs	Rashid Nurgaliev	N. Patrushev's protégé. Considered to be a temporary person in charge of Ministry of Internal Affairs.
Minister of Justice	Aleksandr Konovalov	D. Medvedev's protégé.
Director of the Federal Security Service	Aleksandr Bortnikov	Was promoted to the leading positions with participation of I. Sechin. Tries not to demonstrate political independence.
President of the Central Bank	Sergey Ignatyev	A. Kudrin's protégé.
Secretary of the Security Council	Nikolai Patrushev	After leaving the post of the Director of the FSB his influence went down.
Speaker of the State Duma, Chairman of the Highest Council of the *Yedinaya Rossiya* party	Boris Gryzlov	I. Sechin's and N. Patrushev's protégé.
Chairman of the Council of Federation, Chairman of the party *"Spravedlivaya Rossiya"*	Sergey Mironov	Relatively independent but little influential figure.
President of *Gazprom*	Aleksey Miller	*"Gazprom"* is personally controlled by Putin.
Director of *Rosnanotech* company	Anatoly Chubais	Experienced political heavy-weight. Has good relations with V. Putin, D. Medvedev, A. Kudrin. In the near future there is a possibility of drifting towards Medvedev.

Foreign Policy Decision-Making Mechanism

The decision-making process regarding foreign policy is in essence limited to the President and the Prime Minister level. The Ministry of Foreign Affairs plays a relatively small role. The same can be said for the Department of Foreign Policy within the Administration of the President and its supervisor Sergey Prihodko. In the summer of 2008, there were expectations that the similar center will appear in the Government with Yuri Ushakov as its head, but he did not demonstrate any special activity. The role of the abovementioned institutions is limited to developing projects which the President and the Prime Minister may accept or decline. However, external institutions (for example, *Gazprom*) can also propose foreign policy projects.

There is no definite clarity about the distribution of competences between Putin and Medvedev. There is a point of view which identifies soft moves in foreign policy with Medvedev, and tough ones with Putin. This stereotype is partly beneficial for the President and the Prime Minister, but its accuracy is doubtful, even though it is obvious that Medvedev is in greater need of support from Russia's international partners (above all Western partners). With a high level of conditionality, one can say that Putin participates more in the decision-making process related to the international energy cooperation as well as in Russia's policy in most of the CIS countries. Medvedev is more often engaged in relations with the USA, Western European countries, and participates in meetings of G8 and G20 format.

Considering the fact that the Russian Constitution does not provide for clear distribution of powers (formally, this is President's sphere, but there are wide opportunities for maneuver) it is expected that uncertainty will remain in these issues. Barack Obama's victory in the elections for the US President made Russian authorities, in general, more prone to restoring relations with the West. However, this process will alternate with periodic surges of patriotic activity, initiation of reasons for confrontation with the West (including in the Balkans), and "Energy Wars" (although the significance of energy is decreasing at the moment). It should be kept also in mind that the Russian political elite has problems with the development of a long term foreign policy strategy. Very often actions on the international arena have a rather propagandistic character (mobilization of its citizens in the struggle with Ukraine and Estonia, demonstration of controversies with the West in Kosovo issue), which not only do not pay tangible dividends but they also complicate the realization of other international projects. For instance, sharp criticism of Estonian authorities regarding the moving of the Memorial to the Soviet soldier provoked Tallinn to raise environmental objections against the construction of the North European gas pipeline and hence to threaten the realization of this, for Russia, very important project.

Public Opinion

The economic crisis has become a serious challenge for the relations between groups within the authorities, for economic policy development, and for the state of public opinion. The crisis, no doubt, could bring serious political changes. However, no serious changes took place so far. None of the opposition parties *KPRF* (Communist Party of Russian Federation), *LDPR* (Russia Liberal Democratic Party), *Spravedlivaya Rossiya* ("Fair Russia"), *Pravoe delo* ("Right Cause"), *Solidarnost* ("Solidarity)) took any serious steps to use the citizens' decreased support for authorities to increase their own popularity. Mass protest demonstrations in Vladivostok, Blagoveshensk and Krasnoyarsk were spontaneous and were not organized by any party.

The public opinion poll data regarding the support for the authorities during the economic crisis somewhat differ. According to the *Public Opinion Foundation*, in the beginning of March 52% of the respondents trusted Medvedev (some time ago this rate was higher and constituted 56%; but in any case it is higher than the ratings during Presidential elections, which was 45%). The confidence level in Putin is steadily at 65-70%. The level of support for the opposition parties remains low. According to the *Public Opinion* Foundation, 53% of the respondents are ready to vote for *"Yedinnaya Rossiya"*, 9% - for the Communists, 7% - for the Liberal Democratic Party of Vladimir Zhirinovsky, 5% - for *Spravedlivaya Rossiya* led by the Speaker of the Upper Chamber of the Parliament Sergey Mironov, 1% - for the liberal parties

Yabloko (the "Apple") and *Pravoye Delo*. At the last elections for nine regional parliaments, on 1 March *Yedinnaya Rossiya* won everywhere (although at several elections for mayors opposition candidates won).

Therefore, the authorities still have several opportunities to prevent the protest mood from translating into an increase in popularity of the Opposition. At the same time, in case of further destabilization of the situation, it should not be excluded that the authorities will have to "find" those who are *guilty* for the crisis and who should bear the responsibility for it. In February 2009 governors were nominated for the roles of these *guilty* ones – the Heads of four Russian regions were dismissed. It is not excluded, though it is unlikely, that big businessmen and particular ministers will be the targets of criticism by the authorities. In the case of a serious deterioration of the social situation, an increase of dissatisfaction in the President, the Prime Minister and in *Yedinnaya Rossiya* is possible. However, irritation of the citizens so far is not accompanied with a search for alternative political programs or popular leaders. Moreover, the population does not have clear demands for an alternative economic policy, and there are almost no discussions on this issue in the press. Low interest of societal alternatives together with a low citizen interest in politics gives a chance to the Russian authorities to survive the economic crisis without serious political destabilization. In addition, the authorities so far have managed to carry out social payments in full (pensions, allowances, etc.) and to prevent serious delays in payments of salaries both in state and private enterprises.

Another option which can be used to widen the support of the population, is to imitate an external threat by a different state (the US, Ukraine, Georgia, Estonia, Poland, etc.). As a rule, the struggle with this kind of threat leads to an increase in public support for the authorities. But this increase usually lasts only for one – one and a half months. The authorities are not ready to go too far in international confrontations, while the population becomes more interested in social slogans and in pursuit for achieving an increase in income. Therefore, effectiveness of the image of the "strong state" is limited, and "patriotic" campaigns cannot be carried out more than 2-3 times a year.

The Role of Experts

During the last few years the role of experts in the process of political decision-making in Russia has significantly decreased. The decision-making is a non-public process. The closest to the authorities are, as a rule, not authors of ideas which could be realized, but those political scientists and sociologists who actively assist the authorities in the public promotion of already passed decisions.

One can distinguish three categories of Russian experts based on their public attitude towards the actions by the authorities. The first group consists of political scientists who publicly support most of the governmental activities. They are: Aleksey Arbatov, Vitaliy Ivanov, Sergey Markov, Andranik Migranyan, Vacheslav Nikonov, Dmitry Orlov, Gleb Pavlovsky, Valeriy Fadeev, Valeriy Fyodorov, Aleksey Chesnakov.

The *neutral* category includes experts who take the neutral position. In a number of cases they criticize the authorities and they are rarely needed as *promoters* of decisions taken. Among them are: Dmitry Badovsky, Igor Bunin, Evgeniy Gontmakher, Sergey Karaganov, Fedor Lukyanov, Boris Makarenko, Aleksey Malashenko, Evgeniy Minchenko, Dmitry Oreshkin, Nikolai Petrov, Andrei Ryabov, Dmitry Trenin.

Finally, the radical category is represented by the experts who one way or another participate in the opposition movement and strongly criticize Vladimir Putin and Dmitry Medvedev. The most famous among them are: Mikhail Delyagin, Vladimir Milov, Andrei Piontkovky, Vladimir Pribylovsky, Mark Urnov, Liliya Shevtsova.

Lately, the President has made it clear that he is ready to more actively cooperate with the *neutral* category of experts. This has been caused by authorities' obvious need of ideas to prevent the economic crisis as well as by the necessity to correct the mechanisms of official propaganda in order to prevent further growth of oppositional moods.

Conclusion

If one wanted to foresee the development of events in 2009, one could assume that, in foreign policy a course towards the regulation of issues with the West European countries and the US will continue. The policy in the post – Soviet space: unresolved conflict with Georgia, upcoming elections in December and the elections for the President of Ukraine, a desire to use the crisis for strengthening Russian economic positions in the former USSR countries, will remain an obstacle and will cause periodic surges of emotions and adversely affect relations between the Russian Federation and its western partners. At the same time, as a dispute on the fate of the military base in Kyrgyzstan shows, Moscow and Washington are ready for a civilized "trade" on key strategic problems of the region.

In the internal policy, a tendency towards the "thaw" could see further development. However, this process shall not be progressive and, taking the absence of consensus within the authorities into consideration, it shall be periodically accompanied by temporary attempts of "freezing" political liberties. Notwithstanding contradictions between different camps within the authorities, one should not expect a division from the inside. However, in due time, such division could become possible, if fundamental deterioration of the economic conjecture comes into be.

In the socio – economic sphere, the sense of "reserve of stability" should suffice within the authorities, as a minimum until the fall. In all likelihood, the opposition will not be able to use the crisis to increase its own popularity. However, if the deterioration of the economic situation continues, the authorities will find it increasingly difficult to counter the decrease in trust from the citizens. In such a case, the authorities will attempt to focus on countering the consolidation of the opposition forces. The probability of another scenario – the development of political pluralism and significant dissemination of political freedoms already during the 2009 still is not more than a quarter.

Freedom of Expression in Russia

Russian Mass Media: Freedom, Censorship or Self Control?

Dr. Olga Sadovskaya Aleksandrovna[1]

Today, both in Russia and abroad, two opposite views on the situation regarding the protection of freedom of expression in Russia exist. As always, one of them is optimistic and official, the other is pessimistic and oppositional.

From the Russian government's point of view, it diligently and effectively protects freedoms of the citizen to receive any information and protects the media in their effort to provide any information to the citizens. According to the Russian delegation's statement at the 13th OSCE Human Dimension Implementation Meeting, Russian media are free, independent, and objective and, as a result, impartial in covering events both inside and outside the country. To support their claim, the delegation provided statistical data, according to which there are 92,850 registered media in Russia. One hundred and fifty existing TV channels are served by more than three thousand private TV companies and only four hundred state TV companies, which, according to the Russian government, speaks of a high level of independence of information that reaches the citizens. Furthermore, the number of active Internet users is constantly on the rise and leads to a decreasing interest in printed media, a significant segment of which is partly financed by the government. All in all, the government's statistics should persuade an outside observer that nothing and nobody endangers freedom of expression in Russia.

On the other hand, representatives of the opposing opinion claim that freedom of expression in Russia essentially does not exist and that the government has total control over all radio stations, TV channels and media outlets. Moreover, lately, the government started attacking the last stronghold of freedom of expression such as blogs, analytic materials and op-eds on the Internet. According to the majority of representatives of the opposition parties and NGOs working in this field, freedom of expression in Russia almost disappeared during the last few years and the situation has sharply deteriorated since 2000. To those interested in these issues, cases of closure or attempts to close newspapers that reflected oppositional views are very familiar. For instance, in 2002 there were attempts to close one of the biggest opposition outlets "*Novaya Gazeta*" when Mezhprombank filed a claim for a significant amount from Novaya Gazeta. However, this attempt failed and the outlet survived. In February 2003 *"Noviye Izvestiya"* – the outlet expressing sharp criticizism of the authorities was closed. Often, as an example of violations of freedom of expression in Russia, one can mention cases of bringing criminal charges against journalists for critical publications against the authorities. One such case exists, famous both in Russia and abroad, which is the case of Stanislav Dmitrievsky, historian, public figure and the chief editor of the now closed newspaper *"Pravo Zashita"*, who was sentenced to three years imprisonment with a suspended sentence for the publication of a statement addressed to the Russian people from Ichkeri Zakaev, the Vice-Prime Minister of the Chechen Republic, and to the European Parliament from Aslan Maskhadov, the President of the Chechen Republic. This publication was considered unleashing inter - ethnic hatred. The Dmitrievsky trial was conducted with violation of the principle of equality of arms, most of the documents were fabricated and almost none of the witnesses for the defense were invited, notwithstanding petitions and complaints made by the defense attorney.

Undoubtedly, these striking examples of violations of freedom of expression of journalists and freedom of citizens to receive information are more persuasive than dry governmental statistics of Internet users.

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However, concrete examples chosen for a particular purpose will not reflect a whole picture, and statistics also may be used by both the *pro* and *con* sides.

In principle, freedom of expression stopped being a term with unclear meaning for ordinary people in Russia. Most of the Russian citizens very well know that censorship is prohibited, freedom of media is guaranteed, and the right of every person to seek, receive, convey, produce and disseminate information freely in every way prescribed by law is protected. Still, those who would like to seek and disseminate information they consider important, will face another challenge in the term "[prohibition] prescribed by law". Officially, indeed, censorship in Russia is prohibited – there is no authority, whose permission is needed for broadcasting information on a TV channel or for publication of an article in a media outlet. Nevertheless, based on two federal laws ("On Mass Media" and "On Countering Extremist Activity") articles, interviews, TV programs and other journalistic products can be easily considered extremist (unleashing social, ethnic, racial, religious hatred, inciting violent change of government, etc.) or, in some cases, pornographic without in effect being so. The Russian jurisprudence has already faced several examples of when those who held a different opinion criticized the authorities and were thus considered extremists, resulting in their subsequent arrest and a suspension of their media outlet. One such case is the already abovementioned case of Dmitrievsky. Moreover, vague wording of these laws theoretically allows institutions to bring about criminal proceedings against defenders and colleagues of the abovementioned individuals. Vague and uncertain interpretation of the term "extremist activity"[2] allows for any statement or act disagreeable with the government to considered as such. Another problematic legal provision is that a norm[3] exists which obliges public organizations to renounce extremist statements made by their representatives. In other words, if one of the leaders of an organization, including media, makes a "public statement, inciting to carrying out extremist activity, without specifying that it is his or her personal opinion", the respective organization "is obliged to renounce the statement publicly within five days from the day when the statement was given". The same responsibility is imposed in cases when the respective leader of an organization is convicted by a verdict of the court for "a crime of extremist character". Accordingly, "if a respective civic or religious association or other organization does not make such a public declaration, this will be considered as an evidence for considering its activity as extremist".

Thus, the Russian government has a unique combination of the two federal laws which together, with a respective article of the Criminal Code, can be used selectively against particular individuals or the media.

The government also has a preventive mechanism in the form of warnings. For instance, in 2007 the Federal Mass Communications Supervision Service issued 74 warnings to Russian media for violations of Article 4 (disseminations of extremist materials) of the law "On Mass Media". Interestingly enough, according to Russian authorities, this number of warnings against the high number of mass media registered in the country cannot be considered as the government's policy of persecution of undesirable journalists. However, one should evaluate the validity of issued warnings, which are questioned by Russian human rights activists, international experts and Russian attorneys, rather than their quantity. Even though most

2) Extremist activity (extremism)
Violent change of the basis of the constitutional order and violations of the integrity of the Russian Federation; Public justification of terrorism and other terrorist activity; inciting social, racial, ethnic or religious hatred; propaganda of exclusivity, superiority or less worthiness of a human being based on social, racial, ethnic religious or linguistic origin or view on religion; violation of rights, freedoms and lawful interest of a person and citizen depending on his or her social, racial, ethnic, religious or linguistic origin or view on religion; preventing the exercising of election rights of citizens and their rights to be elected, participation in referendum or violation of the secret of voting, lined to violence or threat thereof; Preventing the lawful action of state bodies, bodies of local self governance, election commissions, public and religious associations or other organizations, lined with violence or threat thereof;
Committing an offence on motives stated in "e" article 63 of the Criminal Code of the Russian Federation; propaganda and public demonstration of Nazi insignia or symbolism or insignia or symbolism resembling the nazi insignia or symbolism to the point of confusion; public inciting to implementation of abovementioned acts or mass dissemination of extremist materials, and equally their creation or storing of the purpose of mass dissemination; public or obviously false accusation of a person holding official position of the Russian Federation or official position of a subject of the Russian Federation, in their committing in period of implementation of their duties listed in the present article which are an offence; organization and preparation of the abovementioned acts; and also incitement to their undertaking; financing of abovementioned acts or other assistance in their organization, preparation, including by means of providing instructions polygraphic and material or technical basis, telephone and other forms of communication or provision of IT services;
3) http://www.consultant.ru/online/base/?req=doc;base=LAW;n=76617

of the given warnings have been baseless, they had not been dismissed. In case of repeated warning, the authorities have an opportunity to consider the closure of an organization, and availability of preventive warnings may effectively assist in bringing a criminal case in against a publication that is considered extremist by the authorities.

It is also impossible not to mention the fact that in Russia since 1993 more than 200 journalists have been killed. With rare exceptions, the professional activity of the deceased, who had criticized internal or foreign policy of the government or its law-enforcement practice, was the true reason for their death. Most of the killings have still not been investigated. This shows not only the lack of professionalism of law-enforcement bodies, but also demonstrates that the government is not interested in protecting journalists. Certainly, one cannot claim that the murders of opposition journalists was done by the authorities, but one also cannot refute that the state had an obligation to protect them.

According to Reporters Without Borders[4] – an international organization that among other things monitors protection of freedom of expression – physical violence and economic sanctions with respect to journalists and mass media are the most actual threat to freedom of expression in Russia. For example, several independent media outlets were closed as a result of unjustified tax complaints. Starting in 2007 *Rossiyskaya Gazeta* (official newspaper of the Government of the Russian Federation) regularly publishes the list of officially prohibited materials in Russia that were recognized extremist by the court. The list includes printed outlets, music albums and movies, and it is made based on the court decisions. The first list was published on 14 July 2007 and at the beginning contained 14 items. By 18 June 2008 it already contained 151 items. This is done in accordance with the federal law "On Counteraction Extremist Activity" which states that the "federal list of extremist materials is to be published regularly in mass media". This creates a situation when mass media have to introduce internal self-regulation, *i.e.* censorship, in order to continue their activity. As a result, one more often comes across the media that instead of disseminating information, it popularizes one particular view of the state. One can talk about receiving information when a person has an opportunity to learn about different opinions regarding a particular event and to form his or her own viewpoint. One the other hand, propaganda is a message, even if stated only several times and by different people but nevertheless reflecting only one point of view. Propaganda is also not limited to state media, to whom this is part of the usual work, but is also done by theoretically independent TV channels and media outlets. Today in Russia, one can observe such a phenomenon as "pro-governmental self-censorship". Information, before going onto the air at non-governmental channels, instead of external censorship goes through internal censorship, the purpose of which is to broadcast only that information which is favored by the government. In other words, the purpose is to meet expectations and to avoid being noticed.

This phenomenon can, in many respects, explain the obvious degradation of journalism in Russia that creates even more conditions conducive for institution of self-censorship by the particular outlet or channel. However, it is impossible to assess adequately if abovementioned factors are the only reasons for self-censorship or is it also provoked by a desire to accumulate more profits by broadcasting more popular entertainment programs.

At the same time, internet remains to be a relatively control – free zone where there is a real opportunity to disseminate and receive any kind of information. There are isolated instances of pressure over bloggers who allowed themselves to sharply criticize the existing regime, but not enough to claim that freedom of expression is violated within the realm of internet as well. Unlike in other post-Soviet countries, in Russia there are no problems to create and to access websites with alternative ideas to that of state policy. Internet users can get access to information regarding the cases of Anna Politkovskaya, Dmitry Kholodov, Paul Khlebnikov and other murdered journalists, or to access articles of foreign outlets and news blocks of foreign TV channels. However, in this case the internet user has to get information independently, sometimes wasting time in search of it. This surely says something about a lower level of access to alternative information in comparison with information broadcasted on television. In many cases users do not have a possibility to understand information because it is not accessible in Russian and cannot

4) http://www.rsf.org/

be found in other sources. Furthermore, it is important to note that notwithstanding the state statistics which claims that there are thirty million computers connected to the internet in Russia, only a small part of the population has access to such an alternative source of information.

One of the main conditions for freedom of expression is that every person has free access to information should they wish so. It means that one should not make an effort to find several points of view on a particular event – they should be provided by the media, both state and private. Internet should not be the only source of alternative information and it is the state's responsibility to guarantee that.

Therefore, there are two main problems with freedom of expression in Russia nowadays. First, in the presence of opportunity to express one's opinion freely there is no opportunity to provide alternative information to the society. Second, even if somebody managed to provide an independent opinion or appeal to the wide audience, there is no guarantee that this action would not be considered extremist or would not be restricted in any other way. On the other hand, it is also true that there is no "iron curtain" in Russia anymore, and one can find any information on any political, business, cultural or other question if needed. But the fact that it requires efforts and spending time and money to find it indicates limited access of an ordinary user to information.

Freedom of expression is never absolute and will never be absolute, because it will always have its enemies and will always have shortcomings in terms of the ability to be abused. Freedom of expression in its essence seems to remind of a horizon – a perfect line that you cannot touch but it is there. It is an ideal which is impossible to comply with, but which should be followed, because absence thereof may lead to the degradation of the society and its suppression by the state.

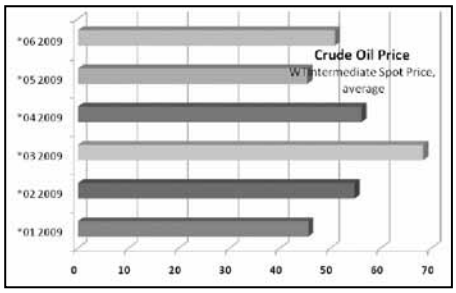
Today, Russia has stopped and is slowly but surely reversing in crossing off freedom of expression from the list of guaranteed rights and freedoms. But it is not only the Russian government's fault. In many respects, it is the society that is carried away with solving personal economic problems and stopped paying attention to what it sees and hears and, as a result, cannot influence the content of information. Obviously, a lack of aspiration for the protection of freedom of expression and freedom of access to information by the society says enough about its immaturity and preoccupation with more practical problems, more often of financial character. A lack of aspiration for protection of freedom of expression from the part of the state mostly indicates that it has something to hide from its citizens. It is certain now that the authorities are not going to protect freedom of expression in Russia on their own initiative. And it is also true that real opportunities for its protection exist, and in the absence of the Russian government's will, the society must solve this problem for its own benefit.

Energy-Economic Relations Between Russia, the Neighbouring Countries and the European Union: Energy Dependency and/or Interdependence

Dr Zorana Z. Mihajlovic Milanovic[1]

The global economic crisis has resulted in serious structural problems, which entails the slow-down of global economic output (it increased by 0.93% only (WB) or 0% (IMF) as is expected in the year 2009, while for the year 2010 it is 3.01%). The fact that the US Congress has approved the one-year expenditure in the amount unprecedented since the World War II, indicates that the global crisis is taking its toll (1 trillion US$), with an uncertain outcome and dynamics.

In developing and underdeveloped countries the growth of approximately 4.45% (2009) and 6.06% (2010) is projected. On the other hand, developed counties will face slower growth of 0.15% (2009) and 2.04% (2010). Also, the World Bank has anticipated the real price for the barrel of oil in 2009 to be 56.67$.



The extent of the decrease in the energy industry is indicated by the drop in the GDP by 1.7%, in the 2nd quarter of 2008, which is a decrease of about 5.3% when compared with the growth in the 1st quarter of the same fiscal year.

The world financial crisis that began as resource crisis and then continued as credit and financial crisis, affects to a great deal the relations between big energy powers, such as Russia, and their consumers, primarily the European Union. The relations between Russia and its neighbours are even more important, irrespective of whether those are with the countries of Central Asia (Kazakhstan, Kirgizstan, Tajikistan, Turkmenistan and Uzbekistan), or the Caucasian countries (Armenia, Azerbaijan and Georgia), and/or the relations with the Eastern European countries (Belarus, Moldova, Ukraine).

The relations between Russia and the European Union play a very important role in the energy policy and export markets. The biggest Russian energy companies have been granted investment credits on the basis of long-term agreements with the EU countries. These countries (including Germany) have signed bilateral agreements with Gazprom for a 35-year term. Such kind of «face-to-face agreements», according to the opinion of many world analysts and the European Commission, can endanger free markets and their flexibility principle. It is this reason why the energy security of the energy starved European Union has been threatened.

As soon as in 1991 the EU took the initiative in promoting energy related cooperation among the member states and diversification of energy supply. The principles are incorporated in the Energy Treaty Declaration .

Although aware of the importance of coherent energy policy, each EU country has been building its relations with Russia separately. Germany and Italy are the biggest importers of Russian gas and they negotiate separately their energy agreements.

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Bilateral agreements about the construction of South Stream between the potentially transiting countries and Gazprom are just an example of decreasing power of negotiations. The Russian official energy policy sends the message that «energy security is the most important element of the Russian national security!!».

Although in its first action plans on achieving energy policy goals (back in 1997), the EU has been oriented towards liberalization, opening of market, single internal market, but also the «solidarity among the member states and security of oil, gas and electricity supply", this principle has not been applied so far. None of the countries are ready to waive bilateral agreements with Russian Gazprom, justifying such an attitude with the differences in level of gas and/or oil dependency on Russia.

The EU energy security is achievable only through diversification of resources and routes of energy supply, strengthening and expanding the network of member states, as well as through the transparency of supply and solidarity among the state members.

"Europe's dependency on Russian gas monopoly Gazprom could be the biggest threat to the Region since the former Soviet Union Army"

(2006, Tracan Basescu, President of Romania in a speech to the Jamestown Foundation in Washington DC)

On the other hand, the Russian fears related to this field refer to the potential possibility of Central Asian countries to perform the transportation of energy resources via Russia, i. e. through its gas and oil pipelines, without any previous agreement with Moscow. The significant issues in the Russian energy sector relate to the following:

- Sufficiency of energy potentials, having in mind the growth of demand for energy sources, as well as insufficient investment into the gas and oil infrastructure in Russia over many years,

- Potential possibilities of failure and/or discontinuance of delivery, as the reflection of economic-political pressures from the biggest Europe's gas supplier - Russian Gazprom,

- Possibility of Russian isolation of upstream countries from Europe, through almost monopolistic control of gas pipeline leading from the Caspian region to Europe. Europe will hardly get the oil and gas from this region without previously making an agreement with Moscow.

- Serious problem of decreased efficiency in modernization and building of new capacities, due to the high degree of corruption in the Russian energy sector, which directly hinders the possibility of defining the EU's common energy policy. The corruption perceptions index in Russia in 2008 was 2.1 (10.0 is the lowest level of corruption), which positioned Russia on the 147th place in the world. The bribe payers index (or the likelihood of Russian companies to bribe abroad) is 5.9, and among 30 observed countries Russia is on the 22nd place.

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Table 1 – Ranking the selected countries by the corruption perceptions index in 2008

Selected country	Rank (score)	Selected country	Rank (score)
Estonia	27 (6.6)	Ukraine	134 (2.5)
Latvia	52 (5.0)	Russia	147 (2.1)
Lithuania	58 (4.6)	Belarus	151 (2.0)
Turkey	58 (4.6)	Azerbaijan	158 (1.9)
Georgia	67 (3.9)	Kirgizstan	166 (1.8)
Bulgaria	72 (3.6)	Turkmenistan	166 (1.8)
Armenia	109 (2.9)	Uzbekistan	166 (1.8)

Source: Transparency International Annual report for 2008

For a longer period of time EU has been showing a clear willingness to diversify the gas supplier, i. e. Russia and to decrease Russian influence. One of the main European advantages is the construction of **Nabucco Pipelines**. It is the chance for diversifying the supplier, because the gas would be coming from the Caspian Basin and the Middle East.

The problem of Nabucco is related to the gas supply source. The countries, such as Kazakhstan, Turkmenistan, Azerbaijan, Egypt and Iraq at different times were considered potential suppliers. However, none of them has shown explicit interest in supplying the European market. Azerbaijan (with some support of Iraq) could supply this gas pipeline, as well as three Central Asian states (Kazakhstan, Turkmenistan and Uzbekistan) that possess sufficient gas reserves. Iran is another possible alternative supply line (it has the 3rd biggest source of natural gas, following Russia and Qatar). Still, the role of Iran and its plans related to this issue have not been clear so far. Moreover, the potential problem is the conduct of Turkey, which is an important transit corridor both for Nabucco and for BTC/BTE gas pipelines (within the Consortium established for the purpose of building the Nabucco Pipelines; a Turkish state company is the owner of 16.7% of shares). Turkey has blocked the progress and negotiations about this gas pipeline, undoubtedly for political reasons related to the EU membership of this country.

The gas crisis from January 2009, which held 80% of Russian gas consumers hostage of bad energy policy and disturbed economic-political relations, additionally emphasized the need for faster construction of Nabucco Pipelines. EU sees the chance in the existence of two gas fields in Turkmenistan in the ownership of a British company. The potential reserves are estimated to be among the five biggest in the world (The South Yolotan-Osman Gas Field and Zashlar Field)[2].

We should not disregard the fact that the planned Nabucco Pipelines can initially supply only about 1% of the European demand and by the year 2018 between 3 and 4%.

"I truly believe that complete unification of our continent cannot be achieved until Russia, as the largest European country, has become a part of the European process...

Establishing independent democratic states nowadays, we share the same values and principles that are the foundation of the majority of Europeans."

Russian President Vladimir Putin's letter on the occasion of 50th EU anniversary (2007)

EU imports 57% of gas, out of which 41% comes from Russia (24% is domestic production, 21% comes from Norway and 18% from Algeria). Gas satisfies 25% of energy needs in EU, where some 505 billion m^3 of this source of energy is spend per year[3]. Domestic production has been decreasing, because the oil fields in Norway and the Baltic Sea have been rather depleted.

Table 2 European Union – Import of Energy from Russia, mil €

	2003	**%**	**2004**	**%**	**2007**	**%**
Energy	49993	**60.8**	75798	67.3	94632	65.8

Source: EU Monitor, 2009

In the four-year period, from 2003 to 2007, the EU share of import in the total import from Russia increased by 5%, while the import of energy increased by 89%.

2) This was the motive for the Turkmenistan's President to visit Germany, but also Brussels and USA. It is possible that the production could gradually reach 70 billion m^3 per year. At this moment, Turkemenistan sells almost all of its gas to Russia (approx. 50 billion m3 per year) and some of it to Iran. There are plans for export to China and Europe, exactly from the Nabucco Pipelines.
3) Oil about 37%, coal 18% and nuclear energy 14,3%.

Interdependency between Russia and the European Union is strong. Russia is one of the EU's main trade partners. In 2007, 51.5% of EU's trade was with Russia, making it the bloc's main trading pratner. EU is also one of the main investors in Russia, because almost 75% of direct foreign investments go to Russia from the EU member states. As regards the trade of goods, the EU's import from Russia is 1.61 times higher than its export to Russia. Direct foreign investments of EU towards Russia are 17 times higher than Russian investments in EU. As regards the trade of services, the EU's export of services to Russia is 1.56 times higher than the EU's import of Russian services.

Although it is clear to everybody, including Europe itself, that Russia has been using energy and its sources as a political weapon, demand for gas in Europe has been growing, due to which it is justifiably doubted that the existing Russian sources will suffice. This is the reason for considering Iranian sources, which, on the other hand, provokes certain reservations relations with the USA, that cannot easily reconcile with the method and conduct of Russia in these relations, and/or contribute to the solution of issue arising from the narrowness of European energy policy. At first sight, the interest of Russian gas company is, like the interest of all other world companies, to maximize profit. On second thought, this is how Russia demonstrates its "energy power" over a group of countries that lack sufficient amounts of energy.

The reason for concern on the part of USA lies in the fear of weakening its influence and strengthening Russian influence in Europe. The Russian strategy is rather clear. It will certainly gain some political concessions with closed energy supply and high gas prices. In addition, it has and will take advantage of the existing lack of energy supply or other economic weaknesses in the countries that are energy consumers, by buying and taking over the funds from the energy sectors of those countries with the aim of using those funds for political influence. Russian energy "prosperity" and strength have been supported by Russian foreign policy related to the relations with USA, as well as the European interests. In the relations with their neighbours, as well as with EU and USA, Russia has had rather dogmatic attitude, along with its growing influence. The reasons for such behaviour can be concluded on the basis of reactions in some energy related events.

Russian – Ukrainian Relations and/or Misunderstanding

In late 2005, Russia warned the government in Kyiv that the price of Russian gas for them will increase significantly. Ukraine protested accusing Russia of attempts to destabilize pro-Western government of Victor Yushchenko. Russian confrontation with Ukraine over gas price in January 2006 lead to decrease and termination of delivery to Kyiv, and although Russia "did not want to harm Europe", it developed into a world gas crisis. During several hours of closed gas pipelines, a few European countries (including Austria, Poland, Slovakia and Germany) reported pressure decrease by 15-40% in gas pipelines. The situation was repeated three years later (2008/2009). This first gas crisis was important because of the fact that for the first time it had an impact on the security of supplying Western Europe. Although Gazprom had been increasing supplies for days in order to avoid cut-offs in Europe, it was not enough. Ukraine continued using the same gas, so that the reaction of Gazprom did not have positive effects.

It was exactly then, at the time of the first gas crisis, that the reliability of Russia as energy supplier began to be questioned . The Russian-Ukrainian gas crisis was said to be the awakening of Europe and the first big impact on energy stability. Some issues became crucial, such as the reliability of Russia as energy supplier and the possibility of Moscow to use its energy power as future political weapon .

In addition, the consumption of gas in Ukraine was reduced (2008/2003) by almost 9%, while the price of gas was decreased by 259% (2008/2003). Taking into consideration the projections that by 2012 some 10% less gas will be transported through Ukraine transit line, it becomes clear that this country in going to face a serious economic and energy crisis.

The relations between Russia and Ukraine have been on the agenda ever since 1991, because 4/5s of the Gazprom's export, which is the primary source of this company's income, "go" right through Ukraine. The Ukrainian industry, heating pipe network and functioning of household sector have been designed to use "cheep Russian gas". Today, twenty years later, Ukraine is dependent on Russian and Turkmen gas, at such prices that this country can hardly bear. For example, in 2008 the price of Russian gas in Ukraine for industrial sector was 63% higher than the price of gas for this sector in Russia, with projections of the projections of being 72% higher in 2009!

Table 3 – Russian-Ukrainian gas trade (+/- %)

IMPORT	2008/2003	TRANSIT	2008/2003
Ukraine – consumption	+ 12.6 %	Scope of transport to Europe	+0.5%
Ukraine – import	-17.4 %	Scope of transport to CIS	-82.1%
Ukraine – production	+ 6.7 %	Transit price	+55.9%
Total value of import	+ 197.2 %	Value of transit service	+48.6%

Ukraine produces some 25% of gas for its own needs and therefore, the major part is imported from Turkmenistan and Russia. The gas supplied from Turkmenistan "travels" more than 3000km to Ukraine flowing through the Central Asian pipeline, controlled by Gazprom and the Russian government.

Speaking about the real causes of crisis, some people think that it was the way of sending a message to the electorate in Ukraine who they should vote for and who they should be closer to. However, other people think that Gazprom was really led by economic interests in maximizing the price of gas and minimizing the fees for gas transportation to European consumers. Some people also think that there are personal interests of one part of Gazprom management behind all this, basing their opinion on the intricacy of agreement between Gazprom and Ukrainian state oil and gas company NAK "Naftohaz Ukraine" about supplying and paying for gas though a "mysterious" intermediary company Ros UkrEnergo.

It is quite certain that all these reasons are relevant and true.

It should be noted that Gazprom owns 50% of shares in this intermediary company that has been involved in a certain affair and subjected to investigation after the Pink Revolution in Ukraine, on the ground of unclear ownership and other issues. The leaders of Gazprom called the investigation "fishing in troubled waters" . However, exactly that company has had the exclusive right in supplying Ukraine with Turkmen gas since January 2006. Having obtained all the rights on all future export of gas, the company entered into joint venture with the state company Naftogaz thus becoming the supplier of the network covering over 50 million people and vital gas import routs leading to EU.

The repeated conflict towards the beginning of 2009, which was felt more drastically in the whole Europe, additionally prompted the idea of constructing bypassing gas pipelines for the Nord and South Streams.

Gas Pipeline Nord Stream

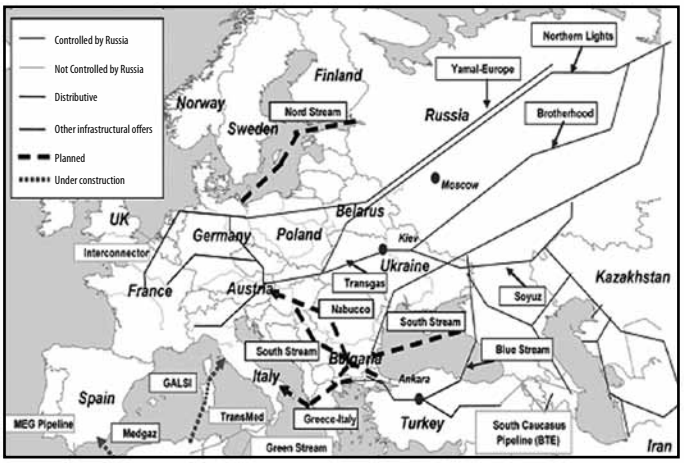
The bilateral agreement between Germany and Russia provided a framework for the construction of a gas pipeline through the Baltic Sea (from Russia to Germany). Poland and Lithuania objected, pointing out that Germany does not intend to coordinate its gas pipeline strategy within Europe and that such

an agreement can have an impact on energy and security policy of the Baltic countries and Poland. Exactly this agreement between Russia and Germany aroused many suspicions, both in Europe and in the USA. Particularly aloud were those who were saying that the gas pipeline could enable Gazprom to discontinue the flow of gas towards Poland, which is the transit country of the Yamal Gas Pipeline that reaches Germany .

Further on, the construction of this gas pipeline provides Russia with the possibility and tool for dividing Europe through the company Gazprom, separating the gas independent countries (such as France and Great Britain) from the gas dependent ones (Germany as the fourth biggest consumer of gas in the world) and from those that once belonged to the Soviet Union.

The optimistic Nord Stream is just a supplement to the existing gas pipeline system, because of the growing demand for gas. In its new Energy Policy, by 2020 EU projects the growth of primary energy gas demand by 27.3-36.6% (depending on oil price movements), while at the same time the production of gas within EU will decrease by 43-46.8%. The import of gas will increase by 13.3%, which will be the reason for the growth of gas import dependency of EU-27 in 2020 (compared to 2005) reaching 73.1%.

This is a serious economic and political risk because the predictability and efficiency of electricity and gas market are essential for long-term investments, both for consumers and competition. The instability of either oil or gas prices and the consequences of instability directly affect the EU economy. The moment when the price of one barrel of oil reaches 100US$/bbl, the price of energy paid by 27 EU member states for imported oil will be 170 billion €, which means that the annual growth for each citizen will be 350€.



Russia – Belarus Relations

In addition to Ukraine, Belarus enables the transit of Russian gas through three routes. The oldest among them, constructed in the Soviet period, is the route of Northern Light Pipeline, through which the gas flows towards Ukraine, intersecting with other Russian and Central Asian supply routes. The most important Yamal Pipeline transports the gas from Western Siberia to Poland. This pipeline has good prospects, taking into consideration its supply sources, and therefore Gazprom considers it to be a strategic project and plans its expansion.

The importance of Belarus lies in the viable possibility of bypassing Ukraine. The gas pipelines in Belarus are owned by the state company "Beltransgas". Although a significant part of pipeline passes through Belarus, the transit fees collected by Belarus are low when compared with the international standards . The dependency on Russia is obvious and high, as proved in the gas crisis of 2007, which resulted in taking over the control package of shares in the Belarus gas pipeline monopoly (BelTranzGaz) and getting an agreed price of gas in return (100US$/1000m3). Although cross-border investments are always desired, Russian investments in CIS countries and EU may be seen as "strategic manipulation".

Russia – Bulgaria Relations

Having in mind the strategic importance of building the South Stream that will provide the Russian company with the increased income from gas export, but also with the domination in supplying Europe and the Balkan states, Bulgaria has become even more important for Russia upon becoming the place of junction of the future gas pipeline. This country is also important for supplying Turkey, Greece and Macedonia with Russian gas. Today Bulgaria is the place of transit for some 13.5 billion m3 and there is a plan for extension by constructing the South Stream Gas Pipeline. Although previous negotiations between Gazprom and Bulgaria were not easy, the concluded agreement about the construction of one part of the South Stream in Bulgaria can be considered rather favourable for that country. In addition to the favourable relations in the future joint company, in charge of the gas pipeline, the construction of a nuclear power plant has been agreed, as well as the oil pipeline AMBo Burgas-Aleksondropolis.

Russia – Georgia Relations

Georgia in particular is an important state for the transit of Russian gas towards Armenia. It will have a particular significance on the east – west route of the South Caucasus Pipeline (SCP, capacity 7 billion m3), that will supply Turkey, from the gas field (Azeri Shah Deniz field). The extent of disturbance in Russia-Georgia relations is indicated by the 2006 incident when Russia was accused of sabotage on the gas pipeline in Georgia, in order to force this country to sell its gas network (January 2006, President of Georgia Mikhail Saakashvili). Georgia has been satisfying the main part of its gas energy needs from Azerbaijan and Iran, particularly since the moment (2005) when Russia raised the price of gas per 1000m3 (110US$). However, troubled energy and economic relations are only the result of deeply shaken political relations. The result of such relations is disturbed energy stability of the region and reliability of Russia as energy supplier.

Table 4 – Sale of Russian gas to Baltic and CIS states (billion m^3)

	2006	**2007**	**% of domestic production of gas**
Ukraine	2085	2240	**66**
Belarus	724	763	**98**
Baltic states	173	243	**78**
Azerbaijan	141	0	**35**
Georgia	64	36	**100**

Source: Energy Information Administration, http://www.eia.doe.gov/emeu/cabs/Russia/pdf.pdf

Russia – Baltic States

Unlike other former Soviet Republics, such as Lithuania, Latvia and Estonia, nowadays often called Baltic states have developed faster and achieved high rates of economic growth (7% in 2006), along with the established market economy. Despite of being neither big producers nor big consumers, they make an important transit corridor for the flow of Russian gas. Since 2002 about half a million barrels of oil a day have been transported through only three important ports (Port of Ventspils – Latvia, Port of Butinge – Lithuania, Port of Primorsk). For a long period of time and particularly over the last few years, the goal of these countries has been to reach faster to the European energy market, starting with their out-of-date electrical power network, connected to Russia, which almost entirely excludes them from the European system, and their gas network. Consequentially, the region will be connected to the Nordic electricity market, since the Balticonnector gas pipeline is located between Finland and Estonia. Unlike other former

Soviet states, the Baltic states have been less dependent on Russia every year, which reduces its influential power in this region.

Taking into consideration the specific characteristics of energy-economic relations in Europe and Russia, as well as future needs for additional quantities of energy, the question is raised whether there is space for improving relations between Russia and the European Union. One and the only way of diversifying the routes and suppliers by EU is the establishment of so-called East-West corridor leading from the Caspian region to Europe, bypassing both Russia and Iran.

The USA and EU have fundamentally different ideas about the role of Russia in the European energy security. The goal of the majority of EU states, aware of their energy security situation, is to obtain necessary quantities of gas from all available sources, even though they may remain dominantly Russian. On the other hand, the USA's approach has been focused on diminishing energy dependency on Russia as supplier, rather than on securing necessary supply for Europe. USA plans to exploit much more the Caucasian oil, thus clearing the path towards Europe and creating new sources of gas supply in Azerbaijan and Central Asia (primarily Kazakhstan and Turkmenistan), as well as enabling transportation to Turkey through a new gas pipeline below the Caspian Sea (The Trans-Caspian Pipeline TCP). Once the gas has reached Turkey, it can be sent to Europe through another prospective gas pipeline - Nabucco (31 billion m3 a year).

Concluding Observations

The planned construction of the Nord and South Stream Gas Pipeline will increase the consumption rate of Russian gas in the countries of their route including Germany (Nord Stream) and Bulgaria, Hungary, Serbia, Slovenia and Austria (South Stream), but it will also provide the possibility of bypassing the existing routes of transit countries (Ukraine, Belarus and Poland). Whatever we call such possibility, "energy security" or "energy as special weapon", Gazprom will have the option of terminating, reducing or discontinuing the flows of gas to these "problematic" states. The level of importance of this issue for Gazprom is indicated by its determination to construct the gas pipelines in spite of both strategic doubts and very high construction price (especially for Nord Stream). In addition to a potential threat for the transiting countries, we can clearly perceive the goal to prevent everybody else from appearing in the European gas market. In addition, Gazprom will also avoid the payment of transit fees, which is the most expensive element of the total cost. Operating in Ukraine, Belarus and Poland, it will also save the costs related to political risk.

The European Commission has technically welcomed the building of Nord Stream and it did not object against the construction of South Stream either. These two gas pipelines will be transporting additional 85 billion m3 of gas a year towards Europe, which covers the projected growth in demand. In addition, the country which is the biggest importer of Russian gas, that is – Germany, will be independent from Russia-Ukraine and/or Russia-Belarus disagreements.

The dialogue between Russia and Europe, both the EU member states and those who will become EU member states, must be established and we should have in mind that certain changes will certainly happen, particularly regarding broader and more intensive engagement of the European Commission in supporting a single European gas market. This will certainly lead to more drastic measures and obligations concerning the countries that have direct relations with Russia, and that are the largest and most powerful in the EU (France, Germany, Italy). Besides, further functioning is unthinkable without clearly established common regulatory framework, which would exclude and spare EU from all possible future political and energy shocks (directly through the establishment of the European Network of Transmission System Operators for Gas (ENTSOG) and the Agency for the Cooperation of Energy Regulators (ACER)). The establishment of the South-East Europe regulatory network is equally important, and it may be achieved by the initiated construction of interconnective gas network (The New European Transmission System NETS).

Diversification should develop in the sense of increasing competition in the European gas market, obtaining energy from new sources and promoting western investments in Central Asia.

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Introductory remarks at the ISAC Fund's 2nd roundtable on Serbia Russia Relations, April 21st 2009

Dr Modest Kolerov[1]

Topic One: Contemporary Russia, its neighbors and region(s) of privileged interests

On contemporary Russia

In what kind of a world contemporary Russia dwells? We can answer that that is the world where the global economy died out. During the past 20 years Russia's neighbours based their foreign policies not only on economic, but also on political nationalism. From a practical point of view, Russia exists as a centralized state for the past 8 to 9 years. In addition, it is often neglected that Russia is *de facto* a multinational federative state, with quite limited competences of the federative centre over the federative republics and regions. Moreover, the official statistics have a bad system of calculating results of small and medium business sectors, which represent 40% of the national income. Therefore, when estimating the level of liberalism of Russia's economy, we must also provide some important explanations along with it. Even during the peak of its development, the state capitalism has never represented more than one half of the national economy. It should also be taken into account that the notion of a clear separation of internal and external politics has been present for more than 100 years in the Russian political thought. There are many voices about the necessity of Russia's modernization. But, in time of crisis nobody can tell how it should be done. Economic nationalism is the most visible trend, even in the whole of Europe. It is characterized by the turn towards domestic demand. (…)

Since recently, the practices that were present during the 1990s are returning to the Russian internal politics. On more than a few occasions Russian federal centre failed to cope with the regional and republic authorities. Russian party system is similar to the ones in Europe – there are no more political parties of the XIX century. So there are political groups, or clubs or organized electoral groups. One other important change is that foreign policy is no longer the prevalent sector that is being strictly followed by the state. The Russian foreign policy is now run exclusively by the President, and there is no more room for the Ministry of Foreign Affairs and its foreign policy concepts (…).In summer of 2008, President Medvedev issued the new Foreign Policy Concept which is 10 years overdue. On that occasion Russia admitted that it should be protecting its own national interests by protecting (as privileged ones) the national interests of its neighbours. And in reality, Russia was already doing that for the past 10 years. That is not imperialism, but rather minimal defence of our own state at its borders.

One other standard factor which exists in Russia is that the majority of commercial projects realized outside of the state borders are not dependant on internal politics. Domestic debates about the country's orientation have characterized the Russian political scene for some time now. In these debates, which have intensified in the time of crises, regular participants are the currently ruling democratic liberals, democratic sovereignists and bureaucratically oriented pro-Western forces.

The state TV broadcast has turned into means of mass cult promotion and psychotherapy. Then again, there is also the central TV channel which supports the Russian opposition. Around 90% of the printed and internet media favours the views of the Russian opposition. And the auditorium of both media is equal. The elderly people probably watch Mexican soap operas instead of politics. Consequently, the problem is not related to the existence of the authoritarian regime. The real problem is that it turned out that Russia is not ready for the global crisis, like the most of the other states in the world are. The most progressive economy branches, which already went through the investment capitalization, were the first

1) *Dr Modest Kolerov is the editor-in-Chief of the REGNUM Agency from Moscow*

victims of the crisis. And that is the reason for the natural orientation towards domestic demand. There is a high probability of new ethnic conflicts in the Caucasus and Middle Asia. Baltic States' bankruptcy is already a reality. In the near future Moldova will probably unite with Romania and so on. That is more important than any foreign policy conception. In such situation, Serbia should expect confirmation of Russia's investment and energy projects. Nevertheless, complicated relations of Russia and Ukraine regarding energy transport suggest that Russia's energy projects on the Balkans have no alternative.

The problem of Kosovo is very important (…). There are certain facts to be considered in order to understand Russia's standpoint towards the issue of Kosovo. Russia's behaviour towards this issue was not rooted in some planned programme of activities. In fact, it is more related to the morale than to pragmatism. The Russian elite was intellectually prepared for the Kosovo problem - there are numerous papers, numerous books about some other cases, such as cases of Catalonia, Kurdistan, Western Sahara etc.

(...)We are in front of an economic and political degradation. With such a combination there are always outbursts of nationalism and internal conflicts. Therefore, there is no other choice for Russia and the Russians but to be strong. The main problem with such a choice is whether the state will have enough money to preserve the previous social level. And anyone can read about it freely in the non-liberal Russian media.

About the regions of privileged interest

There is no real border (on terrain) between Russia and Kazakhstan and other Central Asian countries. Therefore, Russia is completely exposed to terrorism and drug-trafficking from Afghanistan. Russia has also accepted around 10 millions of *gastarbeiter* (*guest workers)* from neighbouring countries. This state has become the key transit knot for their economies. Hence, the privileged interests are represented in the categories of transit, migrations and security. The very term, neighbouring states (backyard), comes from the American *Monroe Doctrine*. That doctrine has been very much alive to the present day and its implementation fits into the new global conception, stretching from Kosovo to China. Same concept exists in the political language of Spain, Germany and France. If we observe from the essentialists standpoint, the EU initiatives *Neighbourhood policies* and *Eastern Partnership* actually represent the EU zone of privileged interest. The differences between the Russian and the EU concepts are obvious. The states that eventually join the Eastern Partnership will not be able to adopt political decisions on their own, but solely transfer their own political sovereignty into the Western partnership.

Topic Two: Russia in the Balkans. Serbia and the Russian interest in the Balkans

According to what was previously said at this round table, I would like to give one additional view on Western discourse, perception and stereotypes related to the Balkans. Without any doubt, the Serbian – Russian relations are heavily influenced by the heritage of Cyril and Methodius and Eastern Orthodoxy, as well as by the history of the past 150 years. Nevertheless, that is only half of the truth. Russian diplomacy and foreign policy were not completely consistent towards Serbia during that period of time, and these breaks were historically conditioned. But, in the same period Russian politics towards Serbia has always been backed by the national consensus. Of course, politics was not always consistent with it, being from time to time even in conflict with the popular opinion. But, it must be outlined that there was always a consensus, and that is a fact. It is well known from the history of XIX century how hard it was for the Russian volunteers to adapt to the life in peace, after their return from the liberation wars in the Balkans.

From the point of view of the public (…), Putin's rise to power was a result of the shock produced by the events which Russia survived during the previous decade, but also because of the Kosovo crisis. The public opinion in Russia was that Serbia is just the beginning, and that the same thing could happen to Russia if it does not rise itself to its feet soon – that is an obvious historical fact.

We still live in the context of the disappearance of the Ottoman and Russian empires and Austria-Hungary that occurred at the beginning of the XX century. We are still in the centre of that explosion, and it is unknown what will be the final configuration when the explosion ends.

Before I finish, I would like to make a small digression on what the Serbian colleagues said previously about the European perspective. In the official documents of the EU Serbia does not even have a status of a potential candidate, and Kosovo does. Russia does not need an agent within the EU ranks, Russia does not need a mediator with the EU – in fact, Russia has a direct communication with the EU. That is a type of goods that Russia cannot buy.

And regarding the perspectives for the Balkans, it is absolutely possible that we are heading towards new conflicts and instability. In those new conflicts Russia will be able to help, even obliged to help, because it coincides with its own national interest.

Introductory remarks at the ISAC Fund's 2nd roundtable on Serbia Russia Relations, April 21st 2009

Dr Nikolay Petrov [1]

Topic one: Contemporary Russia, its Neighbours and Region(s) of Privileged Interests

Russia's image in the Western diplomatic circles and media

In her address to the German Marshall Fund on the 18th September 2008, Condoleezza Rice described Russia as a state that is becoming more authoritarian in domestic affairs and more aggressive in international affairs. There is an understandable connection between Russia's domestic and foreign policy. (…) We will answer that question by saying a few words regarding the decision-making process and the agenda of political organisations in Russia. During Putin's eight years of presidential reign, institutions were weakened step by step, except for the presidential power itself. These institutions were replaced by bodies with similar functions but without any independent legitimacy. This is very important for a better understanding of both the Russian domestic and foreign politics. Furthermore, the relationship between the central authority and the regions could be compared with a pendulum which is oscillating all the time. Under president Yeltsin's rule, this pendulum went too far in the direction of the regions. Consequently, a strong president like Putin was needed to restore the powers to the state. However, he had chosen the easiest way to do this. He was, and still is, very popular - so he was able to refuse to play different complicated games with the Parliament, with different political parties and institutions. Instead, he used his presidential powers exclusively, and that was the reason for the weakening of the institutions. There were two very different stages during the 8 years of Putin's presidency. The first one, which lasted until 2003, was very effective. The state's centre restored its power and reduced the autonomy of the regions, which in many cases resembled medieval kingdoms. The second phase started at the end of Putin's first presidential term. The pendulum has continued to move to - what would become a wrong direction. And now Russia seems as an over-centralized state. There is an absence of the *check and balance* mechanisms - in terms of either taking into account regional interest or the interests of different social groups. By doing this Mr. Putin weakened the *foolproof* mechanisms. Russian political system did have these mechanisms represented by the Parliament, which can oppose the Government, by the free media, and even by the regional authorities. Regional governments were directly elected before, and in many cases they used to oppose the federal centre. These *foolproof* mechanisms ceased to exist, as well as the whole system of *checks and balances*, and eventually it helped the inefficiency of management. In the time of economic well-being it was not that important. Then it was possible to compensate the inefficiency by financial inflows. Now that is not the case. In the time of crisis the time goes much faster than usually. And the time flow made the system of *quasi balances* ineffective as well. How did this system work during Putin's reign? Making of final decisions was prolonged as long as possible, leaving different players and actors to reach the president who has the power to make that final decision. Some decisions were not made for many months, which was a kind of balance between different clans and layers of interest. This practice is not possible anymore, because decisions have to be made fast, which makes the possibility of a balance between the different groups even more complicated than it used to be. Therefore, the conclusion is that the very essence of Russia's internal political machinery is becoming more and more inefficient. There is an urgent need for its modernization and sophistication, in order to make it more appropriate to the change of its environment. It is necessary to restore certain elements of political competition, and we can see that happening, although not as fast as one might want. The elements of federalism which have disappeared now need to be reinvented again. And the question is whether this system has enough time to modernize itself - otherwise it would not be possible for it to face all the challenges that are coming.(…)

1) *Dr Nikolay Petrov is a Senior Consultant and Scholar-in-Residence at Moscow Carnegie Center.*

The problem is more connected to the political sphere and the sphere of management. In the economic sphere Russian Government is pretty active. (…) As long as there is a sufficient stock of money, there would be no reason for the government to revise, to rethink the foreign policy which was led last year.

There is a growing gap between the domestic and foreign policy concepts on the one hand, and the present day environment connected with the economic crisis on the other. And it can be easily demonstrated in the area of domestic politics. There the ruling elite has constructed both a very tough electoral system and a very restrictive system of political parties. This system was not considered as ineffective before the crisis. But now it creates very understandable problems. Officially, there are only 6 political parties, just 4 of which are represented in the Parliament. And all 4 are loyal to Kremlin. The problem is that in the time of crisis elections should perform many roles, aside from the single one which is left to them in the present day political system of Russia. This single role of Russian elections is to legitimize power. But the other functions of elections should be the following: an opportunity for the new agenda for the Government to be worked out; test of popularity of the current political course of the Government; promotion of the political competition; and, finally, elections should serve as a kind of a valve to let the "steam out". These functions are very important in the time of crisis. To my mind, the very essential changes in Russia's domestic and foreign policy are almost inevitable, but I doubt that one should expect these changes before this so-called safety reserve, the money which was accumulated during last five years, runs out. The political elites were not ready to do this before the crisis and now they are very busy with reacting to the crisis. That tells us that there is no hope for revision of both domestic and foreign policy concepts before the end of the crisis.

There are still hopes that the crisis would end soon, and nobody knows who will, at the end of the day, feel itself as a (relative) winner. So I would describe this situation within the ruling elite as a balance between the so-called *keepers* and *doers*. *Keepers* believe that we should wait for a while with the reform, until the moment when we have enough money for it. For them there is no need to modernize the political system, or to revise the foreign policy doctrine before the crisis is over. The other group, *doers* (who are a minority), call for serious actions now, before the country is short of money, in order to prepare it for the deeper crisis. Therefore they think that the crisis will continue, and that there are no possibilities, no hopes that after the crisis the situation would return to where it used to be. And this is a very important point.

Regardless of how long the crisis will continue, expectations that Russia will find itself where it used to be once the crisis is over are wrong. Moreover, because Russia is facing two other crises as well, which are somehow overshadowed by the economic crisis. The first one is connected with the acceptance of a new economic model - just before the crisis it became clear that the recovery and economic development was over, and that we need to rethink our economic strategy. Strategy that was adopted in 2007 was based on costly state operations, thus promoting a kind of industrial modernization which Soviet Union undertook in the 1940s and 50s. At that time those were large scale projects like *Soviet space programme*. (…) Thanks to the fact that huge efforts were concentrated there, it also led to important achievements in these fields. This concept is wrong. And it is not implemented due to the fact that when it was adopted, the economic crisis started. Now there are no discussions about the future of Russian economy. (…)

To finish, I will come back to this *keepers* and *doers* proportion. *Keepers* are in majority. That is the reason why the Government is acting more as a fire fighter without making any essential revisions, any essential moves. Unfortunately, it is not probable that the money would be over soon and that the relative weight of *doers* will increase, hence shifting the Government in a more liberal direction. In fact, *doers* consist of two camps. There are *doers* who are in favour of isolation and economic nationalism. Their politics presumes that, in order to survive, Russia needs to isolate itself from the rest of the world. They hold a larger proportion in the *doers* camp than the liberal *doers*. This second group represents the people who are in favour of globalisation and improving Russia's relations with the rest of the world. Still, liberal doers are unfortunately the minority within the minority. Therefore, we can only hope that the crisis will not develop that fast, and that the political regime will be able to modernize itself, at the same time increasing the importance of the liberals who are at this moment in the double minority.

Region(s) of privileged interests

Usually, there are two characteristics related to Russia's foreign policy actions, and to the perceptions of these actions. One is connected with a kind of imperialistic intentions. The other one is connected with the fact that, after 8 years of substantial economic growth, Russia has found itself in a much stronger position, therefore, it found that its role in international affairs does not correspond to its might and its ambitions. It is only natural that the other players are not happy with Russia's pretensions to increase its role. The same goes for the zone of privileged interests. Before the NATO enlargement, there was an idea negotiated by Russian and Western leaders that a kind of a balance will be established after the disappearance of the Warsaw treaty. Therefore, NATO would not expand, especially with regard to the former Warsaw treaty members. It has never happened, and for a while Russia was watching NATO approaching its borders. Although there are different declarations about NATO's transformation from a military bloc to a kind of democracy-promoting organisation, it was never taken seriously by the Russian military and the public. The declaration of the Zone of Russia's privileged interests can be viewed as a kind of Russian reaction to what was going on in European politics and what was considered to be not very friendly towards Russia. (…) This declaration presents Russia's stance that there are certain countries in which decisions cannot be adopted without taking into account Russian interests. (…)We should bear in mind that it is impossible to wait while only one country is treating the rest of the world as its zone of privileged interests. Russia is perhaps no more a superpower, but it is still a great European power. Therefore, it is impossible for it not to react and somehow try to remind the others that it also has its own national interest.

Russia and its Neighbours

(*on the zone of privileged interests, Ukraine and its foreign policy, the re-evaluation of the Soviet past)*

(…) There is a problem connected with the fact that Russia, is the successor state of a big state, big empire. All the other parts of this former empire are exploiting anti-Russian feelings and slogans in order to construct their own national identity. This is understandable - in Ukraine, if you want to construct Ukrainian statehood, you should oppose Russia (…) So Russia is in a very poor position. It is the only part of the former Soviet Union which does not have the possibility to exploit anti-imperialist feelings, anti-Russian feelings. This problem could be explained by the lack of pro-Russian elites in the zone of Russia's privileged interest. This can be easily illustrated. Look at all Ukrainian presidents –they had to oppose Russia in order to build Ukraine's statehood. That is why Kutchma, who did not manage to speak Ukrainian when he was elected, finished on hard anti-Russian position at the very end of his mandate. So this is a very controversial position of Russia. And Putin did explain it explicitly to Juschenko, after the Orange revolution. Putin told him that Kremlin had not been intervening in the internal affairs of Ukraine and that they are not supporting anti-government forces in the country. What he did not say was that Russia does not have the possibility to support anti-governmental forces, due to the fact that there are no pro-Russian anti-governmental forces. For example, Russia can blame Lukashenko for playing different games and for sometimes occupying anti-Russian positions, but Russia does not have any other choice. Russia should support Lukashenko because any other leader would be much more anti-Russian than Lukashenko could ever be. In the long run the situation will be different, but at this moment when Russian representatives speak about privileged interests, they are not only opposed by the West, but also by the majority of political elites in those countries that are considered as being part of the zone.

Unlike in other post-Soviet countries, Russia did not come out with an exact evaluation of its past, which allows the others to look at Russian authorities as a continuation of the old Soviet Union's practices. And that is the problem. Look at the Great famine in Ukraine (Holodomor). Russia's position was understandable – it was not a genocide against Ukrainians, it was Stalin's genocide against all the citizens of the Soviet Union. But Russia did not come out with a clear and understandable explanation of this standpoint. And instead of giving explanations, Russian authorities chose not to participate at the commemoration events. Russian authorities have lost a propaganda war. (…) Russian authorities should be blamed for not being clear enough in saying that this heritage of the old Soviet Union is in fact a joint heritage of all the former republics. Therefore, that common past should be separated from the present day Russia.

(…) Russia lost time in early 1990s when it was suitable to re-evaluate our history. Today we are too much divided to undertake it. For example, different political forces occupy very different positions towards Stalin - whether we should blame him or we should say that Stalin was the victorious and glorious leader of the Soviet Union.

On Russian and Western Values

(*about value differences between Russia and the West, about the existence of Russia's soft power)*

The question is who are the winners and the losers of the Cold war. In the beginning there was a divided opinion on whether the Soviet Union lost, and it did loose in the ideological sense – that is why Russia could feel not as being a looser, but perhaps also as a winner. However, it happened later, due to the joined efforts of the West and the Russian political elite, that the notion was accepted that Russia had lost in the Cold war, and that is the reason why we should behave in quite a different way. This standpoint became widespread and even today it can be heard in discussions. There were many cases in recent history when Russian authorities were blaming the West for hypocrisy. It is easy to find examples, like Kosovo and many others. Large scale discussions were organized on the topic whether Russians share the same values as the rest of Europe, or, due to the mysterious "Russian soul", they are different from the rest of the Europeans. There are many sociological polls which show that the general values are the same. For example, some results prove that there are bigger differences in values between Poland and Western Europe than is the case with Russia and Western Europe. The only and relatively serious difference is the perception of the relation between the individual and the state. In Russia's tradition the state means much more than any individual, unlike in the Western Europe where the relation is opposite. This perception is the result of the course of Russian history and it cannot be changed in the short while. However, it is changing as we speak and we can see that young generation in Russia is absolutely the same as everywhere around the globe (…)

The previous brings me to the notion of soft power. Why is Russia so ineffective when using the soft power? It seems that there are many explanations, and one of them is connected to the fact that soft power gives you advantages only if being used for a long time. Therefore, it needs strategic thinking; it needs certain stability among the political elites and possibility for them to come up with any strategy. Until recently, due to the very complicated political development in Russia, it was not possible. During the 1990s, members of Russia's governing political elite were not thinking about the future that surpassed the day after tomorrow, due to the fact that all of them were fighting for present positions and gains. That is why Russia is a very bad player in terms of soft power. And this is partially explained by the fact that Russia was never skilful to invest in the instruments of soft power, although during Stalin's times we can see some elements of these. But later, he counted mainly on hard power, due to the fact that that power can easily give results in a very short period of time. Consequently, if you think strategically, if you do invest into the future, then you are interested in developing soft power. If not, it is impossible to create it. It seems that certain elements of soft power are re-appearing, although they do not look as making any real difference with regard to hard power. But I am sure it will be much more developed and that Russian politics in general will become more sophisticated in the future.

Topic Two: Russia in the Balkans. Serbia and the Russian interests in the Balkans.

(On unified Russian policy towards the Balkans or on phases of this policy from 1992 until present-day, about the Russian proposal of a new collective security system in Europe)

Foreign policy is one of the few areas where national consensus exists. That can be easily noticed if we check the approval ratings of different directions in Putin's policy during his second presidential term. There is an understandable continuity between Yeltsin's foreign policy and Putin's foreign policy (…), and the biggest difference is that, in the time of Yeltsin's Russia, foreign policy steps were in many cases more connected to Russia's weaknesses rather than its intentions. But, some of the plans which were

later implemented in both domestic and foreign policy area were worked out at the time of Yeltsin's administration. It is very important to observe the balance between the positive and the negative elements of Russian foreign policy, as well as between proactive and reactive elements of Russian foreign policy. Hence, it seems that in many cases Russian foreign policy was more reactive than proactive, like in the case of these ideas about the new European Security Treaty. And in many cases that was a reaction to, what was considered to be, a humiliation of former superpower that has lost its status. This is the major reason for national consensus. There is an overall feeling of humiliation shared by the majority of Russians who feel that the country, which was once playing a very important role, has somehow lost it. And that is why they wish for Russia to regain its status.

Since the collapse of the USSR there were four periods of very anti-American feelings in Russia, and two of them were connected with Serbia. One happened in 1999 and the other when the so – called Kosovo settlement was made. This is not to say that Serbia is playing such an important role in Russian foreign policy, but it is a very good indicator of Russia's relations with the West in general.

With regard to Kosovo, what happened during the last summer at the Caucasus was a loose-loose game. Russia's position towards Kosovo was extremely pragmatic. Without a doubt Russia's recognition of Abkhazia and South Ossetia was also pragmatic. Anyway, it has put Russia into a very complicated position, with regard to its own problems - its national republics. Today, there are voices about the return of the 90s and the period of sovereignties, which is inevitable if the centre is weakening. So, Russia will face its own sovereignty problems with its own Caucasian republics – and it will find itself in a very complicated position due to Kosovo and also Abkhazia and Ossetia precedents. Unfortunately, Russian foreign policy can be explained in white and black terms – either pro-western or anti-western. It should be pro-Russian rather than pro-western or anti-western. Sometimes we can hear from experts that, at the time of Yeltsin, Russian foreign policy was too much pro-western, some other experts say that at the time of Putin it became too anti-western. For me, in both cases it was not enough pro-Russian.

Finally, I would like to say something about how echeloned Russian foreign policy is. Unfortunately, in spite of having a kind of a consensus, foreign policy is not based on connections and contacts, but on government actions. Even in the case of Russian - Serbian relations, contacts and relations at the level of ordinary citizens could be perhaps more active. I hope that in the future these relations would not be as politicized as they used to be in past. Many times they have been privatized by the nationalist forces in Russia. It seems that there is a huge potential for developing foreign policy but not in terms of government or foreign policy as such, but in terms of relations between Russians and other citizens, other Europeans.

Eurasia Security Framework

Russia and the West: Revisionism or Status quo?

Dr. Andrei Zagorski[1]

Summary

Two years after Putin's tough "Munich strategy" was announced, its balance sheet remains extremely ambivalent. Those who believe that the hard ball policy has paid off, point out to the fact that Russia matters again in international politics and that the US and its European allies seek to re-engage Moscow, identify cooperative solutions to the issues of controversy, and ensure Russia's cooperation on issues of common interest.

The Georgian war of 2008 did not substantially change this policy. The resumption of talks on a new treaty with the European Union later in 2008 "at no price" for Russia, and the work on the Russia–NATO Council early in 2009 serve as examples that the EU and NATO returned to *business as usual* with Russia. The new US government seeks to re-engage Russia and is particularly open to a deal on nuclear arms control. It is reviewing other policy areas such as NATO enlargement and the European missile defense. In particular, the postponement over granting membership action plan to both, Ukraine and Georgia are considered to be a success of the Russian policy.

On the other hand, the tough policy applied by Moscow has not resolved any of the issues put forward by Putin. The NATO enlargement into the former Soviet Union has been put on hold for now but it seems to be a question of *when* and *how* rather than of *whether*. The ballistic defense in Europe is subject to a review but the outcome of that process is yet open although some slow down of the implementation of the project is expected. The ratification of the Adapted CFE Treaty is now much less secure than it was before Russia had suspended the 1990 Treaty. More importantly, however, Moscow has achieved no or little real progress in obtaining any guarantees that its claim to freeze the status quo in its immediate neighbourhood is accepted by the US.

Moscow largely failed to benefit from the expected divergence of policies of individual western countries. The year 2009 appears to be crucial for determining the final balance of the Munich strategy.

Introduction

After having reached the height in 2002–2003, the Russo-Western relations started gradually deteriorating from 2004 to 2005. The increasingly assertive policy of the Russian Federation focused on the geopolitically defined national interests was largely fuelled by the suspicion that the West and particularly the US was pursuing a revisionist agenda in Russia's immediate neighbourhood by supporting, if not instigating regime change in Ukraine, Georgia and, allegedly, in other Soviet successor states, including in Russia. Ever since, Moscow got involved into multiple controversies with the US and a number of its allies over Kosovo independence, plans for NATO enlargement (particularly with regards to Ukraine and Georgia), the indifference of the Bush administration towards arms control and the deployment of US ballistic defence systems in the Czech Republic and Poland. Those plans were seen as encroachment in Russian affairs and its understanding of the status quo that had emerged after the end of the Cold War.

Confronted with worsening relations with the European Union, Moscow had to make a choice between two basic policy options. It could either seek to restore good relations with the EU by substantially improving relations with the member states with which it had disputes or while refusing to compromise, it could seek to overrule the Russia-critics within the Union by consolidating its partnership with those EU

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members with which it had established close partnership over the past years. Apparently, Moscow has opted for the latter[2].

It was against this background that the then Russian President (since 2008 – Prime Minister) Vladimir Putin delivered a tough statement at the 43rd Munich Conference on Security Policy on 10 February 2007[3] which heralded a change in Russian policy. Ever since, Russia was seen as a resurgent regional or even global power returning to the world politics after a period of weakness. Analysts even interpreted Putin's Munich speech as heralding that Russia was increasingly becoming a revisionist power dissatisfied "with the agreements reached, and the arrangements put in place over the past twenty years, while Russia was allegedly too weak to defend its interests effectively"[4].

The western response to the new Russian policy was twofold. It did not see the need to meet every demand from Moscow and thus reduce its policy options. Nor did the West want, however, to engage in a sort of confrontation with Russia. Instead, both the US and its European allies sought to substantially improve communications with Moscow and to re-engage with it at the political level. While prepared to seek a compromise on the issues not central to the Western policies, they were not prepared to make unnecessary compromises on issues central to them.

The understanding of what issues were central and what not, as well as the underlying interest of the US and individual European nations was obviously different. This fuelled the debate on how far the West could and should go in accommodating Russian interests thus encouraging Moscow that it could be able to play out the differences among the US and a number of its European allies.

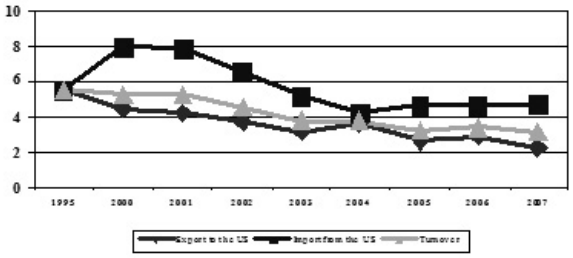
The balance sheet of Putin's "Munich policy", however, remains ambivalent. It has persuaded Western governments to show responsiveness to Moscow. At the same time, the Kremlin proved unable to either splint the European allies from the US, or to achieve any of its declared goals. There is a great deal of expectation that "rebooting" the US–Russian relations under the new US government may help changing this balance over the coming months. Should this expectation not materialize, however, the failure of the Munich strategy would become explicit.

Russia and the US

Over the past few years, the US-Russia relationship was predominantly characterized by an increasing "gap between glowing rhetoric and thin substance"[5]. The main drivers promoting cooperation found themselves mainly in the security and energy realms[6]. Even there, however, common interest was relatively narrow, as manifested in the debate over the Iranian nuclear dossier, or the limited cooperation on Afghanistan. Furthermore, the cooperation between the two countries is not underpinned by any stronger economic interest. Mutual trade remained relatively thin (see figure 1), although much of the foreign investment entering Russia originated from the US. The US–Russian trade grew by the factor 2,5 over the past twelve years, but it did so much slower than the Russian trade with other parts of the world, particularly with the European Union, China or Japan. In 2007 the share of the US in the overall external trade turnover of Russia dropped to 57 % to the 1995 level.

2) Check the article by Foreign Minister Sergei Lavrov published by the Izvestiya daily on 3rd July, 2007: http://www.mid.ru/brp_4.nsf/2fee282eb6df40e643256999005e6e8c/6cab521da8730cb2c325730d00254ab0?OpenDocument (downloaded on 10 July 2007).
3) For the English text check: http://www.securityconference.de/konferenzen/rede.php?sprache=en&id=179.
4) Stephen Sestanovich, Russian-American Relations: Problems and Prospects. Prepared Testimony before the House Foreign Affairs Committee, May 17, 2007.
Available at: http://www.cfr.org/publication/13354/russianamerican_relations.html (downloaded on 5 March 2009). See also: Andrei Zagorski, Moskau will das Verhältnis zum Westen neu verhandeln, in: Russland Analysen, Nr. 141, 6.07.2007, pp. 2–6 (also available at http://www.russlandanalysen.de).
5) Andrew Kuchins, Vyacheslav Nikonov, Dmitri Trenin, U.S.-Russian Relations: The Case for an Upgrade. – Moscow: Moscow Carnegie Center, 2005, p. 1.
6) Ibidem.

Figure 1 - The share of the US in the Russia foreign trade, 1995 – 2007 in %



Calculated on the basis of the data of the Russian State Statistic Agency: http://www.gks.ru (downloaded 23.11.2008)

At the same time, in Moscow, the anxiety grew with regard to the discussion over NATO's enlargement into the post-Soviet space and particularly over granting the Membership Action Plan (MAP) to Ukraine and Georgia. Moscow voiced vehement opposition to the envisaged US ballistic defence deployments in Europe and insisted that any ballistic defence should either be developed as a joint venture with Russia, or not at all. Later in 2007, Moscow moved on to suspend the 1990 Conventional Forces in Europe Treaty (CFE) until NATO countries ratified the 1999 adapted Treaty and ensured that the members of the Alliance not yet party to the CFE (particularly the Baltic States) acceded thereto. Pointing out to the US plans to deploy bases in Bulgaria and Romania, Moscow sought to renegotiate the CFE. The Russo–US relations were also complicated by the dispute over the fate of the START-1 Treaty allowing for a transparent reduction of Russian and American nuclear arsenals that expires in December 2009[7].

In support of its claims, Moscow sought to mobilize support from its European partners concerned with the unilateralism of the Bush's policy, his neglect of arms control, and the danger of a NATO led conflict with Russia had both, Ukraine and Georgia been put on a fast track of entering the Alliance. Germany and France, in particular and other countries such as Italy, Hungary, the Netherlands and Greece sought to avoid a clash with Russia on the enlargement issue and shared Russia's concern regarding the maintenance of the major arms control regimes and particularly that of the CFE.

Moscow was able to score some tactical advances in its policy, but obviously failed to ultimately succeed on its demands. The Bucharest NATO Council summit meeting early in April 2008 manifested the consolidation of the Alliance which, a year before, seemed increasingly splinted over the issues raised by Moscow. Decisions taken in Bucharest and prior to the meeting largely displayed the failure of the Putin's Munich strategy.

Although the NATO failed to reach a consensus on granting the MAP to Ukraine and Georgia, the Alliance committed itself to an open doors policy towards both countries while explicitly offering them membership in the future. In the Fall of 2008, in the aftermath of the war in Georgia and in the face of mounting domestic political disputes in Ukraine, it decided to no longer concentrate on the issue of granting the MAP to any of the two countries instead, to continue preparing them for admission on the basis of annual action plans. Although still subject to pending consensus within the Alliance, the membership for Ukraine and Georgia now appears to be an issue of when, rather than of whether.

The Bucharest summit also endorsed the US ballistic defense plans for Europe[8] thus putting an end to Moscow's hopes of causing a crack in the Alliance on the issue. On March 28, the NATO countries also

7) For more see: Andrei Zagorski, Russia and the US: The Kabuki Dancing Over?, in: Russian Foreign Policy. The EU–Russia Centre Review, issue eight. – Brussels: The EU–Russia Centre, October 2008, pp. 102–110.

8) "Ballistic missile proliferation poses an increasing threat to Allies' forces, territory and populations. Missile defence forms part of a broader response to counter this threat. We therefore recognise the substantial contribution to the protection of Allies from long range ballistic missiles to be provided by the planned deployment of European based United States missile defence assets. We are exploring ways to link this capability with current NATO missile defence efforts as a way to ensure that it would be an integral part of any future NATO wide missile defence architecture. Bearing in mind the principle of the indivisibility of Allied security as well as NATO solidarity, we task the Council in Permanent Session to develop options for a comprehensive missile defence architecture to extend coverage to all Allied territory and populations not otherwise covered by the United States system for review at our 2009 Summit, to inform any future political decision". See: Figure 37 of the Bucharest Summit Declaration of April 3, 2008 available at: http://www.nato.int/docu/pr/2008/p08-049e.html (downloaded 06.04.2008).

issued a consensual response offering Russia a cooperative approach to resolving the dispute over the CFE provided Moscow returns to the regime. At the same time, the consolidation of the Russian protectorates in Abkhazia and South Ossetia, and the establishment of Russian military bases in both regions after the war in Georgia further undermined the initial Russian hope to overhaul the CFE regime.

Thus, by the end of Putin's presidency, he largely failed to implement his Munich agenda. He also failed in the last attempt to make Bush more forthcoming at their meeting in the southern Russian city of Sochi on April 5 and 6, 2008. The Strategic Framework Declaration signed at the meeting[9] provided a 7 page long inventory of issues on the agenda, the persisting disagreements, and the promise by Moscow to further examine cooperative solutions offered by the US since 2007. It was obvious, however, that despite continued consultations, Moscow decided to wait until the new administration was set up in Washington in a vague expectation that it could make a better deal with Obama.

It remains to be seen if this approach will pay off. The Obama administration has received hesitant appreciation in Moscow for its declared openness to re-engage with Russia, to pay greater attention to arms control, to review the ballistic defense deployments in Europe, and to bring Ukraine and Georgia closer to NATO in a lengthier process. It also remains to be seen if the solutions offered by the Obama administration will differ substantially from those offered by the Bush government[10]. As the first steps by the new administration show, its policy on controversial issues with Moscow are unlikely to change from that of the previous US government[11].

As the first testing balls show, rebooting the dialogue between Moscow and Washington is anything but easy. Neither the unofficially lanced idea to further reduce US and Russian nuclear warheads to 1000 each, nor the proposal to make the deployment of the ballistic defense in East Central Europe conditional upon closer Moscow's cooperation in stropping the Iranian nuclear programme, this hasn't gone down well in Moscow. Nor did the meeting between Hillary Clinton and Sergei Lavrov in Geneva on March 6, 2009, made any visible progress.

Russia and the European Union

Between 2000 and 2008, in a period of remarkable growth in Russia, its economic relations with the European Union were admittedly excellent despite a series of trade disputes. At the same time, however, particularly since 2006, political relations were increasingly strained. Since the Summit meeting near the Russian city of Samara in May 2007, many started speaking of an open crisis in this relationship. The gap that opened between Russia and the European Union continued growing after the Georgia war in 2008 and the gas crisis between Russia and Ukraine early in 2009.

Both sides admit that the mutual relationship is critically important for them but also realize the danger of its deterioration. The Russian Foreign Minister Sergei Lavrov emphasizes that "the European Union is our most important economic and political partner. […] [The European Union] is our direct neighbour, the world largest economic community, a priority market for Russia, the source of investment and new know how"[12]. The former EU Trade Commissioner Peter Mandelson echoes this appraisal by stating that, "In the

9) For the English text of the Declaration see: Text of the US-Russia Strategic Framework Declaration. The Associated Press, Sunday, April 6, 2008. Available at: http://www.iht.com/articles/ap/2008/04/06/america/US-Russia-Text.php (last downloaded 04.03.2009).

10) On the US attempts at accommodating Russian concerns as regards ballistic defense in Europe see, i.a.: Andrei Zagorski, Die Kontroverse über amerikanische Raketenabwehr in Europa: Lösungsversuche in der Sackgasse?, in: US-Raketenabwehr und russische Reaktionen. Reihe Studien der Sozialwissenschaftlichen Schriftenreihe des Internationalen Instituts für Liberale Politik. – Wien: IILP, Dezember 2007. – pp. 18–24.

11) Neue Töne im transatlantischen Dialog. Grosse Konstanz bei den grundlegenden Interessen der USA, in: Neue Zürcher Zeitung, 09.03.2009, pp. 1, 2.

12) Lavrov's statement before the Russian Union of entrepreneurs on 6 July 2007: http://www.mid.ru/brp_4.nsf/2fee282eb6df40e643256999005e6e8c/3d2b7fb9bc6eb410c32573100048f24a?OpenDocument (downloaded on 10 July 2007).

twenty first century our enduring goal must, I believe, be a deep partnership, built around far-reaching economic integration embracing the European continent – including Russia"[13].

This conclusion is contrasted, however, by a generally sober assessment of the political relationship. Mandelson admits that it goes through a difficult period and represents "one of the biggest and most complicated challenges in European politics and foreign policy" by containing "a level of misunderstanding or even mistrust we have not seen since the end of the Cold War".

Sergei Lavrov echoes Mandelson[14] by voicing concern that "our relations have always been and will remain difficult in the time to come". In the Russian perspective, the EU' enlargement in 2004 and 2007 resulted in importing a great deal of anti-Russian resentment deeply rooted in a number of new member states, such as Poland or the Baltic states[15]. Ever since 2006, the partnership with the EU was overshadowed by disputes within the European Union over its rationale, as well as by a series of disputes involving Russia and individual EU member states, such as Estonia, Lithuania, Poland and the UK[16]. It was further overshadowed by the 2008 Georgia war and the dispute with Ukraine.

The issues of friction with the European Union include, *inter alia*, energy cooperation against the background of growing concerns related to the security of energy supply from Russia and the significantly Europe's dependence on the Russian gas.

Russian policy towards its neighbour states is the subject of a growing concern inside the EU, especially against the background of the inclusion of those countries into the European Neighbourhood Policy (ENP) framework.

The increasingly authoritarian rule in Russia remains another area of divergence challenging the vision of a strategic partnership to be based on common values.

The Russian discourse over the European Union is increasingly affected by conspiracy theories stipulating that the EU is entering a geopolitical competition with the Russian Federation in the common neighbourhood and cynically pursuing selfish goals at the expense of Russia.

All these issues have strongly affected the initial decision by Russia and the EU to solidify their "strategic partnership" in a new treaty to replace the 1994 Partnership and Cooperation Agreement. Meanwhile, Russia and the EU are merely confronted with the challenge of going back to a constructive partnership, rather than of identifying what their strategic partnership may mean in a more distant future.

This development pushed Moscow to apply a tougher policy particularly after the failure of the EU, in November 2006, to reach consensus on the mandate for negotiating a new treaty. Pending the decision by the EU, Moscow turned towards boosting bilateral dialogue with "friendly minded" member states, such as Germany, France, Italy, Austria, Greece and Hungary seeking to overrule the Moscow critics inside the European Union and not to allow them to revise the previous EU's Russia-policy.

The Russia–EU dialogue seemed to recover in 2008. After 18 months of internal dispute, the European Union finally approved the mandate for the negotiations with Russia. Negotiations were finally launched in the Summer[17]. Suspended in September 2008 by the EU due to the Georgia crisis, they resumed in November thus indicating a gradual return to business as usual in relations with Russia. However, the talks resumed against a more complex background than at the time when they had been launched. Within the European Union, the coalitions of Russia enthusiasts and sceptics have not changed significantly. However, it has become more difficult for the enthusiasts to overrule the sceptics.

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13) The EU and Russia: our joint political challenge. Speech by Peter Mandelson, Bologna, 20 April 2007.
14) Sergei Lavrov in the Izvestiya daily on 3 July 2007, check reference 2.
15) This analysis manifested itself in a statement by the Russian Foreign Minister Sergei Lavrov on 6 July 2007. See reference 12.
16) For a summary of those disputes see: Cornelius Ochmann, Andrei Zagorski, Breaking the stalemate: The EU and Russia in 2008, in: Spotlight Europe (The Bertelsmann Stiftung), no 2008/1, January 2008. See also: Mark Leonard, Nicu Popescu, A Power Audit of EU-Russia Relations, London: The European Council on Foreign Relations, 2007; The bilateral relations of EU member states with Russia, Brussels: EU-Russia Centre Review, issue V, October 2007.
17) See. i.e., Prospects for a new EU–Russia Agreement, in: Spotlight Europe, no 2008/08, July 2008.

Conclusion

The balance sheet of the "Munich strategy" remains mixed. Those who believe that the hard ball policy has paid off point out that Russia matters again, as revealed by the attempts by the US and its European allies at re-engaging Moscow, identifying cooperative solutions, and at ensuring Russia's cooperation on issues of common interest, such as Afghanistan or the treatment of the Iranian nuclear dossier.

The Georgia war has not substantially changed this policy of the West. The resumption of talks on a new treaty with the European Union and of the work of the Russia–NATO Council serve as an example that the EU, the NATO and the US return to business as usual with Russia.

The new US government seeks to re-engage Russia and is particularly open to a deal on nuclear arms control. It is reviewing other policy areas including as regards the NATO enlargement and the European missile defense. Particularly the postponement of granting Ukraine or Georgia the NATO MAP is considered to be a success of the Russian policy.

The opening of the talks on a new treaty with the European Union "at no price" from Russia as far as its disputes with the individual member states are concerned, appears to confirm that the policy of "overruling" the "newcomers" to the EU by engaging the "Russia friends" has yielded some fruits pending the outcome of those talks and the ratification of the resulting agreement.

On the other hand, the tough policy applied by Moscow has not resolved any of the issues put forward by Putin. The NATO enlargement into the former Soviet Union has been put on hold for now but the open door policy of the Alliance has not been reconsidered. The ballistic defense in Europe is subject to review but the outcome of that process is yet open although some slow down of the implementation of the project is expected. The ratification of the Adapted CFE Treaty is now much less secure than it was before Russia had suspended the 1990 Treaty.

More importantly, however, Moscow has achieved no or little real progress in obtaining any guarantees that its claim to freeze the status quo in its immediate neighbourhood is accepted by the US.

Moscow also has largely failed to benefit from the expected divergence of policies of individual western countries. Despite remaining differences, maintaining the coherence of the NATO and of the EU proved to be of much higher value for their members than the accommodation of Russian claims.

The year 2009 appears to be crucial for determining the final balance of the Munich strategy. Several decisions are pending this year including those on the missile defense, nuclear or conventional arms control. Most of those decisions will depend on the outcome of the policy review by the Obama government but can be only marginally influenced my Moscow. Shall the balance of the Munich strategy remain meager as it is now, there will be a growing demand to reconsider it. This is particularly true against the background of the economic crisis which pushes Russia, the US and the European Union to work closer together and to avoid confrontation.

Setting an agenda? Russian Views of Evolving Russia-Western Relations

Dr Andrew Monaghan[1]

Russia's recent emergence on the international stage has been marked by contradiction and controversy. At once confident and yet insecure, Russian foreign and security policy is marked by a sense of ongoing weakness and vulnerability alongside its renewed strength. Moscow proposes itself as a role model and international pole, seeking to attract partners, and yet it appears to pursue policies that drive potential partners away. And, of course, recent months have been marked by international controversy over the conflict between Russia and Georgia, Moscow's recognition of Abkhazia and South Ossetia, and the gas dispute between Russia and Ukraine.[2]

This paper examines the evolution of events in 2008 and early 2009 and the ramifications of these contradictions for Russia's relations with the West. The paper first looks at Moscow's view of international affairs, before briefly sketching an outline of how it views Russia's role in international affairs and its proposals for international reform, focusing particularly on a new European security architecture. It then turns to look at some of the limitations Moscow faces in its ambitious agenda before examining the outlines Russia-West relations, and the response Moscow's proposals have met in the West.

A Time of Change:

Moscow perceives international affairs to be undergoing considerable change, with the practical influence of the US receding, taking with it the attractiveness of the Anglo-Saxon model in terms of economic and political leadership and Anglo-Saxon "values". Russian Foreign Minister Sergei Lavrov noted in June 2008 that international affairs had reached a kind of "end of history", whereby a new approach adopted by states (including Russia) is based on the notion of competition becoming "truly global" and acquiring a civilisational dimension. Power and influence, he argued, are becoming more diffuse, and the need for collective leadership among equals becomes ever more pressing. There is a natural process taking place, he suggested, of forming a "new international architecture – both political and financial-economic – that would meet the new realities".[3]

Lavrov's statements appear to reflect a consensus that has emerged in Moscow, the formation of which was underscored by then-President Putin in his speech at the Munich Security Conference in February 2007. This speech, though in many ways only re-iterating a number of Moscow's long-standing perceptions and concerns, served as a watershed in Western views of Russia and underscored a shift in Moscow's approach to international affairs, towards a more active foreign policy, one of proposing creative ideas to achieve results.[4] This active agenda has included proposing specific initiatives, such as jointly operating

1) *Andrew Monaghan. PhD is a Research Advisor in the Research Division at the NATO Defense College. The opinions expressed in this report are the responsibility of the author and do not necessarily reflect the opinions of the NATO Defense College or the North Atlantic Treaty Organization.*

2) These important events are complex and contentious but detailed analysis of them lies outside the scope of this paper. Nevertheless, a considerable amount of literature examining them has emerged. Useful starting points are *Whither Georgia? The Impact of Russian Actions Since August 2008*, Chatham House Seminar Summary, Dec. 2008, available at http://www.chatham-house.org.uk/research/russia_eurasia/papers/view/-/id/693/; Roberts, J. *Russia and the CIS: Energy relations in the Wake of the Russia-Ukraine Gas Crisis*. Paris: EUISS, Feb.2009; Pirani, S, J. Stern & K. Yafimova. *The Russo-Ukrainian Gas Dispute of January 2009: a comprehensive assessment*. Oxford Institute for Energy Studies Paper, NG27. February 2009. http://www.oxfordenergy.org/pdfs/NG27.pdf

3) Lavrov, S. "Russia and the World in the 21st Century", *Russia in Global Affairs*, No.3, Jul-Sept. 2008.

4) Kosachov, K. "Russia and the West: Where the differences lie", *Russia in Global Affairs*, No.4, Oct.-Dec. 2007.

the radar station in Gabala (as an alternative to the USA developing missile defence systems in Poland and the Czech Republic) and much broader ideas, such as reforming international structures. So, this is a changing world in which Moscow believes it has a role to play in shaping events and proposing ideas contributing to the radical reform of international political and economic systems. Indeed, Moscow "will insist" on this, according to President Medvedev.[5]

But it also appears that senior officials see threats to Russian interests – even to Russia itself – particularly from the West. Accusations that unilateral actions by the USA have destabilised international affairs, generating conditions in which terrorism can flourish and in provoking the proliferation of weapons of mass destruction, have been supplemented by assertions that the West has supported political movements which destabilise states on Russia's borders and even leading to the provocation of war in the south Caucasus in August 2008. This conflict was a "pretext", President Dmitri Medvedev has argued, for NATO naval vessels to enter the Black Sea and the acceleration of the plans to establish American missile defence systems in Europe. "We need to put into place mechanisms that can block the mistaken, selfish and at times simply dangerous decisions made by some members of the international community", President Medvedev averred, adding that it makes no sense to conceal the fact that the conflict was partly facilitated by the "conceit of an American administration that closed its ears to criticism and preferred the road of unilateral decisions". To these accusations, Moscow now adds criticism of the role of the USA in the international economic crisis and spreading recession, thereby causing damage to themselves and to others (including Russia).[6]

This is a world, therefore, in which Moscow must look after its own interests, Russian officials argue – in part by supporting international law and collective structures but also by acting unilaterally to defend Russian interests when threatened. Medvedev has stated that Russia "must use international law and act within international organisations such as the UN […] but […] we need to make a firm response, a military response to threats if necessary, because this is the only way to guarantee our country's sovereignty".[7] If in the past attempts to "put Russia in its place" worked, today this is "simply unacceptable", according to the President, since Moscow has the capacity to resist and assert and defend its own agenda.[8]

So, if Moscow believes it can act to shape international events, it also sees a world in which Moscow must react to the actions and influence of other actors – Medvedev has emphasised that military action in Georgia, for instance, but also regarding rearming, are responses to actions taken by others (including the USA and NATO), and claims that these are situations *forced* on Moscow.[9]

Russia in the world:

Moscow's strategic horizons have thus evolved considerably in the "post-Munich" world, as it adopts the role of a regional power with a global horizon. Russian authorities frequently declare that Russia has become stronger and more successful – a transformation accompanied by a return to a fitting place in world affairs and a change in how others treated the country.[10] This status is based on the considerable economic strength generated from energy exports – with the rise of oil prices, Russia's huge oil and gas reserves became the backbone of an economy that has reflected rapid growth above a par with other emerging markets.[11]

5) Ibid.
6) Medvedev, D. Address to the Federal Assembly of the Russian Federation, 5 Nov. 2008. www.kremlin.ru
7) Medvedev, D. interview with Russian Television Channels, 24 Dec. 2008. www.kremlin.ru
8) Ibid.
9) Medvedev, Address to the Federal Assembly; see also, for instance, "Russia's Medvedev Claims NATO Expanding to Russia's borders", *RIA Novosti*, 17 Mar. 2009.
10) Medvedev, D. Speech 11 Dec. 2007. www.medvedev2008.ru
11) For more in depth discussion of the Russian economy, see for instance, Hanson, P. "The Russian Economic Puzzle: Going Forwards, Backwards or Sideways?", *International Affairs*, Vol.83, No.5. 2007; Cooper, J. "Russia and the Economic Crisis", *The World Today*, Vol.64, No.11, Nov. 2008.

One important aspect of this "fitting place" in international affairs is that Moscow is seeking to establish itself as a valid "value centre" in its own right – in presenting the legitimacy of its own values and seeking to counter western influence, Moscow seeks to be more attractive politically, economically and culturally. Moscow is attempting to build up a variety of inter-connected networks, therefore, in which Russia would be the Eurasian hub for security, reflected in the Collective Security Treaty Organisation (CSTO), and economics through the development of the Eurasian Economic Community (EurAsEc) and establishing Russia as an international financial and transport centre, at the core of a wider rouble zone. Furthermore, Moscow would be a political hub, offering the concept of "Sovereign Democracy". As such, Moscow hopes to attract medium-developed states, particularly – but not only – in the former Soviet space. This model would be an alternative to the intrusive model of economic and social development proffered by the EU, which entails extensive and expensive economic and social reforms.[12] This, therefore, is in conscious parallel to western democratic organisations – to what Moscow calls the "messianic democracy" of the West.

Moscow's proposals for a new international architecture – Setting the Agenda?

In this context, senior Russian officials have proposed reforming the international architecture. Part of these proposals were first made public by President Medvedev in June 2008, and were followed by high-profile discussions in October at Evian and the in December at the OSCE Foreign Ministerial Council in Helsinki. The proposals reflect Moscow's assertion that the current architecture is redolent of the "Cold War block thinking" and is unable to meet the threats and challenges of this century, indeed, its continued existence generates new instability by dividing European security.

The proposals are couched in the main principles of Russian foreign policy. These include the clear confirmation of basic principles of security, including respect for international law and sovereignty, territorial integrity and political independence, the rejection of the use of force in international affairs, the establishment of symmetrical security, the rejection of one state or organisation wielding the exclusive right to maintain peace and security in Europe and the establishment of basic parameters of arms control and new threats such as the proliferation of weapons of mass destruction, terrorism and drug-trafficking. These principles include three "nos": no promotion of one's own security at the expense of others, no actions within the frameworks of alliances within the common security zone and no development of military alliance at the cost of the security of other signatories.

Subsequently, Moscow has drafted proposals for a dramatic alteration of the economic world order, its proposals suggesting reforming international financial institutions, enforcing more rigorous financial discipline and external financial control over the largest states, and the establishment of new supra-national hard currencies controlled by the International Monetary Fund (IMF) or another financial centre.[13] These proposals are being submitted to the G20 for debate at the summit in April.

Obstacles to Moscow's agenda:

Yet if there is a broad consensus emerging in Moscow, the more precise aims beyond this remain ill-defined, particularly in defining what Russian national interests may be specifically or practically – essentially, the objectives hardly appear to go beyond preventing external interference in Russian affairs. Moscow's agenda also appears contradictory – although it seeks to be attractive to like minded partners, it equally seeks to assert Russia's own interests. This suggests that on one hand partners may be obliged to meet Moscow's interests when necessary, but also that Moscow may not be willing to assist the partner in a matter if that assistance would negatively affect Russian interests. The proposals for a new European

12) For a discussion of this, see Karaganov, S. "A New Epoch of Confrontation", *Russia in Global Affairs*, Vol. 5, No.4, Oct.-Dec. 2007.
13) See Russian Proposals to the London Summit (April 2009), 16 Mar. 2009. www.kremlin.ru

security architecture are, at the time of writing, similarly under-developed, consisting of three pages of loosely defined ideas.

Moreover, while Moscow has in many ways clearly enhanced its strength through establishing considerable financial reserves, it also faces numerous internal difficulties and its ability to project its power remain limited. Although Russian military expenditure has grown, this is against the backdrop of prolonged and serious underinvestment and disregard. This has led to the degeneration of key skills and technical capacity, among other problems. Thus, while Russian military victory over Georgia appeared to demonstrate Russian military capacity, it also drew the spotlight onto the weak state of its armed forces and the need for major reform.[14]

Equally, Russia faces severe internal economic problems. While Russia's emergence has been based on its large hydrocarbon reserves, inefficient management and limited development of new projects have undermined the growth of this key sector of the Russian economy. Russia is therefore currently caught in a dual trap – oil prices are low, affecting wider economic growth. But when they rise again, due to lack of investment, Russian production will face bottlenecks. Indeed, Russia itself faces the possibility of gas, oil and electricity shortages.[15] In the longer term, Russia faces the ramifications of significant demographic decline and labour shortages. Domestic problems also include severe levels of corruption and the dead-weight of a huge bureaucracy both of which serve to undermine efficiency and suffocate economic growth and development.[16]

All of these obstacles hinder Russia's ability to implement its agenda, and they have all been exacerbated by the wider international financial and economic crisis. Russian business has been seriously affected by the crisis, and the government has spent considerable sums of its reserve in trying to balance the rouble.[17] While Russia's financial reserves remain considerable, and despite senior Russian authorities asserting that Russia will continue to pursue its goals, there have been two consequences of the financial crisis for Moscow. First, as acknowledged by the Russian authorities, it has undermined the prospects for Moscow establishing the rouble as an international reserve currency and Russia as the hub of a rouble zone. Second, the crisis has had important domestic ramifications, creating a difficult economic climate with rising unemployment and falling wages, generating concerns about domestic political and social stability and drawing attention away from substantive foreign policy projects.

Furthermore, following Russia's war with Georgia and the gas dispute, relations with the west have become more complex. Broadly, the transatlantic community is divided over its relationship with Russia – with some states being more favourably disposed to Russia's agenda, and others less so. The Russo-Georgia war further contributed to this divide, but led also to the suspension of relations between NATO and Russia and the suspension of negotiations between the EU and Russia over a new partnership agreement. These tensions were enhanced by the gas shortages in Europe which resulted from the Russo-Ukrainian gas dispute in January.

Negotiations on the EU-Russia agreement recommenced in December 2008 and NATO-Russia relations formally recommenced in March 2009, but the war in Georgia served to highlight a number of contradictions in the Russia-West relationship. These include conceptual and practical approaches. Practically, some states such as France, Italy and Spain have sought to engage with Russia and have given public support to Moscow's proposals for a new architecture.[18]

As noted above, however, many states, including those positively disposed to them, note that they lack substantive detail. Also, of particular import is that Moscow's intention appears to be to sideline existing

14) For recent discussion of this, see McDermott, R. "Russia's Armed Forces: the Power of Illusion", *Russie.NEI.Visions*, No.37, Mar. 2009.

15) Monaghan, A. *Stakhanov to the Rescue? Russian coal and the Troubled Emergence of a Russian Energy Strategy*, ARAG paper 07/34. Swindon: Defence Academy of the UK, Nov. 2007.

16) For discussion of this, see the reports in Russian media, particularly in Vedomosti and Gazeta newspapers, for instance on 19th and 20th of March 2009.

17) For discussion of the economic problems Russia faces, see both Hanson and Cooper, op. cit.

18) For more discussion of Moscow's proposals for a new European security architecture, see this author's *Russia's "Big Idea": "Helsinki 2" and the Reform of Euro-Atlantic Security*, NDC report, 3 Dec. 2008.

organisations, particularly the Organisation for Cooperation and Security in Europe (OSCE) and the North Atlantic Treaty Organisation (NATO) and to focus on a political-military security agenda. Yet the focus of the western response has been to locate the discussion in the OSCE format and to seek to maintain the existing architecture, including NATO, and the basis of a wider definition of security to include the human dimension. Essentially, therefore, while broadly positive, the Western approach differs quite significantly from Moscow's agenda – essentially, while Western actors recognise the limitations and imperfections of the current architecture, any practical discussion is to be held on the basis of what exists. Additionally, there are important conceptual differences. Moscow's view, for instance, that the current architecture reflects the "inertia" of the cold war system is disputed by many in the west who see significant transformation on the continent since the end of the Cold War.

These differences were brought together and highlighted by the conflict in the South Caucasus in August 2008 and the subsequent recognition by Moscow of South Ossetia and Abkhazia. Russia asserted that Western objections to this recognition reflected double standards following the West's recognition of Kosovo. The west, however, has sought to emphasise their support for Georgian territorial integrity.[19] Moreover, many in the west have pointed out that Russian actions not only appear to undermine Moscow's case for opposing the recognition of Kosovo but also to reflect a contradiction in Russian policy principles of rejecting the use of force and respecting sovereignty. In sum, therefore, while there is interest in the West in Russian proposals, there are numerous differences which limit the extent to which the West will go to meet Russia.

Conclusions

Moscow proposes an ambitious, yet ill-defined agenda. But it faces significant obstacles in implementing it. While there are some European states which are willing to consider examining Moscow's proposals for a debate about the existing architecture, the proposals themselves are not fleshed out with detail; there are also those who point to the numerous contradictions particularly regarding sovereignty and territorial integrity. If anything, therefore, while Moscow's agenda is an important one, underscoring both the evolution of greater cohesion in Russian strategic thinking and Moscow's intention to be an indispensible player in international affairs, this is the very beginning of a long, drawn-out process of debate and discussion over what are contentious issues. Moreover, there are many Western states – and, of course, organisations such as the EU, OSCE and NATO – which not only have confirmed their intentions of maintaining the current framework, but which approach the agenda from a very different position.

There is no "new Cold War" as often claimed: there are both numerous mechanisms in place through which to build relationships and important economic and energy interdependencies established. These major differences in agenda, however, fuel a negative narrative in relations, and while this is not irreversible, these contradictions are unlikely to be overcome quickly and without focused, dynamic leadership to resolve them.

19) There is a deeper divergence in approach here. While the west has sought to gain international recognition for Kosovo's independence and, by the same token suggested that Moscow's failure to gain international support for its recognition of South Ossetia and Abkhazia reflects a failure of Moscow's policy, Russian officials argue that it does not seek to foster international support for its recognition instead focusing its arguments on the need to protect these entities and providing military support to that effect.

Russia, Serbia and NATO

Srđan Gligorijević[1]

Introduction

Serbia formally joined the Partnership for Peace program (and Euro-Atlantic Partnership Council) on 14 December 2006, much later than the majority of transitional countries from Central, Eastern and South-Eastern Europe. For instance, twelve years later than Russia. The reasons for such a delay in Serbia's formal inclusion into institutions of the Euro-Atlantic Partnership were manifold: endurance of an authoritarian anti-Western regime throughout '90s, a complex legacy of decade-long armed conflicts in the former Yugoslavia (with the Hague Tribunal obligations), Serbia's unique painful experience of the NATO air campaign in 1999, and certain lack of support from the part of some Alliance's member states. Still, defining further stance towards more evident rapprochement with NATO, and eventual membership, undoubtedly stands as one of the main challenges for Serbian foreign and security policy, at the beginning of the 21st century.

Apart from the agonizing NATO bombardment of Serbia (and Montenegro) in the spring of 1999, which represents the main stumbling block in a more positive Serbian attitude towards NATO, the current unfavorable atmosphere in regard to NATO is also a consequence of ideological misperceptions, emotional judgments, notorious ignorance on nature, structure and transformation of NATO, lack of understanding of contemporary international relations, and irrational thinking. One of the most widely spread misconceptions, particularly fostered by some conservative political elites in Serbia, is that a more enthusiastic cooperation with NATO, and subsequent membership, would disrupt Serbia's relations with Russia.[2] Furthermore, there is a predominant prejudice in Serbia that the relationship between Russia and NATO has always been utterly hostile, and consequently lacked in any visible form of cooperation or valuable achievement.

Despite many persistent difficulties, and hitherto two serious stalemates (in 1999, and in the aftermath of war in Georgia, in 2008) Russia's relations with NATO have been advanced in a number of forms, driven by overlapping interests, common challenges and shared concerns. Although significant political differences have been influencing those relations at the high level politics, Russia-NATO cooperation is characterized by impressive practical achievements and a pragmatic approach towards a set of security and defense issues. Many of these achievements can provide a solid basis for energizing Serbia's policy towards NATO, and some of the established and pursued forms of Russia-NATO cooperation could serve as models and guidelines for a more effective Serbia's involvement with the North Atlantic Alliance.

Russia and NATO: A Pragmatic Affair

Russia has been developing its relationship with NATO since 1991. For nearly a decade after the emergence of the Russian Federation, NATO-related issues were a key focus of Moscow's foreign policy.[3] These days, Russia has outlined its position towards NATO, in the recently released (July 2008) Foreign Policy Concept. In the course of the Concept, there is a clear statement that "proceeding from a realistic assessment of the role of NATO, Russia deems it important to ensure progressive development of interaction within the

1) *Srđan Gligorijević is the Director of Analytics of ISAC fund.*
2) Aleksandar Vidojevic, Srbija ne može biti ostrvo, in *DANAS*, 6 November 2007
3) Dmitri Trenin, NATO and Russia: Sobering thoughts and practical suggestions, in *NATO Review*, Summer 2007, NATO HQ, available at: http://www.nato.int/docu/review/2007/issue2/english/art1.html

format of the Russia-NATO Council in the interests of ensuring predictability and stability in the Euro-Atlantic Region".[4]

Cooperation between Russia and NATO formally started on 20 December 1991, at the first meeting of North Atlantic Cooperation Council (NACC). Interestingly enough, during the course of the meeting, the Soviet Union ceased to exist. Few years latter, in 1994, Russia joined the Partnership for Peace program, and in 1996, Russian soldiers were engaged in Bosnia and Herzegovina, alongside their peers from the Alliance, in the NATO-led peace support operation IFOR (Implementation Force). The next significant step towards establishing a closer cooperation between Russia and NATO was made in Paris, on 27 May 1997, when the NATO-Russia Founding Act on Mutual Relations, Cooperation and Security was signed. The Founding Act reflected the change of the security environment in Europe and emphasized the commitment of Russia and NATO to build together a long-standing peace in the Euro-Atlantic area. In that occasion, a new forum was established, under the name of the Permanent Joint Council (PJC).

This Council set a framework for cooperation, confidence building and consultations on security issues of the common interest, between the Alliance and Russia. The Council met regularly at the ambassadors level, as well as in the foreign and defense ministerial format, and if needed at the level of Heads of States and Governments.

Successful cooperation between Russia and NATO came to light in the implementation of the Dayton Peace Agreement and stabilization of Bosnia and Herzegovina. In addition, the Russian mission to NATO was established in March 1998. Nevertheless, different stances of NATO and Russia on the means of finding a solution for the crisis in Kosovo, in 1999, and the firm Russian opposition to the bombardment of the Federal Republic of Yugoslavia, brought to the Russian withdrawal from PJC, bringing the work of this body to a standstill. Nevertheless, the work of the PJC continued with several joint activities, including Russian participation in the peace support mission SFOR (Stabilization Force), in Bosnia and Herzegovina. Finally, after a very active diplomatic role in the final stage of the Kosovo crisis, Russia decided to participate in KFOR (Kosovo Force), with its military units, starting in June 1999.

Soon after, there was a revival of Russian cooperation with NATO, which was stimulated by several significant events. For example, the same day (12 August 2000) when the Russian submarine *Kursk* accident happened, NATO offered assistance in rescuing the crew. In February 2001, NATO opened its Information Office in Moscow, which purpose was to improve mutual confidence and understanding, informing the Russian public on NATO activities, as well as on the Russia-NATO affairs. Furthermore, in the aftermath of the terrorist attacks, on 11 September 2001, Russia opened its air space for the coalition forces heading to fight the Taliban in Afghanistan, and also made available relevant intelligence data as a contribution to the fight on terror. In accordance with a positive development of mutual relations, The NATO-Russia Council (NRC) was launched, during the NATO-Russia Summit in Rome, in May 2002.

The NRC contains 26 NATO member states and Russia, in the forum which enhances possibilities for joint dialogue and action, in areas of mutual interest, substituting the PJC. The most important characteristic of the NRC is that mutual cooperation is established on the principle of equality and consensus among all 27 states. This is the essential difference from the previous Russia-NATO relationship, in the scope of PJC, which functioned according to formula *NATO+1*.

The NRC meets at different levels: once a month at the ambassadorial level, twice a year at the ministerial level and when needed, at the level of Heads of States and Governments. Additionally, once a month there is a meeting at the level of military representatives, and twice a year at the level of Chiefs of Defense Staff. NRC meetings are chaired by the NATO Secretary General. In the scope of the NRC, some areas of cooperation have been particularly intensified: counterterrorism, non-proliferation of weapons of mass destruction, improvement of interoperability, crisis management, arms control, theatre missile defense, defense reform, civil emergencies and scientific cooperation.[5]

4) *The Foreign Policy Concept of the Russian Federation*, President of Russia, Official Web Portal, available at: http://www.kremlin.ru/eng/text/docs/2008/07/204750.shtml

5) Robert E. Hunter et al., *NATO and Russia: Bridge-Building for 21st Century, White Paper*, RAND and Institute for US and Canada, Santa Monica, 2002, 37 pp.

Almost simultaneously with the launch of the NRC, in 2002, the NATO Military Liaison Office was opened in Moscow, to connect the NATO Military Committee and the Russian Ministry of Defense. The same year a joint NATO-Russia Resettlement Centre started its work, helping redundant Russian military personnel return to civilian life. Furthermore, in 2003, a direct special telephone line was opened between offices of NATO Secretary General and Russian Defense Minister. In the meantime, Russia withdrew its contingent deployed in peace support missions in the Balkans. During the visit of the NATO Secretary General to Moscow, in April 2004, agreements were signed on setting up the Russian Military Branch Offices at both Alliance's Strategic Commands. During the same year, the NRC endorsed The Action Plan on Terrorism, which includes concrete initiatives to prevent, fight and handle the consequences of terrorist acts. Additionally, in 2005, NRC foreign ministers launched a pilot-project on counter-narcotics training for Afghan and Central Asian personnel.

In 2006, Russia actively joined NATO-led antiterrorist operation in the Mediterranean, *Active Endeavour*, with a frigate *Pitliviy*. During 2007, the Russian Duma, ratified the Status of Force Agreement in the Partnership for Peace program (known as PfP SOFA) and another Russian frigate *Ladniy* was included in the operation *Active Endeavour*. Moreover, in April 2008, Russia and NATO signed a document which allows land-transit across Russian territory of non-military equipment destined for the NATO-led International Security Assistance Force (ISAF) in Afghanistan. Occasionally joint exercises have been held in areas such as disaster-response, theatre missile defense and search-and-rescue-at sea. But, as a consequence of the conflict in Georgia, in August 2008, military cooperation between Russia and NATO found itself in a stalemate.

Serbia and NATO: An Unusual Agenda

Serbia still appears to lack a clear political commitment to move closer to NATO. The climate of cooperation is indifferent, and government efforts to address support for NATO among its population have dropped. Public support for Serbia's NATO membership, according to the survey made by *Medium Gallup*, in autumn 2007, was 28%, while at the same time 55% opposed NATO membership for the country.[6] In addition, there are frequent official claims in Serbia on the alleged neutrality of the country, which finds its only validation in the non-binding parliamentary *Resolution of the National Assembly on the Protection of Sovereignty, Territorial Integrity and Constitutional Order of the Republic Of Serbia*.[7] Driven by the lack of the public support for NATO issue, none of the principal Serbian political parties has NATO membership on its agenda. Nevertheless, Serbia has been gradually managing its cooperation with NATO, before and after its accession to the Partnership for Peace programme. As a matter of fact, this cooperation is still very hesitant, self-limited and unenthusiastic. As a consequence of this, Serbia uses only a small piece of all the available possibilities that the Alliance offers to Partner countries. Compared with other member countries in the Partnership for Peace, Serbia is lagging far behind in making a more effective relationship with the Alliance.

The milestone in the establishing of cooperation between Serbia and NATO came after democratic changes in Belgrade in October 2000 and the clear commitment of the new Serbian government to work closely with the Alliance in seeking a peaceful resolution to the Albanian insurrection in Southern Serbia , two months latter. From that moment on, visits of high ranking civilian and military officials of the Serbian government to NATO HQ and Joint Force Command (Naples) have been realized frequently and on a regular basis. Moreover, on 4 March 2001, in a major breakthrough of confidence and cooperation building efforts and in close coordination with NATO, Serbian security forces were allowed to enter the Ground Safety Zone, the five-kilometre strip of Eastern Montenegro and Southern Serbia adjoining Kosovo, established in the aftermath of the NATO campaign, in 1999. Besides the Ground Safety Zone, its counterpart, the Air Safety Zone also experienced the phased reduction.

6) *Javno mnjenje Srbije o evro-atlantskim integracijama*, Medium Gallup, available at: http://www.atlanticcouncil.org.yu/
7) *Resolution of the National Assembly on the protection of sovereignty, territorial integrity and constitutional order of the Republic of Serbia*, enacted on 26 December 2007, available at: http://www.parlament.sr.gov.yu/

Moreover, flight routes over Serbia (and Montenegro) for NATO missions in the region, under SFOR and KFOR control, were established on 20 December 2002. Foreign Minister of the State Union of Serbia and Montenegro, Goran Svilanovic officially applied for country's membership in Partnership for Peace program, on 19 June 2003. Certainly, the historical event was the visit to Belgrade, by Lord Robertson, NATO Secretary General, on 26 November 2003, on his farewell tour throughout the former Yugoslav states.

The real challenge and a very important moment for the further relations between Serbia and NATO was the outbreak of violence in Kosovo, on 17 March 2004. Shocked in the first moment, by the furious campaign of the extremist-led ethnic Albanian groups, KFOR did not react rapidly enough to such intensive attacks on Serb enclaves. Thanks to the responsible action undertaken by three core persons in NATO (Jaap de Hoop Scheffer, Secretary General; General James Jones, SACEUR, and Admiral Gregory Johnson, Commander of Joint Force Command in Naples) the situation was stabilized, by sending NATO reserve forces, as reinforcements of the approximately 18,500 NATO troops already operating in Kosovo at that time.

To overcome an institutional obstacle in cooperation with Serbia, caused by the delay in the Partnership for Peace accession of the country, NATO initiated the Tailored Cooperation Program, in June 2003, enabling Serbia to participate in certain activities of the Partnership for Peace program. These activities were predominantly of educational and training nature. Tailored Cooperation Program has run in three one-year cycles. In the meantime, Serbia (and Montenegro) concluded the Agreement on Transit Arrangements with NATO, on 18 July 2005, which was meant to improve the logistical flow to and between NATO's operations in the Western Balkans.

The most efficient step concerning NATO engagement with Serbia and its support to defence reform was the establishment of a Norwegian-advocated Defence Reform Group (DRG), as a joint body of Serbian (and Montenegrin) MoD and the Alliance, approved by the North Atlantic Council, starting its activity in February 2006. DRG is co-chaired by the NATO's Director for Defence Planning, and Serbian Assistant Minster of Defence for Security Policy. Activity of DRG is organized through plenary meetings and in sixteen Working Tables.

Finally, Serbia was invited to accede to the Partnership for Peace and to the Euro-Atlantic Partnership Council, in NATO Riga Summit, in November 2006, along with Bosnia and Herzegovina and Montenegro. The ceremony of signing the Framework Document, took place in NATO HQ, in Brussels, on 14 December 2006.

Following that, NATO opened its Military Liaison Office (MLO) in the Serbian Ministry of Defence, on 18 December 2006. The mission of NATO's MLO in Belgrade is to serve as a link with the military authorities of Serbia on the practical aspects of the implementation of the Agreement on Transit Arrangements between NATO and Serbia. The MLO also facilitates the implementation of Serbia's PfP program with NATO and support activities of DRG.

On 5 September 2007, Vuk Jeremic, Serbia's Foreign Minister, presented the Presentation Document, at the NATO HQ, nine months after the country was invited to join the program. Unlike the Presentation Documents of other Western Balkan countries, this one does not contain a clearly expressed intention of the country to join NATO.

Particularly important for Serbia, in regards to the improvement of relations with NATO, was the signing of the Security Agreement on the exchange of confidential information with NATO, by Serbian Defence Minister, Dragan Sutanovac, together with Jaap de Hoop Schefer, on 1 October 2008, at the NATO HQ. Moreover, on this occasion, Minister Sutanovac addressed the North Atlantic Council. By signing the Security Agreement with NATO, Serbia removed a considerable impasse in its relationship with the Alliance, which had burdened a formal and more dynamic Euro-Atlantic integration of Serbia.

Regretfully, as a consequence of a decision made by NATO Defense Ministers, during their meeting 12-13 June 2008, to implement NATO's new tasks in Kosovo, which means assistance to building Kosovo security forces, there is a deadlock in the high-level meetings between KFOR and the Serbian Armed Forces.[8]

Russia-NATO relationship: Some Lessons for Serbia

Although Russia and NATO have not developed, so far, a firm *strategic* partnership, they have undoubtedly developed a considerable *pragmatic* partnership. For sure, experiences from the almost two decades long process of building Russian relationship with the North Atlantic Alliance can be, to a large extent, very useful for the improvement of Serbia's relations with NATO.

Someone can be trapped into underestimating the achievements of PJC and NRC, and the entire Russia-NATO cooperation. Nonetheless, as mentioned above, there is a notable record of this relationship, which considerably evolved throughout the time, laying a firm basis for any latter development. Moreover, the fact remains that without the PJC and the NRC, relations between the two players, in last 17 years, would have been less predictable, controlled and cooperative. Hence, the result should be measured as positive, by all means.

For its part, Serbia should seriously take into consideration constructive and practical aspects of Russia-NATO cooperation, and consider the validated attainments of Russia-NATO relationship, utilizing them in the most appropriate way, according to its needs and abilities. In its engagement with NATO, Serbia should work harder to reach the level, intensity and scope of cooperation that Russia has achieved with the Alliance, to date.

It could be generally useful for Serbia to apply an approach largely present in the Russia-NATO relations: to uphold a careful management, making sure that intrinsic difficulties and obstacles are minimized, and that practical cooperation is maximized wherever possible. Despite the fact that Serbia has developed and engaged in wide-ranging cooperation with NATO, there is still room for improvement, to which some Russian experiences could be particularly helpful.

Russia has been one of the main non-NATO contributors to NATO-led peace support operations, joining IFOR mission in Bosnia and Herzegovina, from 1996, and continuing its participation in SFOR mission, until 2003.[9] After the deployment of NATO-led KFOR mission, in Kosovo, in June 1999, Russia contributed to it, with a contingent, remaining there until 2003.

Moreover, Russia became the first non-NATO state ever to contribute to an Article 5 collective defence operation, when in 2006, Russian frigate *Pitliviy* joined the Alliance's maritime counter-terrorist operation *Active Endeavour*, in the Mediterranean Sea. In 2007, another Russian frigate, *Ladniy*, was included in this operation.

Serbia still keeps an exceptionally hesitant attitude towards involvement in peace support operations. Its participation in UN-led missions is only symbolic, having several observes in Liberia and Ivory Coast and a six-member medical team in the Democratic Republic of Congo. Unlike all Partnership for Peace countries, Serbia has not recognized yet the importance of contribution to peace support operations as a prominent foreign policy tool. Therefore, it remains the only Partnership for Peace country which has not participated in any NATO-led operation so far, neither with observers, nor with troops.

Russia opened its mission to NATO in March 1998. Ten years latter, Serbia still has no established mission to NATO. On 3 November 2008, the information on Serbian Government's decision to open mission to

8) General Opening remarks by NATO Secretary General, Jaap de Hoop Scheffer, Meeting of the North Atlantic Council with non-NATO KFOR contributing nations, NATO HQ, 12 June 2008, http://www.nato.int/docu/speech/2008/s080612a.html; General Ponos in Ground Safety Zone, Serbian MoD, 28 August 2008, http://www.mod.gov.yu/novi_eng.php?action=fullnews&id=1065

9) Paul Fritch, The NATO-Russia partnership: More Than Meets the Eye, in *NATO Review*, Summer 2007, NATO HQ, available at: http://www.nato.int/docu/review/2007/issue2/english/analysis1.html

NATO was released.[10] But, between this initial step and effective start of mission's work will pass some time and there are several requirements to be fulfilled. In regard to this, Serbia has still not signed the Agreement on the Status of Missions and Representatives of Third States to NATO. Delay in the making operational the national mission to NATO is a huge disadvantage for Serbia, which needs an established and full-capacity channel of communication with the Alliance, on a number of issues that essentially concern its national interests.

While NATO opened its MLO, in Belgrade, in December 2006, with an exclusively military affairs agenda, the particularly delicate relations between Serbia and Alliance require better public diplomacy, which could be pursued through a civilian part of the MLO, or a separate entity alike the NATO Information Office in Moscow. As well as in Moscow, the purpose of such an effort would be to improve mutual confidence and understanding on NATO, and informing Serbian public on NATO-related affairs.

Albeit Russia already set up its Military Branch Offices at both Alliance's Strategic Commands, in Mons and Norfolk, and have assigned its personnel to some Partnership for Peace bodies, Serbia has not seconded so far its military personnel to any of the placements in the Alliance's integrated command structure and institutions, available for Partnership for Peace countries. The same holds true for the Senior Course at the NATO Defense College, in Rome. It is a high-level six month excellence course for senior appointees in NATO and multinational staffs or NATO-related duties in national ministries of defense and foreign affairs. Russia has repeatedly sent its course members, but Serbia, though invited, has not done it so far. With this, it stays as the only Partnership for Peace country that has not have course member of the NATO Defense College Senior Course.

In 2007, the Russian Duma ratified Status of Force Agreement in Partnership for Peace program (PfP SOFA), which facilitates performing of joint exercises and training, in the scope of Partnership for Peace. Serbia has not signed this important agreement thus far.

Conclusion

Security environment of Serbia and internal political and security circumstances do not allow Serbia to stay out of the mainstream of Euro-Atlantic integration. Only reasonable path for this country lies within cooperation, mutual understanding and inclusion into broader Euro-Atlantic community. Whatever happens, Serbia (and the region) can not escape from its Euro-Atlantic future; only its pace will determine whether this aim will be reached faster or slower. Recent developments in South Caucasus, which furthered clearer strategic determination in the Euro-Atlantic zone, together with a steadfast Euro-Atlantic orientation of all Serbia's neighbours, raises a necessity and importance for a new policy of Serbia's engagement with principal Euro-Atlantic institutions. Having that in mind, Serbia should consider Russia as a country which has been building a specific relationship with NATO, to the best benefit for its national interests. In that endeavour, Serbia can use and adapt to its own needs and abilities, the ideas, concepts, experiences and approaches that Russia so far has undergone and improved. At the same time, there should be raised awareness in Serbia on Russia's achievements, range and intensity of the hitherto cooperation with NATO. Simultaneously, there is a demand for explanation that Serbia's rapprochement with the Alliance and eventual membership cannot be detrimental for Russia, at all. For those undertakings, and for the overall Euro-Atlantic integration of the country, Serbia needs thoroughly informed decision-makers, who should take a bold step and lead, not follow somewhat mistaken public opinion.

10) Web-site of the Serbian Ministry of Foreign Affairs, 3 November 2008, http://www.mfa.gov.yu/Bilteni/Engleski/b031108_e.html#N2

Russian Vision of Security in Europe and Serbia

Žarko Petrović[1]

Serbia should have a balanced approach towards the initiative of the Russian President Medvedev to craft a new European Security Treaty. Such an approach represents a step forward on Serbia's path towards membership in the European Union (EU). The OSCE's Corfu Process has defined the topics for the enhancement of European security, which exceed the original intentions of President Medvedev and the scope of the Draft Treaty published on November 29th, 2009. Due to the fact that Serbia is (or soon will be) both legally and politically obligated to follow the EU Common Foreign and Security Policy, it would be wise to promote a careful and balanced approach towards this initiative. Other neighbouring EU candidate and potential candidate countries have pursued firmly this obligation for years. EU formulated its position with regard to this initiative and the Corfu Process as a framework of its further development. By joining the EU's common standpoint issued by the Swedish EU Presidency at the OSCE Ministerial Council in Athens, Serbia began to follow the above mentioned obligation. This move reduced the power of the sceptics' arguments against the accession of the Western Balkans states to the EU, which were mainly related to the strategic partnership of Serbia and Russia. Despite Russia's desire for individual decision-making with regards to this initiative, there is no room for the privatization of security issues neither for the EU members states, nor for Serbia.. What is more, it should also be mentioned that Serbian and Russian security issues are not the same. The main goal of the Russian Initiative is to improve Russia's security. On the other hand, Serbia can answer to its security challenges only through cooperation with other EU states.

Context of Serbia's Position

Serbia took a balanced political approach towards the Russian President Medvedev's initiative on the new security architecture in Europe. During the joint press conference held on October 20th 2009 in Belgrade, President Boris Tadić underlined that Serbia will remain open for *all future initiatives within the same context*[2] [within the context of the initiative – auth. remark]. This position was far from the one Russia had expected, which would be that Serbia openly supports this initiative. Russia's expectations were not unfounded. At the peak of the 2008 crisis between the West and Russia, caused by the conflict in Georgia, Serbia treated Medvedev's initiative for the new Security Treaty in Europe with *sympathy*[3]. The same Treaty was again mentioned during the visit of the Serbian Minister of Foreign Affairs, Mr. Vuk Jeremić, to Moscow. On that occasion Mr. Jeremić's Russian counterpart, Sergey Lavrov, expressed his gratitude for the *interest* that Serbia had shown for this initiative[4].

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2) Press release after the Serbia-Russia high level meeting on 20th October 2009. (Заявления для прессы по итогам российско-сербских переговоров на высшем уровне. Available in Russian on: http://www.kremlin.ru/transcripts/5782)

3) Interview with Russia's permanent representative to the OSCE, V.I.Voronkov, Rossijskaja gazeta, 20th August 2008. Vladimir Voronkov, the acting representative of Russia to the OSCE, said that Serbia has addressed the initiative with sympathies, along with the member states of the Collective Security Treaty Organisation (Russia, Belorussia, Armenia, Kazakhstan, Kirgizstan, Tajikistan and Uzbekistan). Available in Russian language on: http://www.mid.ru/Brp_4.nsf/arh/62547841B1A28DDCC32574AB0055AC1B?OpenDocument

4) Transcript of statements and answers to the media of the Russian Minister of Foreign Affairs Sergei Lavrov about the results of the meeting with Serbian Minister of Foreign Affairs Vuk Jeremić, Joint press conference, Moscow, February 20th 2009. (Стенограмма выступления и ответов на вопросы СМИ Министра иностранных дел России С.В.Лаврова на совместной пресс-конференции по итогам переговоров с Министром иностранных дел Сербии В.Еремичем, Москва, 20 февраля 2009 года), Available in Russian language on:: http://www.mid.ru/brp_4.nsf/0/B38351266782BAE6C32575670037ABC8

When dealing with the Western countries, Russia prefers bilateral relations to the ones with international alliances or associations of states (NATO and EU). For example, when the NATO-Russia Council was established in 2002, it was created as the C*ouncil of Russia and individual NATO member states*[5]*, rather than NATO as a political-military alliance*. In his address to the Serbian MPs on October 20th, 2009, President Medvedev stated the following:

It is important for Russia that the new (…) EU members develop good relations with the Russian Federation, in order to prevent the same membership from causing damage (…) and in order to help the development of close mutual understanding. This goes entirely for Serbia also [6].

If we consider the fact that the Draft Treaty[7] requires its ratification by at least 25 of the OSCE member states, it becomes clear why it is so important for Russia that each individual state, including Serbia, has a positive attitude towards this initiative. Furthermore, one of the key arguments used in favour of this initiative is that there are states which are in need of such an agreement as they are not members of the EU, NATO or the Collective Security Treaty Organisation. Certainly, one of those states is Serbia[8]. In addition, the strategy of joint appearances by Serbia and Russia on the international scene in relation to the Kosovo issue[9], gave boost to Russia's expectations that Serbia would express similar willingness to support an issue of high-priority for Russia – security in Europe.

Nevertheless, the right choice for Serbia is to preserve a balanced approach towards this issue. As an EU aspirant state, Serbia does not and should not have other options for carrying out an independent foreign policy in such an important field as international security[10]. In the Article 10 of Serbia's Stabilisation and Association treaty (SAA) it is stated that a political dialogue between Serbia and the EU is going to be developed, and that it will help establish close ties of solidarity and new forms of cooperation including:

Common views on security and stability in Europe, including cooperation in the areas covered by the CFSP of the European Union.

Although the SAA is not yet in force, its Article 10 covers the core of the political dialogue between the EU and Serbia. Furthermore, Article 18 of the Vienna Convention on the Law of Treaties obliges signatory states to refrain from acts which would defeat the object and purpose of a treaty prior to its entry into force. Thus, Serbia is obligated to follow the SAA provisions.

Moreover, as this initiative is only supported by the member states of the Collective Security Treaty Organisation (CSTO)[11], Russia would need far more votes to underpin it. Serbia's support would do little for its adoption, since this would make only 8 out of the required 56 OSCE member states. Russia undeniably needs such a document. However, it is arguable what the added value of such a treaty would be for the security of Serbia, especially in the light of its European and Euro-Atlantic aspirations.

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5) *….to bring together NATO member states and Russia to identify and pursue opportunities for joint action at twenty, we hereby establish the NATO-Russia Council. In the framework of the NATO-Russia Council, NATO member states and Russia will work as equal partners in areas of common interest...*, NATO -Russia Relations: A New Quality, Declaration by Heads of States and Governments of the NATO member states and the Russian Federation, 28 May. 2002, available at: http://www.nato.int/cps/en/SID-AD1BF205-ED37B58E/natolive/official_texts_19572.htm

6) Dimitrii Medvedev's address to the Parliament of Serbia, 20th October 2009, (Выступление в Народной скупщине Сербии, 20 октября 2009 года), available in Russian: http://news.kremlin.ru/news/5783

7) http://eng.kremlin.ru/text/docs/2009/11/223072.shtml

8) See Dr Vladimir Voronkov, *The European Security Treaty After Corfu*, p. 2 www.crep.ch/en/pdf/09-07 13+Voronkov+article_ENG.pdf

9) Minister Jeremić spoke about this strategy on the joint press conference with Minister Sergey Lavrov: http://media.mid.ru/video/video_list.html

10) See Article 10 Paragraph 1 Point D of the EU- Serbia Stabilization and Association Treaty: http://www.delscg.ec.europa.eu/code/navigate.php?Id=534 , as well as the Artcle 18 of Vienna Convention on Law Treaties ("Sl. list SFRJ - Međunarodni ugovori i drugi sporazumi", br. 30/72).

11) Member states are: Russia, Belorussia, Armenia, Kazakhstan, Kirgizstan, Tajikistan and Uzbekistan

Review of Russian security doubts

Being the largest country in the world, Russia's interests cannot be examined only in the post-modern or the context of EU integration. Russia is a heterogeneous country, both ethnically and religiously, and, hence, susceptible to centrifugal tendencies. Moreover, the once praised Soviet system of education (to the point of becoming a myth), does not correspond with modern-day needs. The relatively low quality of modern education influences the way Russian elites perceive the outer world. The dominant categories of this perception are national interest, state sovereignty and Russia's spheres of interest. In his interview to the Russian Channel 1 on August 1st 2008, President Medvedev stated that Russia, like all the other countries, has its *own region of privileged interests*[12]. Sergei Lavrov, Russian Minister of Foreign Affairs, also spoke of the same concept while criticizing the EU's *Eastern Partnership* initiative, proposed to some of the former USSR member states. He defined the *Eastern Partnership* as nothing more than an expansion of the EU's sphere of influence (in other words, privileged interests of the EU – auth.rem)[13].

The priorities of the transatlantic community were redefined after the ideological triumph of liberal democracy over socialism/communism. Idealism prevailed over realism, while the foreign policy of the Western countries was, at least in the 1990s, supposedly guided by the values of liberal, representative and competitive democracy, as well as the rule of law and respect for human rights. Right after this concept was challenged for the first time in Bosnia, the Western allies decided to disregard Russia's objections to a military action against the Bosnian Serbs, and carried out limited air strikes on their military positions in February 1994. Five years later, the Western countries continued with the policy of placing their own values over the norms of international law. At the peak of the Kosovo Crisis in 1999, FR Yugoslavia was bombed, despite the firm opposition from Russia.

Russia quickly got over its protests against the bombing of Yugoslavia, in large part due to its bad internal economic situation, which urged the cooperation with the West. The other reason was Milošević, who was creating problems in Serbia-Russia bilateral relations at the time, as well as endangering Russia's relations with the West. Nevertheless, NATO bombing of Yugoslavia has heavily influenced Russian perception of its own security. It has left a mark on the Russian approach to all security issues in the Euro-Atlantic area to this date, thus remaining the core reason for Russia's opposition to NATO enlargement. The following military action carried out in Iraq in 2003, by the alliance of the US and the UK, was based purely on interests rather than on values. This action has also seriously affected the sense of security in Russia. Western unilateralism was perceived as a direct challenge to its national interests, primarily because there was no real international reaction to it, except few modest statements and actions in the Council of Europe[14]. Therefore, the only way Russia could protect itself from such unilateralism was by increasing its own forces.

Besides the period of good relations after the 9/11 and intensified joint cooperation in the fight against terrorism, the period from 1999 to 2005 was not very fruitful for the relations between Russia and the West. In year 2002 the US withdrew from the 1972 Anti-ballistic missile Treaty. The so-called "coloured revolutions" marked the period from 2003 to 2005. Russian authorities perceived it as a threat to its own national interests, primarily because the new political elites in those states set the "Western Course". As such, these political elites were naturally against the interests of Russia. For Russia, the rise to power of pro-Western elites in Georgia (2003) and Ukraine (2004), as well as the attempt to change the nature of regime in Kirgizstan (2005) was part of an ideological struggle and the spread of the western sphere of influence in the moment when Russia abandoned ideology[15]. Of course, when analysing the state of

12) Dimitrii Medvedev's interview to Chanell 1, Russia chanell and NTV channel, Sochi, 31st August 2008, http://eng.kremlin.ru/speeches/2008/08/31/1850_type82912type82916_206003.shtml

13) Belorussia, Ukraine, Moldavia, Armenia, Georgia and Azerbaijan are the states that joined EU's *Eastern Partnership*. Poland and Sweden proposed this initiative, and it was adopted later on the EU summit. Lavrov has criticized it as the expansion of the EU interest sphere. See *Russia's Lavrov lashes EU over new 'Eastern Partnership'* 21st March 2009, http://www.eubusiness.com/news-eu/1237635122.1/

14) *The concept of preventive war and its consequences for international relations*, 8 June 2007, Doc. 11293, available on: http://assembly.coe.int/Mainf.asp?link=/Documents/WorkingDocs/Doc07/EDOC11293.htm

15) Sergej Kara-Murza, Export revolutions (Революции на экспорт) Eksmo Algoritm Knjiga, 2006.

international security with a focus on its perception in different countries, it is necessary to put aside the legitimacy issues, i.e. the legitimate right of these new elites to choose freely their foreign policy course.

Russian worries increased with the problems related to the ratification and coming into force of the changed Treaty on Conventional Armed Forces in Europe. Moreover, the US administration refused to discuss the expiration of the START treaty and the limiting of the numbers of nuclear warheads and missiles. The final two moves triggered Russia's concrete action. First was the US plan for stationing the third position of the global anti-missile defence shield to Central-Eastern Europe – radar in the Czech Republic and missile facilities in Poland, with the purpose of defending from the possible missile attack coming from North Korea or Iran. Finally some of the NATO member states hinted the possibility of membership of Ukraine and Georgia in this organisation in the near future. President Putin's *Munich speech*[16], held on 10th February 2007, marked the return into the state of latent confrontation between the Trans-Atlantic community and Russia. In December of the same year Russia suspended the Treaty on Conventional Armed Forces in Europe, and began to actively oppose the idea of the Anti-missile shield in Europe, as well as the enlargement of NATO to Ukraine and Georgia. The failed negotiations on the final status of Kosovo,and the resulting unilateral declaration of independence, against Russia's wishes, further alienated the political platforms of Russia and most Western states. The war in Georgia in the summer of 2008 caused a suspension of the negotiations on the new Partnership and Cooperation Agreement between Russia and the EU, as well as the suspension of the activities of the NATO – Russia Council. Consequences were also noticeable on the bilateral level between Russia and various members of the Trans-Atlantic community, thus the relations between the West and Russia reached the lowest point since the end of the Cold War.

The aforementioned problems can be summed up into two basic questions: the issue of unilateralism of the US and its closest allies[17], and the question of expansion and globalisation of NATO's role and ambitions[18]. Moreover, these questions should not be approached without taking into account the security situation in Eurasia as a whole. It is obvious that Russia perceived the American unilateralism, prevalent during President Bush's mandate, as a negation of the previously agreed overall principles of general and cooperative security[19]. But, if we take a slightly wider approach, it is possible to single out two main characteristics of the security situation in Eurasia:

(1) The security situation has changed as a result of NATO's enlargement to almost all Eastern European states, as well as some former Soviet Union member states. While the easing of tensions and the improvement of the security climate is felt in the new NATO member states or the states where NATO is present, the post-Soviet space experiences completely opposite tendencies. Considering that Russia is not a part of NATO, and that the NATO - Russia Council is not functioning the way Russia would like it to, this large state feels compelled to once again define its security and national interests in geopolitical terms[20], as was the case during the Cold War. Therefore, Russia came up with the idea about the Sphere of privileged interests and influences.

(2) Due to the fact that Russia perceives the so-called *hard security* situation as changed to its own detriment, it has started a more pro-active policy in this sphere for the first time since the end of the Cold War (or perhaps even since the CSCE was created in 1975).

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16) President Putin's speech at the Munich Security Conference http://www.securityconference.de/Conference-2007.268.0.html?&L=1

17) Hard security challenges in the Euro-Atlantic area, Role of the OSCE in creation of the efficient and reliable security system (вызовы жесткой безопасности в евро-атлантике роль обсе в создании устойчивой и эффективной системыбезопасности). Available in Russian: http://www.mid.ru/brp_4.nsf/0/aded9c34ee795d2bc32575de003decd1

18) Speech of the Deputy Minister of Foreign Affairs of Russia, A.V. Grushko on the joint session of the Forum for Security Co-operation and the OSCE Permanent Council, Vienna, 18th February 2009 (Выступление заместителя Министра иностранных дел России А.В.Грушко на совместном заседании Форума по сотрудничеству в области безопасности и Постоянного совета ОБСЕ, Вена, 18 февраля 2009 года) available in Russian: http://www.mid.ru/Brp_4.nsf/arh/4B31D15B1DFBDAE6C3257561005D0285?OpenDocument:

19) See *Istanbul Charter*, Istanbul Document 1999, January 2000, PCOEW389, available at: www.osce.org/item/4051.html

20) About the defining of geopolitical national interests see: Dr Andrei Zagorski, *Russia and the West: Revisionism or Status quo?,* International and Security Center- ISAC Fund, pp 9, available: http://www.isac-fund.org/download/Monitoring_Russia-Serbia_relations_Report%20IV.pdf

In fact, Russia does not perceive NATO as an existential threat, but as a political opponent that is limiting both the number and the scope of possible military-political options for Russia. Although undesirable, NATO membership of the three Baltic states is not nearly as big of a problem for Russia as NATO's presence in Ukraine or on Russia's unstable borders in the Caucasus would be. the globalization of NATO's and the value based policy of NATO and its members considerably diminish Russia's *realpolitk* options. Since in *realpolitik* the rules of the game are clear, and less prone to different value interpretations, Russia feels that it has to take a proactive stand in order to resurrect *realpolitik*.

At the same time, the outcome of the widely announced *re-set* in Russia-US relations[21] has not been completely satisfactory. There have been some achievements, such as the better understanding between Washington and Moscow on the issues of Iranian nuclear programme, cooperation in Afghanistan and the (still obscure) change of plans for the anti-missile shield in Europe, as well as the freezing of the negotiations on NATO enlargement of Ukraine and Georgia. Still, none of the open questions have been solved to this date. Obama and Medvedev both agreed to create the new Treaty tol replace START I Treaty, which would be in the interest of both countries. Still, the START I Treaty has expired on December 5th 2009, without a replacement in sight. Nevertheless, it is possible to conclude that two sides will find a solution to this issue in the near future, despite all the differences.

The New Initiative

On June 5th, in Berlin, Dimitrii Medvedev launched the idea about the new Security Treaty in Europe. On that occasion Russian President also mentioned the possible *European Summit,* where all of the European states would participate[22]. Political analysts criticized this initiative as yet another attempt to create a division between Europe and North America[23]. The idea of a new European security architecture without the participation of the US was immediately dismissed[24]. This new proposal did not recognise human rights as an element of security. In fact, it seeks to re-establish the balance that was, in Russia's opinion, disturbed by the NATO enlargement and American anti-missile shield plan[25]. From the very beginning, the proponents of this initiative have used terms *comprehensive, co-operative and indivisible*. The main reason behind this was to demonstrate that exactly these terms, originally defined by the Helsinki Final Act and various other OSCE documents, have lost their importance,. Furthermore, Russia insists that this initiative should be discussed in a variety of international forums, such as NATO-Russia Council, EU-Russia Summit, as well as through bilateral contacts. However, any discussion outside the OSCE framework is unacceptable for most Western Countries. According to certain reports, there was a misunderstanding on the Russia – Canada line during the preparatory meeting for the latest NATO-Russia Council (on 4th December). This was the first official NATO-Russia Council after the Georgian crisis in 2008. On that occasion, Russia tried to include the new initiative of President Medvedev into the Council's agenda[26].

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21) Two years after President Putin's famous speech, the USA Vice-President Joseph Biden has said in Munich at 45th Annual Security Conference that it is necessary to press *reset* key in Russian-American relations. Available at: http://www.securityconference.de/Joseph-R-Biden.234.0.html?&L=1
The USA Secretary of State Hilary Clinton and the Russian Minister of Foreign Affairs Sergey Lavrov have proclaimed on 7th March 2009 *resetting* of American-Russian relations. When trying to translate American word *reset* to Russian, the translators made a mistake by translating it as *peregruska*, which means overload. The right word would be *perezagruska*.. See: http://news.bbc.co.uk/2/hi/7930047.stm

22) Speech at Meeting with German Political, Parliamentary and Civil Leaders, June 5, 2008, Berlin) http://eng.kremlin.ru/speeches/2008/06/05/2203_type82912type82914type84779_202153.shtml

23) Boby Lo, *Medvedev and the New European Security Architecture*, Centre for European Reform, Policy Brief, pp3, available at: www.cer.org.uk/pdf/pbrief_medvedev_july09.pdf,

24) During the meeting with the President of Russia Dimitrii Medvedev at the World Policy Conference in Evian on 8th October 2008 , French President Nicolas Sarkosy has clearly pointed out that the issue of security reforms must be discussed within the OSCE framework, i.e. in the format that includes participation of the USA. See: *World Policy Conference – Speech by M. Nicolas Sarkozy*, President of the Republic, http://www.ambafrance-uk.org/President-Sarkozy-s-World-Policy.html

25) President Medvedev's speech at the World Policy Conference in Evian, 8th October2008, http://www.kremlin.ru/appears/2008/10/08/1619_type63374type63377type82634_207422.html

26) Interfax 1st December 2009, http://www.interfax.ru/politics/news.asp?id=112666&sw=%D0%EE%E3%EE%E7%E8%ED&bd=2&bm=11&by=2009 &ed=2&em=12&ey=2009&secid=0&mp=1&p=1; NATO has slowed down Medvedev's Initiative (НАТО притормозила инициативу Медведева), http://www.ng.ru/world/2009-12-02/1_nato.html

Although this misunderstanding was quickly solved, and despite the fact that Russia has managed to raise this question at the Council, it seems that the member states are not going to debate this initiative outside of the OSCE framework[27].

At the World Policy Conference held in Evian (France) on October 8th, 2008, President Medvedev explained for the first time the concept of the Initiative in detail. It includes 5 principles. The first principle presumes the respect of international law, sovereignty, territorial integrity and political independence of states. The second principle should guarantee the unique interpretation of the principle of the non-threat and non-use of force and to provide a unified approach to prevention and peaceful settlement of conflicts in the Euro-Atlantic space. The third principle should provide equal security, based on the three *NOs*: 1) states that have signed the treaty should not reinforce their own security by violating the security of others; 2) actions (taken by military alliances or coalitions) that undermine the unity of the common security area should not be permitted; 3) military alliances should not be developed if they can endanger the security of the other signatories. The fourth principle acknowledges that neither states nor international organisations have an exclusive mandate to maintain peace and order in Europe. The fifth principle is devoted to arms control, prevention of arms proliferation and drug trafficking, terrorism etc. In addition, it would be necessary to revise the adequacy of the existing structures created for this purpose.

This initiative quickly came into spotlight. Already in December 2008 during an informal lunch at the OSCE Ministerial Council, Minister Lavrov got the opportunity to present the need for the new European Security Treaty. Again, on February 18th, 2009 in Vienna, during the meeting of the OSCE Forum for Security and Cooperation, Lavrov's deputy Aleksander Gruscko underlined the necessity of mutual cooperation. He emphasized the need for the respect of sovereignty, respect of the existing borders and territorial integrity, avoiding use of force, devotion to peaceful conflict resolution and control of arms proliferation. Grushko also gave examples when that cooperation was unsatisfactory, by pointing out military actions in the Balkans during the 1990s, recognition of Kosovo, and the Caucasus catastrophe. However, his focus was limited to the *hard security* issues. Lavrov's deputy failed to address the *human security issues* (free elections, democratic institutions, human rights and freedoms), as well as the economic and ecological issues. By doing so, he excluded two OSCE baskets. In this way Russia has clearly defined its priorities in international cooperation.

By promoting this new initiative Russia has emphasized two issues. One was that it is not happy with NATO enlargement and its global role. In Russia's view, NATO is perceived as being dominated by the US whose unilateralist tendencies are seen as a threat. Secondly, and most importantly, with this initiative, Russia has clearly emphasized the importance that military-political aspects of security have for this state. Value aspects, prevalent in the OSCE's third basket (human security dimension, promotion and protection of human rights, free elections), are something that Russia considers much less important. Furthermore, in his address to the Russian Federal Duma in October 2007, president Medvedev said that there are some specific Russian values that are not necessarily overlapping with the Western ones[28].

On November 29th, 2009, right before the OSCE's Ministerial Council was held in Athens, the Draft of the *New Security Treaty in Europe* was published on the web page of the Russian President. The main aim of this Draft is to build effective *mechanisms of cooperation* which should solve *threats and challenges in the security sphere*. With reference to the five existing international documents[29], this Draft document emphasizes the creation of the cooperative security, based on the principles of *comprehensive, equal*

27) Meeting of the North Atlantic Council at the Foreign Ministers level in NATO Headquarters, Brussels, available at http://www.nato.int/cps/en/natolive/news_59699.htm?mode=pressrelease;
NATO-Russia – very limited renesaince (НАТО–Россия: сильно ограниченный ренессанс) http://www.rian.ru/analytics/20091204/197028730.html;
NATO was threatening at the beginning, but soon after its representatives have signed all, available at: http://www.kommersant.ru/doc.aspx?DocsID=1287688&NodesID=5;
See also AFP news: http://www.google.com/hostednews/afp/article/ALeqM5iQ8CKg-DrHQ3P0nRcAc281RfYTgQ
28) Address to the Federal Parliament of the Russian Federation, 5th November 2008 godine (Послание Федеральному Собранию Российской Федерации, 5 ноября 2008 года), available in Russian: http://www.kremlin.ru/transcripts/1968
29) The UN Charter, The Declaration on Principles of International Law concerning Friendly Relations and Cooperation among States in accordance with the Charter of the United Nations (1970), The Helsinki Final Act (1975) Manila Declaration on the Peaceful Settlement of International Disputes (1982) and Charter for European Security (1999).

and common security[30]. The very core of this Draft is represented by the Article 2, Paragraph 1, which prohibits all of the signatory states from undertaking, joining or supporting any action or activity that would have a significant impact on the security of the other signatories. The Paragraph 2 obliges the signatories, who are at the same time members of military coalitions, alliances or organisations, to follow the principles from the five documents mentioned above. The last Paragraph 3, prohibits the signatories from the use of its own, or the territory of another signatory, for the planning or execution of an armed attack against any other signatory state, or any other form of action which affects the security of other signatories. Furthermore, in case of certain misunderstandings or disputes about the provisions and their interpretation, this document establishes the following mechanism among signatories: 1) Consultations; 2) Conference; 3) Extraordinary conference. The first formal step can be done through *consultations*. If one of the signatories estimates that the Treaty has been violated, or that there is a threat of its violation (only by signatories, and not by a third party), it can call for consultations. The depository state has the right to schedule a conference, provided that at least two signatories call for it. The Conference shall have the quorum if two thirds of all signatory states are present, while the decisions will be adopted by a consensus; and shall be of a binding character. Extraordinary conference can be held only in the case of an armed attack or a threat. Unlike for the "regular" conference, the proposed quorum for the "extraordinary conference" requires the presence of 4/5 of all signatory states. The decisions would be brought by a "consensus minus one" (without the vote of the aggressor state or the state threatening to attack). The Draft leaves in force the existing treaties, the UN system and mechanisms, as well as the right of the participating signatory states to neutrality. Finally, this Treaty will come into power ten days after the 25th ratification (by a state or international organization) is stored.

Even the brief analysis of the Draft points to document's special characteristics. Firstly, the Draft neither addresses a common approach towards prevention and peaceful solution of conflicts in the Euro-Atlantic Area, nor the issues of arms control, arms proliferation, drug trafficking and terrorism. Also, it is obvious that the Draft focuses on two basic Russian worries: 1) unilateralism of certain states, which with this Treaty would be restrained; 2) although there is no explicit mention of the enlargement of military alliances, i.e. of further NATO expansion, such activities could be viewed according to the Article 2, Paragraph 2 line *activities which seriously affect security etc.*, and therefore found eligible for the Draft's procedure; (3) the relatively small number of signatories, required for the Treaty to come into force, suggests that Russia is still attempting to persuade other countries to make decisions individually, and not within the framework of military-political alliances or the EU. The 25 signatories form a sufficient critical mass for reaching a considerable political weight. Once the Treaty is in power, the application procedure for the new signatories is more complicated; 180 days after the actual signing of this document, the signatory can become a full member of the Treaty, and only if there is no complaint by the other signatories to the accession of the state in question; 4) This Draft also leaves the possibility for international organisations to accede to the Treaty, such as NATO, EU, OSCE (Russia has been advocating for the OSCE subjectivity for a long time, but in its current status the OSCE still cannot sign the Treaty), the CSTO and the Commonwealth of the Independent States (CIS). This undoubtedly represents Russia's attempt to increase the importance of its own integration projects (CSTO, CIS), which have stumbled upon some problems regarding the purpose of their existence and the lack of inner coherence among the member states. Finally, what is in Russia's main interest is the insistence on legally binding decisions of the conference. It sees the current system of political obligations as not sufficiently guaranteeing the main security principles, which would, supposedly, be qualitatively changed by the legally binding obligations.[31].

The initiative itself is modest in comparison to the principles and thinking that the Russian officials have presented in the public. The Draft's 14 Articles are focusing on the issues of hard security, NATO expansion, and to the prevention of unilateral actions. The absence of any attempts for the regulation of ethnic conflicts in the Euro-Atlantic zone is noticeable, especially since the Russian officials used to stress this in their speeches prior to the Draft's publication. This could be interpreted in two ways; either Russia has lost the real interest for the legal regulation of ethnic and territorial disputes, thus sending the

30) In Russian: (*ненанесения ущерба безопасности друг друга*), in English translation: *undiminished*;

31) President Medvedev's speech at the Helsinki University and answers to the questions, 20th April 2009. Available at: http://eng.kremlin.ru/speeches/2009/04/20/1919_type82912type82914type84779_215323.shtml

message that the issues of Abkhazia and South Ossetia (and therefore Kosovo) are resolved, or Russia does not consider ethnic and territorial conflicts as part of its hard security issues. If the latter is correct, then the existing territorial and ethnic conflicts (Nagorno-Karabakh and Transnistria) and the potential ones (Crimea in Ukraine) would not belong to the discussion on the security issues. In this way, the most important security issues of three states (Azerbaijan, Moldavia, and to an extent Ukraine) are already excluded from the Treaty's Draft.

Finally, the question is what is the novelty that this initiative brings to international security, apart from introducing legally binding decisions in the Euro-Atlantic space and raising the importance of Russian integration projects? If compared to the views of the OSCE'S Permanent Council in Vienna, which is a similar discussion forum, the decisions of these conferences and extraordinary conferences would not substantially differ. In the end, the majority of the five documents that the initiative is based on (especially the UN Charter) already have a legally binding character, and it remains unclear what the essential difference between the legally binding character of the Treaty and the obligations arising from these five documents is.

Corfu Process

From June 27-28th, 2009, Greece, the presiding OSCE country, has organised an informal Ministerial Council meeting at the Greek island of Corfu. This event, the first of its kind, has provided a chance for Russia to further present its initiative. The summit launched the *Corfu Process,* a framework for the further development of this initiative. However, Ms. Dora Bakojanis, the Greek Minister of Foreign Affairs at the time, has stated already in her opening remarks that the participants should first define *the goal, content and framework* of the dialogue, which suggested that the whole process was still in its initial phase[32]. Prior to this event, at the OSCE annual conference[33] held in Vienna on June 23rd, 2009, Minister Lavrov emphasized that since the end of Cold War there has been no reason for the division of the euro-atlantic space, which, in his opinion, was being created by the gradual disintegration of the former Warsaw Pact's territory and the advancement towards the Russian borders. He also repeated the principles mentioned by President Medvedev in Evian, and explained several of them in further detail. The first principle, which presumes respect of international obligations and *the political independence of states,* Lavrov has expanded by adding the principle of non-intervention into the internal affairs of sovereign states. Hence, he once again indirectly compared Kosovo with Abkhazia and South Ossetia with the goal of emphasizing the Western inconsistency, rather than calling for the revision of the existing situation. At the end of his presentation, Lavrov was clear in saying that if such a vision of security cooperation in the Euro-Atlantic space does not become realized, then there is a clear threat to full *re-nationalisation or privatisation of military-political security, with all its unpleasant consequences*.

The Western political commentators all agree that this initiative had been launched primarily to stop further NATO enlargement, and to strengthen the role of Russia in European security issues[34]. Russia has never agreed to discuss this initiative only within the OSCE framework[35]. Indeed, Russian representatives had initiated this debate also within the NATO-Russia Council, EU-Russia Summit and within bilateral contacts. The earlier position of the EU, stated on February 18th, 2009 in Vienna, was that the OSCE was the place where the EU was willing to discuss this initiative[36]. The Czech EU Presidency also outlined that, in today's security system, all three security dimensions of the OSCE are of equal importance. By confirming

32) Sunday 28th June 2009 - Plenary Session Minister Bakoyannis Opening Remarks. Available at: http://www.osce.org/cio/item_1_38493.html
33) Complete text of the speech in Russian: Hard security challenges in the Euro-Atlantic area, Role of the OSCE in creation of the efficient and rialable security system (вызовы жесткой безопасности в евро-атлантике роль обсе в создании устойчивой и эффективной системыбезопасности). Available at: http://www.mid.ru/brp_4.nsf/0/aded9c34ee795d2bc32575de003decd1
34) See: Michael Emerson, *The Struggle for a Civilised Wider European Order, Elements for European Security Strategy*, CEPS Working Document No. 307/October 2008. Available at: http://shop.ceps.eu/BookDetail.php?item_id=1752
35) Dov Lynch, senior consultant to the OSCE General Secretary, The EU – Russia Centre Review, 12th edition, Russia, the OSCE and European Security, November 2009, pp 6. Available at: http://www.eu-russiacentre.org/reviews
36) Czech EU Presidency , FSC-PC.DEL/8/09, 18th February 2009

its commitment to the Helsinki Final Act and the Paris Charter, the EU presidency at the time stated that it would be guided by its own security strategy during the debates on security strengthening. All other EU aspirant countries, such as Bosnia and Herzegovina, Croatia, Montenegro, Macedonia, Turkey, Lichtenstein, Iceland, Ukraine and Moldavia have joined this statement, except Serbia! The Minister of Foreign Affairs of Greece, the country which also held OSCE presidency at the time, stressed that it is necessary to *hurry slowly* and that security requires political-military cooperation among states, management of healthy economies, environment protection, and the protection of human rights and basic freedoms. [37]

One of the positive effects of this initiative is that this new topic brings the breath of fresh air for the OSCE, which is increasingly facing a dead end in its work. Still, the stance of Russia, as well as some other post-soviet states, is that the OSCE has practicaly focused on the space *eastwards from Vienna,* and that it is mainly devoted to the spreading of western ideas regardless of local issues and values. Also up until the OSCE Ministerial Council was held in Athens in December 2009, there had been 10 informal discussions at the ambassadorial level, all focusing on security challenges from the perspective of all three dimensions[38]. The future of this Initiative is not clear, but it is widely considered that it should focus on an open discussion within OSCE, that it should include all three dimensions of the OSCE, and be led without predictions of its final outcome. Russia is not satisfied with the progress made. At the 595th session of the OSCE Forum for Security and Cooperation, on November 18th 2009, SCTO member states supported this Russian Initiative[39].

The Corfu Process and the new European security architecture were the dominant topics discussed at the OSCE Ministerial Council, held in Athens in December 2007. Russia's stance was in accordance with the Initiative, which was submitted to all the presidents and international organisations' secretariats, who were included in the discussion on the Initiative merely several days prior to this event. Thus, the Russian Draft was basically not discussed, as Western countries refused to talk about the Initiative that has been delivered to them right before the Council's seating.

The Russian position was presented by the Minister of Foreign Affairs, Mr. Sergey Lavrov. Claiming that the reforms within the OSCE were overdue, he also emphasized the necessity for its work to be more balanced[40]. He did not focus as much on the content of the Initiative, as he did on the need for its serious consideration in the future. Although Lavrov supported other OSCE dimensions: the economy, environment, and the human dimension, he stressed, especially for the last one, that it should not be developed in a sort of a vacuum, where the activities of other international organisations are not being taken into account, such as those of the Human Rights Council and the Council of Europe. Lavrov emphasized the need for negotiations on security measures, and measures for improving trust, outlined by the Vienna document. He has also advocated the necessity for the revival of the Treaty on Conventional Armed Forces in Europe, prevention and conflict resolution including trans-national threats, terrorism, organised crime and drug trafficking. However, in his speech there was no room for the issues of energy. Again, Russian approach was more or less supported by the CSTO member states.

The EU's common stance was presented by the Swedish Presidency. Stressing the need for a comprehensive, co-operative, and indivisible security, as well as the impact EU enlargement had on security in Europe, the Presidency emphasized that the dialogue within the framework of the Corfu Process has a potential, if based on OSCE principles. The EU is devoted to constructive cooperation with all states so as to reach an essential and balanced goal, without compromise over the basic principles. The EU representatives emphasized the need to point out the *real security threats* in Europe and formulate five topics that should offer a strategic orientation for all those threats: (1) strengthening of conflict prevention and

37) Opening address of the OSCE Chairman, H.E. Minister of Foreign Affairs of the Republic of Greece Ms Dora Bakoianis at the winter session of the OSCE Parliamentary Assembly, Vienna, 19th February 2009, CIO.GAL/25/09, 19 February 2009.

38) Dov Lynch, senior consultant to the OSCE General Secretary, The EU – Russia Centre Review, 12th edition, Russia, the OSCE and European Security, November 2009, pp 12. Available at: http://www.eu-russiacentre.org/reviews

39) 38 FSC.JOUR/601, Organization for Security and Co-operation in Europe 18 November 2009, available at: http://www.osce.org/fsc/documents.html

40) Sergey Lavrov's statement to the XVII meeting of the OSCE Ministerial Council in Athens, 1st December 2009 in Athens, MC.DEL/19/09, 1 December 2009, available at: http://www.osce.org/conferences/mc_2009.html?page=documents&session_id=542

resolution; (2) strengthening the ability to respond to trans-national threats and challenges; (3) means for improvement of human rights, fundamental freedoms, democracy and the rule of law; (4) arms control, security measures and raising the level of trust; (5) means to ameliorate the shortcomes in the application of current OSCE obligations within its three dimensions. Within these principles, the EU emphasized the necessity of working on the Treaty on Conventional Armed Forces in Europe, on the existing territorial and ethnic conflicts in Moldavia, Georgia and Azerbaijan, and it also supported Georgia's territorial integrity and sovereignty. Finally, the EU supported the autonomous functioning of the Office for Democratic Institutions and Human Rights (ODIHR) and the media freedom representative. Serbia has joined the EU on this statement.

Although the Corfu Process was supported by all of the OSCE member states, they in fact perceive it differently. While for Russia and the states closest to it, this process should resolve the issues of security deficit and security fragmentation[41], for Western states it has a wider meaning. In fact, Western countries do not consider this process to be urgent, but *open ended*[42]. Additionally, the majority of these countries consider the process to be oriented towards the improvement of trust among states, implicitly referring to the outcomes of the Russia-Georgia war in 2008 and the Russian suspension of the Treaty on Conventional Armed Forces in Europe[43]. Regarding the Corfu Process, most Western countries have stressed the following: (1) OSCE is the only (natural) forum for the discussion about this Initiative; (2) Human security dimension cannot be disregarded, and the promotion and respect of human rights are an integral part of every discussion about security (3) Prevention and resolution of territorial and ethnic conflicts must be an integral part of European security; (4) the overall discussion about the European security should be developed in addition to the existing Helsinki principles and obligations, not as its alternative; (5) The Treaty on Conventional Armed Forces in Europe should be revived (the UK even pointed at Russia as the state that does not follow the obligations derived from this treaty). France[44], Germany[45] and Finland[46] had concrete and constructive proposals for the Corfu Process to continue on the path it is on. Canada emphasized that the process should strive towards *wider perspectives and should be focused on the most important security issues including the new trans-national threats and the threats outside of the OSCE region.* The USA addressed the need for the continuation of efforts in the adjustment to the new challenges and threats to the European security. In addition, its representatives emphasized each state's right to opt for its own alliances and security structures, as well as the necessity of the host country's consent to the presence of foreign troops on its territory – a clear insinuation of the situation of Russian troops in Moldavia (Transnistria) and Georgia (Abkhazia and South Ossetia)[47]. The UK representatives pushed for the non-proliferation of nuclear arms as an agenda for European security. They drew a parallel between the fact that in the UK they have never felt safer, while, on the other hand, the present perception in Russia, be it accurate or not, demonstrates that the existing European structures do not satisfy Russian needs, but also that many other OSCE member states, for example *in Central and South-eastern Europe and Caucasus also feel a certain degree of uncertainty about their security.*[48] . Poland's standpoint was that it is necessary to focus on existing security mechanisms in Europe, which have already proved their efficiency, while the Corfu Process represents a suitable framework for a debate on new ideas on European security[49]. Few other states, including the US, have stressed energy as an important factor of European security.

41) See - statement by Sergey Martinov, Minister of Foreign Affairs of the Republic of Belarus, MC.DEL/35/09, available at: http://www.osce.org/conferences/mc_2009.html?page=documents&session_id=543

42) See – statements by the Ministers of Foreign Affairs of the Republic of Romania (MC.DEL/32/09) and the Republic of Estonia (MC.DEL/44/09), available at: http://www.osce.org/conferences/mc_2009.html?page=documents&session_id=543

43) For example see – statement by Rumyana Jeleva, Minister of Foreign Affairs of the Republic of Bulgaria, available at: http://www.osce.org/conferences/mc_2009.html?page=documents&session_id=542

44) (MC.DEL/17/09) available at: http://www.osce.org/conferences/mc_2009.html?page=documents&session_id=

45) Statement by Werner Hoyer, Minister of State at the Federal Foreign Office, Germany, MC.DEL/74/09), http://www.osce.org/conferences/mc_2009.html?page=documents&session_id=543

46) (MC.DEL/38/09) http://www.osce.org/conferences/mc_2009.html?page=documents&session_id=543

47) (MC.DEL/61/09) http://www.osce.org/conferences/mc_2009.html?page=documents&session_id=542

48) (MC.DEL/45/09) http://www.osce.org/conferences/mc_2009.html?page=documents&session_id=543

49) Statement by Grazyna Bernatowicz, Under Secretary of State at the Ministry for Foreign Affairs, Poland, (MC.DEL/31/09) available at: http://www.osce.org/conferences/mc_2009.html?page=documents&session_id=543

The OSCE Ministerial Declaration on the Corfu process[50] emphasized that this process has already contributed to the improvement of security and helped the revitalization of dialogue in the OSCE area, from Vancouver to Vladivostok. This process should be based on the principles of equality, cooperation, partnership, inclusiveness and transparency. The Decision No 1/09 on the Furthering of the Corfu Process[51] has defined that the future dialogue will focus on: (1) Implementation of all OSCE norms, principles and commitments (2) the OSCE role in early warning, conflict prevention and resolution, crisis management and post-conflict rehabilitation; (3) role of the arms control and security and trust building measures; (4) transnational and multidimensional threats and challenges; (5) economic and environmental challenges; (6) human rights and fundamental freedoms, as well as democracy and the rule of law; (7) enhancing the OSCE's effectiveness; (8) interaction with other organizations and institutions, on the basis of the 1999 Platform for Co-operative Security, and other issues that the states consider pertinent. The next report regarding the Corfu Process is expected by the end of June 2010, when new suggestions are expected to be given for consideration, at the joint meeting of the OSCE Permanent Council and Forum for Security and Cooperation.

In Russia's view, the results of the Ministerial Council in Athens were not completely satisfactory. Even though it is clear that the Corfu Process will continue, the content of the Decision 1/09 went beyond the original Russian idea, with the scope much wider than the one proposed by the Russian Draft. Western countries have sent a message that there would be no return to former geopolitical nature of international relations in Eurasia. Insistance on the human dimension of security and the new challenges, the revitalization of Treaty on Conventional Armed Forces in Europe and even energy security, seems more as Western countries' initiative to use the Corfu Process as a tool to strengthen the OSCE's work, and to interact with Russia, rather than to simply fulfil Russia's wishes. The issue of conflict resolution, once an integral part of the second principle from Evian, has now become a part of the Western agenda, while in the Russian new Draft Treaty there was no space for it. Finally, the EU member states, the Swedish Presidency, as well as some other states, have again supported the Georgian territorial integrity, while on the other hand, Lavrov has not even once mentioned Kosovo, thus suggesting that the issue of Kosovo does not present a part of the Russian Initiative. At the same time, by rejecting to discuss the initiative solely within the OSCE framework (i.e. in the framework of the *Corfu Process*), Russia indicated that this process and the Treaty itself are two close but separate processes[52].

Serbia and the Russian Initiative

After the initial *sympathy/interest* for this initiative, Serbia began taking a more moderate policy approach. The aforementioned statement of the Serbian President Tadić distanced Serbia from this Initiative, at least until things begin to take shape and until Russia and the Western countries reach a somewhat common position.

At the same time, Serbia joined its neighbouring states in supporting the introductory[53] and final[54] statement of the Swedish EU Presidency at the Ministerial Council in Athens, which surely presents a step forward, considering that Serbia was the only country from the region which had not joined the final statement of the French EU Presidency at the previous Ministerial Council in Helsinki [55]. Minister Jeremić's statement at

50) „Reconfirm-Review-Reinvigorate Security and Co-operation from Vancouver to Vladivostok„ MC.DOC/1/09, 2 December 2009
51) MC.DEL/1/09, 2. decembar 2009. godine, available at: http://www.osce.org/conferences/mc_2009.html?page=documents&session_id=549
52) Dr. Vladimir Voronkov, The European Security Treaty After Corfu, str. 5 www.crep.ch/en/pdf/09-07-13+Voronkov+article_ENG.pdf
53) Statement by Carl Bildt, Minister of Foreign Affairs, Sweden/EU, http://www.osce.org/conferences/mc_2009.html?page=documents&session_id=542
54) Swedish Presidency of the European Union - EU Closing Statement, http://www.osce.org/conferences/mc_2009.html?page=documents&session_id=545
55) Statement by The European Union at the Closing Session of the Sixteenth Meeting of the OSCE Ministerial Council, MC.DEL/80/08, 5 December 2008, available at: http://www.osce.org/conferences/mc_2008.html?page=documents&session_id=343

the Ministerial Council was also quite balanced[56]. While supporting the *Corfu Process,* Jeremić addressed the inconsistency and change of the basic principles and common values within the OSCE area, primarily aiming at Kosovo's unilateral declaration of independence. However, he did not explicitly mention the Russian initiative. While underlining the need for the open and honest dialogue on the improvement of security agenda, Minister Jeremić did not make any specific proposals, as others did, thus sending the message that Serbia supports the statements of the Swedish EU Presidency (except those on the Kosovo issue).

Prior to the signing of the Helsinki Final Act, more than 2400 negotiation meetings were held. Therefore, it is quite obvious that this initiative is far from its realization. However, Russia is in a hurry, since it does not want to live in uncertainty with regards to its own security. Hence, Russia is looking for allies among individual states, especially those which are not oriented towards NATO membership. Besides, from the onset of the lobbying for the Initiative, the very essence of the Russian position was that such treaty is necessary for those states that do not belong to any bloc and do not wish to become part of it. And finally, Russian position has always been that the states should be individually deciding about this initiative, and not as members of any of the blocs. However, it is difficult to imagine this happening as both NATO and EU member states cannot privatize such an important issue as European security is; all of these states are already obliged by NATO and EU norms.

Nevertheless, the Russian influence in Serbia is still increasing. It is manifested through both the Russian support to Serbia on the Kosovo issue, and the declared intention to help Serbia become a regional leader in energy production[57]. Additionally, the Russian support to Bosnian Serbs in Butmir process represents yet another significant boost to the Russian influence in the Western Balkans. This influence could be easily transformed into important political capital which could be invested at times when the Russian side estimates that such investment is in its outmost national interest. This has not been the case so far, but such scenario cannot be excluded.

Due to its proclaimed military neutrality, Serbia could, at first sight, support this Initiative. That would certainly contribute to faster implementation of the Russian loan arrangements. Nonetheless, Serbia's support for this initiative would place Serbia on the opposite side of the table from the EU, and together with Russia. This position is currently also held by Belarus, Armenia, Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan. With all due respect, none of them has defined EU membership as its foreign political goal, nor does it have a chance for it.

There is a difference between the Russian approach towards security issues and means of improving them, and Serbia's position and its security challenges. Aside from the issue of Kosovo (and possibly the situation in Bosnia), Serbia shares security threats and challenges with its neighbouring countries in the region. Even though Serbia and Russia share a common security problem reflected in unilateralism (real or imagined) of certain states, the second main Russian security problem of the potential Ukrainian and Georgian membership in NATO has almost no repercussions for Serbia since it is already surrounded by NATO members and NATO aspirant countries. Therefore, Serbian foreign policy would have to take into account its cooperation with EU and NATO. In addition, Serbia's *Strategy of Defence* does not recognize any state or alliance as an enemy[58], and, for some time now, there has been an open debate in Serbia whether it should become a member of NATO. One of the standpoints of that debate is that Serbia should not be dealing with *throwing out Russia from Central Asia* and similar NATO actions[59]. A similar logic could be applied to the Russian Initiative, considering that, by supporting this initiative, Serbia would support Russian security, at the price of frictions with EU member states, a company it wishes to join.

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56) Vuk Jeremić's statement at the XVII meeting of the OSCE Ministerial Council in Athens, 1st December 2009 in Athens, MC.DEL/19/09, 1 December 2009, available at

57) Within the same context falls the recent statement of the Ambassador of the Russian Federation in Serbia, Alexander Konuzin – *Russia would like to build a nuclear plant in Serbia,* 30th November 2009, available at: http://www.b92.net/biz/komentari.php?nav_id=395464

58) Strategy of Defense of the Republic of Serbia, April 2009, Belgrade, available at: http://www.mod.gov.rs/lat/dokumenta/strategije/strategije.php

59) Boško Mijatović, NATO? (op-ed), available at: http://www.politika.rs/pogledi/Bosko-Mijatovic/NATO.sr.html

Unlike at the last year's OSCE Ministerial Council in Helsinki, at this year's Council in Athens, Serbia has joined twice the common standpoint of the EU issued by the Swedish Presidency. This move represents the right choice made by the Serbian representatives, and it is a step forward towards the fulfilment of the provisions from the Article 10 of the SAA.

Conclusion

A responsible approach of Serbian leadership towards this Initiative implies long-term consequences. On the one hand, Serbia is clearly sending a message to the enlargement sceptics in Europe that it does not want to enter the Russian sphere of influence, regardless of how good the bilateral relations between Serbia and Russia are. On the other hand, Serbia is offering an example of moderate politics to all the euro-sceptics in Serbia, especially those who are advocating tightening or even integration with Russia. Finally, at the peak of warming of relations between Serbia and Russia and the creation of strategic partnership (in the energy sector), Serbian President Boris Tadić has drawn clear borders. Russia knows or should know that Serbia does not have an option to lead an independent policy and give support to this Initiative. Therefore, bearing in mind Serbia's striving towards European (declaratively supported by Russia[60]) and Euro-Atlantic integrations (Partnership for Peace), Russia should not perceive the lack of Serbian support for this Initiative as a non-friendly act or an obstacle for their good bilateral cooperation. Despite the fact that Russia has numerous legitimate complaints about the current situation in the international security scene, Serbia is not a country which could help significantly to improve this situation. She could only be, and probably will be, a constructive bilateral and multilateral partner, but never beyond the framework of its priorities of EU integration.

Minister Vuk Jeremić's speech in Athens, in which he underlined Serbia's co-sponsorship of the Ministerial Declaration Draft on the 65th Anniversary of the end of World War II, represents a good example of memories of the collective past, which is important for both Serbia and Russia. Alongside the good economic and cultural cooperation, that stands as the most appropriate measure of coordination between Serbia and Russia.

60) President Medvedev's speech at the Parliament of Serbia, 20th October 2009, http://www.kremlin.ru/news/5783

Russia's Role in the Provision of Sustainable Energy Security in South Eastern Europe

The Prospects of Cooperation between South East Europe and Russia in Ensuring the Long-term Energy Security of the Continent

Dr Igor Tomberg[1]

2009 – the crisis year – brought about crucial changes in the established and seemingly successful picture of the oil market. The New Year "gas war" between Russia and Ukraine consolidated bad tradition, demonstrating the vulnerability of the present structure of the oil and gas market once again. There were no winners, everyone suffered: the supplier, the transporter and the consumers. Conclusions and assessments of the conflict, and its consequences, are, generally, diametrically opposed. This was reflected in the subsequent actions and statements of the players in the market. It seems generally considered that on the 'gas front' Russia is leading a war "against all". This confrontation is not new; but if earlier it could be considered as "debatable", now resentment towards the actions and positions of Moscow are reaching a kind of hysteria. Such a political context, alongside some recent events, certainly has an influence on the future of the energy security in Europe, especially considering dramatic changes in the oil and gas markets.

New Energy Order

One of the symptoms of the global energy crisis in the acknowledgement that the true test for world energy is expected after the crisis ends. Nowadays, to foresee the realities of the post-crisis era and to prepare for the new paradigms of the world energy market, the revision of established views and strategies takes place in Russia. From the 1970s the overall strategy of the energy market was based on the idea of continuous consumption growth. However, the present crisis demonstrated a reverse tendency, and not only over the next few years, but long-term and for many markets. The markets have faced a fast and wide-scale decrease in the demand for fuel and energy. As this analysis shows, the U-turn in previously existing global tendencies had been threatening long before the crisis. This crisis became a potent catalyst revealing deeper causes behind a new order in the energy market.

It should be admitted that the policy of developed countries in the field of energy supply and the development of alternative energy resources is gradually beginning to bring results. The reduced participation on power-consuming industries in the economy, the steady improvements of standards of power efficiency, amid continuous economic stagnation, have already led to a decrease in absolute volumes of demand. It is important to note that in member countries of the Organization for Economic Cooperation and Development (OECD) a new energy efficiency standards have been introduced on a normative level. Normative controls are in force even at the lowest energy sources, where the competitively of alternative energy sources is not an issue. As a result, the energy capacity of the economy decreases, and in the foreseeable future, the growth of demand will also decrease for energy resources in OECD countries. Therefore, Barack Obama's Energy Plan and the European Program "20-20-20", even if only partially fulfilled, will lead to stagnation of demands for oil and gas in the US and Europe in the mid-term. Added to this, the dominant concept in developed countries of energy security and aspiration towards diversification of import sources, and moreover, growth of domestic production, it is almost inevitable that volumes of import of oil and gas imported into developed countries after the crisis will be noticeably lower then it was predicted during the last years.

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Crisis and Gazprom

At the beginning of this year, Russian gas monopolist Gazprom fully felt the decrease in demand on the main markets: minus 20.8 percent within four months and substantial decrease in export. The main reason for this fall is a decrease in demand, both inside the country, by 3.7 percent in February, and, more seriously abroad. Although Gazprom's forecast foresaw a decrease in supply to Europe by only 5 percent per year, the data for first months of the year do not give grounds for much optimism. And neither does the gas consumption growth data from Europe.

Moreover, if we consider the predicted fall of gas prices from the average US $400 for a thousand cubic meters last year to $210-230 in the middle of this year, then the financial perspectives of the Russian monopoly are not bright. At present, Gazprom officially expects a reduction of income from Europe of about $29bln.

However, it is in such a framework of decreasing demand that a paradoxical strengthening of interdependency in gas supplies between Europe and Russia is taking place. In mid-August this year, the International Energy Agency (IEA) published recent data on the consumption of gas in the EU for May: in the 1st quarter there was a 5 percent decrease, compared to 2008, then, according to the results for January-May, the decrease was already 8.5 percent (while in May it was 14 percent decrease in demand - 31.1bln cubic meters). At the same time, this decrease in consumption has helped Gazprom to re-establish its share of the European market: according to the IEA data, in the 1st quarter it was only 16 percent (compared to 23 percent the year before), and in May it was already 32 percent.

In Gazprom, confidence is high that nothing really dramatic is happening. The company will increase its export in the next six months: the Europeans will refill gas storages, and will remember the main principle of Gazprom's contracts – "take or pay". In short, according to the official Gazprom forecast, based on this year's results, export will decrease by 10.5 percent to 142,3bln m3 for Europe and Turkey, compared to 2008.

Gazprom is being pushed out from Europe

Lately, adverse changes in the geographical structure of European gas imports have taken place for Russian gas producers. In January, the insufficient delivery of Russian fuel was compensated with increased import from Norway, Algeria and Libya. The level of additional supplies from competitors was not too substantial: the suspension of Ukrainian transit was met by the European importers who filled up underground gas storages stations "to the top". More to the point, this very fact was accepted in Brussels with delight as a result of the diversification policy, while for Gazprom, even such a temporary decrease of share on the market, can hardly be desirable under the present conditions.

According to one of the leading experts of the Russian gas industry, the Vice President of the State Duma and the President of Russian Gas Society, Valery Yazev, at present "consistent efforts are being made to push Russia and Gazprom out of Europe". The statement was given at a press-conference on 21 April this year.

Fears of excessive dependence from the politicized Russian monopolist are, indeed, voiced in the European Union. However, objective processes of the crisis period are obvious in the Brussels' interpretation, supporting the drive of Europeans to diversify their sources of supply in the name of energy security.

In general, the frequency of reference and the intensity of discussion on the topic of energy security in Europe can, probably, only be compared with the topic of the global financial crisis and its consequences. Considering the general situation in the economy – decrease in demand and plummeting prices of fuel – such great attention is puzzling. It is quite obvious that Brussels tackles two tasks: drawing attention away from the real problems of the crisis and not always successful attempts to overcome them, while laying the foundation for a future, when demand and prices for energy resources will rise and the positions of suppliers (including Russia) will objectively strengthen.

Southern Europe Political Gas Pipeline Projects

Growing controversies between Russia and the countries consuming its fuel can be noticed not only in the political or legal spheres, but also in the design of particular gas supply projects. Issues, such as pipe laying and fuel transit conditions, have practically overshadowed earlier problems to which we had become accustomed, such as disarmament or deployment of rockets. New geopolitical games and pipelines involve more and more participants, propose more and more projects and, paradoxically enough, often overshadow and devaluate the only objective purpose – securing energy for the development of the economy.

Such a conclusion is obvious when one analyzes the behavior of the participants. The Europeans, in their almost maniacal commitment to diversification of sources, try to impose their own rules on Gazprom, which is blatantly not interested and considers discriminating. Attempts to push out the Russian supplier, which provides a quarter of EU imports, are obvious, and where is energy security here?

The *Nabucco* pipeline project is usually presented as a serious threat to the Russian export. Supposedly, it will transit Iranian and Turkmen gas to Europe through Asia Minor. This way the European Union intends to decrease energy dependence on Russia. According to independent experts, *Southern Stream* and *Nabucco* do not just compete with each other, but are mutually exclusive because, in the future, EU gas needs, as mentioned above, will be significantly lower then expected levels of supply.

The official point of view of the Russian authorities is that two pipeline projects in the South of Europe are not competitors. At the beginning of July, Vice-Premier Igor Sechin, who supervises the Russian fuel-energy complex, said: "The more opportunities for gas supply provided for consumers, the better". This opinion concurs with the position of European countries, which are ready to support both projects. At the same time, the accelerating race to see which of the projects will be launched sooner, not only does not correspond with such a restrained position, but damages the normal procedures of preparation, regarding precise calculations of effectiveness and competitiveness.

Seeing these projects as competitors and consequent suggestions to abandon *Southern Stream* are absolutely inappropriate; there will be no negative fallout for Gazprom if *Nabucco* is launched. Furthermore, it is tactically important for Gazprom to continue to pressure key countries in relation to *South Stream*. In this case, it can obtain several advantages: on the one hand, it can speed up construction, and, on the other, paradoxically enough, be included as a beneficiary of the *Nabucco* project. By gaining access to *Nabucco*, Gazprom can only strengthen its presence in Caspian-Central Asian region and on the European market (see below).

Presumably, the *South Stream* pipeline will be laid on the floor of the Black Sea from Novorossiysk to the Bulgarian port Varna. Its two branches will then cross the Balkan Peninsula to Italy and Austria, though their exact routes are not yet confirmed. According to the plans, the pipeline should be in service by 2013. The capacity of the pipeline should be 63 billion cubic meters per year. The total amount of investments is assessed at €25 billion.

A Memorandum of understanding on the implementation of the project between the Italian company ENI and Gazprom was signed on 23 June 2007 in Rome. On 8 January 2008 Bulgaria joined the project; on 21 January the Government of Serbia and Gazprom signed a set of agreements, which includes Serbia's participation in the project. On 28 February Russia and Hungary signed an Agreement on cooperation on implementation of the Project. Finally, on 29 April Greece joined the project. At present, an agreement with Slovenia is in the negotiation process, while an intergovernmental agreement with Austria is expected to be signed.

Other countries may join the project, but their participation would include only an over-ground network of pipelines. The portion that will transit the Black Sea will belong to Gazprom and Italian ENI in equal shares.

The *Nabucco* project envisions a transfer of gas to Europe bypassing Russia – through Azerbaijan, Georgia, Turkey, Bulgaria, Hungary, Romania and Austria. Therefore, it should become a continuation of the existing

Baku-Tbilisi-Erzurum pipeline. Construction of the new pipeline is set for 2010, and should be operational by 2014. The capacity will be 31bln cubic meters and the cost of construction €8bln.

Two events in July-August 2009 put further strain on the political controversy surrounding the two projects. On 13 July in Ankara an intergovernmental agreement on the *Nabucco* project was signed by the leaders of the Governments of Turkey, Austria and Hungary and by the Ministers of Energy of Bulgaria and Romania. Significantly, the ceremony was attended only by potential transit countries, but not by suppliers. Uzbekistan, Kazakhstan, Turkmenistan and, most importantly, Iran have not accepted any formal commitments regarding *Nabucco*. Moreover, at the end of June Gazprom signed an agreement with the State Oil Company of Azerbaijan on the purchase of Azerbaijani gas, after which Baku cannot objectively be considered as a serious participant in the *Nabucco* project. Gas from Azerbaijan and its Shakh-Deniz deposit was to become a source for the first stage of *Nabucco* (10bln cubic meters).

Lately, Turkmenistan has been named as the main potential supplier. Turkmenistan, taking advantage of a suspiciously well-timed explosion on the pipeline, has been talking about reconsidering its gas policy. President Gurbanguly Berdymuhamedov supported the *Nabucco* pipeline, which will create new routes of gas supply. "The question of the sovereign right to choose the energy resource supply route is directly related to defining prices", said Berdymuhamedov. This should be read as: Ashgabat is ready to sell its gas to the highest bidder. If Gazprom does not buy gas at the price that suites Turkmenistan, then Ashgabat is willing to reconsider schemes and conditions of supply to the West. Alternative directions of supply will be Europe, though the pipeline *Nabucco*, China and Iran.

It is unlikely that Moscow will agree with Ashgabat's participation in launching *Nabucco*. For the time being, Turkmenistan has nowhere to go with its gas. The limited opening of supply to Iran can not solve the problem and is limited by issues of price. Nevertheless, in August this year, the sides agreed on the construction of supplemental reserve services and increase of Iranian purchase of Turkmen fuel from 8bln to 20bln cubic meters per year. The launch of a pipeline to China in the foreseeable future is unlikely due to lack of finances and resources, as well as the absence of a price formula. This state of affairs will last for at least two to three years. Formally, this pipeline was planned to be initiated next year, but a substantial gas flow can not be expected earlier than 2012-2013.

In reality, Turkmenistan's threats to reconsider gas policy or its attempts to play the European card are, unlikely, to bother the Kremlin significantly. First of all, supplying *Nabucco* with the Turkmen gas in the forthcoming decade seems to be impossible. To start building a pipeline, the legal status of the Caspian Sea and its floor needs to be defined, a process involving the Caspian states (Russia, Iran, Azerbaijan, Kazakhstan and Turkmenistan), which has already failed for many years. Any attempt at laying pipes across the Caspian Sea, which ignores the interests of other countries, may provoke a harsh reaction – especially from Iran, which would not exclude a forceful response to such attempts. Moreover, Moscow too does not exclude the possibility of using force to strengthen its influence on the Caspian Sea. As indicated in the "Strategy of the National Security of the Russian Federation until 2020", the struggle for the Caspian resources may bring an "imbalance of forces located on the borders of the RF". In such a situation, according to the Strategy, Russia must strengthen its military presence in the region. For this purpose Russia and Iran can simply block the process of defining the legal status of the Caspian Sea. Recently, a consensus of interests of Moscow and Tehran has also gained a practical dimension: at the beginning of August, for the first time, they conducted joint maneuvers with around 30 vessels on the Caspian Sea.

Furthermore, Turkmenistan does not have infrastructure to transport its energy sources from the Western deposits to the shores of the Caspian Sea. Attempts to build this infrastructure, financed by Russia, did not succeed and European business is not ready for make large investments in Turkmenistan as it is not convinced by this country's resources.

Another important event that influenced the balance of power in the gas pipeline confrontation was a visit paid by the Russian Prime Minister Vladimir Putin to Turkey and new agreements signed. According to these, Gazprom obtained permission to conduct seismic and ecological explorations in the exclusive economic zone of Turkey, as well as preliminary consent for construction of the *South Stream* pipeline.

Turkey's support significantly strengthened the *South Stream* position. At the same time, construction of the pipeline through Turkish waters offers a choice of routes between Romania and Bulgaria, which had not been favorable towards the Russian projects.

However, the destiny of the *South Stream* project is still not apparent, despite the commitment underlined whenever possible by Russian representatives.

According to preliminary estimates, the cost of *Nabucco* will be €8bln, and that of *South Stream,* with the capacity of 63bln cubic meters, will be €25bln. However, since the visit of Vladimir Putin to Ankara, Turkey has started bargaining for a number of concessions, which, should they be accepted by Russia, would lead indirectly to increasing the cost of *South Stream*.

According to the forecasts of the Ministry of Finance, Ministry for Economic Development and Trade and Gazprom itself, with falling prices and demands, revenue from exports in 2009 may plummet even by $29bln, compared to 2008. According to some estimates, pure debt exceeds $47bln at the moment. Moreover, the gas pipeline program does not correspond to the decreasing demand in gas and its diminishing production in Russia. In 2008, the total volume of Russian gas exported was 158.4bln cubic meters with the spare volumes in the pipes exceeding 37bln cubic meters or 19 percent of nominal capacity. Let us remember that in the first quarter of 2009 supplies to Europe went down by 50 percent, and officially planned volume of Gazprom's European sales proceeds reduction was about $29bln. Therefore, prospects for the new infrastructure project are not brilliant.

The weakening of political support for *South Stream* in the EU, alongside the Gazprom's financial difficulties, can seriously slow down the implementation of the project. Therefore, it is no accident that in his speech at the Gas Summit in Sofia, the Minister of Energy of the Russian Federation, Sergei Shmatko, spoke of postponing the launching date until 2015.

In the meantime, Gazprom has revived discussion of the project *Blue Stream 2* - an expansion of existing pipelines targeting the markets of Israel, Lebanon and the entire region. It should not be ruled out that other options are available to secure a stable gas market other than through Southern Europe. The world economic crisis may bring changes into seemingly rigid and consolidated political structures.

The idea of including the Russian Federation into *Nabucco* is not an exception. Moreover, Gazprom has been invited to participate in that project as a supplier more than once. On signing the agreement, the Prime-Minister of Turkey, Recep Tayyip Erdogan, expressed his hope for the participation of Russia, as well as Iran, in the implementation of *Nabucco*: "We support Iran's participation in the project, should circumstances so allow, and we also hope for Russia's inclusion". Furthermore, Richard Morningstar made an eloquent confession: "We want Russia to participate in the project as a partner, and we can submit a proposal to supply gas within the *Nabucco* project".

One of the possible scenarios is the merger of all hypothetical southern pipelines into one project under the conditional title *Southern Corridor* and although, all sides obviously intend to defend their own proposals, this option should not be entirely ruled out.

The prospect of filling *Nabucco* with Russian gas has always provided opportunities for delicate political games, interesting moves and exchanges and, possibly, commercial benefits. Analyzing the expansion of the *Blue Stream 2* pipeline, one must pay attention to its intersection with *Nabucco* near Ankara. Opportunities become apparent for the continuation of the *Blue Stream* southwards, to Syria and Israel, for instance. Intersection with the European pipeline could become a weighty argument in Gazprom's favor when competing for export volumes of Azerbaijani gas. It could also be possible to rely on European support in delicate negotiations with Turkey on conditions of transit (not resale) of Russian gas.

In this option there is also an opportunity to cut Iran out of European market by substituting Iranian gas with Russian gas (or Central Asian). To direct the fuel of potential competitor to the East has always been an important geopolitical goal of Gazprom. It is no chance that Moscow has always supported not only the project *Peace* – the pipeline Iran-Pakistan-Iran, but was also ready to participate in such an exotic initiative, such as the Trans-afghan pipeline which would also direct Turkmen gas towards the east.

Vladimir Putin's visit to Ankara demonstrated a certain flexibility in Moscow's policy. As an additional bonus for permission to construct *South Stream,* Turkey obtained preliminary consent from Russia to consider the possibility of participating in the oil pipeline project *Samsun – Ceyhan*. More than once Turkey has invited Russia to participate in this project, which would connect the Black Sea port Samsun and the Mediterranean port Ceyhan and allow oil transport avoiding the Bosporus and Dardanelle straits on the Black Sea. The operators of the project are the Turkish holding Calic Energy and the Italian ENI. Russia's decision on possible participation in this project will in no way reduce the interests of the Russian companies in the implementation of the *Burges – Alexandropoulos* project supplying Russian oil to Europe. Therefore, Russia, as well as Turkey, may become participants of two, practically competing, projects – potential benefit wining over political preferences.

The issue of "reliability of supply"

The European Union presents its idea of diversification of supplies almost exclusively as a means to increase energy security, since Russia, allegedly, is not a reliable supplier, and Europe's overdependence on Moscow threatens this security. In more "down-to-earth" versions, this idea goes along with European skepticism about Russia's ability to provide enough fuel for the growing needs of the EU economy.

Over the last year, however, this topic has been somewhat muted. Firstly, because of the crisis, energy consumption in Europe has decreased, significantly effecting Gazprom's exports. This cost the company not only a 20 percent decline in production, but also reduced purchase from Central Asia and from Russia's "independent" gas producers.

However, there are also long-term prospects whereby Russia should not expect an increase of gas demand from Europe. Forecasts of gas consumption in Europe are constantly decreasing. Within the last decade demand estimates for 2020 have been reduced by 180bln cubic meters, and forecasts for import volumes have decreased by 135bln cubic meters. The main reason is a new energy policy in EU countries, aiming at increased energy efficiency in economy and the development of alternative sources of energy. Although many in Europe view these plans as not being very realistic, unclear perspectives becomes real and not a mythical threat to energy security. Since the investment cycle in the field of energy is long and there is a need for appropriate transport infrastructure, decision should be made in the present, alongside limited budgets and extremely uncertain external conditions.

Not surprisingly, this uncertainty of demand assessment and unwillingness to consider guarantying the "security of the supplier" irritates Moscow. "The New Energy Strategy of the EU", published in November 2008, which targets a decrease of specific demand in energy resources by 20 percent and a respective decrease of gas import, provoked a very clear reaction in Moscow: "Europe must decide whether or not Europeans need a gas pipeline from Russia in the proposed volumes. If not, then we will not construct the pipeline, and will build plants for gas liquefaction and sell it on the world markets", said Vladimir Putin after negotiations with the Prime-Minister of Finland Matti Vanhanen, and thereby introducing a new discussion on gas export development models.

Therefore, in the contemporary debate, a legitimate question is not whether or not Russia can fill all existing and planned pipelines, but whether Europe is an adequate market in volume and reliability for Russian gas and to what extent the high expenses, which Russia should incur for ensuring a gas supply to the EU, are justified.

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The stability of Russian gas transit through the territory of Ukraine continues to cause concern for European consumers and also for the supplier – Gazprom. As during the last winter, the countries of the South-Eastern Europe, which do not have alternative sources of gas supply to the transit stream that goes through the Ukrainian territory, are in a high risk zone. Indeed, all Moscow's efforts to organize alternative routs of fuel supply to Southern Europe are aimed at avoiding transit risks and guarantying supply of energy to the consumers. Extreme, often hysterical, politicization of these, mainly technical and financial

problems, causes irritability and misunderstanding in Russia, and negatively influences the stability of the markets and prices.

Today, because of the crisis we have a "seller's market" that causes attempts to pressure Russia – the seller of the fossil fuels. But this situation is temporary: the inevitable recovery from the crisis and the inevitable increase in demand and prices, will reverse the situation. Europe is not the only market, and the crisis, quite possibly, has given an opportunity and even dictated the necessity to break the monopsony in oil and gas export, by means of market development and the development of the LNG sector. In a number of cases, behind the loud-mouthed statements of the perspective suppliers – Turkmenistan, Iran, Azerbaijan and others, as well as advocates from the camp of European consumers, there are neither any real resources nor short-term solutions for development and transportation.

Zero Option in the Virtual Pipeline Race: Russia and the EU Need to downsize their Energy Ambitions

*Dr. Pavel K. Baev**

Introduction

The spring and summer of 2009 witnessed spectacular – at times even grotesque – competition between Russia and the EU regarding the development of new gas flows into Southeast Europe (SEE). The EU-sponsored conferences in Sofia and Prague sharply disagreed with the gathering in Sochi called by Prime Minister Vladimir Putin and bi-lateral talks in Moscow and in Baku between the presidents Dmitri Medvedev, Ilham Aliyev and Gurbanguly Berdymukhammedov.[1] Gazprom's CEO Aleksei Miller confidently asserted at an annual meeting in late June that the *South Stream* pipeline would carry up to 35 percent of Russia's gas export to Europe by 2015, and a couple of weeks later, the intergovernmental agreement on the *Nabucco* pipeline was signed with much fanfare in Ankara – followed by the Russian-Turkish energy deal in August.[2]

Formally, the EU has no objections to including the *South Stream* pipeline in its vision for the 'Southern corridor' while Russia is openly indifferent to the *Nabucco* project, so that Putin merely offered some advice: 'Before investing billions of dollars in a pipe to be buried in the ground, one should first see where to obtain the gas to pump through it'.[3] As things stand in mid-2009, both projects appear to be on track, opening two parallel streams of gas into the SEE markets by the middle of the next decade.

Indeed, neither the EU nor Russia have taken into account the growing and potentially devastating impact of the current recession, which has made the most meticulous energy forecasts from 2006-2008 strikingly irrelevant. This denial can be interpreted as the psychological response of over-grown, though reasonably successful bureaucracies that have suddenly lost confidence and direction. It is clear that, sooner rather than later, the EU and Russia will have to come to terms with reality and downsize their respective energy ambitions accordingly.[4] It is possible that *Nabucco* and/or *South Stream* might not survive this 'correction'. This paper will examine the possible execution and consequences of such a 'zero option'.

Fragile fundamentals and pointless planning

Gas business is believed from the immanently volatile oil market in its greater stability secured by long-term contracts and materialized in systems of pipelines that lock producers and consumers in a permanent relationship. Yet, in the second half of the current decade, this field has become increasingly turbulent and now all key fundamentals look decidedly uncertain. In January 2006, the 'gas dispute' between Russia and Ukraine became an eye-opener for many European customers, who were forced to realize that transit

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For a balanced analysis, see Timothy Krysiek & Katherine Hardin, 'Conditions for Cooperation? The Evolution of the Fourth Corridor Pipelines and the South Stream', *CERA Report*, April 2009; one sound Russian perspective is Mikhail Zygar, 'The war of streams', *Kommersant-Vlast*, 18 May 2009.
2) Ed Crooks, 'No friends, only partners in pipeline realpolitik', *Financial times*, 6 August 2009.
3) At the joint press-conference with Italian Prime Minister Silvio Berlusconi on 15 May 2009; see (http://premier.gov.ru/eng/visits/ru/106/2876.html).
4) This analysis draws on Pavel Baev, 'Competing designs for Caspian energy highways: Russia and the EU face reality checks', *PONARS Eurasia Memo* 55, Washington: Georgetown University, May 2009.

issues were only part of a complex problem hidden under a shocking lack of low transparency in key arrangements.[5]

In the aftermath of that high-resonance mini-crisis, concerns in the EU were centered on Gazprom's ability to deliver adequate volumes over the next decade as the powerful company was clearly not investing enough in its core assets, while demand in Russia was growing fast.[6] Alongside worries about *Gazprom*'s politicized behavior, were demands for reducing emissions and going 'green', despite the fact that natural gas is one of the cleanest energy sources. Thus, a powerful lobby advocating 'diversification', had developed multiple networks in Brussels. It has focused its activity on a set of guidelines known as '20-20-20', elaborated in a number of documents, including the *Energy Security and Solidarity Action Plan* (November 2008). This specifically prescribes that should oil prices come close to $US 100 per barrel, the EU gas import will decrease by 3-5 percent in 2020 compared to 2005[7].

Gazprom was quite upset about this deliberate violation of its favorite principle of 'security of demand'. Nevertheless, it was inclined to interpret it as a triumph of wishful 'green' thinking. It did increase investments in developing the extensive Bovanenkovskoe field in Yamal (*peninsula in north Russia*, editor's note), but its main response to the EU's 'political phobias' was to cultivate partnerships with such European majors as E.ON or ENI that had their own reasons for sabotaging the Commission's plans for liberalization – and could mobilize effective support from their 'mother-states'. That could have been a sure-win strategy, but the 'gas war' in January 2009 inflicted further damage on *Gazprom*'s business reputation and caused an astounding 40 percent drop in the volume of its export to the EU in the first quarter.[8] Miller and other *Gazprom* top executives tried to put on a brave face and assured that the flow would return to normal in the second half of the year. However, they need to consider the possibility that a declining demand in the EU is beginning to look like a serious prospect.

Undoubtedly, there are many variations behind the EU and its general directives; for example, diversification for Spain means gaining access to Russian piped gas. In SEE, energy consumption is significantly lower than the EU average (not to mention that several countries in this region are not members of the Union). Brining standards of development up to EU levels can only be achieved by creating new industrial consumers in addition to expanding services and tourism. However, prices are highly elastic in this market, creating a 'gas bazaar' dilemma for producers and consumers: the former launch expensive projects, such as *South Stream*, aiming at covering the costs by delivering big volumes at high prices, while the latter can avail of such deliveries, only if prices are reasonably low. *Gazprom*'s unquestionable assumption that 'the era of cheap hydrocarbons is over' finds few buyers in the Balkans.

Could Ukraine become an acceptable alternative?

A point, often overlooked in debates on the Southern corridor, is that its opening would inevitably marginalize Ukraine's role on the European energy-political scene. Indeed, the latest Russian plan for *South Stream* aims at a capacity of 63 bcm, leaving only about 40-45 percent of its EU export transiting Ukrainian territory. The current deal between Moscow and Ankara envisions a pipeline route across the Turkish exclusive economic zone (EEZ) in the Black Sea, directly depending on a second trunk of the *Blue Stream* pipeline (increasing its capacity to 24 bcm), which would cut Ukrainian transit by another 5 percent, while the *Nord Stream* pipeline across the Baltic Sea would diminish it by at least another 10 percent.[9]

5) One recent example is the decision of the European Commission to impose heavy fines on German and French 'majors' for forming a cartel; see 'Antitrust: Commission fines E.ON and GDF Suez €553million each for market-sharing in French and German gas markets', Brussels, IP/09/1099, 8 July 2009
(http://ec.europa.eu/competition/index_en.html).
6) See Nadejda Victor, 'Russia's gas crunch: looming shortfall poses a tough choice', *Washington Post*, 6 April 2006.
7) One meaningful analysis is Pierre Noël, 'Beyond dependence: How to deal with Russian gas', *Policy Brief* 9, European Council on Foreign Relations, November 2008.
8) For a brief assessment of the damage, see Elena Mazneva, 'Market is lost', *Vedomosti*, 16 June 2009.
9) On Russian perspectives, see Natalya Grib, 'The South flood', *Kommersant*, 18 May 2009; Ali Aliyev, 'The offshore pipe', *Expert*, 15 May 2009.

Gazprom's (and Putin's) intention to reduce Ukraine's ability to control its export has never been in doubt, but what is less obvious is the anti-Ukrainian profile of the *Nabucco* project. Its first trunk (planned capacity 10-15 bcm) could have mostly political and psychological impact, but the full capacity of 30-35 bcm would constitute a significant flow of gas from yet unclear (but definitely non-Russian) sources. Combined with an increased import of liquefied natural gas (LNG), this plan would reduce the share of EU gas import that crosses Ukraine to 30 percent or lower.[10] It can not be excluded that both the *Nabucco* and *South Stream* projects could become a reality, and that would, to all intents and purposes, eliminate Ukraine from the European gas-political map. A major feature on this map, instead, would be Turkey, which aims at becoming a 'gas hub' by concentrating major gas flows and developing a capacity for trading – and not mere transit.

There is no certainty within the EU, and particularly among the SEE states, that such a 'gas hub' would be a better arrangement that the current 'recurrent conflict'. Turkey is as prone as Ukraine to extracting the maximum commercial and political advantage from control over crucial gas pipes. Its economic situation is no less precarious and the recession is affecting the government's behavior. Moreover, there is an additional complication: Turkey's EU accession bid has been put on hold – perhaps indefinitely – and frustration over this failed effort could prompt its political elite to pressure European interests as a reminder of broken promises.[11]

While pushing forward the *Nabucco* project, the European Commission is not blind to, and is not at all enthusiastic about, the possible strengthening of Turkey's energy profile. Hence the blitz-talks with the Ukrainian leadership on modernizing the gas infrastructure in spring 2009 resulted in a joint declaration that caused considerable upset in Moscow.[12] *Gazprom* understands better than anyone the urgent need to upgrade the pipelines and pumping stations in Ukraine, which have been heavily used since Soviet time without adequate maintenance. However, Putin and Miller are categorically against giving any funds to Kiev for that purpose, despite any promises given to create an independent and transparent operator. Their master-plan has been to reduce Ukrainian state control over the gas infrastructure to a purely symbolic share of ownership, while making *Gazprom* the effective manager, perhaps in partnership with E.ON and a few other European 'champions'.

These 'evil' intentions, which amount to stealing the 'jewel in the crown', are totally unacceptable to the Ukrainian leadership; furthermore, they are greatly concerned about losing transit privileges. While it is difficult to agree entirely with the Prime Minister Yulia Timoshenko, who told reporters at the Munich security conference that 'to raise questions today about bypassing Ukraine with alternative pipelines is a senseless idea'[13], there is, nevertheless, a point in her parochial argument, since the Ukrainian option is certainly the most sensible as far as cost-efficiency is concerned. The European Commission has promised 2.5 billion euro to modernize the Ukrainian gas infrastructure. While this may be less than a half of the total cost, the capacity of this pipeline system could then be expanded to 150 bcm. On the other hand, the preliminary cost estimate for the first trunk of *Nabucco* is about 8 billion euro and the bill for the *South Stream* could reach 20 billion euro.[14] The major obstacle in contemplating the Ukrainian option seriously in the EU is petty bickering among elite groups. However, there is a chance that the presidential elections, scheduled for 17 January 2010, might make Ukraine more governable, while the very probable departure of Viktor Yushchenko from the political arena would remove a major irritant for Russia.

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10) For a well-organized review of opinions on this issue, see Katinka Barysch (ed.), *Pipelines, Politics and Power: The Future of EU-Russia Energy Relations*, London: CER, 2008

11) A 'politically correct' assessment of Turkey's gas policy is presented by Olli Rehn, EU Commissioner for Enlargement, in a speech 'Turkey as an energy hub for Europe: prospects and challenges', 4 March 2009 (http://www.europa-eu-un.org/articles/en/article_8535_en.htm); for a sharper analysis, see Katinka Barysch, 'Turkey's role in European energy security', *CER Essay*, London, December 2007
(http://www.cer.org.uk/pdf/essay_turkey_energy_12dec07.pdf).

12) On the talks, see Alan Riley, 'EU-Ukraine gas deal is no pipe dream', *Wall Street Journal*, 22 April 2009; and on the Russian reaction, see Ali Aliyev, 'Irritable Russia', *Expert*, 24 March 2009.

13) See the entry in her blog 'Yulia Tymoshenko at the Munich security conference', 7 February 2009 http://www.tymoshenko.com.ua/ukr/news/first/7020

14) See 'He who pays for the pipeline calls the tune', *The Economist*, 16 July 2009.

Russia reconsiders its relations with Gazprom – more than a 'what if' story

The central role of natural gas in Russian foreign policy is not based only on the specific quality of this energy source, which happens to be so abundant (even if hard to get) in Russia, and makes it so valuable for Europe. It is primarily a consequence of the unique involvement of the Russian leadership in the highly monopolized gas business, which started early in the Putin era and has evolved into such a deep fusion of interests that now it is impossible to establish whether *Gazprom* is an instrument or a goal-setter for the Kremlin.[15] The reconfiguration of the Russian leadership with Dmitri Medvedev's promotion to the presidency has changed little in this respect; the ruling duumvirate continues to identify closely with *Gazprom*'s agenda and to lobby enthusiastically for every deal.

This unprecedented symbiosis has been an important source of strength for *Gazprom*, increasing its penetrating power into the European markets; however, it has also alarmed many states and the EU agencies, which have come to view this penetration as a hostile takeover. These tactical advantages have thus translated into a strategic handicap; now every political problem for Moscow in European relations, for instance delays in negotiating a new Partnership and Cooperation Agreement (PCA), resonates negatively in the gas business. This effect may be less prominent in dealings with Turkey; however, the mobilization of political and bureaucratic effort in the EU around the *Nabucco* project, which could seriously weaken *Gazprom*'s positions in the SEE markets mid-term, would have hardly happened without the reassessment of Russia's trajectory after the war with Georgia.[16]

There is, however, nothing permanent about this amalgamation between the Kremlin and *Gazprom*, and the deepening recession is already testing this bond by establishing for fact that the interests of the Russian state are not exactly congruent with those of *Gazprom*. The plan to increase domestic gas prices to the level of export prices has been abandoned, and the increasing deficit in the state budget has forced the Finance Ministry to demand a serious increase of taxation for *Gazprom*.[17] Sharply falling revenues and profits have caused a 15 percent cut (and perhaps as deep as 25 percent) in *Gazprom*'s 2009 investment program and in 2010 the available resources are set to decline yet further.[18] Common economic sense dictates shelving (if not abandoning altogether) the plan for the extremely expensive *South Stream* project and it is only obstinate political will that keeps it on track in this impossible situation.

Putin may remain committed to this pipeline no matter what, but his own political future cannot be taken for granted in an economic and social environment that has changed so drastically, compared to the 'golden years' of prosperity that had been confidently promised to continue until 2020.[19] The over-centralized political regime, based on distribution of steadily expanding petro-revenues, has obviously outlived its purpose, and Russia's recovery from the devastating recession would depend upon adopting more flexible and efficient political mechanisms.[20] The character of such a transfiguration cannot be perceived at this moment in time (and it is useless to speculate about Putin's personal choices and options), and parallels with the previous crisis on 1989-1992 are hardly informative – but they could give some idea about the correlation between the depth of economic crisis and the scope of political revolution.

It is entirely possible that Russia would avoid any major political breakdown and benefit from a 'soft' evolution of the political system; there are few reasons to believe, however, that in the course of such an evolution *Gazprom* would manage to preserve its unique access to and connection with the political leadership. Without this patronage, the *Gazprom* business empire would first crumble on the margins (for instance, cutting off *Gazprom-Media*), then let go several self-sufficient units (like *Gazprom-Bank* and

15) One relevant analysis is Svante E. Cornell & Niklas Nilsson (eds), *Europe's Energy Security: Gazprom's Dominance and Caspian Supply Alternatives*. Washington DC: Johns Hopkins University, 2008.
16) See Matvei Ganapolsky, 'The price of words', *Ezhednevny zhurnal*, 16 July 2009, http://ej.ru/?a=note&id=9285
17) On the tax increase for *Gazprom*, see Dmitri Butrin, 'The reserve monopoly', *Kommersant*, 2 July 2009.
18) On *Gazprom*'s investment prospects, see Petr Netreba, 'Cuts are performed business-like', *Kommersant*, 14 July 2009.
19) See Pavel Baev, 'Ten years at the helm: Putin holds a photo shoot and visits Turkey', *Eurasia Daily Monitor*, 10 August 2009.
20) One sound analysis of this transformation is presented by Nikolai Petrov in the lecture 'Russian political mechanics and the crisis', *Bilingua*, 25 June 2009 (http://www.polit.ru/lectures/2009/06/25/crisis.html).

Gazprom-Neft), and then would have to separate the transportation into a separate company.[21] Such a de-monopolization could follow the draft plan for reforming *Gazprom* from early 2003 and would take a few years, but if a convincing start were made, the EU could perform a re-evaluation of the risks for its energy security, and that might result in curtailing its plans for the Southern corridor, including the hapless *Nabucco* pipeline.

Conclusions

The cumulative impact of an interrupted trend in energy security in SEE (the sharp drop, followed by uncertain oil prices, and two major events: the Russian-Georgian war and the Russian-Ukrainian 'gas war') can not be fully measured as yet. It appears possible that the immediate 'lessons learned' by the EU and Russia – centered respectively on constructing the *Nabucco* and the *South Stream* pipelines – are seriously misconstrued. The main shortcomings of these lessons regard resources and risks. The EU has assumed that 10-12 billion euros is an acceptable price for a project that has no guaranteed sources of supply and that the risk of alienating Russia, which would still remain its main source of gas, is manageable. Russia has convinced itself (or rather Putin – himself) that 25 billion euros should be wasted (rather than invested) on a project that could never cover the expenses and that the risk of undermining Ukraine's balance of payments would be rather an opportunity.

Sticking to positive thinking regarding the in-crisis (rather than post-crisis) near-term future, one would hope that these lessons could be disproved through a reassessment of resources rather than through coming face-to-face with the risks. Indeed, Russia can hardly remain in denial very much longer after the end of 2009 as the true scale of its budget deficit is acknowledged and demands for spending begin to exceed the actual size of the accumulated financial reserves. The issue for the EU is not so much how to raise funds to launch the *Nabucco* project, but rather how to collect and deliver a 'rescue package' to Ukraine, which struggles to pay its monthly gas bills to Russia and could be forced to declare sovereign default before the forthcoming presidential elections. Important as it is for political leaders to provide reassurance, they should be aware that an 'it-will-pass' message can lead to the folly of denial; the EU and Russia will eventually come out of the crisis – but not to the *status quo ante*.

21) Extensive analysis of the *Gazprom* problem can be found in Boris Nemtsov & Vladimir Milov, *Putin and Gazprom*. Independent Expert Report, Moscow 2008 (http://www.milov.info/2008/08/putin-i-gazprom/).

Assessing Russian Commitments to the 2015 South Stream Deadline

Dr András Deak[1]

In comparison to its Western counterparts, *Nabucco* and ITGI (Interconnector Turkey-Greece-Italy), the case of *South Stream* appears to be simple. *Nabucco*, for example, faces a number of significant difficulties, most of which are almost non-existent in the Russian project: it includes half a dozen relatively small energy companies without substantial market portfolios or supply assets, and it is constrained by an unresolved leadership issue, despite all the US political and EU moral and financial support. Turkish transit - with all its economic and political considerations - will be a "hard nut" to crack in the future, and the coordination of a large number of different, and often divergent interests, makes any prognosis for a final deadline rather difficult.

In this light, *South Stream* appears to be a clear-cut project. Its implementation depends almost exclusively on Gazprom. With a strong supply status and a huge European market portfolio the company really does not have to care much about finding incremental supply volumes or demand for its pipeline, and avoiding the major markets on its route, Moscow has a strong bargaining position vis-à-vis the small transit countries. Hence, in contrast to *Nabucco*, the completion *South Stream* is a "single actor issue", where Russian determination and capabilities play an almost decisive role.

Challenges and doubts

South Stream has a short, but spectacular history. In June 2007, ENI and Gazprom signed a memorandum on the project, while Putin had floated the idea among Balkan leaders in Zagreb some days earlier. Intergovernmental agreements were signed with Bulgaria, Serbia and Hungary in January-February 2008. In 2009 the project moved to the next phase: most of the feasibility studies are due by the end of the year, opening the way for business contracts with binding elements to be signed. After several modifications to the original plan, *South Stream* is designed to have a capacity of 63 bcm, and according to semi-official Gazprom estimates, its construction would cost up to €25billion. Russian political leaders, Putin and Gazprom officials stated several times that the network is going to be operational by the end of 2015.

The speed and impetus of the project is indeed striking. The nickname "blitzpipe" - used in non-official European slang - is absolutely fitting, especially in comparison to the slow progress of other pipeline projects in the region. Moscow really seems to be determined and ambitious, keen to have a new, huge transit corridor in the foreseeable future. Despite these appearances, there is still some room for skepticism. Critics generally raise two significant sets of issues, which might pose a threat to the project.

A) The first set of concerns deals with the question of feasibility, going back to the more general problem of the credibility of Gazprom's deadlines. We have witnessed, for example, a serious underestimation of the complexity and risks of the *Nord Stream* project, causing – at least – a significant delay in construction. The Shtokman-field, which used to be a priority project some years ago, was promised to be on-line as early as 2013 - an unrealistic deadline, even according to some of the partner companies[2]. The development of the Bovanenkovskoye field, a flagship project on the Yamal Peninsula, is still difficult to assess because of

1) *Dr András Deak is a research director at the Center for EU Enlargement Studies.*
„Truba na trillion", *Vedomosti*, 06.02.09.
2) The representative of Statoil Hydro, owner of 24 percent of the project, publicly expressed his doubts about this deadline. In: "Credit Crisis May Delay Shtokman Project" http://www.rigzone.com/news/article.asp?a_id=70459

insufficient information on its progress. Technological delays and postponements are usual phenomena in the industry, but the Russian monopoly might have an excessively optimistic view on its building potential and coordination skills. These risks vis-à-vis Russian promises are external. This means, that they do not concern Russian ambitions to build up new infrastructure, but rather its implementation. Gazprom might manage these projects badly, however that does not question their willingness to develop these new networks.

Fitting into the above comparison *South Stream* is not less complex than its counterparts. Stretching almost 900 km from Russia to Bulgaria, the pipeline has to be laid at the extreme depth of 2000 meters, which is at the very edge of our technological possibilities. Gazprom simply does not have the engineering skills and know-how, to work in such conditions alone. What is more, the off-shore zone has an unsettled legal status. Being undivided between the coastal states, the settlement of the Black Sea off-shore section assumes political and legal coordination with - among others - Ukraine, one of the major opponents of the project. Hardly anything has been done with regards to getting approval for the operational procedures at the EU Commission, either. Some conditions set, i.e. in the Hungarian intergovernmental agreement, do not correspond with the EU *acquis*, presupposing a longer approval process in Brussels. Even if refusal by European regulatory bodies is not very likely, serious concessions will need to be made by Gazprom in order to fit the pipeline's legal resolutions into the common *acquis*. All these risks could only be really evaluated after further feasibility studies and the start of negotiations on these particular issues. Setting deadlines in such a fluid environment appears to be a political or a tactical step. Not by chance, Moscow has already shifted the final deadline from 2013 to 2015, which, fittingly, erodes its credibility only further.

B) The real concerns regarding the *South Stream* deadlines are, however, the "internal" Russian considerations behind the project. It is not absolutely clear, to what extent Russian political circles, and - what is more important - Gazprom itself, are committed to the completion of the pipeline within the given timeframe. Critics often challenge the Russian statements on different grounds: They point to the exorbitant costs of the construction, the already existing transit capacities in Ukraine and the shaky political and strategic considerations. Pointing out any of these arguments to question the credibility of Russian plans is, however, misleading. The original initiative was based on a number of different stimuli, targets, and sometimes, even attitudes. To make a valid assessment, we have to pick out the most important considerations and analyze them in their own context.

Before this, however, one must make two important observations: First, it is certainly in the long-term Russian interest to build a new network on the given "southern" route. Russian frustration over transit issues is incredibly high. As we have witnessed in the case of the BTS oil pipeline network and the Primorsk oil terminal, all new systems would be built at minimized transit risks. Accordingly, doubts should be interpreted as skepticisms towards the communicated deadline, and not the whole project as such. At the same time, the *Nord* and *South Stream* pipelines would create an overall 118bcm additional transit capacity by 2015, almost doubling the current Russian capacity in the given direction (141.6bcm transited in 2007 through Ukraine and Belarus). Hence, even if we accept the Russian wish not to construct new pipelines through problematic transit countries, one may voice some valid concerns regarding the scale of an undertaking that could redraft the whole energy transit landscape of Eastern Europe.[3] Credibility is an issue of particular importance to the participating small Balkan and Central European countries, which are usually fully dependent on Ukrainian transit. Route diversification is a high priority issue for them. If *South Stream* is not ready in the given time and suffers significant delays, these countries should make different investment decisions to manage their dependence. It is the deadline that matters.

Second, it is a cheap and profitable policy for Russia to propagate its future pipeline plans in the region. In the case of Serbia, during the purchase of NIS by Gazpromneft, *South Stream* was a key argument in favor of the relatively low price. In this case, the promise of fast implementation of *South Stream* was a

3) Maximum Russian exports to Europe are projected at 200bcm in 2015. Baltic, Finnish and most of the Turkish exports go through separate pipelines, while the CIS member, Moldova, gets its demand via Ukraine. This means, that total capacity needed via Belarus and Ukraine do not exceed 170-175bcm. Calculations on the basis: *Jonathan Stern:* "The Russian Gas Balance to 2015: difficult years ahead", in: "Russian and CIS Gas Markets and Their Impact on Europe", *Simon Pirani (ed.),* Oxford Institute for Energy Studies, Oxford, 2009, pp. 54-93.

crucial instrument in persuading Belgrade. Actually, Moscow did not have other options, facing similar behavior from the Americans. The US also propagated *Nabucco* as an accessible mid-term option in the region without any real business commitment. Using *South Stream* as a bargaining chip, Moscow has already collected real dividends, while only making limited construction commitments. There is an obvious asymmetry between Russian profits and costs so far, and in reality, the political assurances to future transit countries only slightly increase the chances that *South Stream* may be finished by 2015.

Generally speaking, there are three main "internal" Russian considerations with regards to the *South Stream* project that are worth taking account of: (1) The construction of major new infrastructure is the easiest, if not the only way for Gazprom to get European assets; (2) Russians would like to get rid of the unreliable Ukrainian transit route; (3) Gazprom would like to preserve its control on the European markets against the rival *Nabucco* and ITGI projects.

It is important to understand that an assessment of the *South Stream* project depends very much on which of these three objectives is the strongest in influencing Gazprom's future steps. If, for example, Gazprom were to focus primarily on acquiring new infrastructure in these countries, it could choose to almost exclusively follow its own pace of implementation. In this case, without the threat of loosing an opportunity, Gazprom would not need to rush to spend a lot of money on markets, which it has, in any case, secured. At the same time, Ukrainian transit is indeed a serious headache for Gazprom. Major milestones in the development of the *South Stream* project have, so far, usually occurred in connection with the escalation of relations between Kiev and Moscow. If we were to accept this issue as the major stimulus behind Russian actions, we would create a strong logical interrelationship between *South Stream* and Ukrainian transit. In this case, an - unlikely – positive development of the latter could significantly decrease Russian willingness to move ahead with the former. Last, *South Stream*'s geographic structure is almost identical to that of the *Nabucco*-ITGI networks, both of which would rely - at least partly - on Central Asian incremental capacity, suggesting that they may be interpreted as competitive projects. It is difficult to imagine that *Nabucco*, for example, even with its estimated initial capacity of only 10bcm (and prospects for another 20bcm) would leave enough room for another pipeline. The construction of one of these networks could mean, at the very least, the postponement of the other.

Possible Gazprom strategies

"New assets" strategy. Vertical integration and the acquiring of European assets has been a major Gazprom goal since its establishment in the early '90s. However, internal weaknesses and an unfavorable balance on the gas markets have made the achievement of these aims difficult for many years. Having consolidated its domestic situation, the Miller management could only really turn to this task around 2004-2005.

There are basically only two ways to get closer to European consumers. One way is the renegotiation of Gazprom's long-term supply contracts. Having a 20-25 year long timeframe, these contracts define almost every important aspect of the relationship between Gazprom and European companies, including price, volumes and trading points. For Gazprom, the only opportunity to change conditions in its favor easily, are the rare renegotiations of these legal frameworks. Since 2006 most European companies have extended their contracts for another 20-30 years. These include among others supplies to Germany, Austria, the Czech Republic, Italy and most of the Balkan countries. A new element of these contracts was that they allowed Gazprom into local markets. Gatekeeper companies and national champions, like ENI or OMV, guaranteed a small portion of their national markets to be supplied directly by Gazprom or by joint stock companies. Altogether, however, this was a relatively modest concession from the side of the Europeans - definitely insufficient for the Russian company - while the signing of the long-term supply documents closed the window of opportunity for Gazprom to gain further concessions for another 20-25 years.

Gazprom has a bad record in taking part the privatization of existing Eastern Europe gas networks, suffering from all the impediments of its Russian monopoly status. New infrastructure, however, especially in the case of expensive storage and pipeline facilities, could be effectively built with Russian involvement. Gazprom's presence provides significant guarantees for investors with regards to questions about supply

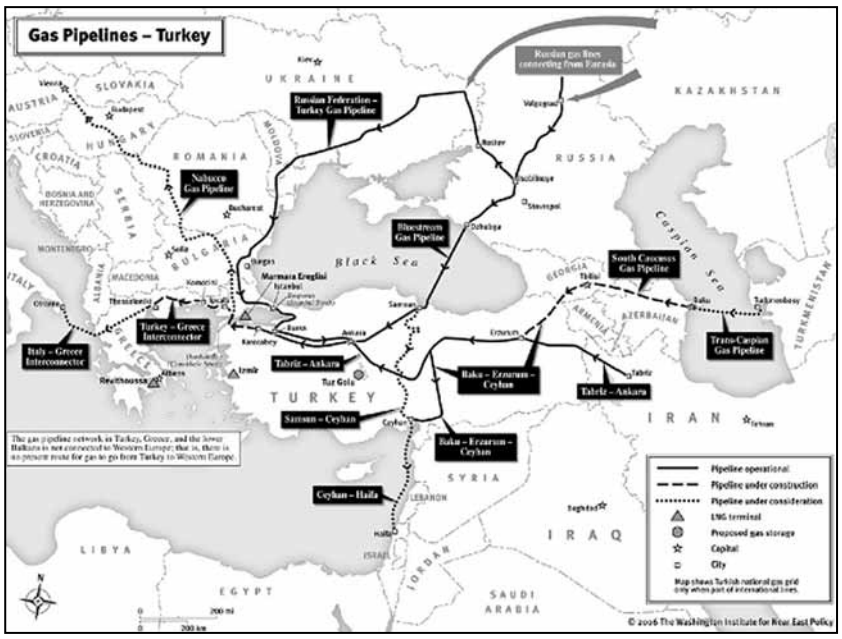
and maximal turnover. Typical existing examples for Gazprom's participation are the evolution of the company's role on the German market since 1993, *Nord Stream* asset swaps and the Austrian storage construction at Haidach. Western companies participating in joint projects can be assured of a Russian preference to use the common facility, providing maximum returns for all partners. Besides the prospect of financial gains, *South Stream* partners have another rational in letting Gazprom into their domestic markets: better security of supply. Most of these countries lack sizeable transit capacities, industrial fundaments and funds to construct cheap storage facilities. Except for Hungary, none of the partners has decided to build storage with budgetary funds. It is always cheaper and more secure to make such decisions together with Gazprom. *South Stream* would not be feasible without clear Gazprom guarantees that it would use the new network. However, having Gazprom assets on their territory, these countries would have a better position to bargain with the Russian monopoly and secure their domestic supplies.

From the Russian point of view, constructing *South Stream*'s European on-shore section is a relatively small and favorable undertaking. The network's two branches would not cost more than €5billion (or even much less) and Gazprom has a good chance to secure most of the construction contracts. In exchange for financing its own €2-2.5billion share, Gazprom could gain direct access to, and become a dominant player in local markets. It could never buy an existing infrastructure at such a low cost. The central questions for Gazprom are the off-shore and Russian sections, which would make up the bulk of the full project costs. Formally, there is no legal connection between these elements. *South Stream* consists of six national sections without any relation to each other except a promise from Putin. In this, it is very different from *Nabucco*, where the whole pipeline is built under the umbrella of a single company and regulatory framework. Moscow builds its network following the old logic of lines of independent national pipelines, which maximizes its room for bargaining. Logically, Gazprom might separate the implementation of each section. On-shore capacities could be easily built and supplied at the contracted 10 plus 10bcm level from the old, existing Progress system through the Ukraine. Expensive off-shore construction could be started, but delays would be, at least legally, affordable. This setup would bring about some losses due to the longer transit routes from the Ukraine to Bulgaria and then back up North,[4] but, in exchange, Gazprom would gain significant flexibility in *South Stream*'s contractual system. If Gazprom follows this logic, the 2015 deadline is more credible with regards to the on-shore section, where the company has real commitments, than the off-shore part, where some delays are much more likely.

The implementation of the project through this scenario would improve supply security for most of the participating states. However, in order to clarify and map out the possible outcomes during the construction phase, it would be highly advisable for the small partner countries to harmonize their policies towards the project. Negotiating only with and through Moscow, and the lack of a multilateral framework, is a non-affordable luxury in such expensive and complex projects. A binding deadline in a multilateral framework is far more secure than some bilateral commitments and political promises.

4) Gazprom's activity has shown some signs, hinting that it left open this scenario. Having contracted for another 20-25 years the Romanian and Bulgarian transit capacities, it seriously examines freeing up this potential by constructing a new branch of the *Blue Stream* pipeline to Turkey. The Russian monopoly still insists on the renovation and possibly expansion especially of the southern branch of the Ukrainian system.

Map 1 – Gas export infrastructure to Turkey



Source: *The Washington Institute for Near East Policy*, 2006

'Ukrainian transit' strategy. Ukrainian transit (and to a lesser extent Belarus) has been the biggest challenge for Gazprom for some years. Despite all efforts of the last two decades, 70 percent of all gas exports to Western Europe still flow through this country, posing an uncomfortable dependence for the Russian leadership and causing huge financial losses for Gazprom. Decreasing both the dependence and the losses can only be achieved by consolidating the Ukrainian gas industry under Russian terms or simply excluding the country from the vertical chain. The former option has high political and prestige costs, as illustrated by the two 'gas wars' of 2006 and 2009, although even these costs may turn out to appear extremely relative if one considers the exorbitant price of constructing an alternative system. What is more, the Ukrainian pipeline network offers not only the cheapest transit route in technical terms, but it also disposes of a unique 34bcm storage capacity, which can hardly be substituted even in the long-term.

In previous years, Moscow tended to support the full exclusion of Ukraine from its export chain. Communicating similarly this time, it is realistic to think that the Kremlin's true aim is to erode the Ukrainian bargaining position and by lessening its dependence through the planned construction of alternative export channels to the West. Some of this task, however, may already be achieved through the building of *Nord Stream*, where a substantial part of the capacity (maybe 20-30bcm) could be used for transit diversification purposes. The significant question in regards to Gazprom's diversification efforts is how much alternative capacity would soften Kiev's stance sufficiently for a deal to be reached, and when this could be achieved. In this regard, the changeable Ukrainian political situation puts Gazprom in a really difficult situation. In the 2009 contracts, Gazprom agreed to legal and financial commitments to use at least 110bcm of the Ukrainian transit capacity for another 11 years. This shows that Moscow did not really calculate considering other new transit routes becoming available in this period – although this may be just pessimistic anticipation and some sort of 'insurance policy' for Gazprom. What appears to be the more realistic assumption is that Moscow has not given up gaining assets in the Ukrainian system, which - if true – would create a very negative outlook for *South Stream*. The better the situation with Ukrainian transit, the smaller the pressure for Gazprom to move ahead with *South Stream*. In this light it is important to notice that despite all the brutality of Russian-Ukrainian relations, Gazprom has been progressing steadily in achieving a deal concerning transit issues. It forced Kiev to sign a Western-like supply and transit contract and succeeded in isolating Ukraine with regards to this question in the West. Moscow triumphed in its dealings with Belarus, ruling out a similar outcome in their relations with

Ukraine, even in the short–term, could be a serious mistake. The 2015 *South Stream* deadline might have been a tactical move of the emerging full-fledged conflict between the two sides.

'Rivalry' strategy. The suspicion that South Stream is to be set up as a rival to *Nabucco* and ITGI is widely held among Western analysts, although it is regularly refuted by Gazprom. According to these accusations, incremental supplies of gas into the rival projects would come mainly from the same Central Asian sources and transited through the same countries. The only basic difference could be that it would be sold by one of the transit companies itself (Gazprom), further increasing its leverage on these markets. According to such analysts, Moscow's only aim is to hinder the construction of Western pipelines and preserve its monopoly, both on the supply and the demand side.[5] Moreover, controlling the trunk pipeline system on the Balkans, Gazprom could even influence Iraqi or Iranian supplies to Europe.

Gazprom's basic philosophy, concerning the gas industry, appears to strengthen the above fears. The "they, who have the pipe, have the gas" logic is present in all Gazprom investments. However, *South Stream* is planned to be built in countries that follow obligatory EU competition regulations. In those, pipeline capacities are supposed to be opened up to all suppliers. Gazprom may apply for exemptions in Brussels, but a significant part of the pipeline will still need to be offered to third parties. Even if regulations are not perfect, this means that having assets in a facility might only increase one's control over its capacities, but does not assure one's full authority. Provided that DG Competition exerts its legal power over *South Stream*, and forces the participants to respect and fully implement the Gas Directive, Gazprom will not be the only one who uses the pipeline. A working, on-line capacity and a connection to the Turkish network by 2015 would facilitate Middle Eastern and Caspian exports to Europe avoiding Gazprom's balance sheet. Gazprom might hope for imperfections in the regulatory framework, but much would depend on national and European regulatory bodies in deciding how *South Stream* would work in reality.

In this context, the "rivalry interpretation" might have some logical fundaments, but it would not create a black-and-white situation. Actually, a relatively early completion of *South Stream* would help Europe to establish contacts with alternative suppliers. If Gazprom really wants to stop *Nabucco*, the best place to interfere is Turkey. Turkish consumption relies on Russian supplies and the country has not joined the European Energy Community yet. Having a booming gas demand, Moscow has a much bigger leverage over Ankara than over the other *Nabucco* countries. Some sort of joint management of supplies coming from the Middle East and the Caspian is a much more realistic scenario than preserving Gazprom's full capacity control over *South Stream*. Offering *South Stream* as transit channel and guaranteeing reliable supplies to Ankara, Gazprom could ask for a share of the gas transit through Turkey. Following this train of thought, the construction of *South Stream* might be thought of as a rival to competing Western projects, but it would be a mistake to characterize this as a determinative correlation. However, the "competition logic" makes the reliability of the 2015 deadline weaker, since it also assumes that the dependability of the *Nabucco* project will grow in the years to come.

Summary

Having already put some question marks behind the reliability of the 2015 deadline, we must ask ourselves now, why Moscow would have put forward such an early completion date. The most likely answer could be understood as a sort of "drifting-along-effect." Equipped with numerous good arguments to build new transit corridors for the future and experiencing a strong pipeline competition in the Balkans, the Russians had to make a move. Their engagement, however, could not gather real credibility without a construction deadline. Moscow's commitment to *South Stream* was not the result of responsible pre-planning but rather a step-by step process in which political push played a significant role. It was not a Gazprom manager, but the highest political leader of the country who made the statements about early completion. Although this may be thought of as a more credible promise, it is less reliable in reality. Politicians tend to be a bit more impatient in energy matters than the industry itself. While Gazprom managed to cancel the

5) Toby Vogel: "Will South Stream push EU off course?", in: European Voice, 30.04.08. http://www.europeanvoice.com/article/imported/will-south-stream-push-eu-off-course-/60547.aspx

original 2013 deadline, it is likely that it had to fight bitterly against another completion date set before 2015. Facing a problem with the project in Austria, disagreements about capacity allocation with ENI and significant financial constraints, the early deadline actually worsens Gazprom's bargaining position in these issues, and might turn into a headache for the company in the future. It is not going to be Putin who is responsible for any failures to implement the original plans, but Gazprom.

Russian Energy Interests in South-Eastern Europe

Dr Konstantin Simonov[1]

Main energy challenges in the region

The energy dialogue between Russia and countries in South-Eastern Europe (SEE) is developing in a rather inconsistent and complicated way. On one side, there are some obvious positive aspects promoting our cooperation. Certain economic ties have remained between Russia and former socialist countries; in a number of cases there are cultural and ethnic ties that facilitate the implementation of cooperative models. On the other side, the elite of these states is burdened with different historical complexes, most actively promoting theses about the "Russian threat" in Europe. Even in Serbia, which is religiously, culturally, historically and linguistically quite close to Russia, there are quite influential forces that advocate a tough position towards Moscow. Russia and the so-called "European option", selected by the region's countries, are opposed to each other. In our opinion the "Europe or Russia" dilemma is false. Yet, it is obvious that the memory of the "big brother", rather strongly, hinders cooperation between Russia and these countries that often perceive Russian investments and new projects as steps towards the reestablishment of the Soviet empire.

As a result, countries in SEE are ready for the ideas often voiced in Brussels, i.e. diversification of suppliers and reduction of energy dependence on the Russian Federation. Moreover, such dependence is especially strong in SEE. Previously this was viewed as an advantage (besides, this region is closer to Russia than France and Germany, which means cheaper gas due to the shorter distance). Now this is considered a serious political threat, since Russia remains a monopolistic supplier of energy resources. However, here comes a trite question – how quickly will Brussels be able to ensure supplies of alternative sources of hydrocarbons to the region? Moreover, some parts of Albania, southern Serbia and Kosovo need an expansion of their gas pipeline systems, while Macedonia has no gas supply infrastructure at all.

So, how should Russia's energy policy in the region be evaluated? According to the Balkan mass media, the dominating position of Russian companies in SEE is not a coincidence, but a long-term political strategy. There is also an opinion that over the past decade Russian businesses have systematically implemented their plans, supported by Russia's new leadership, to gain political levers through the energy sector. It is believed that Russian companies spread their influence in the region by buying existing firms and, when this approach did not work, they founded their own enterprises. This was quite an expensive process, but it was aimed at gradually broadening their influence. Meanwhile, some states in the region have already joined the EU, while others are in the process. The conclusion drown is that Russia will use SEE as a bridgehead for a political offensive against the EU.

Besides, these countries were the most heavily affected during the January gas war between Russia and Ukraine. Old Europe has a well-developed system of gas underground storages that were used to pump substantial amounts of Russian gas in the first quarter of 2008. As a result, Germany, France, Italy and Austria were well prepared for the shutdown of gas supplies, while Eastern Europe was most affected. Consequently, countries in this region found themselves in a rather unique situation. For European bureaucracy, their plight represents Russia's energy faithlessness. But Brussels prefers to provide only verbal assistance to them. A system of underground gas storage facilities is not being developed, and the region will not get really valid alternative sources of gas very soon, if at all. One should not forget that amid declining gas production in Europe the share of imported gas will be growing sharply. According to the estimates of the International Energy Agency, in 2030 the share of imported gas may rise to 85 percent of the EU gas balance. This means that *Nabucco* and other projects will mainly serve to offset the declining gas production in old Europe. Eastern Europe is necessary just as a witness of the threat of

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energy dependence on Russia. But this region will not get Brussels' full-fledged assistance in ensuring its energy security. This is why countries in Eastern Europe are facing a difficult dilemma: either to try to normalize cooperation with Russia or to keep demonizing it at Brussels' request, while not getting any valid alternative solutions in return.

Russian companies in South-Eastern Europe's oil and oil-refining sector: Are things so terrible?

Active expansion of Russian businesses into Eastern Europe started with the oil industry. Russians wanted to purchase downstream assets in Europe and this was possible only in its eastern part – opportunities to buy such assets in old Europe had been minimized for political reasons much earlier. A window of opportunity was open; moreover, these countries needed money badly. Let's us consider whether the experience of cooperation in the oil industry has been positive or negative and whether Russian companies have turned out to be so frightful.

The share of Russian oil on the region's market is quite substantial. In Hungary it is 98 percent of the market, 90 percent in Bulgaria, 80 percent in Serbia and 40 percent in Greece. Besides, Russian companies own a number of oil refineries and filling stations. But this has not concerned either the population or the political elite for a long time. Expansion continued, but this was perceived quite calmly. Meanwhile, Russian corporations gained control over quite interesting assets.

The most active company in the region is LUKOIL, an absolute leader among Russian oil firms in terms of exploration of retail markets abroad.

In December 2006, ConocoPhillips sold 376 filling stations to LUKOIL. They operated under the Jet brand and were located in six countries, including 30 in Hungary and 14 in Slovakia. In late April 2008, LUKOIL bought 75 filling stations in Bulgaria and a petroleum storage depot near Sofia from Petrol Holding. The deal totaled €237m: €156.1m for the filling stations (about €2.1m per station) and €80.9m for the depot. In Bulgaria, the company has an about 74 percent share on the wholesale market of oil products. Thus, LUKOIL is in possession of 562 filling stations in Bulgaria.

LUKOIL owns an oil refinery in Burgas (Neftochim Bourgas); the Russian firm purchased its controlling stake in October 1999 for $101m. In early 2005, the oil company increased its stake in the Burgas refinery to 93.16 percent having bought 22.05 percent of the facility, based on an offer. The refinery produces unleaded petrol, diesel fuel and petrochemical products that correspond to European quality standards. The refinery processes about 6m to 7m tons of oil per year.

Neftochim Burgas is the only oil refinery in Bulgaria. It produces about 80 percent of the automobile fuel consumed in Bulgaria; at the same time, about one third of oil products produced by Neftochim Burgas is exported.

It is important to note that the deal with LUKOIL led to growth in investments in the enterprise. The oil firm continues upgrading the refinery whose capacity is expected to rise. In 2007 an isomerization unit was put into operation at the refinery; a hydrofining unit of a 1.7m ton capacity per year currently is at the final stage of construction. Moreover, the capacity of a catalytic cracker is being expanded to 2m tons per year. In 2011 the Burgas refinery will be able to process 10m tons, compared to the current 8.8m tons per year.

LUKOIL's share on the Romanian market is approximately 22 percent. The Russian oil company owns a chain of over 300 filling stations in this country as well as the Petrotel-LUKOIL refinery in Ploiesti with a 2.4m tons of oil capacity per year. The Russian owner has ensured investments in the enterprise. In 2007, a turbo-generator with a 25megawatt capacity was launched at the refinery; as a result, the combined capacity of the facility's heat station reached 61megawatts. The first stage of the heat station's renovation

has been completed. On the whole, a renovation project envisages the construction of a boiler unit with a 245megawatt heat capacity in the second quarter of 2009 that will use oil coke as fuel.

In Montenegro's capital Podgorica, LUKOIL bought six filling stations belonging to Roksped Petrol that had actively cooperated with LUKOIL's Serbian subsidiary LUKOIL Beopetrol since 2005. The Russian oil firm paid €26.5m for the purchase, which was €4.5m per filling station. According to European standards, this was a high price because in Europe a filling station costs about €1m to €2m on average.

In Croatia, LUKOIL purchased EUROPA-MIL, nine filling stations in Zagreb and Split and five plots of land for the construction of filling stations. The average daily volume of sales at a EUROPA-MIL filling station was 11m tons of oil products, compared to 7.9m tons at a LUKOIL station on average in 2007.

In addition to filling stations, EUROPA-MIL owns an oil product railway terminal with an 8,000 cubic meter storage capacity, located near the town of Vukovar on the Danube River. (In November 2006 the company began construction of a small bio fuel producing plant with a 35,000 ton design capacity on the basis of this terminal). As a result, LUKOIL has an opportunity to sell oil products practically all over the country.

Initially the Vukovar terminal had no river transfer reloading license. To have this permit was the condition LUKOIL had put forward to EUROPA-MIL owners before the purchase. Thus, the Russian firm may use river tankers and deliver oil products along the Danube. LUKOIL owns 180 filling stations in Serbia and six in Macedonia.

It is worth mentioning that there was no serious scandal related to LUKOIL's activities. The company was not perceived as the Kremlin's instrument of influence. Although LUKOIL launched its strategy of domination on the market in 1998, few observers considered the Russian oil firm's policy to be a threat. This was probably because LUKOIL is a private company. Besides, the American concern ConocoPhilips has a 20 percent stake in it.

Meanwhile, the attitude towards companies directly controlled by the Russian government has turned out to be completely different. However, they also started actively operating in Serbia and Bosnia and Herzegovina. This concerns Zarubezhneft as well as Gazprom's subsidiary Gazprom Neft.

Zarubezhneft has marketing assets in the Republic of Srpska (part of Bosnia and Herzegovina). It owns the Bosanski Brod oil refinery with a yearly 4.2m ton capacity, the Modrica engine oil producing plant, a yearly capacity of up to 70,000 tons of engine oil, and 78 filling stations. In 2009, the Russian firm is planning to increase the number of its filling stations in the Balkans to about 150. In the future, according to the Zarubezhneft executive, Nikolay Brunich, the company will raise the number of its filling stations in the Balkans to 300 after the second phase of the Bosanski Brod oil refinery has been put into operation, it will enable the refinery to boost its refining volume from 1.2m to 4.2m tons of oil per year in 2010 / 2011.

In February 2009, Gazprom Neft finally completed the purchase of a 51 percent stake in Serbia's NIS, while in turn, Gazprom promised to lay a branch pipeline from the *South Stream* main gas pipeline through this country and to build an underground gas storage facility near Novi Sad. NIS - TNG – a division for LNG production of Naftna Industrija Srbije, an oil company engaged in oil refining and the sales of oil products as well as the production of hydrocarbon resources in Serbia and Angola. The production volume of NIS is about 1m tons of oil per year.

The company owns oil refineries in the towns of Pancevo and Novi Sad with a combined capacity of 7.3m tons per year. NIS has its own marketing network (about 500 filling stations) and it is a leading supplier of oil products on the Serbian market, producing about 85 percent of oil products consumed in the country.

The negotiations started at the end of 2007 and continued for over a year. Russia paid €400m and agreed to invest another €550m by 2012.

These deals were carried out in a much more dramatic way than LUKOIL's acquisitions. There were accusations of attempts to create a zone of Russian interests and "Moscow's energy grip" was suspected to be behind them. But there are three points that should be underlined.

The first is that such accusations provide an opportunity to bargain for more benefits from Russian companies by introducing fiscal measures. Thus, Eastern European countries start charging more from Russian firms. These countries use the 'Russian threat idea' for commercial purposes, rather than being afraid of it. For example, Gazprom Neft paid quite a high price for Serbian assets, following political bargaining.

The second point is that local companies have to compete against Russian firms entering the market and are not always able to survive. In this case they resort to political accusations. In particular, the purchase of Bosanski Brod by Zarubezhneft seriously shook the position of Croatia's INA oil firm. INA supplied most of its products to this market, but following the deal the Russian company could sell fuel at a much lower price than the Croatian firm did. As a result, INA even had to transport its fuel to Italy to destroy it at special facilities, which resulted in substantial financial losses.

The third point is the rather difficult adaptation of Russian companies to new assets; however, this is not because of political disagreements. Let's us consider the situation around Gazprom Neft and its Serbian asset.

In this case there is a collision of two management systems, which is far from politics. Frankly speaking, in the south of Europe there are quite specific labor ethics – people are used to working less intensely, while receiving quite good remuneration. Any attempt to make them work harder and more efficiently causes indignation. On the other hand, Russian top managers are used to big salaries and bonuses and, if they need to cut expenses of their enterprise, they won't do that at their own expense. It is clear that the arrival of new young managers from Gazprom Neft to Naftna Industrija Srbije, who have established quite favorable financial conditions for their work and in every possible way, demonstrate that they are the elite, consciously keeping Serbian workers at arm's length, often causes understandable indignation among the enterprise's workers. However, this conflict is not related to the use of the notorious energy weapon against Serbia.

Thus, there are often economic interests behind political explanations. Nevertheless, a negative background has already been created. As a result, any Russian acquisition causes a sharply negative reaction in the region, even if the buyer is a private company. Any deal is viewed as growth in Russia's political influence. A clear example is a purchase of a stake in Hungary's MOL by Surgutneftegas. Hungary's reaction to the deal vividly shows how our relations with South-Eastern Europe have deteriorated.

At the end of March 2009, Surgutneftegas, Russia's fourth largest oil and gas producer, signed a contract buying a 21.2 percent block of shares in Hungary's Magyar Olaj-es Gazipari Nyilvanosan Mukodo Reszvenytarsasag (MOL) from Austria's OMV Group. The deal totaled €1.4bn. Surgutneftegas is a private company, although it has a rather non-transparent shareholder structure that is much rumored about. At the same time, the company and its head Vladimir Bogdanov enjoys a certain authority in the Russian oil industry.

The contract was drown up on March 29 and 30, 2009 at the height of a political crisis that resulted in the resignation of Hungarian PM Ferenc Gyurcsany. Gordon Bajnai, who replaced Gyurcsany, condemned this deal later. The statement Hungarian foreign minister Peter Balazs made in an interview with EurActiv Hungary is quite demonstrative in this regard: "The problem in the MOL case is that we do not know who is behind it. The Russian methods are based on Byzantine tradition, not on Protestant ethics. It is hard to negotiate with representatives of this culture".

The European parliamentarian representing Hungary, Andras Gyurk, in a written form, inquired of the European Commission whether it considered the sale of the MOL shares to Surgutneftegas to be in line with European principles of transparency.

The following commentary by an undisclosed Croatian expert was published in the Javno newspaper: "The accession of Russia's Surgutneftegas to the ownership structure of the Hungarian oil company MOL is the culmination of a decade-long attempt by Russian companies to conquer the markets of South-Eastern Europe. They already play a dominant role in many markets, but they failed to do so in Hungary and Croatia. Now having acquired a stake in MOL and thus entering the ownership structure of Croatia's

INA, the Russian firm is preparing the ground to gain control over the energy markets of South-Eastern Europe, from Slovenia to Bulgaria. The domination on these markets is one of Russia's long-term strategic goals; so, growth in political pressure by Moscow on the Hungarian and Croatian governments can be expected in the near future".

As a result, Surgutneftegas became a major shareholder in MOL, but it has not managed the company yet. Surgutneftegas was even accused of insidious plans to spoil the construction of *Nabucco*, which is a rather disputable statement – MOL assets are not enough to ruin this project. Surgutneftegas was refused registration in the shareholder register; as a result, the company was not allowed to participate in the shareholders' meeting on April 23.

Gas projects: diversification of supplies won't settle all energy problems in the region

The gas topic is even more politicized, and following the January gas war between Russia and Ukraine that mostly hit countries in the southeast of Europe, it is rather dramatic and is actively discussed. Many politicians in the region rushed to draw a conclusion: it is necessary to decrease dependence on Russia at all costs. Meanwhile, it will be rather difficult to do this. It is enough to study the following statistics:

Gas supplies from Russia (bn cu m):

	2007	2008		2007	2008
Hungary	7.5 (share is 70%)	8.9	Serbia	2.1	2.2
Romania	4.5 (share is 20-25%)	4.2	Croatia	1.1	1.2
Bulgaria	2.8 (94%)	2.9	Slovenia	0.6 (50%)	0.6
Greece	3.1 (80%)	2.8	Bosnia and Herzegovina	0.3	0.3
Macedonia	0.1	0.1			

The volume is not so large, compared to Western Europe. But the dependence on Russia is quite substantial. This is why countries in this region eagerly support calls for diversification of supplies, counting especially on the *Nabucco* project. But the countries of South-Eastern Europe often forget that they are mostly part of Europe and this is why the problem of the gas balance should be applied to whole of Europe, not separately to its southern, eastern, northern or western parts, and this is the main problem: First and foremost, the declining gas production in Europe.

This means *Nabucco* will neither save Europe from Russian gas nor will it cover the reduction in the EU's own gas output. So far, the EU gas balance is not in danger. The share of imported gas in the forthcoming 20 years in the EU has already been mentioned above. This means the task has not been correctly defined. Europe urgently needs to seek additional, but not alternative sources of supply. The objective should be new gas, not diversification. Whereas these seem to be one and the same thing, in reality, from a political point of view, these are absolutely different approaches. The first approach means that Europe's main task is to get rid of dependence on Russia. The second approach means that the enemy is not Russia, but a growing deficit of gas. This is why the task is not to reduce consumption of Russian gas, but to find opportunities to get gas from other countries, since Russian gas alone will not satisfy the EU demand for this fuel. Besides, dependence on Russian gas is highly exaggerated: Russia's share of the European gas market has rarely exceeded 25 percent; in the first quarter of 2009, Russia was even outpaced by Norway. However, nobody in the EU has complained about the Norwegian threat.

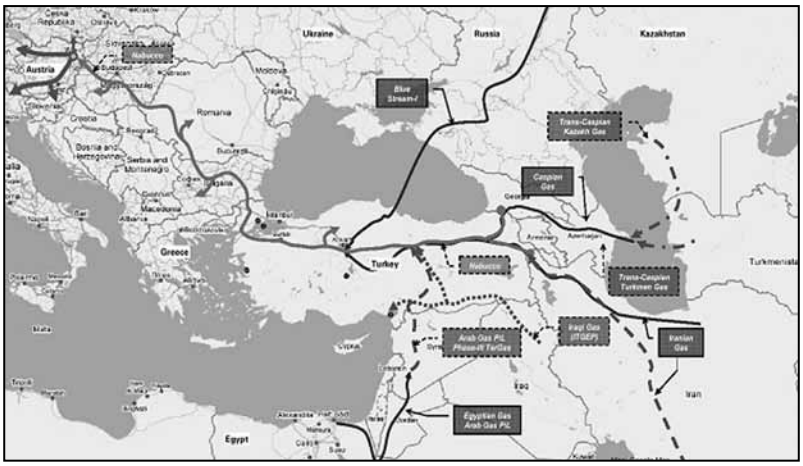
Energy efficiency and the development of renewable sources of energy have been especially popular ideas in Europe over the past year; these ideas are reflected in the 20-20-20 concept. On the whole, the direction is correct. However, these grandiose prospects of new kinds of energy strongly resemble plans

for building communism in the USSR by a particular year. The 20-20-20 strategy is unrealistic, given the envisaged period. This implies that the demand for gas will be quite high in Europe.

Indeed, this is the main problem in *Nabucco*. Even if this gas pipeline is built, it will not solve the problems of providing Europe with gas. Its capacity is too small – just 31bn cubic meters. All the other issues the Russian side highlights are, in fact, secondary, though they are sound. These are issues related to a resource base, security of transit and the inevitably growing role of Turkey, which is unlikely to satisfy all countries in the south of Europe.

According to plan, the first line of *Nabucco* will deliver gas from Azerbaijan (about 7bn to 8bn cu m per year), Iraq (7bn to 8bn) and Egypt (about 1bn to 2bn). However, even if the second phase of the Shakh Deniz deposit in Azerbaijan is launched at its full capacity and Baku finally refuses to sell large amounts of gas to Gazprom, Azerbaijan is unlikely to fill *Nabucco*'s first line independently. Therefore, *Nabucco* shareholders will depend too much on Iraq, and this is too risky because, as nobody has a long-term understanding of developments in Iraq and whether the level of political stability in this country will be sufficient to secure the gas pipeline's operation. In the long-term perspective it will be necessary to negotiate with Iran, but it is hard to foresee developments in this state.

Nabucco and Southern Corridor

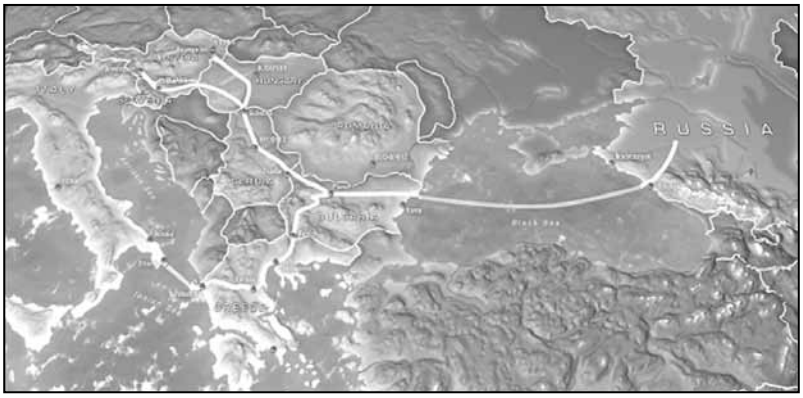


Source: Nabucco Gas pipeline GmbH

Russia suggests another project – *South Stream* - viewed as *Nabucco*'s competitor given the EU's position in this regard. This situation is most dangerous: Europe is at the verge of gas deficit and in such a situation any gas pipeline would be useful. Instead, however, *South Stream* and *Nabucco* are opposed to each other, yet competition between them can hardly be called sound. As a result, each project is aimed against a competitor, rather than promoting its own advantages. Unfortunately, this concerns Russia's policy too; however, such developments only increase the energy risks for Europe.

Moreover, in Eastern Europe there is a paradoxical situation. *South Stream* and *Nabucco* have been competing for transit routes; and some countries have realized that they have a good opportunity to obtain concessions from both projects. As a result, the interests of separate countries are prevailing over common European interests.

South Stream



Source: Gazprom

To date, Eastern European nations have been trying to put pressure on Russia through *Nabucco*. However, this situation may be reversed later. In particular, Bulgaria's new PM Boiko Borisov, leader of the GERB party that won the latest elections, spoke about a need to suspend negotiations with Russia on the *South Stream* project. He made the statement, despite the fact that the Bulgarian president Georgi Purvanov had signed an agreement on participation in *South Stream* in June 2007, which was ratified by the parliament in July 2008. Moreover, Russia has opted for the Bulgarian option, over Turkey and Romania, which would provide Bulgaria with the possibility of earning over €300m on transit fees annually.

It is quite possible that this is merely 'blackmail', which will, however, require additional efforts on the Russian side to ensure the loyalty of Bulgaria's new leadership. The situation with Serbia is similar. Srbijagas' general director, Dušan Bajatović, declared his country would participate in *Nabucco* if a corresponding proposal is forthcoming, despite the fact that Belgrade is still perceived in Moscow as Russia's ally in the Balkans and Serbia is expected to be the major beneficiary (proportionally to its size and population) from the implementation of the *South Stream* project.

The logic of Bulgaria and Serbia is quite simple – they realize that Russian premier Vladimir Putin is already involved in the south European gas pipelines straggle and wants to win at any cost. Under such conditions, a transit country can really gain funds or benefits by bargaining with the Russian PM. However, for Russia and Gazprom, the policy of fulfilling the task at any cost may turn out to be dangerously expensive. What is very important for Putin is to show he has achieved the goal and has done things his way. This situation is fraught with mistakes, and Europe, for the same reasons, will loose, not benefit. Considering the predicted gas shortage it is important to implement the maximum number of realistic projects. Moreover, laying a pipeline is a long and expensive procedure.

Besides, Putin could respond to blackmail by changing the route of *South Stream*. On August 6, Putin signed a protocol on cooperation in the gas sector with Turkey, according to which Turkey allows Russia to conduct surveying within the framework of the *South Stream* project in its territorial waters. This could imply that in the future Russia may return to the idea of *Blue Stream-2*. *South Stream,* in fact, replaced *Blue Stream-2* some time ago and now the opposite may happen. However, this is unlikely to be beneficial for either Russia or the countries in South-Eastern Europe.

Main conclusions

Russia is interested in strengthening its presence in the energy sector of South-Eastern Europe. However, this should not be considered as a threat to Europe or a politically motivated step. The largest supplier and the largest consumer should drop mutual political accusations and start more active economic cooperation as soon as possible. Russia and the countries in South-Eastern Europe have positive experience of direct investments in oil refining projects, but over the past few months any move, even

by private Russian companies, is given a political interpretation. Such an approach could block growth in capital investments in the region's energy sector, which will badly affect countries in the southeast of Europe.

In turn Russia should focus on improving the transparency of its business. This mainly concerns the gas industry and there have been several scandals in the region related to the system of gas sales. In particular, in late October 2008, the issue was raised about the operations of an intermediary in gas deals between Russia and Yugoslavia. Yugorosgaz, controlled by Gazprom, received an annual fee totaling €35m (a 5 percent of the total volume of supplies) and resulted in resignation of Srbijagas head Sasha Ilic.

Later, Gazprom and Serbia agreed on a number of additional documents within the framework of an intergovernmental agreement on cooperation in the energy sector. The sides agreed that Srbijagas would increase its stake in the Yugorosgaz Joint Venture from 25 percent to 49 percent and Gazprom would retain 51 percent.

Bulgaria is concerned about another intermediary - Overgas Holding Inc. This is a joint venture of Gazprom and Overgas Holding AD, established in 1995 on a parity basis. Gazprom's stake is 50 percent; Overgas Holding AD - 50 percent. The company is engaged in the construction and maintenance of transit and main gas pipelines in Bulgaria and participates in the sales of gas to that country. Bulgaria has raised the question of removing the agent, but Gazprom has insisted on retaining it to date.

It appears that the institution of intermediaries will gradually disappear in the future, which should increase trust between parties. An optimal strategy would be for Russia to improve the transparency of its business in Europe, while the Europeans decrease the level of political exploitation of this topic. I believe the most reasonable way to bring common sense back into cooperation between Russia and South-Eastern Europe is the economization of our energy dialogue. This is why the mistakes made at present could be extremely expensive for all concerned.

Russian Energy Policy and the Balkans

Milan Simurdić[1]

Basic postulates of Russian Foreign Energy Policy

If one considers foreign policy as an extension of internal policy of a kind, then that postulate can significantly facilitate the analysis of Russian foreign energy policy, including its implementation in the Balkan region.[1] The overview shall limit itself to natural gas, with occasional references to oil, as an inevitable *other side of the coin* in Russian energy policy. First, a few notes on gas. Unlike oil, which is traded on the world spot market, gas is transported to its final consumers mainly through gas pipelines. Gas pipelines often extend across several states, representing different political and economic systems. This makes it a *sensitive* product, susceptible to different influences (political, economic, geographical, etc.), along the whole chain – from the producer through the transit states, until it reaches the consumer. In another words, gas is an overtly *geopolitical* commodity.[2] It is estimated that the "geopolitics of energy relations has replaced or absorbed the traditional geopolitics of military balances".[3]

Natural gas is considered as the fuel of the future, both because of the vast reserves available and because of its ecological acceptability. Gas combustion emits around 40 percent less harmful gases than coal and 30 percent less than oil. As the issue of climate change slowly progresses to the top of the world agenda, this becomes an additional argument to label gas as *the fuel of the future*. Estimates testify that gas will be the fastest growing source of primary energy in the world: over the next few years it will overtake coal in importance and consumption, and, by 2050, it will also overtake oil. Its use and cost-efficiency in the chemical and metal industries and, especially in the production of electricity, makes gas more than simply a source of energy.[4]

To address such an ambitious topic, we shall take a look at several elements: the basis of Russian energy policy, connections with its Foreign Policy Concept and with the National Security Strategy. We shall see how it has influenced the Balkan region during the last two years, since Russia initiated the *South Stream* gas pipeline project. This leads us also to the EU energy policy, which overlaps with Russian energy policy, and not only in gas, but also in transit countries and in the Balkans. Since gas pipelines are long term and

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1) *Milan Simurdić is the Chairperson of the European Movement in Serbia's Forum for International Relations and former Ambassador of the Federal Republic of Yugoslavia and Serbia and Montenegro to Croatia (2001 – 2005).*
To understand the significance of oil and gas for Russia, it is sufficient to note that almost one half of the GDP, almost two thirds of export profits and one half of the state revenues come from that sector. See: „Cevovodi, politika i moć" [Pipelines, Politics and Power], Center for European Reform, London, translation into Serbian, European Movement in Serbia, Belgrade, 2009, page 3
2) The use of the term *geopolitics* here is based on the definition given by J. Barnes, M.H.Hayes, A.M.Jaffe and D.G.Victor in the Foreword to the book *Natural Gas and Geopolitics-from 1970 to 2040*, Cambridge University Press, Cambridge, 2006. According to them, geopolitics is the influence of geographical, cultural, demographic, economic and technological factors on the political discourse between actors in the international sphere. „In this definition, relative gains matter, but so do joint gains from possible cooperation", say the authors and point out that states which decide to import large quantities of gas put the security of their energy systems partly into the hands of others. This, in return, gives suppliers and users of gas a share in the internal political stability of the other side. Therefore, what we mean by *gas geopolitics* – is not only an endless race for global position, but also large political actions of governments, investors and other key proponents who decide which gas projects will be built, how the profit will be shared and risks managed, depending on the international gas trade.
3) Dimitri Trenin, Geopolitika energije u odnosima Rusija-EU,: „Cevovodi, politika i moć" [Pipelines, Politics and Power], Center for European Reform, London, translation into Serbian, European Movement in Serbia, Belgrade, 2009, page 15.
4) The world's gas reserves are focused in a relatively small number of states: only five states control 67 percent of worlds gas reserves – Russia, Iran, Qatar, Saudi Arabia and the United Arab Emirates. Russia possesses 27 percent of gas reserves, and together with Iran it controls almost one half of the world's confirmed reserves. Moscow will surely remain the main world gas producer in the next few decades. By comparison, the US possesses 3 percent. Russia's reserves are in locations distant from the areas of major future demand – the US, the EU, China, India and Brazil. For this reason it is estimated that the growing role of gas will increasingly influence relations between producers and consumers and thereby the worlds political scene. Around 80 percent of world's gas reserves, but also oil reserves, are property of or under control of exporting countries or their energy companies.

complex projects, it is inevitable to return to the issue of gas sources. Finally, we shall try to offer basic conclusions and prognoses.

The starting points of contemporary Russian energy policy are defined in the document: "The Energy Strategy of Russia for the Period up to 2020", adopted in 2003.[5] The initial statement is that "Russia possesses great energy resources – its territory contains 1/3 of the world's natural gas reserves, 1/10 of oil reserves, 1/5 of coal reserves and 14 percent of uranium reserves". The energy policy should be directed towards a change from raw material supplier to active participant on the global market, which is a task of *strategic importance*. This ensures Russia's energy security and its position as a *stable and reliable partner of the European countries and the world community*.[6] The strategy identifies Europe and Asia as the primary markets for Russian foreign energy policy stating that *a common energy policy and transport and energy infrastructure in the regions of Europe and Asia fit within Russian strategic interests, indiscriminately providing transit of energy*. The document underlines that *the state will foster the participation of Russian enterprises in development and construction of great international transport projects for gas, oil and energy in both western and eastern directions*. The following section is also wordy of attention: *For Russia, which has a unique geographical and geopolitical position, issues of transit has a special meaning...The markets of Central and Western Europe remain among the greatest markets in the forthcoming 20 years*. The Russian 2008 Foreign Policy Concept only briefly touches upon energy. However, it puts forward significant tasks for Russian diplomacy: *Strengthen strategic partnership with the leading producers of energy resources, develop active dialogue with consuming countries and transit countries…assuming that measures, being taken to guarantee reliability of energy supplies, should be consistently supported by forthcoming activities aimed at ensuring stability of demand and secure transit*.

It is also worthwhile to consider the special attention given to energy producers in the Middle East, which is defined as being of *strategic significance to Russia's national interests*.[7] Considering the previous National Security Strategy, energy has received a more prominent place in the new text, with regards to two aspects: as a resource and as a security matter. Energy is represented as an instrument of power which strengthens Moscow's position in international affairs and secures resources for strategic deterrence.[8] Therefore, when the former Russian president Putin stated in 2005 that "Russia does not have other areas in which to be a leader", he was underlining an evident truth, since Russia has natural and technological potentials, which offer it a leading role in the global energy sector. At a meeting of the National Security Council, he stated that "energy is the most important force of world economic progress. It always was and will be for a long time".[9]

Gazprom represents the embodiment of the Russian foreign energy policy.[10] It is a company whose majority shareholder is the state.[11] It came into being from the Soviet Ministry for Gas and, basically, it was conceived to unite systems for the exploitation and transportation of gas in Russia, Ukraine and Belarus. It controls around 80 percent of Russian gas reserves and the entire gas infrastructure, i.e. transport and transit gas networks.[12] Gazprom has not been privatized as the oil industry has. Although there are no disputes over the assessment that Gazprom's intention is to control the entire gas pipeline from the source, through transit to the buyers in foreign markets, opinions differ about the background of such a policy. According to some, Gazprom has not given up its intention to control the gas distribution

5) *Summary of Energy Strategy of Russia for the Period up to 2020*,
see: http://ec.europa.eu/energy/russia/events/doc/2003_strategy_2020_en.pdf

6) Unlike consumers for whom energy security means stabile, reliable and per acceptable prices supply of energy sources (oil and gas) for producers it means stabile and predictable demand and prices which, as a rule, justifies large investments in research, production and transport of energy.

7) The Foreign Policy of the Russian Federation, 12.07.2008, see: www.kremlin.ru

8) Russian Analytical Digest, No.62, 18.06.2009, http://www.res.ethz.ch/analysis/rad/index.cfm

9) Russia: Is the Georgian Gas Crisis Evidence of Moscow's New Energy Strategy, *RFE/RL*, 23.01.2006, http://www.rferl.org/content/article/1064978.html

10) This year's Forbes list puts Gazprom at 22nd place of 500 most successful companies of the world; another energy company, Royal Dutch Shell holds the first place.

11) *Moscow Times* reported on 27 May 2009 that Gazprom used to be at a third place of the list of the biggest energy companies in the world a year ago, with market capital of $350billion. This year it fell to 40th place with capital of $120 billion.

12) Gazprom controls almost 160.000 km of gas pipelines, with 218 pumping stations and 25 underground storages. The system transported 714 billion m^3 of gas in 2008, http://eng.gazpromquestions.ru/index.php?id=6

system, especially in Central and Eastern Europe.[13] He, who controls the pipeline, controls the buyer.[14] This opinion is contrasted by assessments that *Gazprom, like Russia, wants to make money, be strong, rich and respected*. Gazprom's moves are wrongly interpreted as a means of some political strategy: *energy is a political business, but it is business first and foremost*.[15]

The dominant word from the abovementioned documents is exactly *transit*. It is of key importance for Russian foreign energy policy. For Russia it is equally important to maintain both transit monopoly as well as a decisive influence on energy affairs in the post – Soviet area, i.e. in its strategic "nearby neighbourhood". Russia would like to prevent what happened in the case of oil: the BTC pipeline, which took Caspian oil to the Mediterranean, circumventing Russian territory.[16]

Russian Energy Policy and the Balkans

Russian energy policy in the Balkans could be viewed as part of the competition for access, control and influence over the oil and gas business, especially in the Caspian basin and in Central Asia.[17] The Balkans represent the final stage of oil and gas delivery from that region towards, in the case of gas and gas pipelines – the European markets and, in the case of oil, to sea ports transporting oil further to the world market. More and more, the Balkan region is being connected to the "New Great Game", i.e. the modern re-run of the struggle between Imperial Britain and Imperial Russia of the XIX century for influence in Central Asia.[18] Historical parallels aside, the position of today's stakeholders, and their numbers, have grown into several conflicting lines of divisions. The dissolution of the Soviet Union has opened the possibility for foreign companies to enter the oil and gas rich Caspian region and Central Asia. The US has formulated the "East – West Corridor Strategy", which would lead to the opening of this region for exploitation and transit of energy, through the Black Sea, the Caucasus and the Caspian Sea. Essentially, the EU supports this concept and strives to arrive on the scene of energy sources in those regions independently, offering the concept of the *New Silk Road*.[19] China counts on the same region with increased engagement. It has succeeded in entering into long term oil and gas purchase contracts with Kazakhstan and Turkmenistan. Russia views this with some suspicion, reacting to this with intents to preserve its Soviet era primacy, both in access to sources and oil and gas transit, which it wishes to direct through its own territory. One study of Russian presence in the region estimates that: *Russian energy strategy is based on the principle of keeping control over Central Asian resources, both energy production and transit, as long as possible, as well as gaining stakes in infrastructure and energy companies downstream in Europe*.[20]

Russian interest in energy in the region began during the Soviet era in seventies, when fast and comprehensive gasification started in the former USSR and the countries gathered around the Council for Mutual Economic Assistance (COMECON). The first oil embargo after the Arab – Israeli conflict in 1973 influenced this, turning European consumers towards the USSR's oil supply. This also led European countries to an insufficiently used energy source – gas. At the time, gas arrived to Yugoslavia, through

13) See: Gazprom's Expansion in the EU: Co-operation or Domination, Agota Loskot-Strachota, Center for Eastern Studies, Warsaw, 2008, http://www.isn.ethz.ch/isn/Digital-Library
14) Roman Kupchinsky, Russia: Does Gazprom Have a Master Pipeline Plan, *RFE/RL*, 30. January 2006. http://www.rferl.org/content/article/1065233.html
15) Dimitri Trenin, Geopolitika energije u odnosima Rusija-EU„Cevovodi, politika i moć" " [Pipelines, Politics and Power]„ Center for European Reform, London, translation into Serbian language, European Movement in Serbia Belgrade, 2009, page 23
16) It is important to note that it is extremely important for Russia to keep Iran, which has the second largest gas reserves in the world, under its influence for the longest possible time, and outside of the reach of the European buyers. The strategic partnership with Teheran enables Moscow to only flirt for now, with the idea of forming Gas OPEC, i.e. the cartelization of the gas trade.
17) Milan Simurdić, „Geopolitika prirodnog gasa" [The Geopolitics of Natural Gas], feuilleton, *Economist journal*, Belgrade, March – May 2008, issues 409-415
18) More details in the book by Lutz Kleveman, The New Great Game - Blood and Oil in Central Asia, Atlantic Books, London, 2003
19) Prague EU Summit declaration, May 2009, available at: www.eu2009.cz
20) "Europe's Energy Security, Gazprom's Dominance and Caspian Supply Alternatives", Central Asia-Caucasus Institute&Silk Road Studies Program, Washington D.C. Stokholm, 2008,
http://www.isdp.eu/files/publications/books/Job5_EnergySecurity.pdf

Hungary.[21] The dissolution of the USSR and changes in COMECON halted the spread of gas deals. The dismemberment of Yugoslavia and subsequent wars put an end to the gas deals in the Balkans. However, already in 1996 a joint Russian – Serbian Enterprise, Jugorosgaz, was formed, and in 2006 Serbia was offered participation in the *Blue Stream II* project, which was the predecessor of the current *South Stream*.

The *South Stream* gas pipeline project depicts the contemporary phase of Russian energy policy in the region. It was launched as a Russian – Italian project of Gazprom and ENI, immediately before the energy summit in Zagreb in 2007.[22] Russian President Putin elaborated Russian energy policy in the Balkans in the following manner: *Our strategic objective is to ensure access to reliable energy supplies for all countries in the region. Our policies take into account the Balkan countries' increasing involvement in the European integration process, and we are ready to develop our relations in cooperation with the European Union.*

He emphasized that "Russian relations with its partners in the Balkans have traditionally been based on mutual sympathy, common spiritual traditions, the closeness of our languages and cultures and a common history." Putin's comment that "the project to develop the gas network in Macedonia and expand the gas pipeline network to Albania, Southern Serbia and Kosovo" confirm that this was entirely conceived through a regional approach.[23] Numerous contacts followed and basic agreements on the construction of the *South Stream* gas pipeline were signed with countries on the potential route:[24] on its northern branch - Serbia and Hungary, on southern branch - Bulgaria and Greece, while negotiations with Austria and Slovenia are still underway. For now, it is a preliminary non-binding document, as the final feasibility study will be completed by the end of 2010. It is worth noting that Russian diplomacy advocates the inclusion of as many states as possible into the gas pipeline project.

The project of the *South Stream* gas pipeline met with many comments. Most analysts emphasize transit as the primary feature of the region, but more and more point to the significance of the Balkan market. Essentially, there are both economic and geopolitical reasons in play. There are assessments that Moscow is aware of European strivings to diversify its gas supply, therefore Russia strives to consolidate its own position in the Balkan states, above all, on their energy markets, because, they will be future EU member states.[25] In this context it is emphasized that the *Balkans have long had the image of being a special sphere of Russian interests, and they will hardly get rid of this image in the near future*.[26] This can be read as a *Russian wish to create a counterbalance to the Balkan states' tendency towards NATO and the EU*. Russian energy interests are fundamental in strengthening Russian influence in the Balkans and South-East Europe. They are a part of the Russian energy strategy towards the EU, with the *South Stream* and the *Burgas – Alexandropulos* oil pipelines, as the key projects.[27] Russian energy policy in the Balkans meets two aspects of the EU energy policy. First, a significant number of Balkan stakeholders are already EU member states (Greece, Romania, Bulgaria), and apply the common EU energy policy, which is still predominantly within the competence of EU member states. Brussels also increases engagement on two fronts: strengthening the internal market regulations and better connectedness of gas pipeline infrastructure and intensive foreign energy policy focused on finding new sources of supply. Second, those Balkan states which are not the EU members are, however, stakeholders of the Stabilization and Association Agreements with an open prospective for membership. Simultaneously, through membership in the Energy Community, they are, de facto, integrated in the internal EU energy market.[28] These countries took upon themselves an obligation to implement EU regulations pertaining to gas and electricity. This means that in the Balkan

21) It reached western parts of Yugoslavia – Slovenia and Croatia – through Austria, and not through the pipeline along Yugoslav territory;

22) It could be interesting to point out that Gazprom was formed on the model of the Italian energy concern ENI, see text in Russian daily Kommersant, 30 August 2008, at: http://www.kommersant.com/p845604/Gazprom_Business_Gas/

23) Putin's speech at the Zagreb Energy Summit, 24 June 2007, at: www.kremlin.ru

24) More about *South Stream* at: www.gazprom.ru

25) Nicolo Sartori, "Russia's Energy Strategies in the Balkans", Interns Yearbook, Analytica, Skopje, 2009, page 48, http://www.analyticamk.org/files/Yearbook_2008.pdf

26) Peter Bonin, "The last reserve of the imagined Great Power - On the significance of the Balkans for Russian political and economic actors", New Balkan Politics, Issue.3, 2002

27) See: Dr Mark A Smith, "Russian Energy Interest in the Balkans", Defence Academy of the United Kingdom, 2008, http://www.da.mod.uk/colleges/arag/document-listings/balkan/08(07)MAS.pdf/view

28) Milan Simurdić, "Energetska politika EU, Zapadni Balkan i Srbija, Izazovi evrorpskih integracija" [EU Energy Policy, West Balkans and Serbia, Challenges of European Integrations], Belgrade, Issue.2009-4, page.63-75

region Russian energy policy converges with the EU policy, which has ambitions to expand its regulations to Russian 'nearby neighbourhood' as well.[29] This is done through the *export* of its regulative norms and through expanding the validity of the rules of its internal market, thereby strengthening its energy security.

For both stakeholders, the transit significance of the region takes priority. In the case of Russia, it is about an alternative to over-dependence on the Ukrainian transit routes (around 80 percent), while for the EU it is about striving to reduce dependence on Russian gas (an average 25 percent of consumption and around 40 percent of gas imports) and form supply routes independent of Russia. The competition is depicted in the two projects: *South Stream* and *Nabucco*. Notwithstanding balanced official statements on both sides, according to which these two projects are not at odds with each other, observers' and analysts' rhetoric sounds like *the pipeline war*. Roughly speaking, *South Stream* can probably count on enough gas, but has uncertain delivery. Also, the entire route on the southern and northern branch from the Bulgarian diverging point has not yet been completed. *Nabucco,* on the other hand, has buyers, but, at this stage, insufficient gas. *Nabucco* counts on strong United States support. The EU possesses significant leverage of influence through regulations of the gas market, which *South Stream* has yet to establish. Both projects have to face the economic and financial crisis and, also, the fall in demands for gas.[30] Essentially, these are two approaches to energy policy. Russia, whose pipelines almost exclusively lead to the West, stands for vertically integrated – monopoly companies such as Gazprom, while the EU stands for liberalized market, antitrust regulations and competition.[31]

The accelerated gas diplomacy, along the entire energy chain is visible, especially with regards to *South Stream* and *Nabucco*. The construction of the gas pipeline entails four phases: conceptual, political, commercial and the phase of construction. Both projects are in the middle, between the political and commercial phases. Now is the time to *draw a line* – the final feasibility study for *South Stream* arrives next year, when the financial framework for *Nabucco* is also due. When one looks at the broadest picture conceivable, it is quite possible that the *reset* of relations between Washington and Moscow will grasp this topic and answer the questions whether the energy security is a matter of cooperation or competition. This has been confirmed by the White House with the announcement of talks on cooperation in the energy sphere, especially talks about diversification of supplies around Russia and the region in a manner which is not defined as a "zero sum game".[32] Part of the answer could come relatively quickly, yet this does not mean that the global energy equation and its regional, Balkan counterpart will be resolved soon.

Conclusions, Prognosis

The Russian energy strategy in the Balkans is an integral part of the entire foreign policy posture of Russia in the region – *the first echelon* of advance. Russian energy interests and plans coincide with the region's approach to the EU. The Balkan states are already EU members, or are, indirectly, through the Energy Community, integrated into the EU. Energy lies within Russia – the EU core relations, which means that the Balkans are a part of the institutionalized Russia – EU energy dialogue, on the side of Brussels. That process has only started and one could expect that Russia will strive to, before the full integration of the region into the EU, strengthen its presence to the fullest extent. This dialogue does not take place in a vacuum and is significantly influenced by trends in international affairs. This dialogue contains both elements of cooperation and of competition. The process has two dimensions: political and economical,

29) Milan Simurdić, Partnerstvo umesto proširenja [Partnership Instead of Enlargement], *Danas*, Belgrade, 31. May 2009
30) Milan Simurdić, "Takmaci ili saradnici", [Competitors of Collaborators] *Danas*, Belgrade, 06 July.2009
31) In the European Council for Foreign Relation's study „How to Deal with Russian Gas", author Pierre Noel states that since 1980 the import of Russian (Soviet) gas has been reduced by one half, from 80 percent to 40 percent. Russian gas now represents only 6.5 percent of the primary energy supply of the EU, which has been almost unvaried for 20 years. This will, as the author states, remain so in the near future. The problem, Noel claims, is not dependence, but divisions in the EU, so the real response is the strengthening of the internal gas market in the EU. The study is available at www.ecfr.org
32) Obama to Press Kremlin on Energy, *The Moscow Times*, 03 July.2009, http://www.themoscowtimes.com/article/600/42/379258.htm

which are intertwined, mutually complementing and dynamically rotating. On one side, politics or even geopolitics has the upper hand, while, the other, is economy dominated. What is politics for one side, could be economics for the other, and vice-versa. Energy security has become part of the national security strategy, both for Russia and the EU, which, additionally, increases the significance of this topic. The predominant opinion is that the EU and Russia are mutually interdependent and that this is one of the key long-term factors in their mutual relations. The issue, whether Russia invests enough in new gas sources and transport networks, is beside the point. Buyers in the EU fear that under the conditions of permanent growth of gas demand in Russia and low investments in new fields, one could see a significant reduction in Russian gas export quantities in the future. A new formula for mutual dependence is necessary. Russia needs finances and technology, while the EU needs Russian gas.

The economic and financial crisis, followed by a drop in gas demand may, in the short, or even mid-term, influence Russian foreign energy policy. Successive gas crises in Moscow – Kiev relations had damaged trust in the reliability of Russian gas exports. The conflict in Georgia in 2008 adversely affected the geopolitics of gas. Projects, which depend more on geopolitics then economics, might wait for a more suitable time for resolution. However, once drawn, gas pipeline and oil pipeline routes live their own life, independent of implementation and could significantly influence the policies of all stakeholders.

The continuation of gas and oil pipeline competitions in the Balkans in the "zero sum game" manner, does not lead to a sustainable solution. Mutually beneficial win – win combinations are necessary, instead of mutually exclusive projects. For Serbia, alongside the desirability of *South Stream*, different sources and directions of gas supply are a priority. One should not doubt that a wide and branched gas pipeline infrastructure in the region is, indeed, important for the stabilization of the region. Once built, gas pipelines, especially in a regulated environment, with predictable and transparent rules, add to stability.

Serbian Energy Sector – Status and Contemporary Russian – Serbian Energy Relations

Dr. Zorana Z. Mihajlović – Milanović[1]

Serbia and its energy sector are on the transit route from the East to the West, in the central part of the Southeast Europe. The region of Southeast Europe (Albania, Bulgaria, Bosnia and Herzegovina, Croatia, Macedonia, Romania, Serbia, Montenegro and UNMIK – Kosovo) is located at the crossroads of all relevant energy transit corridors, thereby making this significant East – West link much more efficient and cost effective. Although it saw a difficult period since the 1990s, marked by substantive economic and political changes, often resulting in conflicts, civil and religious wars, the most part of the region has seen a road of recovery since the mid 1990s, and a gradient development trend. Countries of the region have already completed or are in the final phases of transformation, relocation and restructuring of capital sectors, especially energy sectors. In Serbia, these events are yet to take place, starting only in the next two years.

Given that the energy sector in the region is at its turning point, both due to the new development – investing cycle and due to the new model of market and profit oriented principle, events in the Serbian sector will directly influence the energy blueprint of the region. The region's accelerating development and GDP growth has seen an increase in energy demand, averaging at 1% (1991 – 2001). The combination of reducing availability of infrastructural facilities (aging) and increased energy demand, resulted in the deficit in securing sufficient quantities of energy since 2001. Until the year 2012, average annual energy demand growth will be 2.3% (2002 – 2012), which means that 4,500 MW of new facilities (or around €5 billion of investment) will need to be built. By 2025, 15,000 MW of new facilities will have to be built, while 11,500 MW will have to come from revitalized facilities (estimated to be €35 billion). Precisely due to the lack of new energy facilities and investment, regardless of how well the strategic position is, the Southeast Europe region is a potential lagging point of energy flow. The need for organized, faster and joint solution of this problem resulted in the European Union's initiative, and acceptance thereof by the countries of the Southeast Europe, on drafting and signing an Agreement on Establishing South East Europe Energy Community between the countries of the South East Europe (signed in Athens 25 October 2005, ratified by the EU and came into force on 01 June 2006). This is the first document on energy with a binding status, signed between countries of the South East Europe and the EU. By ratifying this agreement, an obligation to create a legislative framework for establishing a unified and integrated energy market (the EU and 9 partner countries) was announced. The goals of the South East Europe Energy Community of countries are: creation of conditions and attracting new investments in the energy sector (especially electricity and gas), so that the network is safe; creation of the unified electricity market (allowing cross border trade and link with the EU market); increase of the security of the offer and strengthening conditions for the unhindered environment protection with regards to the energy offer of the region.

1) *Zorana Z. Mihajlović – Milanović is a Energy and Energy Security Advisor from Serbia*

The total energy supply and consumption of the South East Europe Energy Community ***(Mt oe)****

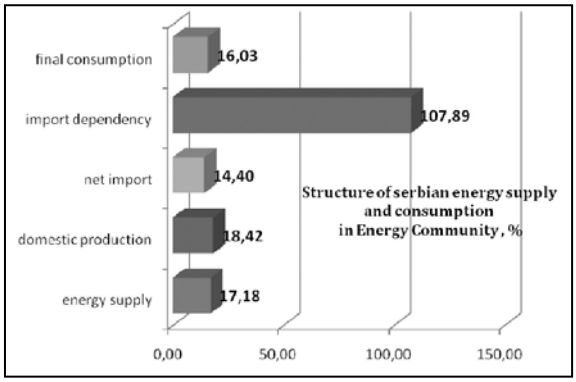
	Energy supply	Local Production	Net Import	Import dependency ratio,%	Final Consumption
Albania	2,4	1,2	1,2	51	2,1
Bosnia and Herzegovina	5	3,3	1,6	32	3
Croatia	8,9	3,8	5,2	58	7,1
Macedonia	2,7	1,5	1,2	45	1,7
Montenegro	1	0,6	0,4	40	0,8
Serbia	16,7	11,4	5,3	41	9,7
Kosovo-UNMIK	2	1,2	0,8	40	1
Bulgaria	18,9	10,2	9,1	48	9
Romania	39,6	28,7	12	30	26,1
Total	97,2	61,9	36,8	38	60,5

*t oe – tone of oil equivalent, energy unit, as the amount of energy produced through the combustion of one tone of raw oil.

Source: Energy in the Western Balkans, IEA, 2008

The development of this energy market is coordinated by the European Commission, which gives energy sectors of the region "one foot" in the EU.

Serbia is a member of this energy market, which it confirmed by ratifying the Agreement (July 2006, Official Gazette of the Republic of Serbia 62/06), i.e. by promulgation of the Law on Ratification of the Agreement on Establishing Energy Community.



Serbia's share in the energy offer in the region is 17.2%, and Serbia holds a 16% share in its final consumption. Considering each type of energy source Serbia stands out with producing 30% of the coal in the region. In second place is hydropower with 23% and in fourth place is raw oil at 23.4%, in the region.

For this reason, the challenges before Serbia are significant, and the responsibility of the political and economic elites is increased.

Since the democratic changes in Serbia (2000) little has been done in the energy area. Apart from passing the Law on Energy four years later (2004), Strategy of Development of Serbia's Energy until 2015 (2005) and Implementation Program (2007), establishing Regulatory Agency and Agency for Energy Efficiency, nothing essential was done for restructuring and increasing efficiency. Besides, due to the discrepancies with EU directives, Law on Energy is in the process of being amended and Strategy of Development of Energy is obsolete. The state has not been a good entrepreneur in most of the energy sector, especially in the economic activity of public enterprises, which are still highly inefficient and mostly accumulating losses (estimated loss of the public enterprise "Electric Power of Serbia" for 2008 is 20 billion dinars or around €240 million). From 2000 – 2008 the price of electricity in Serbia increased by 540%, while the salary increases were less than 100%. In spite of that, losses are piling up, consumption is growing (9% for the period 2002 – 2008 and 23% for the period 2008 – 2015) and new facilities are not being built. Capital energy facilities were being built until the mid 1980s and the period of disinvesting, which then

started, lasted ever since. Citizens of Serbia have, through the increase in prices of electricity over the years financed the inefficiency and corruptive practice within the enterprise "Electric Power of Serbia" – EPS, instead of financing new electric generating facilities.

The state's failed action is also visible on the example of the Serbian Oil Industry (NIS) enterprise. In order to control oil and oil derivates market, that is to say give an opportunity to NIS to employ its processing facilities and modernize refineries in Pančevo and Novi Sad, the state introduced a Decree in 2001, regulating export and import conditions of oil and oil derivates (Official Gazette of the Republic of Serbia 92/2007). The Decree on Conditions and Manner of Import and Processing of Oil prohibited import of basic derivates of oil, except in cases when the stability of supply of the domestic market is jeopardized, when NIS is allowed to make an emergency import. In order to secure additional funding, the oil-processing price was substantively higher than in the region. Thereby, NIS has been subsidized with €160 million annually for the past eight years. Considering that in spite of all this, NIS today is still "at the beginning", without technologically modern refineries, without investments, eight years older, with a lower quality of oil derivates than those in Europe, and with a need for investments of around €1.2 billion, it is clear that the money provided to NIS ended in channels of corruption. For the last eight years NIS could have built another modern refinery, could have participated as an investor in oil enterprises of the region and could have become a true leader.

Apart from that, in the first years since 2000, the state had no clear strategy of restructuring and ownership transformation of NIS, which lead to the managers of this enterprise, blessed by their political leaders, to undertake the privatization of various parts of NIS by means of direct sale negotiations. Through signing different memos on cooperation, Agreements on Long – Term Cooperation, strategic partners have been putting forward their interest and management tried to, without public eye, transform parts of NIS (in some cases several times over).

In order to resolve this situation, the state managed to, through a tender procedure, select a privatization advisor for NIS (Merrill Lynch and Raiffeisen International AG) in 2005. Although the advisor laid down strategy of privatization, by means of tender, in three consecutive phases and although the government of the Republic of Serbia adopted this strategy, only several months later, the government decided to sell NIS by direct sale of majority of shares (51%). This behavior is not only the failure of the government, but signaled that there is no clear position or strategy of energy sector development. Furthermore, this has been a clear signal to investors that other decisions by the government could also be changed overnight, and without a clear rationale.

Generally speaking, absence of tenders, direct negotiations, increase in corruption practices in base sectors, especially the energy sector, are serious obstacles and an aggravating factor for future development of energy not only Serbia, but also in the region. The result is an inefficient sector, without necessary investments and an atmosphere for their attraction and realization.

The status of the Energy Sector in Serbia in 2008

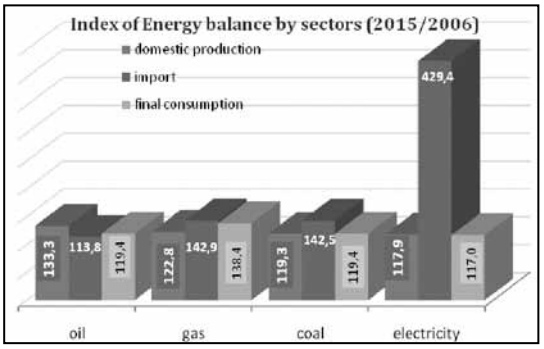
Serbia is a country with no big fossil energy potential. The reserves of good quality oil and gas are symbolic and make less than 1% of the total of Serbian reserves of fossil energy, while coal reserves make the other 99%, which are dominated by the low – calories lignite.

Reserves of fossil fuels in Serbia, ***Mt oe***

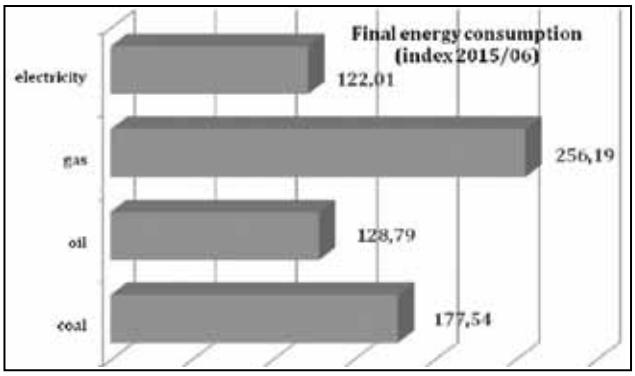
	Recoverable	Geological
Coal with Kosovo	2.741	3.883
Oil and Gas	20	60
Total	2.761	3.943
Total without Kosovo	773	1.091

Source: Strategy of Serbia's Energy Development until 2015

Apart from the poverty in sources of energy, Serbia's balance account indicates an increased tendency of energy dependence, both of primary energy (oil, gas, coal) and of secondary energy (electricity). The total energy import dependency has since 2004 been higher than the one projected for 2015 (35.9 – 38.4%, depending on the scenario or slow or accelerated pace of economic development). The energy import dependency has been 42% in 2008.



The final energy consumption will rise until 2015 to 22%, with an annual average of 3 – 5%, while the domestic production will effectuate a slower pace (from 20% upwards), with an annual average growth rate of 1.75%. The sectoral balance shows that until 2015 the sharpest rise will be in import of electricity (329%), coal (142%), natural gas (43%) and oil (14%). The projection of final consumption (2015/2006) per energy source shows the highest increase in gas consumption 156% and coal of 77%, but also the rise in consumption of oil (29%) and electricity (22%).



Gas will very much be in demand in Serbia. Its wide use is declared one of the priorities of the Strategy of Energy Development, and operationally envisaged by the National Action Plan, which sets gasification of at least 400,000 households and increase of gas consumption in the electricity production (for over 300%). Precisely for this reason, projects undertaken in this regard must be done in a public and transparent manner through tenders and public announcements.

The vulnerability, insufficient investments, and absence of any control of realizations of strategies gave birth to a myriad of problems – which now represent points of great concern for the Serbian energy sector:

Critical Points in the Serbian Energy Sector in 2008

Gas Sector

1. Low reserves of domestic gas (9% of consumption in Serbia, import is 91%);

2. Growth of gas consumption by 57%, while import of gas will grow by 73% (for the period 2015/2003);

3. Growth of losses in transit and distribution of gas by 69% (2015/2003);

4. Underdeveloped gas infrastructure: 1. One way of inflow of gas (Russia – Ukraine – Hungary (Horgoš) – Serbia), 2. Disproportion in development of the distribution network and degree of gasification of the North (95%) compared to central and south part of the country (under 45%);

5. Disparity of prices of other energy sources which causes fluctuation in consumption and use of gas.

6. Non-transparent procedures and realization of projects of gasification of Serbia;

7. The loss of the status of buyer of gas directly from the producer (the Russian Federation), but instead introducing an intermediary in the acquisition;

8. Jeopardized energy stability due to the lack of operability of underground storage facility in Banatski Dvor, potential capacity of 850 mil m^3/annually

Oil Sector

1. Crude oil reserves estimated to last for at least 40 years (50 mil t oe);

2. Domestic oil production satisfies 20% of consumption in Serbia ;

3. Growth of oil consumption by 27%, import of oil will grow by 15% (for the period 2015/2003);

4. Engine fuel consumption will increase for about 72% (2026/2007);

5. Obsolete infrastructure and technology – especially of reprocessing facilities;

6. Low usage of oil processing facilities of only 46.5% due to the obsolete technology. (Pančevo and Novi Sad);

7. Insufficient investing in domestic research and oil production as well as in concessions abroad;

8. Shortcomings in fair competition and relationship between private sellers of oil derivates;

9. Failure to use tar sands as a way to obtain synthetic oil. Estimated reserves are 2 billion tones, out of which 200 million tones of oil could be obtained;

10. Monopoly and favoring the state oil company NIS, both by means of a Decree on Prohibition of Import of Derivates, and by means of permissions for the potential emergency import of derivates;

11. Disparity between the quality and price of oil derivates in Serbia (quality at the lowest and price at the highest level in Europe)

The Sector of Electricity

1. The growth of consumption of electricity by 22%, and import of over 400% (for the period 2015/2003);

2. The dominance of low calorie coal – lignite in electricity production;

3. Higher losses in transport and distribution of electricity (for only four years 2008/2002., increased by 64%), compared to the region;

4. Impossibility to dispose of energy reserves of coal in Kosovo and Metohija basin, as well as electricity generating facilities (thermo power plants, coal mines, distribution network) on that territory, since 1999 (coal reserves in Kosovo and Metohija are 2nd in Europe and 5th in the world;

5. Stalemate in the construction of electricity facilities of more than 18 years;

6. Monopoly on electric producing activity directly influencing growth of expenses and prices as well as lack of investment;

7. The state lack of interest in establishing and developing electricity market notwithstanding the fact that it would positively influence the competitiveness of the economy;

Renewable Energy Sources and Heating Energy

1. Not using renewable energy resources estimated to be 3,83 mil tons annually;

2. The structure of potential renewable energy sources points to the dominance of the biomass potential (63%), sunlight (16,7%), potential in small streams (10,4%); geothermal sources (5,2%) and wind (5%);

3. lack of legislative procedure and by- laws in this area (the Decree on Status of Selected Producers, motivating measures, amendments and to the Law on Energy, Decree on Minimal Share of Electricity produced in RES – Renewable Energy Sources and cogeneration);

4. No laws on rational use of energy and motivating measures of the state and Fund for Energy Efficiency;

5. Impossibility to control public enterprises which produce and transport heating, controlled by the local self – governing bodies, although they directly influence the energy balance of the country;

6. Lack of strategy of development and use of congenerative facilities which would at the same time produce heating and electricity, thereby increasing energy efficiency and secure sufficient energy sources;

The situation in which the Serbian energy sector finds itself in today, changes, pertaining to the restructuring, privatization, and adhering to relevant EU directives, on one hand and sustaining energy stability on the other, are imminent. Full transparency and openness of the process is necessary. Without that, and all signs lead to the conclusion that openness and transparency will be reduced, the monopoly of the Republic of Serbia, which exists in energy sector, will be replaced by a monopoly of another state and several of its enterprises. This not only jeopardizes all principles of the market economy, but it will also became a limiting factor in the development of the energy and thereby all other sectors in the country. This also sends additional signal to others in the region and potential investors on the insecurity of their investments in Serbia.

Keeping the Russian Federation's gas wealth in mind, as well as decades of Serbia's relying on this supplier, it is not illogical to continue purchasing gas from this country for the energy sector. What is unusual, though, is to hand over almost an entire energy sector, by means of direct deals (agreements on strategic cooperation) without tenders, to Russian companies. The responsibility lies, of course, on the Serbian side, which has not clearly defined routes, criteria and ways of developing energy sources, and which was not even able to respect its own decision (the Government of Serbia – Decision on Transformation of Ownership of NIS), or which, due to its own inaction, lost partnership status in the JugoRosGaz company, an intermediary in gas supplies for Serbia since 2007.

Perhaps the biggest responsibility lies in the deliberate deception of the public, by the political establishment, which, by means of threats, blackmails and creation of public fear of jeopardized energy stability i.e. lag in energy supply, justifies its untransparent sale of Serbian energy sector.

Historically speaking, Russian capital entered Serbia four decades ago, when it participated in the construction of 6 (out of 12) turbines of Hydroelectric Power Plant Đerdap 1. Until today they delivered over 200 billion of kWh of energy, which completed their working life span. The problems connected to the initiation of revitalization of the blocks on the power plant are serious, have already existed for several years and threaten the energy stability of the region. Since 2001, negotiations on starting this business are ongoing (revitalization work has been agreed in 2002 with Russian company OAO "Siloviye Mashini" Moscow, worth $100.7 million), and for paying off Russian debt to Serbia. Constant changes of conditions by the Russians are delaying signing of the contract but also the start of work.

Also, after the year 2000, Russian oil company LukOil purchased 79.5% of capital in company Beopetrol, dealing with trade in oil derivates, for the sum of €207 million (€117 million + €87 million projected investments within 5 years + €5 million for the social program). Unfortunately, the promised investments by LukOil in Beopetrol did not take place, with LukOil justifying this due to incomplete ownership documentation – regardless of the fact that it knew of this problem before purchase. By justifying this, the Privatization Agency has deprived the Serbian budget for €30 million in contractual fine!

The only continuing relationship with the Russian side is in purchasing gas, with Serbia stipulating necessary amounts of gas from Gazprom (Gazexport) annually. However, events from the last several years in this regard, resulted in a serious affair, which according to media and public speculation, the political leadership were involved.

The JugoRosGaz (JRG) company changed its ownership structure miraculously, resulting in the majority ownership of foreign partners (25% public enterprise for gas operations Srbijagas, 25% Centrex Vienna, and 50% Gazprom). The existence of joint company JRG in Serbia brought a myriad of problems which will be felt in the future.

1. It was founded by a bilateral agreement in 1966 as a joint stock company with 50-50 participation by the Serbian and Russian sides, for the purpose of gasification of Serbia and building a regional gas pipeline Niš-Dimitrovgrad and trade in gas. By 2001, in partnership with the Serbian side, a section of Niš-Pojate (MG 9), which is also a section of regional gas route MG 10 Niš Dimitrovgrad was built.

2. By its own inaction, Serbia lost partnership in this enterprise and lost ability of equal status both in owning the regional section and future gasification of East and South Serbia;

3. By acquiring the status of an enterprise performing work of general public interest in January 2007 (by the Minister at the time whose mandate expired) JRG became parallel enterprise to the Public Enterprise Srbijagas. This way Serbia, without following procedure and criteria and without fair competition, and above all without strategy on ownership transformation of gas works, opened up through the back door, competition in the most profitable share of gas business.

Since 2007 (1 January 2007), JRG has become an intermediary in the gas supply to Serbia (annual amount of gas is around 2.3 billion m^3), and the profit which this intermediary acquires is around €30 million annually. Although there were discussions in the Serbian media since 2006 about existing and potential problems around JRG, only upon parliament passing the decision to increase the price of gas (October 2008) did the opposition parties in the National Assembly, and in the public, re-open this issue. This time the issue is expected to be resolved after research and proceedings of the Commercial Crimes Division of the Ministry of the Interior and the Republic Prosecutor.

Beside the current scandal over an intermediary in the gas supply, the battle in Serbia seems more like a political struggle more for the purpose of acquiring additional political points, rather than the application of clear and rational thinking connected to the *Agreement between the Government of the Republic of Serbia and the Government of the Russian Federation on Cooperation in Oil and Gas Enterprises* (signed and ratified in Moscow in January and in Belgrade in September 2008).

Considering the current laws in Serbia, which regulate conditions and the way of performing energy related activities, the arrangement with the Russian Federation is in conflict with it (as well as with *acquis communnantare* EU). Regardless of the fact that Serbia is still not obliged to apply all EU relevant laws, the direction of Serbia towards the EU, singing the Stabilization and Association Agreement and the Agreement on South East Energy Community, should have been a valid reason not to engage in such arrangement. On the other hand, it is exactly Serbia position of holding 'one foot in the EU', which was one of the reasons of the Russian side to, (without obligation to obey too many rules and EU standards) enter the EU space from one, still not covered route.

For Serbia, this document, in comparison to all other documents that the Russian Federation entered into with other countries, with regards to the building of the South Stream gas pipeline, is by far the worst. The biggest problem is the status of the so called "linked transaction", according to which Serbia sells, through a direct sale, NIS and gains in return one branch of the gas pipeline. Even if one disregards the fact of this most primitive way of doing business (trade – feudalism), a large number of unresolved questions and problems remain.

1. By having a regional branch of the gas pipeline, it is possible to secure gas energy stability, collect profit from gas transit and secure a long – term geostrategic position of Serbia. The capacity assumed by the Agreement of "minimum 10 billion m^2/annually" (Article 4) is not only insufficient, but it also does not represent a "regional branch". Bearing in mind that a 2006 Memorandum of Understanding between Gazexport and the Ministry of Energy of Serbia, for the purpose of building a transport gas pipeline over the territory of Serbia (towards the Croatian border), stated that the pipeline would be 400 km in length and have a total capacity between 18 and 20 billion m^3/annually, and considering the conditions of the agreement from 2008, one can conclude that Russia has a reduced level of interest for having a regional branch of a gas pipeline go through Serbia. Considering that the South Stream gas pipeline will have a total capacity of between 30– 33 billion m^3/annually, the Serbian regional branch should realistically have at least 15 billion m^3/annually.

2. The "gas part" of the Agreement presupposes solving the construction of the underground gas storage "Banatski Dvor", but of an insufficient capacity of 300 million m^3 annually. The storage facility is of extreme importance because it secures energy stability, both by means of covering peaks of consumption and during other possible disturbances in gas supply. If Serbia had phase I operational of the gas storage facility during the gas war between Russia and Ukraine (winter 2005 / 2006), it would not have had a 50% reduction in gas supply, resulting in the shut down of 184 businesses and causing a serious disturbances in the energy sector.

This facility, according to all estimates, could and should be a regional one, with previously projected capacity of 800 – 860 million m^3 gas / annually. Bearing in mind that the strategic partner is interested in this facility by developing only one half of the potential capacity, than the existence of the "regional" branch of gas pipeline through Serbia is "dubious".

3. The issue of the share capital in the future company, in charge of gas business, reflects the Russian opinion of the inferiority of its Serbian partner and the inability of the Serbian side to negotiate. The Russian partner will be the majority shareholder (51%) and Srbijagas will be the minority shareholder (49%) of the newly founded company. In no other agreement with any other country is the Russian partner a majority shareholder, but has an equal relationship (50-50).

The construction and the usage of the gas pipeline for gas transport is being planed without clear and legally defined obligations, which must exist for controlling a venture which is in the general public interest (transport of natural gas and managing of the transport system). Transport and managing of the regional gas pipeline (gas pipeline with high pressure) is of vital significance for any country, and by its nature a monopoly (and thus has to be regulated). These conditions are clearly stipulated in the Law on Energy, the Law on Ratification of the Agreement on the Creation of South East Europe Energy Community, Directive 2003/55/EC (on **c**ommon rules for the internal market in natural gas**).**

While it is clear that the feasibility study for the South Stream gas pipeline, which will provide the details on the capacity and the route of the pipeline, will not be completed before the end of 2009, the pressure coming from the Russian side and the approval from the Serbian side on the conclusion of the Sale/ Purchase Agreement on the Ownership Transformation of NIS is worrisome. The negotiations connected to NIS entail several very important parts and details.

1. The price for NIS, largely debated in public (€ 400 million) is only one of the elements, but by no means the most important one. NIS requires large investments, estimated to be around € 1 billion, so the broad term "minimum €500 million for investments" (as stated in the Protocol) is neither precise nor sufficient.

The agreed sale (between the two sides) in the case of sale of refineries is against the law, and generally goes against market rules. They are being sold - given away - without clearly defined obligations on environmental protection, quality of derivates and obligations development, improvement and sustaining production capacities (which would be an obligation especially bearing in mind the Program for Fulfilling of the Strategy of the Serbian Energy Sector until 2015).

2. The question of research and production of domestic oil and gas is not treated separately in the Protocol, and that is of utmost importance for achieving a certain degree of energy security. Domestic oil covers 20% of Serbian needs, while gas covers around 10%. There are no reasons for the Serbian side to sell the right to exploit its own domestic resources. Serbian oil is of good quality and with low sulphate level (below 0.5% of sulphate) and largely belongs to the light oil group with more white components (petrol and diesel). One should not even mention that, from an ecological point of view, light oil with low sulphate level (below 0.5%) is more suitable for processing in refineries. The reserves of domestic oil are estimated to last for another 40 years, while the estimated geological reserves are 3 times the size of balance reserves, which points to the need of further research. Furthermore, Serbia is rich in one type of good quality of specific crude oil type called "Velebit oil", a rare commodity suitable for the production of good quality oils and lubricants. With an annual production of this oil and its processing (into oil for generators, and oil based oils) Naftagas could acquire an additional $1billion annually (the price of Velebit oil is € 1,000 – 1,250/t, and generator oil is €1,600 – 1,800/t)

Due to the fact that NIS owns all segments of the oil industry, including the systems of primary energy (production of raw oil and gas, import of oil), the systems of transformation of the primary energy (processing of raw oil in refineries) and the final energy system (consumption of final energy for energy producing and non-energy producing purposes), it is necessary to envisage in the agreement a level of investments per one segment, as well as the dynamics of investment. The programs and projects of modernization must envisage the following: investments in expanding exploration on the territory of Serbia, investment in the existing production capacities for oil exploration and production, increase in

the technological level for the purpose of euro diesel and petrol production, technological development of refineries, an increase in technological and technical reliability of processing and non-processing facilities, and investments in environmental protection.

3. The Protocol on the Sale of NIS does not deal with environmental standards at all, which should have been an "alarm signal". Basically, the Russian side through this agreement envisage maintaining an oil import monopoly up until 2012, as well as moratorium on European Environment Standards. If someone should have the monopoly on the import of oil, than the transfer of property over to NIS is not even necessary. NIS today has a monopoly on the import of oil, so there is no change there. A far more serious issue is the problem of the environment. Serbia has at least tried to improve the situation in this field, which is extremely difficult to do without additional investments. Should the strategic partner require a moratorium, then that clearly shows the lack of willingness to deal with environment protection. Serbia does not need a single barrel of oil, a single liter of euro diesel, if obtaining it leads to the increase in lung cancer mortality rate in, for example, Pančevo.

Regardless of the fact that any enterprise is subjected to Serbia's environment protection laws, and bearing in mind the difficult environment situation in Pančevo, the future energy agreement must contain provisions which additionally oblige the future strategic partner to use and apply only the latest energy, environmental and economic efficient technologies. Any other solutions may mean that the oil industry will not receive modern and technologically advanced, and efficient equipment. In the situation when the energy efficiency of Serbia is five times lower compared to that of the world average, and even eight times lower compared to the OECD countries, it is only natural that a country asks everyone investing in itto bring new and modern technologies.

4. The issue of preserving the Decree on Exclusion of Oil Derivates Import, planned to stay in force for "at least two years" is an unusual request (The Decree on Prohibition of Import of Oil Derivates cannot last longer than 31 December 2010) because there are obligations which Serbia accepted by ratifying the Agreement on South East Energy Community, ratified in July 2006). Preserving this Decree even after the ratification of the Agreement, Serbia is effectively protecting the Russian company.

Any signing and entering into effect the Sale Purchase Agreements on property transfers of NIS is risky unless the Feasibility Study for South Stream gas pipeline is completed or a written guarantee that the regional branch of the gas pipeline of an accurately determined capacity will go through Serbia.

Russia Serbia Energy Deal: Two Sides of a Coin

Anatoly Pomorcev[1]

At the end of 2008, the governments of Serbia and Russia finally reached, after months of exhausting negotiations, an agreement on all points of the bilateral Energy Deal, which was already signed on 25 January 2008.

In accordance with the agreement, the Russian side shall soon become the owner of 51% of the shares of Serbian oil giant NIS. The new owner, company „Gazprom neft", shall make one – off payment of EUR 400 million for control over NIS, into the Serbian budget, and invest in modernization of facilities another EUR 547 million until 2012. In return, the Russian owner shall, among other things, acquire two refineries in Pančevo and Novi Sad, whose annual production capacity is 4.073 million tones of raw oil.[2] After production facility modernization, the two refineries' total production capacity may be increased to up to 7 million tones of raw oil annually. According to the words of a representative of „Gazprom neft", investing in the modernization of NIS is one of the priorities, since „Gazprom neft" does not have its own oil processing facilities. Apart from that, NIS's developed sales system is of serious interest for the Russian side.[3] But the essence of the Energy Deal is not the oil, but the gas portion of the document. According to the Agreement, the Russian side, whose interests are represented by the company „Gazprom", bears responsibility for the construction of the Serbian section of the „South Stream" gas pipeline, and gas storage in Banatski Dvor. One should mention that Bulgaria, Greece, Italy, Hungary, Bosnia and Hercegovina, Austria and Slovenia all expressed willingness to join the „South Stream" gas pipeline.

Notwithstanding the positive assessment of the Energy Deal by the government and the Parliament of Serbia, signed in January 2008, the Serbian public saw constant repetition of negative aspects of this document. In the given situation it seems useful to thoroughly examine benefits and shortcomings of this agreement, in order to create its objective portrait.

Oil – Related Part

One of the main arguments of those opposing the realization of this Agreement is a notion that „NIS is sold at a unwarrantedly low price", which rests on the assessment of its market value of 100% of NIS's shares, done by Diloitte agency in June 2008. According to the assessment NIS was worth EUR 2.2 billion on 30 June 2008.[4]

Based on this assessment an image was created that selling NIS for EUR 400 million is damaging for the Serbian budget (allegedly, looses EUR 1.8 billion) and long – term economic interest of Serbia. In this regard, however, the participants in the discussion ignore several facts, countering their thesis. First, EUR 400 million is the price which was offered only for 51% of NIS's shares. Therefore, taking Deloitte's assessment into account, 51% of shares could not cost more than EUR 1.1 billion. Second, one should keep in mind that this estimate was done before the „hot phase" of the economic crisis, in times of peaking oil prices. Since then, the situation changed radically – oil prices went down five times, and, accordingly, the price of oil companies went down.[5] Therefore, every invoking of estimations from June 2008 simply looses every meaning. Besides, the facts that „Gazprom neft" is obliged to invest EUR 547 million in the modernization

1) *Anatoly Pomorcev is analyst and journalist of RBK Daily from Moscow.*
2) NIS official data from 2004, http://www.nis.rs/
3) 500 gas stations on the teritorry of Serbia and Montenegro, annual turnover of 2.5 million tones of oil derivates – NIS official data from 2004 godine, www.nis.rs
4) http://www.media.srbija.sr.gov.yu/medsrp/dokumenti/nis_izvestaj_trzisna_vrednost.pdf
5) For instance LUKOIL shares have from 14 September until 15 November lost 49% of its market value, http://www.lenta.ru/articles/2008/11/19/compare/

of NIS processing facilities and bear NIS debts up to EUR 10 million seems omitted from the discussion. It is, also, important to mention that the Agreement stipulates the Russian side's obligation to invest this amount regardless to the consequences of the economic crisis. If this feature of the Agreement is not fulfilled until the end of 2012, the Serbian side is entitled to annul the entire Sale – Purchase Agreement of NIS.

The next in line of argumentation of those opposing the Energy Deal is alleged loss of control over the national oil company and its immobile asset, which includes oil and gas fields on the territory of Serbia. According to the final agreement between Moscow and Belgrade, the Serbian side shall retain significant influence over the process of passing company decisions, through its representatives in Managing and Supervisory Boards, as well as a many managerial positions. Furthermore, without the consent of the Serbian side, it would not be possible to pass strategic decisions (if Belgrade controls at least 10% of shares).

During the negotiations, the Serbian side managed to extract significant social guarantees. The Agreement on sale of NIS, according to Serbian officials, guarantees that there will be no termination of staff employment until the year 2012, that salaries shall be adjusted to inflation and economic situation in the country and that the severance pay for workers who choose to voluntarily leave the company shall be EUR750 per one year of the total number of years of being employed, which is the highest amount of severance pay in the history of the Serbian privatization process. The Serbian side saw less success in the environment protection aspect of negotiations. In effect, the Russian side expressed readiness to invest in the renewal of refineries' environment protection ability, up to EUR 60 million, but the Serbian government agreed to compensate environment – related damages up to the 25% of the total amount of the Sale – Purchase Agreement (i.e. EUR 100 million). Considering that environment – related damages occur relatively frequently in the vicinity of refineries, we can conclude that the Government of Serbia will have to eliminate those consequences itself.

From all of the abovementioned, a conclusion could be made that the sale of NIS brings more good than harm to the Serbian side. The Serbian budget, formed in the conditions of world economic crisis, receives EUR 400 million in cash, and another guaranteed EUR 547 million, shall be invested into the modernization of obsolete facilities of Serbian refineries over the next three years. Upon the completion of the modernization program, Serbian refineries shall be able to produce fuel in accordance with EU standards. The increase in production volume will give Serbia an opportunity to become exporter of oil derivates, for the first time in its modern history. One can consider somewhat negative the temporary decrease in the capacity of oil production, due to the necessary works on the modernization of the facility and equipment.

The Russian side acquires the developed sales network and powerful basis for production of oil derivates, which, still, requires investments for the purpose of modernization. „Gazprom neft" receives possibility to process its oil on the territory of Europe, which, in all accounts, could be used as a spring board for further penetration into the European market. One should mention that the Russian oil companies already have positive experience in doing business in the region. This is relevant for refineries in Bulgaria (owned by LUKOIL), and in Republic of Srpska (owned by „ZARUBEZHNEFT"). There are no signs that „Gazprom neft", the third oil company in Russia, will fail to transform NIS into the modern and effective holding.

Gas – Related Part

According to the Agreement, a part of the „South Stream" gas pipeline shall run through the territory of Serbia, with 400 km in length. Furthermore, „Gazprom" shall have to finance and conduct works on building of the gas storage in Banatski Dvor. The feasibility study for the gas pipeline and the map of its route (according to the most recent information) shall be completed by 2010, and the strategy of the construction of the gas storage – until 2009, after which the construction of both facilities shall start. One should mention that the framework Agreement, signed in December 2008 does not contain precise financial and economic guarantees in its text, which does not afford Belgrade the possibility of

petitioning any international arbitrage in case of breach of the Agreement. But, this Agreement, as well as the Agreement signed in January 2008, contains more political guarantees, backed by the authority of the former and incumbent President of the Russian Federation, Vladimir Putin and Dmitry Medvedev. Knowing the specific system of the Russian Government, we can claim that these sort of guarantees bear more weight than any classical economic or financial guarantees. Notwithstanding this, the Russian side formal guarantees shall be provided upon the completion of the feasibility study in 2010.

We consider unfounded claims of possible abandoning of the „South Stream" by Russia. It should be mentioned that, apart from Serbia, Italy, Bulgaria, Greece and Hungary, are a part of the project, and Austria and Bosnia and Herzegovina, Slovenia and Croatia expressed their interest in it.[6] The realization of this project is not connected only to Serbia, and thereby, Moscow's abandoning of its obligations to Belgrade, would mean crumbling of the entire project and annulment of much more serious obligations. The probability of this in today's conditions equals to zero. After the modernization of the gas storage Banatski Dvor, the capacity of the storage shall be 300 million m3 of gas, which will give Serbia opportunity to form operational reserves, in case of interruption of the gas supply in extraordinary circumstances. The working volume of the storage is 10% of the total annual gas consumption in Serbia and this quantity gives opportunity of stable supply of consumers in a certain period of time.

It is obvious that the conclusion of the Gas Deal have several positive consequences for Serbia, the first of which is opening of several thousand jobs. The total financial calculation of the project upon construction of the Serbian part of the„South Stream" and gas storage is estimated to, at least, EUR 2 billion. Considering that at least half of the contractors shall be Serbian firms, we estimate that at least EUR 1 billion, over several years, shall be directly injected into the Serbian economy. Russian firms, operating on the territory of Serbia, shall also spend on its territory significant financial means and the construction of the gas pipeline will require, among other things, modernization of Serbia's road infrastructure.

The operational start of the gas pipeline is projected for 31 December 2015 at the latest. The gas pipeline will secure first hand supply of gas to Serbia, giving Belgrade the possibility to renounce services of Hungarian company „MOL", which charges EUR 70 million annually for the transit of the Russian gas to Serbia.[7] Furthermore, with the beginning of exploitation of the gas pipeline, Serbia itself receives a role of a transit country. Bearing in mind that Serbia's own gas demand does not exceed 3 billion m3 annually, the minimum possible capacity of the Serbian part of the „South Stream", defined by number 10 billion m3 annually. Therefore, the transit of additional 7 billion m3 of gas to EU consumers and consumers in the region could bring up to EUR 150 million per year in the Serbian budget.

In the opinion of the former Minister of Energy of Serbia, Aleksandar Popović, the relative cheep Russian gas could play an motivating role for the Serbian industry, whose development slowed down due to the shortage of energy sources. The development of gas network in central and south Serbia will receive additional impulse, which will positively affect the living standard of the local population. One should not disregard the political effect of the start of the gas pipeline – „South Stream" turns Serbia into a serious regional player and affords status of the energy center of the Balkan region to Belgrade. The assumption that Brussels may „be angry" at Belgrade due to Serbia's rapprochement with Russia does not seem to have merit: it is known that several EU countries will participate in the construction of the „South Stream" gas pipeline, and the final consumers of the Russian gas in Italy and Austria will not give much thought to over which countries the gas arrives to them. According to the „Gazprom" analysts' assessment, in the next five years, the EU will spend approximately 200 billion m3 of gas, and „Gazprom's" projects, including the „South Stream", will contribute to meeting these demands.

It should be noted that the volume of gas production at „Gazprom" sources is constantly growing - from 512 billion m3 per year in 2001 until 548 billion m3 in 2007. Therefore, the argument that „Gazprom" will not have enough gas to fill the „South Stream" in 2015 seems unfounded. During the last few years, the

6) http://top.rbc.ru/economics/29/04/2008/162134.shtml
7) http://www.danas.rs/vesti/ekonomija/tranzit_ruskog_gasa_donosi_zaradu_od_70_miliona_dolara.4.html?news_id=148828

Russian company started exploitation of the nine new gas fields, whose total capacity is estimated to 195.7 billion m3 of gas per year, and in 2015 the total production of gas will reach 610 – 615 billion m3.[8]

Conclusion

It is obvious that the Energy Deal, signed between Russia and Serbia in December 2008, shall positively influence Serbian economy. Serbian Oil Industry, over which Belgrade will not loose control, shall receive necessary investments and possibility to take role of the key player in the regional market of oil derivates. The Government of Serbia will receive EUR 400 million in one – off payment for shares, resolve the question of modernization of NIS and secure certain social guarantees to workers of this company. The construction of the gas pipeline and gas storage will guarantee a certain level of energy security to Serbia, increase its political and economic potential, which is very important in light of the intensified dialog of Serbia's accession to the EU. Russia shall, from its side, acquire production capacity in one of the European countries and foster its economic presence in strategic region of Europe.

8) http://www.gazprom.ru/articles/article20015.shtml

Energy Security in South-East Europe in Light of Russian Energy Policy

Dr Zorana Z. Mihajlović Milanović[1]

„As things stand now, if we don't change our energy system in a radical way over the next ten years, the wheels will come off",

IEA, Fath Birol Chief Economist, 2008

Energy security, economic development and efficient environmental protection have long been fundamental interlinked goals. Consequently, no one national economy can claim to be *energy – secure*. This situation can be defined as bipolar – some countries have energy pathways at increasingly difficult political price, while others have huge supplies of energy resources with which they attempt to dictate future global growth.

In an attempt to secure energy, new opportunities are being opened for oil and gas companies, infrastructure owners, producers, distributors and others in the energy business, however, this, in term, creates new risks. Thirty years after the first energy crisis, the most important equation of global energy has not been solved – securing sufficient energy in an economic, efficient and ecological manner.

Apart from the urban myth, whereby nine months after the biggest blackout in New York (1977) the number of births increased by 35 percent, everything else is far from romantic. More important than looted stores, mugged citizens and estimated damage of around $300million, the first signs of fear of shortage or lack of access to energy were clearly recognizable. That fear still exists today. Both in 1977 and 2009, after the second gas crisis, it is clear that energy is a condition of subsistence to modern society.

We have not left energy crises and wars behind us. They persist and directly influence energy and national security, through the reduction of energy efficiency, decreased supply, increasing prices and deep geopolitical tensions. There are no winners in energy wars – only losers

Reduced production in consumer countries (which increases their import dependency), lack of investment in energy infrastructure[1], political volatility and conflicts directly influence the level of energy security of the region and the world[2], reducing energy intensity and slowing down the implementation of region's energy policies. For instance, the well-known EU gas security issue concerns diversification, on one hand, (which is more theory than reality), but also cooperation within the EU to define and implement a united energy policy. It is clear that without a unified policy, there can be / will be no security of supply, consequently we live today in a constant energy crisis. Because the first and the second gas crisis occurred during the first few days of 2006 and 2009, does not mean that they lasted only a few days. The crisis started before those dates and continues to persist.

Unless energy supplies are reconciled with demand, development can not progress. It is realistic to observe, therefore, that countries with energy resources are in a more advantageous position than those without. Will Russia, for instance, benefit or loose from shutting down gas supply intended for Europe?[3] Can Gazprom dispense with thousands of kilometers of gas and oil pipelines worth billions? What would

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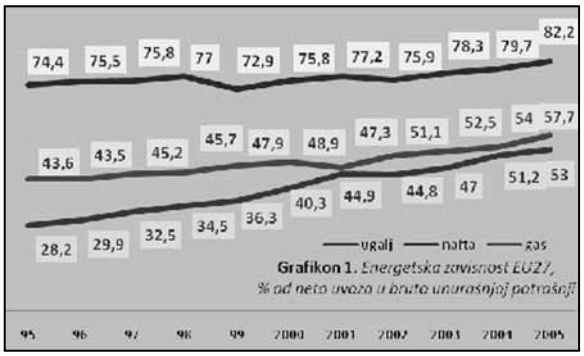
The International Energy Agency estimates that around $20trillion of investment in energy infrastructure is needed until 2025.
2) The Iraq war (due to which decades will be needed to restore production to the pre-war level), conflicts in Equatorial Africa, deeply disturbed relations between suppliers and producers / consumers, political interests, guided reduction or increases in the flow of raw materials, such as oil and gas.
3) During the second gas crisis Gazprom was loosing $200million per day.

happen to the Russian economy, if this country's budget were to be reduced for 50 percent, if the EU stopped using and paying for its gas?[4]

It is a well-known fact that 94 percent of Russia's total gas exports is to European countries. Russian gas makes up 38 percent of the European import. Future projections serve as a warning to both sides and should be taken into account. By 2030, Europe's gas import will increase five to six times, compared to home production. Some European countries, such as Germany and Italy, have a significant share in gas import from Russia; consequently, it is not surprising if they are focused on bilateral deals with Russia at the expense of European solidarity. In recent years, Gazprom has signed agreements with ENI (Italy), Gaz de France (France), Gasunie (the Netherlands), BASF (Germany), E.On Ruhrgas (Germany). In a bid to access energy and, of course, profit, European companies play against one another, to achieve more favorable conditions and advantages. If one company refuses to play by Moscow's rules, others soon agree, leaving the first company with nothing. Moreover, this interdependence influences EU foreign policy, reducing the potential to influence and support key alliances, starting from the Balkan and Central European countries, as well as Asia; especially Ukraine, Azerbaijan, Georgia, Kazakhstan, Turkmenistan, which are the main producing and transit countries. Russian gas also accounts for 98-100 percent of consumption in Belarus, Estonia, Finland, Georgia, Latvia and Moldova.

Graph 1: EU 27 energy dependence, % of Net import in gross internal consumption



Approximately one fourth of the EU supply comes from one company – Russian Gazprom. 80 percent of that quantity is being delivered through one route – Ukraine. This is a point of concern, especially for Russia.[5] After the collapse of the USSR, Europe was faced with a dual monopoly: a Russian monopoly in quantity, i.e. volume of oil and gas and Ukrainian monopoly on transit routes. This diminished the room for maneuver of the EU, which, anyhow, lacks energy resources.

The EU will be able to solve its electricity shortages through a revival of nuclear energy, and partly through renewable energy sources, but existing problems with oil and gas can not move at such a pace. Liquid oil gas, bio diesel and bio fuel are options which require a lot of investments and can only partially satisfy the energy demand. Results of this front can only be expected in decades to come.

Since *it takes two to tango* any deterioration or improvement of EU – Russia relations will affect supply for European consumers. If the supplier refuses to provide gas or offers it at an unreasonably high price, the consumer is unable to react or avail of another source in a short period of time (the consumer can only accept the supplier's conditions or go without gas, which is not an option). On the other side, if

4) In January and February 2009, the Ukraine gas transit was reduced by 50 percent. 11 billion m3 of gas transited the Ukraine, which is 53.2 percent less than in the same months in 2008. The main reason for this reduction in consumption in Europe was the economic crisis, but this surely affected the budget and economy of Russia. In the first half of 2009, Gazprom earned 36-42 percent less from gas exports to countries outside the CIS, than in the same period in 2008 ($12billion).

5) Russia – Ukraine relations started to chill after the 2004 elections in Ukraine, when the pro-Western, pro-NATO politician, Victor Yushcenko, won, and the question of security of supply became an issue. The IEA analysts (Tom Gold) remarked: „It is difficult to remove politics from anything to do with Ukraine and Russia". While Ukraine was being led by a pro-Russian politician, there were no such problems, and the price of gas for this country was, as it is today, non-competitive. Indeed, it was considered friendly at that time.

agreements on great infrastructure projects fall short because of a change of government, that is equally as bad as the use of a gas supply as political weapon.

One solution for the EU would be to have a clear relationship and agreement with the Russian side on all matters pertaining to this issue, including those connected to the construction of new gas and oil pipelines. Parallel and not less important are relations with the transit countries, such as the countries of South-East Europe, an indispensable link in establishing good quality cooperation between Russia and the EU. By signing the South-East Europe Energy Charter, these countries have taken a step closer to the EU. Bearing in mind their long-term political and economic links to the former USSR and the heritage of that period, the creation of the Energy Community has been a huge step forward for these countries and a great political success for the EU.

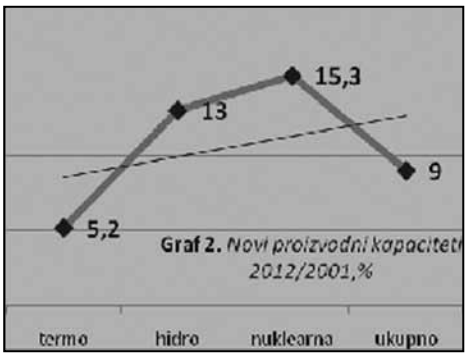
The SEE region has a population of 55 million inhabitants, approximately equal to that of Italy and France, spread across nine countries. Their GDP in 2008 was $417billion. Without the SEE countries, the EU energy balance would fall short, while Russia would experience a drop in efficiency. This is the comparative advantage of the region, especially for countries, such as Serbia, Bosnia and Kosovo.

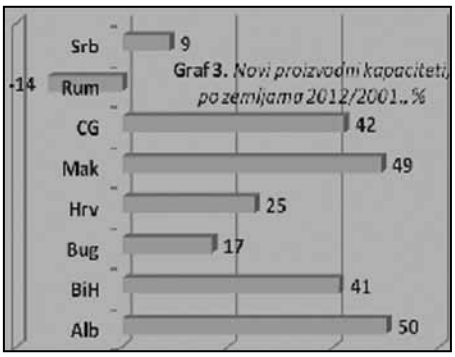
Unless these countries are politically stable, with sufficient investments, the comparative advantage of a good geostrategic position would become a disadvantage. They would become a lagging point of development not only for themselves, but also of the entire region. By 2012 this region will require 440MW of new energy capacities and further investments, estimated at €30billion, will be required by the year 2020.

Table 1. Planned production and infrastructure energy capacities until 2012 in the SEE Region (in MW)

	Thermo	Hydro	Nuclear	Total
Albania	578	243		821
Bosnia and Herzegovina	677	913		1590
Bulgaria	2100	-129	-109	1862
Croatia	807	146		953
Macedonia	10	694		704
Montenegro	210	150		360
Romania	-3594	194	800	-2600
Serbia	602	152		754
Region	1390 31,3%	2363 53,2%	691 15,5 %	4444

Graph 2 and 3:





Graph2: New production capacities 2012/2001, in percentages, thermo, hydro, nuclear, total

Graph3: New production capacities, breakdown by country, 2012/2001, in percentages

There are many *points of concern* regarding the region's future energy status. The most important are listed below:

1. Insufficient energy capacity (49.5GW), which is the main cause of power interruption. The deterioration of infrastructure has created a need for additional 4500 MW, i.e. for an investment of around €5billion by 2012;

2. The average annual increase in energy demand is estimated at 2.3 percent (from 1714 to 2194 TWh) by 2012 (double to the previous decade);

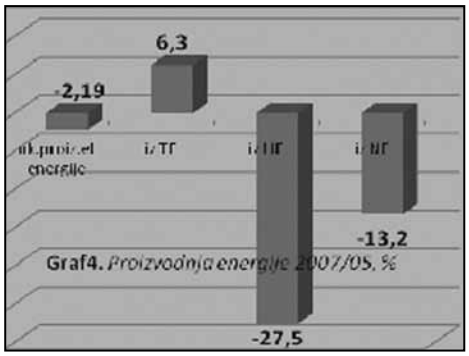
3. The investment environment is still unsuitable for investors in many countries, especially from the point of view of protection (political issues, legislation, regulations, tariff reforms);

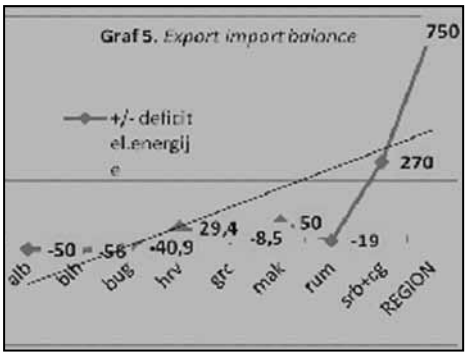
4. Analysed by sectors, the biggest energy consumers are households. This highlights an insufficient development of the industrial sector, but also guarantees growing demand in years to come;

5. Oil and gas production is limited, due to the scarce deposits. The Western Balkans are heavily dependent on the import of fossil fuels from outside the region;

6. Energy intensity[6] is high, more than 2.5 times higher than in the EU.

Graph 4 and 5:





Graph 4: Energy production, 2007/05, in percentages *Graph 5: Export import balance*

Although SEE governments at the beginning of 2000 expressed their readiness to restructure the energy sector and establish an energy market, and, although they have signed the Energy Treaty[7], many activities are not being conducted at the desired pace, which directly affects the investment flow negatively, i.e. a slowdown in the building of new capacities.

While there are many investment potentials in the region, they will remain hypothetical unless these countries strictly apply the provisions of the Energy Treaty and EU directives.

Strategic energy goals in the SEE region cannot diverge from those of the EU, particularly those regarding security of supply, acceptable and foreseeable prices of energy sources (which boost competition and not monopolies), ecology, and energy sustainability. The current state of affairs in the region is far from these premises: energy security is decreasing, prices of electricity, gas and oil derivates are neither predictable nor competitive, and the levels of carbon in energy sources and energy production continue to grow. The long-term solutions available to these countries are clear: increasing the share of renewable resources in the energy mix, the production of bio fuel, boosting global partnerships with the EU, investing in new

6) Energy Intensity is an average quantity of energy necessary for the production of one unit of the GDP.

7) A Treaty Establishing the Energy Community of the South-East Europe countries, singed in Athens on 25 October 2005, ratified by the EU and entered into force on 1 June 2006. This is the first energy-related document which has a binding status, signed between the SEE countries and the EU. Ratification in the parliaments of the signatory states has created an obligation (EU plus nine partner countries) to establish a unique integrated energy market. The goals are: to create conditions to attract new investments into the energy sector, to open the energy markets of these countries in accordance to the EU directives, to strengthen conditions for unhindered environmental protection in the region energy market.

energy technologies[8] - especially in fossil fuels with low percentage of carbon dioxide and increasing energy efficiency.

Table 2. Electricity production 2007/2005, in percentages

	Bosnia and Herzegovina	Bulgaria	Croatia	Greece	Macedonia	Romania	Serbia and Montenegro
Total electricity production	-6,5	-13,8	-1,8	+4,0	-6,3	+2,8	-1,5
From Thermo-electric Plants	17,8	5,4	28,7	9,8	0,3	-3,4	8,0
From Hydro-electric Plants	-33,3	-47,5	-31,8	-40,5	-28,8	-21,5	-19,3
From Nuclear Power Plants?		-27,0				37,4	

Table 3. Index of Economic Freedoms and the Perception of Corruption in SEE countries and Russia

County	Economic Freedoms Index 2009	Corruption Perception Index 2008	Country	Economic Freedoms Index 2009	Corruption Perception Index 2008
Bulgaria	56	72	Albania	62	85
Romania	65	70	Turkey	75	58
Macedonia	78	72	Montenegro	94	85
Serbia	109	85	Croatia	116	62
Bosnia and Herzegovina	134	92	Russia	146	147

The geographic location between the energy-rich regions (Russia, Caspian region, Middle East) and the main energy consumers in Western and Central Europe, makes the SEE geopolitically and economically attractive and significant from the energy point of view. The opportunity for the SEE region to become the largest energy hub for gas transit from the Middle East, Central Asia and Caspian region to the EU can only be possible if infrastructure is well developed.

Much remains to be done for this region to satisfy the constantly growing energy demand, especially the demand for gas. Although possibilities for electricity production exist, its current production potential and oil and gas reserves underline how this region has been and is dependent on imports. Russian gas makes up a large share of the gas import in Latvia, Lithuania, Hungary and Slovakia. Countries such as Lithuania, Estonia, Bulgaria and Poland use gas in large quantities in the petrochemical industry. If there is no gas, these factories would simply have to close and petrochemical products would be imported.

Some basic features of the SEE region's gas industry include: a significant lack of gas storage facilities, non-existent or underdeveloped gas network, low gas consumption and high dependence on one supplier (Russia). Although SEE countries have decided to reform their gas industry, changes are happing a lot slower than expected.

The two gas crises, and especially the second (Jan 2009), demonstrate how sensitive the countries in the region are to gas-related issues and how much gas is a point of concern for EU supplies. The supply in Romania, Bulgaria, Serbia, Greece, Macedonia and Croatia was seriously jeopardized.

8) The EU annual investments in energy technologies will be around €1billion between 2007 and 2012.

Table 4. Gas share in the energy mix of each country in the region and relation between gas imported from Russia compared to the total consumption, in percentages

	Bulgaria	Greece	Romania	Croatia	Serbia	Bosnia and Herzegovina	Macedonia
Gas share in Energy Mix	14	9	35	27	12	7	4
Gas import from Russia compared to the total consumption	87	80	35	39	88	100	100

In the case of most countries, gas primarily enters through Ukraine from Russia. Two countries (Romania and Croatia) have a significant domestic gas production, while another two (Bulgaria and Serbia) have gas, but in smaller quantities. Because the region is a bridge of gas supply between Russia and the EU, the SEE countries' strategic goals, including future investments policies, are:

1. Increased gas consumption (either in the production of electricity, or in household consumption for heating and cooling);

2. Strengthened regional integration to reduce potential interruptions in supply to the minimum (investments in gas infrastructure and market development);

3. Investment in gas storages and interconnection networks.

The average annual gas demand in the SEE region will increase by 2.6 percent, but with large variations from country to country. Demands for gas are forecast to increase by 72 percent until 2025 (from 26.2 billion m^3 in 2005 to 45 billion m^3 in 2025). The supply gap, created in this period, will increase for as much as 96 percent.

The countries in the region, which are currently small consumers of gas with insufficiently developed gas infrastructures, will have the highest increase in average gas consumption – Albania, and Bosnia and Herzegovina. On the other hand, the shortage of sufficient gas supply will hit Bulgaria, Croatia and Serbia, including Kosovo.

Table 5. Gas demand and supply gap of SEE countries

	Romania	Bulgaria	Serbia	Croatia	Bosnia and Herzegovina	Macedonia	Albania	Kosovo	Montenegro
Average annual gas demand increase rate	1,7	3,2	1,9	1,0	6,1	3,8	10,2	15,5	1,0
2025/2015., supply gap percent	+92	+106,6	+140	+233	+83	+57	+42,8	+200	+16,6

The SEE market is relatively small under conditions of current and future gas consumption. For this reason, investments into the development of energy infrastructures are even more challenging. If gas is acquired at reasonable prices, one can expect economic and profit margins of investments to be better.

Many countries in the region have one importer and one gas distribution company with the exception of Serbia, which has JugoRosGaz, distributing in the south and Srbijagas in the north and central parts of Serbia. Despite being a small country with low gas consumption, Bosnia and Herzegovina has three distribution companies. On the other hand, the situation and trend in the region call for greater number of distribution companies.

Table 6. *Regional gas sector*

Market	Importers	Distribution Companies	Distribution Companies
Romania	Romgaz	Transgaz	Distrigaz Nort Distrigaz Sud Other small distribution companies
Bulgaria	Bulgargaz	Bulgargaz	Many
Serbia	JugoRosGaz	Srbijagas JugorosGaz	Srbijagas JugorosGaz Many other local distribution companies
Croatia	INA	Plinacro	Many
Bosnia and Herzegovina	Energoinvest	Gaspromet Pale Sarajevo Gas Lukovica BHGas SArajevo	Zvornik Stan SarajvoGas Sarajevo SarajevoGAs Lukavica Visokogas
Macedonia	Makpetrol	GAMA	

Since gas is supplied by one supplier, it is clear that potential sources of gas and supply routes for this region include, besides Russian gas (through existing and/or new routes), Caspian gas (*Nabucco* and/or other), and also gas from other southern sources (Iran, Iraq Egypt). Additionally, a way to bridge the *gas gap* is by using liquid oil gas (which could be delivered via the Mediterranean from North Africa, Egypt, Libya and Algeria).

Potential large-scale regional projects, which would supply the EU and cover future demand of the SEE region, necessarily involve those who would drill Russian gas and those who would pump Caspian gas. It could hardly be possible to build all these pipelines, nor build competing pipelines (*Nabucco* and *South Stream*), primarily because of the pay off rate.

Table 7. Potential Main Regional Projects

Main Pipeline	Gas	Transit Countries	Companies
TGI Turkey – Greece – Italy	Caspian	Turkey, Greece, Italy	Edison (Italy), DEPA (Greece), i Botas (Turkey)
TAP Trans Adriatic Gas	Caspian and/or Russian	Turkey, Greece, Albania and Italy	EGL, Swiss
IAP Ionina Adriatic Pipeline	Caspian	Turkey, Greece, Macedonia, Kosovo, Montenegro, Bosnia and Herzegovina, Croatia, Slovenia, Italy	EGL, Swiss Plinacro, Croatia
Nabucco	Caspian	Turkey, Bulgaria, Romania, Hungary, Austria	Botas (Turkey), Bulgargaz (Bulgaria), Transgaz (Romania), Mol (Hungary), i OMV (Austria)
GUEU White Stream Georgia-Ukraine-EU	Caspian, Azerbaijan	Georgia, Romania or Georgia Ukraine, Romania or Georgia, Croatia Poland	GUEU Inc, Private consortium, registered in the US
Blue Line, Blue stream II	Russian, Turkmen, via Russia	Bulgaria, Serbia, Bosnia and Herzegovina, Croatia	Gazprom
South Stream, Nord Stream	Russian, Turkmen, via Russia	Bulgaria, Romania Hungary	Gazprom

To resolve the situation and ensure the security of supply for European consumers in forthcoming years, something more is needed other than measures and changes in strategic plans, such as the new EU directive on increasing the security of gas supply to the EU[9]. It is necessary to reach an agreement between the main stakeholders, in the first instance, the EU and Russia, and subsequently, the transit countries, such as those in the SEE region and countries which are potential additional suppliers from the Caspian region. The common objective for all is to secure sufficient and economically sound gas supplies from viable energy sources. The dynamics behind the construction of gas and oil pipelines will depend on the maturity of the 'shadow ruler': politics and its sphere of interests.

9) The New EU Directive on the Security of Gas Supply (July 2009) obliges member states to undertake a series of activities to prevent potential interruptions in gas supply. By March 2014, they should have either secured sufficient capacities of gas storage or diversified their energy offer to withstand a minimum of 60 days interruption of gas supply. By 31 March 2010, an Emergency Plan should be defined and on 31 March 2014 member states should confirm that they have the gas infrastructure specified in the Directive.

Introductory remarks at the ISAC Fund's 3rd roundtable on Serbia Russia Relations, October 19th 2009

Dr Igor Tomberg[1]

Energy in Southeast Europe

(…) The following presentation will offer a broader perspective of the gas trade in Russia.(…) The situation in gas trade is not very optimistic, and that assumption is based on several facts. The position of Gazprom in Europe is not very good at the moment, although it is improving. Russian plans for foreign gas trade that have been made before the crisis, at the beginning of 2008, have predicted high trade volume. These plans represented the Russian response to European doubts that this country is able to provide necessary volumes of gas for the European market. But, after September last year the situation has changed vice versa. The demand for Russian gas fell rapidly in the first half of this year, down to almost 40-45% of Gazprom's exports to Europe of the previous year. During that time, Europe used its own gas reserves, and almost emptied its underground storages. (…)The situation is now improving since Europe has to fill the same storages before the winter. The next important problem is with the *take or pay* contracts. For the Russian side, certainly the most most important thing is the security of demand. And this security of demand in Europe is very questionable if we consider the great investments of *Gazprom* including the gas fields of Yamal and big pipelines, inside or out of the country's borders. Without the security of demand the logical question is whether to take money and wait. Therefore, we should take into account the Russian Energy Strategy 2030 - the new plans for gas export are much more modest and reserved. The state and *Gazprom* have analysed the situation at the beginning of the year, and have accordingly changed the plans to reflect this new situation.

The South Stream project is the number one question for Gazprom, considering it is worth a considerable amount of 25 billion USD. There is a Russian proverb which says: "Measure seven times, cut once". Therefore, as *Gazprom* will certainly measure much more than seven times, there is a reason for pessimism regarding the *South Stream project's* short term prospects. Perhaps the situation would improve in the future, if it coincides with the Russian interests in the Balkans. Maybe the pipeline will be constructed in some other form. (…) The political competition which exists between *Nabucco* and the *South Stream* is not very reasonable. Perhaps there could even be a combination of the two. (…) *Nabucco* was planned as a collective pipeline: 5 billion cubic meters (herewith bcm) from Azerbaijan, 5 bcm from Iraq, some gas from Iran etc. In such a case, why is the Russian gas not included? *Gazprom* officials were not right when they have rejected this possibility. (…)

The total capacity of *The Blue Stream 1* and *2* could possibly be over 30 or 25 bcm – which is quite a large quantity. Turkey's gas consumption is not that large to accept such a great amount of gas. The plan was to send the gas also to Syria, Jordan and Israel, however, the total capacity of this market is around 5-6 bcm. Where would the rest of the gas go? Some people suspect that *The Blue Stream 2* will also be joining *Nabucco*. That would be a very interesting political decision for both regions. (…) In this way the problem of Iran could be solved, as the Russian Strategy presumes that the Iranian gas be sent eastwards. *Gazprom* and Russia do not need the Iranian gas in Europe, because it would spoil the market.

Currently, the market situation is very akward. Long-term gas contracts were made and gas price levels vary from one case to another, but are close to 300 USD for 1000 cubic meters. (…) And there lies the problem with take or pay. In the first place Turkey, but also some other big *Gazprom* customers are trying to avoid or even reject this principle. Nevertheless, without it *Gazprom* would never be able to supply the

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consumers with enough gas. In addition, another interesting situation is that Russia does not accept the *take or pay principle* when buying the Turkmenistan gas. So why should then Western Europe or Turkey respect this principle?

Russia has developed the new energy strategy. The old energy strategy was absolutely incorrect, and reality has shown that these predictions and forecasts were complete nonsense. Recently, academic institutions with the help of *Gazprom* and big oil companies changed that strategy, and made the new one for the next 20-30 years. That document is currently in the Government waiting for the official confirmation. (…). According to this document, oil export will fall by 6.4% until 2030, with the share of European supplies falling much more, while the eastern one will grow. Therefore, all of the Russian fuel supplies are slowly but inevitably being re-oriented to Asia-Pacific region (China, South Korea, Japan and others). It is the Russian version of diversification, and it will take place. It is planned that the gas export to Asia Pacific (which in this moment is practically insignificant) reach 20% of the total export volume. This programme envisages large investments in the energy sector - around 2000 billion USD, which is a considerable sum of money for an investment project of this time frame. Around 600 billion USD will be invested in the gas and oil industry, and up to 800 billion into the electrical power energy structures. It is estimated that the gas export would increase by 45-53%. (…) As it was previously pointed out, the Asia-Pacific region would account for 20% of the total export. The export of liquid natural gas (herewith LNG) would reach 14-15% of the total gas export. (…) Plans are quite ambitious - one third of the market in 30 years. (…)

Lately there have been positive developments. In the beginning of October *Gazprom* announced that the volume of sales to Western European market in the third quarter of the year has reached the pre-crisis levels – 1.35 bcm of gas each day. However, this company will not be able to fulfil overall supply plans. The total production of *Gazprom* probably would be 40-45 bcm lower than it was in 2008 - around 490 bcm. Next year probably it would reach 540 bcm .

(…)

One small remark concerning the international trade. Situation in the former Yugoslavia reminds me of the situation in the Soviet Union. As of recently, Russia is trying to restore all of these broken ties with our neighbours that once were members of the Soviet Union. The last example was the renewal of the Russian-Turkmenistan connections – the old gas pipeline which was ruined now is restored. Maybe the trade connections will be also restored. (….)

And when we speak about integration, I cannot agree that international presence is always positive. I will give you an example. While preparing *The Belavezha Accords* in December 1991 (Agreement on disintegration of the Soviet Union, eds. remark) one of the biggest questions discussed was the ownership of the Ukrainian gas system. It was agreed that it will be discussed later in the following year, with certain indications that all of the Soviet gas transportation systems, including the Ukrainian one, will be moved to the Russian ownership. And this problem is still under consideration, and the influence of Brussels is not a very positive one. For me, the EU's decision to offer Ukraine the treaty on reconstruction of this system, without Russia involved, was absolutely negative. That is not a political issue, but merely a technical one. Gazprom will never agree to sell gas at the Russian-Ukrainian border.

Introductory remarks at the ISAC Fund's 3rd roundtable on Serbia Russia Relations, October 19th 2009

Energy in Southeast Europe

Dr Pavel K. Baev[1]

(…)In the following expose I will focus on gas, not because it is such a uniquely efficient fuel, but because it is a uniquely politicized fuel. (…). There were countless seminars, conferences and summits on this topic during the first half of this year. Suddenly it has all stopped - as if the open issues had been resolved. But nothing has been resolved – many questions are still open – out of grasp, and very often the agenda of discussion has been reduced to just two competing options: *South Stream* and *Nabucco* pipelines. In fact, there are four options on the table. First option is one of the most probable – the so-called *Ukrainian option*. This option presumes the modernization of the Ukrainian system of gas pipelines. It is not a cost-free option, but it is less costly than all of the other ones. The second option foresees a gas pipeline which goes from Russia across the Black Sea and then directly to the territory of the EU – that is the *South Stream* option. There is an option with non-Russian gas that should go across the territory of Turkey to the EU – the *Nabucco* option. And finally, the fourth option, which I will later explain in detail, is the *Blue Stream II* option. All of these options are still open, but the discussion has been somehow stalled - not because of a deadlock, but primarily because all of the involved sides cannot make any commitments. And it has nothing to do with their personalities – it goes much deeper. We can take as an example the situation in Russia, which is very awkward. In one moment Russian Prime Minister Putin discussed the options connected with the South Stream. Shortly after, he went to the gasfield of Jamal bringing a dozen of Western officials saying that the liquid natural gas is the energy resource of the future and that that is the project where we should put our main efforts. The following week he went to China saying that out primary goal should be gas export to China. Generally, that is not the way of doing gas business. We expect stability and predictability. Gas market is traditionally much more stable than oil market, without turbulences. And one might say that Bulgaria caused the delay of some decisions. The new Government in Bulgaria has decided that it needs some time to reconsider the options and to re-evaluate agreements that have been signed. Other sides involved agreed to allow the Bulgarians to take as much time as they want - simply in order to prevent them from using it as an excuse for the lack of any real decisions. (…) The main reasons behind that decisiveness are related to the new fundamental uncertainties in the gas market, and I do not refer to the issue of prices. Uncertainty about prices has always been present, as one factor which is not predictable at all. And any attempt to put the finger on prices, means that you will burn that finger.

Therefore, we should make a brief list of uncertainties about the abovementioned.. There are two major uncertainties on the demand side. One is certainly related to the crisis. We cannot know whether this crisis is over. Personally I fear that it is not. What sort of recovery we will have and what sort of lessons would be learned, how that would affect the demand – nobody can say. We are still in that crisis, and the recovery is too fragile, maybe there is no recovery at all. Second uncertainty on the demand side is the climate. The EU 20-20-20 directive signifies that there is a very strong political will in the EU to reduce the consumption of fossil fuels, to reduce the carbon footprint. From an economic point of view, it is a complete nonsense. But then again, if you want to put your major effort into an investment in something that might (or might not) have an effect 50 years from now, then it is not a question of rational choice. Politics in general is not based on a rational choice, but on the drive to provide the feeling of security. If the "feel good factor" is what the EU wants, it must be taken seriously, despite its weak economic rationale.

There are many more uncertainties on the supply side, and I can enlist at least five of them. The first one would be Russia, which is a very complex one. The technical side of this uncertainty is related to the delays in investment in Jamal and Stockman and other major gas fields. The key to it is located in Gazprom, a huge company, but colossally inefficient, incredibly wasteful, and not really able to pull projects of this

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scale off on its own. There is also a political side of that uncertainty, because Russia is hit by the crisis with extreme severity, and it will affect its political future. I would not draw immediate parallels with the year 1991, but at least that could offer an idea about the possible scope. (…) Second uncertainty on this side is Ukraine. For the last few years this country has been barely governable, extremely unreliable, very difficult to deal with. Another uncertainty is Turkmenistan; nobody exactly knows what sort of reserves are there and how to get them, and, finally, what are its foreign policy priorities. This is also the case with is Iraq (…) My final point will be about Iran. The global energy market was severely affected in the past 20 years by the simple fact that these two major suppliers (Iraq and Iran eds.remark) of oil reserves (each twice as much as Russia) were essentially off limits, they were not functioning normally. (…) If any of them – either Iran or Iraq becomes more or less affordable or exploitable, that would colossally change the whole situation. And I am not speaking just about the level of prices, but also about the available volumes, about the predictability of future.

So there are two uncertainties on the demand side, and five on the supply side. A simple calculation will tell you that it gives you one hundred and twenty eight different possible futures. That is something that computer can easily calculate, unlike the human mind. We can nearly make a choice between three options, and we would struggle with the choice of four, and so on, but one hundred and twenty eight is an impossible number. With a little intellectual effort it is possible to reduce this number of options - by cutting out Iraq and Iran.

Furthermore, we can put aside Turkmenistan, saying that nobody knows what is happening there. Still, there are sixteen different possible futures left. If we observe these options briefly we can say that probably one of these sixteen futures includes the *South Stream* construction. And maybe we could find two options where Nabucco is a feasible proposition, for the reason that both Russia and the EU have to think very seriously in this moment what is affordable. The crisis developed in such a way that each country is reconsidering its own resources and its own future. Russia is reconsidering probably more than all the others. A year ago Russian officials said that they will give 2 billion USD to Iceland. But then recently Iceland received a very firm "no" from Moscow for a credit of half a billion. And Ukraine got another Russian "no" for a credit of five billion. Russia is really seriously reconsidering what is affordable. (…)

This discussion will continue, and Medvedev's visit to Belgrade tomorrow will hardly change much in this respect. (…) What might change this situation in the very near future are two events ahead of us. Elections in Ukraine are one of those two. There is a slim chance, very slim that this country might become governable. Again, the economic situation will not miraculously improve, but there is a possibility that the Russian-Ukrainian relations might at least improve. We cannot predict this with certainty at the moment. Another development which will make a strong impact is the Swedish decision on the *North Stream* – the effect of that decision would inevitably be strong. Prime Minister Putin has invested a lot of personal capital into that particular pipeline that is going across the Baltic Sea. He wants it very much to happen. On the other hand, Sweden feels rather uncomfortable, because it has no interest in this project. But it feels the pressure of some of the European countries, since *North Stream* is very important for European energy security. (…)

It is not very probable that all "eggs" will be put into the Ukrainian "basket". It would be vise to have another option in the southern "flank", and some think that the most natural option is the *Blue stream II* - the Russian gas going across the territory of Turkey and then connecting to the new pipeline towards Europe. That pipeline should not then be called Nabucco, because the whole idea of this project is against the Russian gas.

(…)

There is a point of view that the energy is the basis of civilization. Yes, it is an important perspective, and my worries here, as far as Europe is concerned, are connected to the current obsession in Europe regarding energy sources which look good, of functioning with green – wind, solar energy etc. In fact, that makes Europe uncompetitive. (…)

The point about the EU, Russia and their philosophies based on post-modernism and geopolitics respectively is not true. There is a lot of geopolitics going on in Russia, but there is a lot of pure commercial thinking going directly into foreign policy. And in the EU postmodernism is not the philosophy which has a prevalent influence. Nationalism is still widely present. Both trends exist in both blocks, so we might think that in the energy matters there is a perspective about the fundamentals – supply and demand. And there is a different perspective which says – commercialization vs. securitization. It is not that Russia and Europe have different positions. Both dimensions are present at both ends.

As far as the issue of transit and Ukraine is concerned, I think that one event that might really save the Nabucco project and push it back in the forefront is another Russian-Ukrainian gas war. In that case *Nabucco* will suddenly become an option that is more attractive than ever before (…).

Russian Serbian Cooperation in the Field of Culture

In The Shadow of Gas and Politics: Cultural and Spiritual Contacts, Connections and Cooperation between Serbia and Russia

Dr Miroslav Jovanović[1]

When we speak today about both present and past Serbian-Russian relations, we usually give priority to politics. However, the history of mutual relations shows that other connections were equally important, such as cultural, artistic, spiritual, religious and ecclesiastical ties between these two peoples (we could also include scientific connections, but it would require too much specific detail in a general overview such as this).

It is possible to trace these connections back to the middle ages and the first contacts of the Serbian ruler Stefan Nemanja with Russian monks. One popular example that is often mentioned is the encounter of his son Rastko Nemanjić (St. Sava) with a Russian monk from Mount Athos, who helped him to hide from his father's men in the Russian monastery of St. Panteleimon and later to become a monk himself. We should also mention the almost forgotten Serbian Monk Lazarus, who designed the first clock in the Kremlin at the beginning of XV century. The first influences of South Slavs on Russian culture and literature date from the XV century. Russian material and cultural contributions to the Serbian Church and its monasteries were initiated at the beginning of the XVI century. These contributions were brought back by various Serbian monks and priests during numerous visits to Russia up until the end of the XVIII century. During the XIX century, contributions from the Russian Tsars for cultural and educational needs were most important to the Serbs under the Habsburg Empire. Equally important were mutual connections and contacts during the early 20s of the last century, when numerous Russian refugees came to the then Kingdom of Serbs, Croats and Slovenians, where they found sanctuary from the prosecutions in their own country. Their cultural, artistic, scientific and spiritual influence was very noticeable among the Serbian and Yugoslavian elite of the time. Finally, mutual contacts, connections and influences have remained strong to this day trough the activity of famous artists such as Milorad Pavić, Konstantin Kostjukov, Nikita Mihalkov and Emir Kusturica.

The numerous contacts, influences, cooperation and spiritual exchanges between these two peoples have been varied and rich and have created a specific, recognisable space of cultural and spiritual encounter, exchange and mutual cooperation. This space is visible in both countries, though less in Russia than in Serbia it is, nevertheless, important.

Unfortunately, it is not uncommon that even significant and fruitful aspects of cultural exchange are being simplified or glorified, negated or even rejected in public discourse. Thus, this kind of treatment reduces the whole content to shallow black and white symbols, suitable to use in day-to-day political struggle.

For this reason we can observe a curious phenomenon: in politics and political relations, we can say that very few experts truly understand the modern politics of Russian/Serbian relations and are able to interpret it correctly. On the other hand, there are too many who "have an opinion" founded on only a basic understanding or even no real knowledge about the modern political situation, mutual relations and history. These would be experts are usually ready and willing to publicly interpret these relations and consequently promoting their opinion. Experts with essential knowledge of the economics (or, more precisely, energetics) of Serbian-Russian relations are even fewer, yet they are reluctant to express their opinion publicly. Therefore, they leave the platform free for intellectuals, "experts on everything", who

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have an "opinion" on every issue, including the problem of Serbian – Russian economic and energetic cooperation. On the other hand, as far as the area of culture and spirituality is concerned, we can say that there are numerous experts with a deep understanding of cultural and spiritual exchange, mutual knowledge and affirmation. Unlike the previous group, they are not mere passive observers and users, but active participants in the above-mentioned processes. In previous decades these experts accomplished a lot in terms of establishing and maintaining contacts, in the mutual affirmation of cultural and spiritual values, but also on the broader promotion of the cultural and spiritual values of their own country abroad. Compounding the paradox, these real experts very rarely have the opportunity to speak in public about contemporary Serbian-Russian relations, or even about the problems they encounter during their work, and moreover, they cannot count on any systematic institutional support.

Another particular phenomenon characterises Serbian-Russian spiritual and cultural connections. We can quite often hear simplified statements in public, usually charged with a specific type of emotional rhetoric: that Serbian-Russian ties are no longer at on the traditional historic wavelength; that interest in the Russian language among Serbian children and their parents is dramatically declining; that additional efforts have to be made so that these two peoples can "learn more" about each other; that mutual promotion of our cultural achievements are needed etc. Consequently, the overall impression is that these mutual cultural and spiritual contacts and exchange are insufficient and not visible. Hence, additional efforts are needed to expand and deepen these ties, and moreover, to strengthen or (re)establish contact.

If we were to accept the impression conveyed by the media today, we might think that relations, contacts and mutual perceptions are weak and underdeveloped (in any case insufficient, considering the rich history of mutual contacts and cooperation, and the high achievements of Russian, but also Serbian culture).

However, the basis of this simplified black and white *impression* of insufficient Serbian-Russian cultural and spiritual ties, contacts, cultural interaction and cooperation is often not clear. Does it come as a consequence of inherited traditional, emotional perception of mutual connections and contacts (personalized in Russophilia and Serbophilia - if it is even possible to speak about something like that in a Russian environment)? Is it possible that the phenomenon we are speaking about is simply a feeling of political proximity deeply rooted in the collective mentality, built during the XX century on very different and diffuse foundations (these foundations are explained in a stereotyped manner, as political ties between two states during World War I or political and ideological empathy between the ruling regimes during the Cold War). Finally, is the phenomenon that we are speaking about just a reflection of contemporary political projections about allies and enemies, about "us" and "them", about "east" and "west", about spiritual and religious affinity, kinship etc.

Or it is about the realistic projection of contemporary opportunities, cultural needs and future development in both cultural environments?

The above-mentioned dilemmas are even more visible considering the fact that contemporary Serbia and Russia live in the age of political, economic and cultural globalisation, the dilemma is further strengthened by the real contents and perspectives of contemporary Serbian-Russian spiritual and cultural cooperation.

Let us try to examine some of the issues and offer a few possible interpretations.

The Field of Culture

If we want to rationalise the reality in which we live, to substantially understand it - not interpret it emotionally following the simplified discourse of daily political symbols – if we want to achieve a deeper analysis and to contextualise contemporary cultural relations and connections, perception of Russian culture in a Serbian context and vice versa, we need to consider a few facts. Firstly, it is necessary to correctly distinguish between the possible meanings of terms such as culture, cultural cooperation, exchange, perception etc. Understanding contemporary Serbian-Russian cultural relations and cooperation depends on the meaning we give to these terms.

Is this general perception of culture to be understood as *high culture* (*elite culture*) or are we referring to much broader field that includes *mass culture* as well as *elite culture?* Moreover, is this a context in which cultural contact is reduced exclusively to the perception of *elite culture*, or is it a much wider understanding of culture – defined as a network of meanings which determines a society and bringing together all its facets, such as production, growth, context, interiorisation, etc. Finally, is it only about the perception of culture in cultural institutions of so-called "high culture", or is it about the presence of Russian culture in the Serbian media and public (and vice versa)?

It is necessary to have a clear and balanced understanding of all the terms above, to de-contextualise considerations on contemporary Serbian-Russian relations from a discourse based purely on impressions.

Furthermore, anyone following the efforts to promote Russian culture in Serbia (and vice versa) has to have seen how connections do exist, and that they are indeed not weak but, on the contrary, extremely rich in content. To the eye of the careful, keen and objective beholder, it is more than obvious that if we analyse Serbian-Russian cultural exchanges within *elite cultures,* it is difficult to find ground for dissatisfaction regarding the character and quality of such relations and cooperation, indeed it is quite the opposite.

Without a doubt, we can conclude that contemporary Russian cultural production is present and quite visible in Serbia. We can give few obvious examples leading to this conclusion. In the last few years and even decades Serbian readers have had the opportunity to become acquainted, through translations, with almost all the most important contemporary Russian writers: Victor Pelievin, Lyudmila Ulicka, Boris Akunin, Victor Erofeiev, Vladimir Sorokin etc. At the same time, Russian classics such as Dostoyevsky, Tolstoy, Bulghakov, Chekhov, Pushkin and others are constantly present on Serbian cultural scene with continuous reprints of their works. There are numerous translations available of other important writers such as Konstantin Leontiev, Nina Berberova, Gait Gazdanov, Sergey Dovlatov, Venedikt Jerofeiev and others. Entire series of works by distinguished Russian thinkers' from the so-called Russian "silver age" have been published: Berdyaev, Solovyev, Danilevski, Trubecki, Tihomirov, Frank, Uspenski, Visheslavchev and Fyodorov etc. On the other hand, the Serbian public has also had the opportunity to see the most important Russian achievements in cinema: Nikita Mihalkov, Aleksey Balabanov, Karen Shahnazarov, Stanislav Govoruhin and others. Moreover, Serbian audiences have had occasion to attend performances by some of the most distinguished virtuosos and conductors from the Russian musical tradition, to see the best ballet stars of the Bolshoi Theatre, to hear famous Russian choirs etc. Finally, they have had the chance to see some of the finest Russian TV series, such as "Moscow Saga" or "Favoritka", as well as number of episodes of contemporary Russian documentaries under the name of "Criminal Russia" etc.

The conclusion that it is hard to express dissatisfaction when we speak about the presence of elite Russian culture in Serbia is confirmed already through this simple quantitative analysis. Based on a few simple indicators (calculated on an *ad hoc* basis, for the needs of this paper) it would be easy to demonstrate that the position and perception of Russian elite culture in contemporary Serbia is in no way inferior or discriminated against when compared to other major world cultures.

For example, an analyses of the total editorial output in Serbia in 2009 shows that of 23,034 monographs published, 4,697 (20 percent) were books translated from one of the major world languages[2]. Among these, most were originally written in English (USA, UK, and Australia, but also from other countries) – 1,741 (37 percent), while translations of the books written in other languages are much fewer: French 335 (7.1 percent), Russian 237 (5 percent), Italian 205 (4.4 percent), German 192 (4.1 percent) and Spanish 82 (1.7 percent). Books written in other languages were translated in percentages that do not exceed 1 percent, for example Japanese 30 (0.6 percent), Hungarian 29, Norwegian 23 (0.5 percent), Romanian 14, Chinese 9 (0.2 percent), etc.

2) The analysis was based on data from the National Library of Serbia, located on COBISS browser. Data (excluding periodicals) are not given in absolute, but relative values - because of the browser's character and because of input and presentation. Since these data cannot be selected to give comprehensive information, but only to be used as an illustration of the previous conclusions, the survey results can be used only as basic references.

Furthermore, if we analyze the programme of the Belgrade Philharmonia in 2009/2010 season, it is easy to notice that out of 26 visiting conductors, three (12 percent) are from Russia (or the ex-USSR). Out of 30 guest soloists during the same season, 7 (23 percent) are from Russia or from the area of former USSR.

At the same time, analysis of the programme of the last two Belgrade international film festivals – FEST (2009, 2010) shows that Russian cinema was not at all discriminated against nor neglected. Out of the 132 films on the programme, 85 were national productions and 47 were co-productions by two or more countries. Among the national productions, films from the USA were the most numerous, as could have been predicted though far below what might have been expected. In second place were films from France, a total 8 (9 percent), and in third place Russia - 6 films (7 percent). In other words, Russians were represented with the same number of works as the host country, Serbia (6). Then followed South Korea with 5, Italy with 4, Austria with 4, India with 4, Japan with 3, Croatia with 3, and Ukraine, Greece, Brazil, Iran, the Czech Republic, Sweden, Poland, Mexico, Albania, Armenia and Georgia all with 1 film each.

As a curiosity, it is worth mentioning that one of the readers published for the first grade of primary school in Serbia by one of the authorised publishers (Kreativni Centar) includes texts by 31 authors, 26 originally written in Serbian and 5 translated. These texts are the basis on which Serbian children form their first notions of Serbian Language and Literature. Of the above-mentioned 5 text by foreign authors, one was by the Danish writer Hans Christian Andersen, while the other four were written by Russian writers: Leo Tolstoy, Vladimir Suteev, Corney Chuckovski and Semion Kogan (in other words around 80 percent of all foreign language authors, or 13 percent of the total number of authors in the textbook).

Bearing this data in mind, it is a hard to defend the thesis that the presence, perception and promotion of Russian cultural values are insignificant, decreasing or marginalized in Serbia. Moreover, if we take into account that over the past 14 years, thanks to the enthusiastic work of the Paunkovic Brothers, a journal specialising in Russian literature and culture called "*Russian Almanac"* is being published regularly in Serbia. There is also the example of a small publishing house named "Logos", run by Vladimir Medenica, which has a rather impressive production of some of the most important authors and thinkers of Russian culture of the XIX and XX centuries. Numerous publicly financed institutions have an ongoing fruitful cooperation with Russian cultural endeavours and institutions, such as Jugoslovenska kinoteka (Yugoslav Film Archive) as well as some theatres. In that context we should also mention the website Rastko (Project Rastko-Russia)[3] and the newly-established, luxury, magazine "Rusija danas" (Russia today).

Certainly, the illustrative analysis above is centred primarily on exterior, more formal, quantitative framework of the issue in question. A more comprehensive, content-oriented analysis would, without doubt, broaden the analytical framework and opportunity for understanding and interpreting the issue as a whole. However, it would be unlikely to change the conclusions regarding the general trends in the presence and perception of Russian *high culture* in Serbia.

On the other side of the imagined line of exchange – when we discuss the presence, perception and promotion of Serbian cultural values in the Russian cultural environment, we have to conclude that Serbian culture is much less present in contemporary Russia than vice versa. However, that is only logical due to the difference in size between two countries and the sheer quantity of cultural output. Nevertheless, it is easy to conclude that in contemporary Russian culture the most distinguished works of Serbian elite culture are present and widely exposed, above all the works of the Serbian writer Milorad Pavić and film-maker Emir Kusturica.

However, the situation is very different if we analyse the promotion of Russian high culture in the Serbian media, in another words, the presentation of the production and content of Russian mass culture in Serbia's media and Serbian mass culture, and vice versa. The average Serbian consumer of mass culture has never heard of any of today's Russian music stars, such as Filip Kirkorov, Angelika Varum, Timatie, Zemfira, Dime Bilan and others. Likewise, in earlier times they did not know anything about famous Russian music stars, like Ala Pugatchova or Josif Kobzon, or about the "bards" Visocki, Okujava, Gali; and others. Serbian youth in their time did not know anything about famous Russian rock groups and performers like *Aquarium,*

3) http://www.rastko.rs/rastko-ru/

Nautilus Pompilus, Alice, DDT, Alexaneder Baslachov, Nolia, Grazdanskaya Oborona, Janka Diagilieva, Instrukcie po vizhivaniu and others. If we observe from this point of view, we would have to conclude that the presence of Russian culture in Serbia is barely visible (if at all), whereas Serbian culture in Russia practically does not exist (except the "distinguished" tradition, urban legends about the famous, almost mythical tours of Serbian stars like Djordje Marijanovic, Radmila Karaklajic, *Sedmorica mladih* and others in the USSR during 60s and 70s of the XX century).

It is precisely this aspect of the everyday perception of cultural contents in the hyper-reality of the mass media, overran by popular culture and its numerous and varied subculture derivatives, that creates the *impression* of an insufficient presence of Russian culture in Serbia (in some analysis discrimination is even mentioned).

Furthermore, this image of an insufficient presence of Russian culture in Serbia is close to or even matches the data available, even with simple *ad hoc* analysis of television programming. However, the analysis of TV as the key space of mass culture presentation and perception, that is films and TV series (telenovelas, "soap operas") as basic forms of presentation and reception of mass culture, could be disputed as simplified approach, if we consider the growing importance of the Internet as the space for presentation and exchange of mass culture content. But such an analysis provides us with the most suitable parameters for the interpretation of the whole phenomenon, for a number of reasons. Firstly, the television programme (especially considering members of the middle-aged and older generation) is the dominant medium of mass culture contents. Secondly, if we consider the range of characteristics of television as a medium, it is possible to look at it as the most suitable mean of conveyance for certain cultural codes, as an array of semantic meanings which determine one social and cultural model.

Television programmes in particular – though we could agree with Anthony Giddens that "television is a continuous flow, but the television programme is a 'mess'"- represents a network of meanings, which are transferred and promoted, a space for the dissemination, adoption and layering of cultural codes and patterns. And what does this space look like?

For the purpose of this paper, we have analyzed the programmes available on one cable television provider in Belgrade (SBB) offering a total of 75 channels. We randomly took one regular working day for a 24-hour analysis, Thursday, March 11, 2010[4]. The analysis focused on the programmes broadcast on 32 TV channels which were showing films and TV series in the Serbian language (out of which 29 television channels could actually be analyzed[5]). The remaining 43 channels have different content – they either broadcast a mix of programmes exclusively in foreign languages (4) in German, French, Spanish and Italian – which makes them almost inaccessible to an average Serbian viewer; or they represent exclusively informative channels (4) or else their profile is mono-thematic: sport (9), music (5), travel and wildlife (3), documentary (8), children (7), fashion and jet-set(2) or advertising (1). Therefore, analyzing mass culture production in the Serbian mass media (bearing in mind films and TV series), we came to the following: on 11th March 2010 Serbian viewers had an opportunity to watch 47 different films (without reruns) or more or less 70 hours of films on 32 analyzed channels. Among the films that were broadcast on that date, 39 were of modern or older American productions (83 percent), four were domestic (older SFRY and newer Serbian productions), two British, one Chinese and one Italian. On the same date 102 episodes of different TV series were broadcast, which totalled (without reruns) an additional 68 hours of broadcast. Of this number 60 were made in the USA (59 percent), 14 were Latin American – Mexican, Columbian etc.

4) The focus of analysis was on film and TV series production exclusively, just their first broadcast during the day, and not their re-runs, mostly at night and in the early morning, which is almost a rule in all television channels. Children's channels and animated films were not covered in the analysis, although they were significant, simply because information about them is rarely available (a certain number of TV channels do not have their own internet sites, while a vast amount of TV programmes does not give even basic data about programmes to be broadcast, neither on their web sites nor in the print media – original name of the film, name of the director, production country etc.). The programme scheme of music channels was impossible to analyse in real time, and in programme outlines there are no precise data about the content of broadcast music. Fashion and jet set channels were not analyzed precisely for the same reasons. However, the contents of exactly these channels (animated films, popular music, fashion and "VIP world") represent most of the patterns for the spreading and transmission of certain cultural codes characteristic for global mass culture.

5) In three mentioned cases (one is Art TV) programmes could not be analyzed at all, because no precise data about the programme scheme is available in any form, on television itself, the print media or the Internet.

(14 percent), seven British (7 percent), five domestic – SFRY/Serbia (5 percent), five Croatian -although one of these was broadcast at the same time on two or three channels (5 percent), three Italian and three Australian, two Spanish and one Turkish, one German and one Chinese. To have the overall picture about the character of the programming, we should add that remaining programme-time was filled with large amount of animated films (minimum 40 episodes – without reruns – mostly American and Asian productions), a number of different reality shows (mainly designed according to the adopted Western models and patterns, then live and recorded broadcasts of sport events (at least football 15 matches, five basketball, three hockey, ten auto mobile races, etc.) and an enormous amount of popular music videos and shows about the world of fashion and the jet-set. Consequently, in such a hyper-realistic programming framework there was no air space for Russian films or TV series.

Therefore, on March 11, 2010, out of 768 hours of broadcast programmes on 32 channels (out of 1700 hours, on 75 television channels over 24 hours) – almost 300 hours of programming were basically promoting/spreading one, more or less unified cultural code of mass culture – the American one, with sub-cultural substrates embodied in Latin-American and Asian "soap operas".

What conclusions can be drawn from the facts above?

In the first place, when we speak about the sphere of mass culture, it is completely understandable that we cannot expect any radical change. Simply we must bear in mind that we live in the era of globalisation, in the era of Coca-Colisation (as it was colourfully defined by Reinhold Wagnleitner[6]), Holliwoodisation…, of total cultural space and social life. That we live in age of strong and unachievable mass storage "from the bottom up" of all kinds of information (T.H.Eriksen[7]), as well as hitherto unseen content of mass culture in the history of mankind. In a 24 hour period modern man is confronted with more information than people from VIII or IX century saw in their entire lifetimes. We live in an era in which "art is just a prelude to cocktail and PR" as it was superbly defined by A. Bartoshevic. In such global hyper-reality of mass media, the content of American mass culture holds absolute supremacy, and for one simple reason – we are speaking about the products of world's largest mass culture *industry* (literally). An *Industry* that is impossible to oppose in quantity by any other production of mass culture (Asian, Latin American, Chinese or Indian). Simply said, no other culture in the world, except the American industry of mass culture, has capacity to produce such a quantity of films to fill the daily schedule of a cable TV provider in Serbia with an average of 70 hours of film programme over 24 hours all through the year. At such a rhythm the yearly Russian film production would be "drained dry" in less than seven days.

Bearing all the above in mind, it is clear why none of the great Russian block-busters of recent years such as *9 rota (9 рота), Stilyag (Стиляги), Obitaemi Ostrov (Обитаемый остров), Admiral (Адмирал), Odnokalsniki (Однокалссники) and others*, or ever growing number of Russian telenovelas, which usually last a few seasons, for example Brigada (*Бригада)*, Koldovskaya Lybov (*Колдовская любовь)*, Soldat (*Солдаты)*, Ne Rodis Lrasivoi (*Не родись красивой)*, Moya prekrasnaya nyanya (*Моя прекрасная няня)*, Schastlivie Vmeste (*Счастливие вместе)*, Tamyanin Den (*Татьянин день)*, Spalnii Raion (*Спальный район)*, Margosha (*Маргоша)*, Sled Salamandri (*След Саламандры)* and others, do not have any real possibility of breaking through on Serbian media space, in the face of competition with American, and even Latin-American telenovelas. A separate question arises if we consider the content of these films and telenovelas, which are almost exclusively made for Russian and Post-Soviet viewer (although replicating some of the patterns of their American models to a certain extent), as such they are preserving a closed cultural pattern, quite distant from Serbian mass media consumers. An example of the importance of an open cultural code can be seen in the children's animated series *Smeshtariki (Смешарики),* written in a sufficiently universal language as to be widely accepted among the younger population in Serbia. Hence, it opens another different dimension of the problem.

In a similar context, we should examine how Serbian mass culture cannot find its place in Russian media space. However, the Serbian production is significantly smaller than the Russian, thus it is in much lass

6) R.Wagnleitner, *Coca-Colonization and the Cold War: The Cultural Mission of the United States in Austria After the Second World War*, North Carolina, 1994.
7) Tomas Hiland Eriksen, *Tiranija trenutka: Brzo i sporo vreme u informacionom društvu*, Beograd, 2003.

advantageous position on the mass culture "market" in comparison to the offer of more developed mass culture industries. When we discuss the content of the Serbian production it is even more appropriate to say that it is closed within its own separate cultural code, which can be almost exclusively assimilated among the Serbian public, and occasionally in the ex-Yugoslavian context. This cultural code is heavily characterized by a dominant quasi-rural self-reception of Serbian mass culture and society, often "proud" of turbo-folk and quasi-rural contents (Trumpet festival in Gucha, and numerous TV series about village and rural mentality: *the Dollars are coming (Стижу долари)*, *the Village is burning and granny brushes her hair (Село гори а баба се чешља)*, *My cousin from the village (Мој рођак са села)*, *White boat (Бела лађа)* and others) – the key "cultural export brands" of Serbia. That could be understandable if that export referred exclusively to the ex-Yugoslav area, and rarely to the Balkans as a whole – but it is hard to imagine any possibility of some wider, European or world perception of such contents.

Within the scenario above, "longing" for a greater presence of Russian culture within the space of Serbian mass culture, and vice versa, is almost passé. Of course, it is possible to argue about the good and bad sides of Globalisation and Coca-Colisation (doubtless, we would all agree about their bad sides), but we cannot stop them or reverse them. They are simply the reality in which the present generations live, and the framework in which future generations will probably live. Their rejection, refusal and condemnation will certainly not help us to understand them; it is by understanding of processes of Globalisation that we will come up with the frameworks and realistic prospects for present and future Serbian-Russian spiritual and cultural cooperation.

We should also consider the decreased/increased interest in studying the Russian language in Serbia under a similar point of view. Simply, interest in learning languages decreases, when contacts between two states and economies become weaker, and such contacts have been significantly less intense during the transition period, when compared to socialist period. Simply, when (and if) there are more Russians in Serbia and if Russians were to have an interest (economic, for tourism or personal reasons – for example, if Serbia allowed Russians to buy real estate), naturally studying Russian would become more attractive. Without such an impulse dramatic improvements can hardly be expected.

Finally, when we discuss the *high culture*, *elite culture* - it cannot be said that the situation is bad, indeed we could even say it is satisfactory. Nevertheless it would be difficult to evaluate if the whole potential of Serbian-Russian cultural exchange has already been exhausted. What is obvious, even through a simple analysis, is that the greater part of existing exchange (and the preservation of such contacts) has been carried out with little or no institutional support. It seems like the institutions, which are supposed to deal with these matters, do not show any significant interest to establish, maintain and foster cultural ties and contacts. It is a logical conclusion that this is precisely the area of Serbian-Russian relations that can be boosted to increase and deepen mutual cultural cooperation.

The Spiritual Area

Matters of spiritual, religious and ecclesiastical relations between Serbia and Russia are interrelated, depending on complex issues of Serbian-Russian cultural cooperation and exchange.

The Spiritual ties between the Russian and Serbian people also have a long history - indeed, these were the first of important Serbian-Russian contacts. Spiritual contacts began already in middle ages, and became closer and more frequent between XVI and the end of "long" XIX century. Although during XX century spiritual connections between these two peoples and two churches passed through difficult times (mostly because of the nature of the authoritarian and atheistic regimes in both Serbia (SFRY) and Russia), contact was still intense and rich in mutual cooperation and influences. The period in between the two World Wars was probably the richest, due to a fact that the Kingdom of Serbs, Croats and Slovenians was one of the main destinations for Russian refugees. The Russian Orthodox Church outside of Russia was active on the territory of the Kingdom in that period, with the approval and support of the Serbian Orthodox Church. That was a period of intense close contacts between Russian and Serbian priests,

monks, spiritual leaders and believers (just by way of example, the influence of Russian monks and nuns was of immense importance for rebirth of female monasteries and nunneries within the church).

However, when we discuss present day relations, we should bear in mind firstly their complexity, and the complexity of the symbolic of mutual ties between the two Orthodox peoples and the two Orthodox sister churches. Of course, in these relations, and even more in their symbolism, tradition plays an influential role, nevertheless, tradition is not the only aspect at play in contemporary ties and relations.

The issues of spirituality and religiosity, which were pivotal questions in both countries after the breakdown of the two communist regimes, at the beginning of the 1990s, are still relevant today. The same issues do not just deal with the position of the churches within society (the Serbian Orthodox Church and Russian Orthodox Church) and their mutual relations, though mutual relations constitute one important, and maybe the key aspect of their mutual relations in an institutional sense, we should not deny the importance (within the general context of the spiritual relations between the two peoples) of the issues of religiosity, faith, pilgrimage and common self-reception in faith of the population as important parts of identity in both societies.

Naturally, there is always the risk of emotional and simplified approaches to these complex connections. Such approaches usually include the danger of evolving rather mystical interpretations, sometimes over-mystification. In that sense, notions such as belonging to the "same faith" and the "same tribe" are transformed (in one metaphysical dimension) into conclusions of uniformity of faith, religiosity and spirituality. The next step is to draw conclusions on such a simplified basis, such as the remark of Deacon Andrej Savostishki: "[Europe] is dead. Europe is material paradise and spiritual hell (…) Europe made its choice, Europe does not follow the Lord or go towards the Lord, it lives without God, and Serbia is with God(…)"[8]...

In such cases it is good to mention one very colourful comparison of the two religious practices. In 1928 Zinaida Hipius wrote the following sentence (based on experience of mutual contact): "Serbian Orthodox Christianity is not exactly identical to the Russian one. Higher or lower, better or worse – that is another issue, but not the same: it is livelier, more people-oriented, and simpler and, what is the most important: it is more joyful". [9]

[10] Vyatki" („С Вятки") (which have been organized since 2006 with the blessing of the Archbishop of Vyat and Slobodski Hrisanif[11]); and finally, the Russian Federation has provided material support for the reconstruction of Serbian churches and spiritual shrines in Kosovo and Metohija[12].

However, when we speak of the general perception of spiritual cooperation, we must conclude that it only vaguely (or indeed not at all) participates in the hyper-reality of the mass media culture, as is the case

8) "PORT ARTURSKA IKONA MAJKE BOŽIJE U SRBIJI" (http://www.manastir-lepavina.org/novosti/index.php/weblog/detaljnije/port_arturska_ikona_majke_boije_u_srbiji/)

9) Z. N. Gippius (З.Н.Гиппиус), "Письмо о Югославии ", in: *За Свободу*, Warsaw, (А САНУ, 14386, 2541.)

10) For example, one such pilgrimage and tour of sacred shrines and holy places in Russia by Backa Eparchy of the Serbian Orthodox Church should be organized in May 2010 and it should last 12 days. This tour should include the following: May 9: Moscow (visit to Trinity-Sergey Lavra. Worship of the holy remains of St. Sergey of Radoniezh; May 10: Murom-Diveyev. Visit of the Holy. Trinity and Blagoveshensky monasteries and the temple of St. Nikolay. Arrival to Serafimo-Divievsky monastery. Worship of the holy remains of St. Serafim Sarovski and the miraculous icon of Umilenie; May 11: Diveyev-Vladimir-Moscow. Visit of the Uspen Sabor (with the particles of holy remains of St. Alexander Nevsky, the holy remains of St. Prince Andrei Bogolyubski, the miraculous icon Vladimirska, Bogolyubska, fresco by Andrei Rubliov). Monasteries of Svyato-Uspenski Kneginin, Svyato-Bogolyubov. Temple of the Shroud on Nerla etc.
(more info at: http://www.eparhija-backa.rs/putovanja/svetinje-rusije-0)

11) Compare: „Паломничество в Сербию"
(http://www.rusk.ru/analitika/2009/12/17/palomnichestvo_v_serbiyu/); „Паломничество в Сербию и Черногорию" (http://www.svyatky.ru/vpechatleniya/vpp2/);

12) The project was defined during 2008, when, the then Russian president Vladimir Putin, expressed the will to contribute 2 million dollars and various other kinds of technical and expert help to restore and protect Serbian spiritual holy places and shrines in Kosovo – Pec Patriarchy, Gracanica monastery, Visoki Decani monastery, Bogoridica Ljeviska monastery].
(http://www.rts.rs/page/stories/sr/story/125/DrupercentC5percentA1tvo/465371/Rusija+obnavlja+srpske+svetinje+na+Kosmetu;http://www.rtv.co.rs/sr_lat/drustvo/rusija-obnavlja-svetinje-na-kosovu_60096.html, as well as: http://zabelezi.com/category/Vesti/rusija-obnavlja-srpske-svetinje-na-kosmetu/)

of high culture. As a consequence, the whole area of spirituality, as well as culture itself, is left to exist on the margins of public discourse (including almost all efforts at deepening, expanding and maintaining of a high level of contact, cooperation and interconnectivity).

Lastly, it is also possible to raise the issue of institutional support to the spiritual dimension, but certainly in different manner – since the church itself as an institution covers and solves the major scope of important questions.

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Finally, it is possible to draw one final general conclusion regarding cultural and spiritual (as well as scientific) Serbian-Russian ties, contacts, mutual influences and interconnectivity. Connections and contacts without any doubt do exist. They are characterized by relatively rich exchange as well as numerous and different contents. However, the reality and results of that cultural and spiritual (or scientific) exchange, cooperation and interconnectivity are, almost by rule, hardly visible in the public discourse/space of the hyper-reality of mass media culture. In that hyper-reality, dominated by products of industrialized mass culture, there is not much (if any) room for the presentation of diverse contents. Furthermore, the nature of that hyper-real space of mass media culture is such that any political issue, standpoint or gesture, as well as any implemented or even announced economic project, would overshadow any cultural, spiritual or scientific effort (regardless of its real importance and value).

Russian / Soviet Cultural Influence in Serbia / Yugoslavia In the XX and XXI Century

Goran Miloradovic, PhD[1]

This short analysis of the Russian influence in Yugoslavia / Serbia has been developed on the starting premise that the sphere of culture is closely related to the spheres of politics and ideology. Moreover, the importance of research into cultural relations arises from the inter-related nature of these spheres: cultural relations can be an indicator of the relationship between states and peoples, since they are determined by political needs and ideological models. Three indicators will be used in this article to draft Russian-Serbian relations: the viewing of Soviet / Russian films in Yugoslavia / Serbia, the translation of Russian literature into the Serbian language, and the learning of the Russian language in Yugoslavia / Serbia. Particular emphasis will be placed on today's situation.

The first question that should be raised is whether it is possible at all to talk about Russian – Serbian cultural relations in the twentieth century, i.e. between 1918 and 1991.[2] During this period, two countries, the Soviet Union and Yugoslavia, existed in parallel, and their international roles hardly overlapped with the previous and the later roles of Russia and Serbia. Since cultural cooperation is connected to political relations and is conditioned by them, it is important to note that the politics and ideology of the Soviet Union and Yugoslavia were different from the politics and ideology of Russia and Serbia. On the one hand, Russian-Serbian cultural relations can be traced back to a more distant past, even as far back as the sixteenth century, and were practically uninterrupted up until the end of the First World War. On the other hand, their cultural relations represent a completely new phenomenon and can be mapped out only through the last two decades.[3]

Yugoslavia was formed at the Paris Peace Conference with the blessing of the Allied Powers. Its role was to prevent a revision of the post-war European order and to be an obstacle to the possible extension of the Soviet state and its ideology to the West. It is a substantially different principle from the role that Serbia had, as a friend, and, occasionally, intimate of the Russian Empire.

The First World War and the Great October Socialist Revolution brought about the interruption of cultural cooperation between the newly formed state of Yugoslavia and Soviet Russia. Relations that had existed until the two events were transferred to representatives of Russian emigration, since Yugoslav authorities could not reconcile with the newly established order in Soviet Russia. Russian emigrants were the repositories of traditional relations. This can be seen in the fact that Russian writers, painters and architects, who found their refuge in Yugoslavia, were mostly focused on traditional artistic trends, while only in the sphere of theatre were artists inclined towards modern currents.[4] The behaviour of the Yugoslav government and, in particular, the Serbian political elite, towards Russian refugees, is indicative of huge differences between the values, and even the culture of Yugoslavia and the Soviet Union.

While Russian emigration enriched cultural activities, the Kingdom of Yugoslavia viewed cultural exchange with the Soviet Union as a potential channel for enemy propaganda, thus actively inhibited and controlled any such cultural exchange. Alongside ideological contrasts with the Soviet authorities,

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2) This time-frame can be considered as an encircled whole in historical science, defined by the term "short twentieth century", which has become customary, and does not overlap with the calendar twentieth century.

3) For the beginning of this cooperation, see: *Moskva-Srbija, Beograd-Russia: dokumenta i materijali* [Moscow-Serbia, Belgrade-Russia: Documents and Materials], Volume I, *Drustvene politicke veze* [Social and Political Connections], (group of authors), Belgrade/Moscow, 2009.

4) Jovanovic, Miroslav, *Ruska emigracija na Balkanu 1920–1940* [Russian Emigration to the Balkans 1920 - 1940], Belgrade 2006, pp. 409–442.

this approach arose from the international political function of Yugoslavia as a part of the "French system' of European security.

The first signs of softening in censorship appeared in the mid thirties. With the first appearance of Soviet cinema in Yugoslavia, all ideological messages were censored. The attitude towards Soviet film had changed due to the rise of the Nazi threat in Europe. Eight Soviet films were purchased for the 1934/35 season, while the censor approved six[5]. Seven films were purchased for the 1935/36 season, all without any political contents.[6] Even the Soviets were helpful in this matter, since they were almost exclusively producing entertaining films without any propaganda.[7] The last film distributed was a comedy entitled Volga-Volga (Grigori Alexandrov, 1938) in September 1940.[8] This took place just after diplomatic relations with the USSR were urgently resumed, due to the deterioration of the international situation, and in particular the fall of France in May 1940.[9]

A group of Yugoslav intellectuals tried to establish the Society of Friends of the Soviet Union in the mid 1940s. They thought that the social climate was suitable for the improvement of relations with the USSR. The initiator was Dr Ivan Ribar from the Democratic Party. However, this proposal was rejected by the Yugoslav authorities. The growing trend of cultural cooperation was then completely abandoned in 1941, when Yugoslavia was occupied by Central Powers, while the Soviet Union was attacked and partially occupied.

Nevertheless, cooperation between Yugoslavia and the Soviet Union was re-established even before the end of the Second World War. The first concert of Red Army musicians was organized in liberated Belgrade in October 1944 at the National Theatre. Numerous visits of Soviet artists and intellectuals to Yugoslavia were organised and similarly Yugoslav visits to the USSR. The Society for Cultural Cooperation of Yugoslavia with the USSR was established in Belgrade on January 14, 1945. Its 59 founders included many famous intellectuals, communists and Russophiles.[10] The Society, with more than 80 local committees, gathered a membership of over 15.000 and published a glossy journal called Yugoslavia - USSR.[11] However, the activities of the Society were reduced to zero in the spring of 1949, due to the conflict between Yugoslavia and the USSR in 1948.

The reason for this twist in fate lay in the fact that socialist Yugoslavia had the same international-political function after the Second World War as the Kingdom of Yugoslavia had had between the two Wars. Although the new order in the rebuilt country was Stalinist, Yugoslavia became a barrier to the expansion of Soviet influence in the West and a catalyst of dissatisfaction in Eastern Europe. The attractive picture of successful socialism with higher living standard that Yugoslavia offered, threatened the loyalty of the

5) Škrabalo, Ivo, *101 godina filma u Hrvatskoj 1896 –1997: Pregled povijesti hrvatske kinematografije* [101 Years of Cinema in Croatia 1896 – 1997: Review of the History of Croatian Cinematography], Zagreb 1998, p. 101; Mikac, Marijan, "Ruski filmovi kod nas" [Russian Films in Our Home], in: *Нова Европа* [New Europe], vol. XXVIII, No. 3, March 1935, pp. 88–89; Ostojic, Stevo *Rat, revolucija, ekran* [War, Revolution, Screen], Zagreb, 1977, p. 12.
6) Ostojic, Stevo, *Rat, revolucija, ekran* [War, Revolution, Screen], Zagreb, 1977, pp. 13–14.
7) Mikac, Marijan "Novi ruski filmovi" [New Russian Films], in: *Nova Evropa* [New Europe], vol. XXVIII, No. 8, August 1935, pp. 267. During the first Five Year Plan, when the country was afflicted by hunger (1932–33) and systematic preparations for the period of terror were ongoing, after the murder of Kirov (1934), the Soviet film industry attempted to reduce social disappointment and hide the real situation in the country by focusing on either apocalyptic or cheerful topics. Geller, Mikhail; Nekrich, Alexander, *Utopija na vlasti. Istorija Sovjetskog Saveza* [Utopia in Power: the History of the Soviet Union], Podgorica, 2000, pp. 243, 247–249.
8) See: *Dnevnik Online*, February 2, 2002, http://www.dnevnik.co.yu/arhiva/02-09-2002/Strane/servisi.htm, (September 29, 2008).
9) Yugoslavia had started to change its attitude towards the USSR even earlier. See the book, finished in May 1940 and published by Nolit: Dragovic, Vuk, SSSR: Savez Sovjetskih Socijalistickih Republika [USSR. The Union of Soviet Socialist Republics], Belgrade, 1940.
10) Among the founders, the most famous were: Antun Augustincic, Isidora Sekulic, Rasa Plaovic, Rados Novakovic, Lojze Dolinar, Dr. Ivan Ribar, Dr. Sinisa Stankovic, Sreten Stojanovic, Dr. Pavle Savic, Milovan Djilas, Rodoljub Colakovic, Radovan Zogovic, Marko Ristic, Bozidar Malaric, Dr. Vladislav Ribnikar, Djuro Salaj, Oskar Danon, Rato Dugonjic, Boris Ziherl, Bane Andreev, Jara Ribnikar, Mosa Pijade and Leposava Nesic – Pijade. GARF Fond R-5283 (ВОКС), оп. 17, д. 530, л. 15. [*Государственный архив Российской федерации* / State Archives of the Russian Federation]. Copies of the Minutes from the founders' meeting and Guidelines defined at the meeting of the Action Committee on February 1, 1945, confirmed by the Commission of Interiors of the the National Committee for the Liberation of Yugoslavia (NKOJ), Act n. 212/45, February 10, 1945.
11) "Rad Drustva za kulturnu saradnju Jugoslavije sa SSSR" [Work of the Society for Cultural Cooperation of Yugoslavia with the USSR], in: *Jugoslavia – SSSR* [Yugoslavia - USSR], December 14, 1946, p. 39 (from the Report of the Society's first assembly meeting).

members of the socialist lager. Culture became the main channel of Yugoslav influence on other socialist states.

Film is not only a very popular and suggestive media, but also a valid indicator of political influence. Soviet films had a 62 percent share of the repertoire in Yugoslav cinemas in 1945, just over a half in the period between 1946 and 1950, while in 1951 they were completely eliminated due to the conflict with the USSR. They appeared once again in 1955, but only as a marginal part of the film program (2.32 percent), while Hollywood and Western European productions were dominant. However, alongside improving political relations, Soviet film also gradually recovered and constituted 14 percent of the film repertoire in Yugoslavia in 1964.[12]

Table 1: Share of the film repertoire in Yugoslavia

Year	Total	Soviet Films	%	Yugoslav Films	%	American Films	%
1945	150	93	62.00	-	-	7	4.66
1955	734	17	2.32	55	7.50	291	39.65
1964	1015	142	14.00	152	14.98	205	20.20

As elsewhere, with the advent of television in the mid-sixties, the importance of film started to decline in Yugoslavia, thus the recovery of Soviet cinematography on the Yugoslav market is relative.

The presence of Russian film has been marginal in the Serbian film repertoire at the end of the twentieth and the beginning of the twenty-first centuries. An analysis of the titles available on the best supplied networks of video clubs in Belgrade and Serbia (**Zabac**, 7.200 titles; **Moro**, 6.300 titles; **Lav**, 10.800 titles) reveals a very limited repertoire of less than two dozen Soviet/Russian films all together, including co-productions. Moreover, no one video club stocked all the titles in question: **Zabac** only 10; **Moro** - 13 and **Lav** -16

These films can be divided into three categories, according to the time of production:

Soviet production from 1950s and 1960s; Russian production from 1990 - 1999; and Russian production after 2000

Why the number of Russian/Soviet films is so low and why only these titles are available can be understood through a structural analysis of the films in question.

For the most part these Soviet films are adaptations of classics from Russian literature. In total, there are six such titles:

Anna Karenina and **War and Peace** by Leo Tolstoy; **The Idiot, the Brothers Karamazov** and **Crime and Punishment** by Fyodor Dostoyevsky; And **Quiet Flows the Don**, by Mikhail Sholokhov.

The reason behind the interest in these films lies in the fact that the literature on which they are based is part of the required reading in secondary schools in Serbia. It has become a tendency among young people in Serbia to watch these Soviet films instead of reading the book on which they are based, due to the considerable length of the novels and a diminishing reading culture among Serbian youth. Moreover, these films offer a very consistent and linear interpretation of novels' contents, contrary to American adaptations of the same titles.

12) *Jugoslavija 1945–1964. Statistički pregled* [Statistical Review], Belgrade, 1965, p. 328.

Although the film *Aleksa Dundic* from 1958 does not fall into the category above, it is nevertheless relevant as it is a co-production with Yugoslavia in which many Serbian actors played and included contents partially connected to the Serbian history.[13]

Finally, three films from the same period can be found on the video market due to their unquestionable quality which has stood the test of time: *Rublev, Moscow Does Not Believe in Tears* and *Repentance*.

Films from the nineties are a case apart, since they were almost exclusively co-productions between Russia and one or more European states. Three films were made by Nikita Mikhalkov (*Urga – Close to Eden, Burnt by the Sun* and *The Barber of Siberia*), and one by Régis Wargnier (*East-West*). The only exception is *The Brother* (Aleksei Balabanov, 1997), which anticipated a certain change in direction compared to the previous decade.

Alongside political will, rich production and advertising are key factors influencing film audience, particularly when the public is used to Hollywood standards, as is the case in Serbia. As a consequence, American cinema, which was present on the Yugoslav market at 4.66 percent in 1945, 39.65 percent in 1955 and 20.20 percent in 1964[14], has increased to around 80 percent at the beginning of the twenty-first century. This situation is similar to the period between the two World Wars, when American film almost completely dominated Yugoslav cinemas.

A few Russian films from the beginning of the twenty-first century confirm that they can find their public in Serbia, when higher production quality is achieved and better advertising organized. They are: *Brother 2, Night Watch, Day Watch, The Return*, and *Mongol*.

Table2: Soviet/Russian films in video clubs in Serbia

Film Title	**Director**	**Production**	**Year**
Aleksa Dundic	Leonid Lukov	USSR, Yugoslavia	1958
The Idiot	Ivan Pyryev	USSR	1958
And Quiet Flows the Don 1 - 3	Sergei Gerasimov	USSR	1958
Anna Karenina 1–2	Alexander Zarhi	USSR	1967
War and Peace 1–4 (only the first of three parts available)	Sergei Bondarchuk	USSR	1968
Crime and Punishment 1–2	Lev Kulidzhanov	USSR	1969
The Brothers Karamazov 1–3	Ivan Pyryev	USSR	1969
Rublev 1–2	Andrei Tarkovsky	USSR	1969
Moscow Does Not Believe in Tears	Vladimir Menshov	USSR	1979
Repentance	Tengiz Abuladze	USSR	1984
Urga	Nikita Mikhalkov	Russia, France	1992
Burnt by the Sun	Nikita Mikhalkov	Russia, France	1994
The Barber of Siberia	Nikita Mikhalkov	Russia, France, Italy, the Czech Republic	1999
East – West	Régis Wargnier	France, Russia, Bulgaria, Spain, Ukraine	1999
Brother	Aleksei Balabanov	Russia	1997
Brother 2	Aleksei Balabanov	Russia, USA	2000
The Return	Andrey Zvyagintsev	Russia	2003
Night Watch	Timur Bekmambetov	Russia	2004
Shadowboxing	Aleksey Sidorov	Russia	2005
Day Watch	Timur Bekmambetov	Russia	2006
Mongol	Sergei Bodrov Senior	Russia, German, Kazakhstan, Mongolia	2007

13) The second Soviet – Yugoslav co-production was a film: *In the Mountains of Yugoslavia* (Abram Room, 1946).
14) Yugoslavia *1945–1964. Statistički pregled*, [Statistical Review], Belgrade 1965, p. 328.

The second indicator of Russian cultural influence in Serbia is translated literature. Based on an analysis of translations from five major European languages into the Serbian language during the nineties and after 2000, available through the Cooperative Online Bibliographic System and Services (COBISS)[15], the following observation can be made:

Table 3: Translating Frequency (Incidence) from the five most widely spoken European languages into the Serbian language

Language	**1990/1999**	**2000/2009**	**+**	**%**
Italian	709	1728	1019	143.72
English	9440	17126	7686	81.42
French	2412	3500	1088	45.11
German	2039	2519	480	23.54
Russian	2573	2908	335	13.02

During the last decade of the twentieth century (1990–1999) there were 926 titles translated from Russian listed in the catalogue of the National Library of Serbia.[16] Two particularly numerous and clearly defined parts can be identified:

- Belletristic - 380 titles or 41 percent;
- Theology, Mystic Literature, Conservative philosophy, Church literature - 112 titles or 12.10 percent

Table 4: Belletristic titles published during the nineties

Author	**Number of Titles**	**Number of Copies Printed**
Fyodor Dostoyevsky	51	1.000–10.000
Alexander Pushkin	23	1.000–15.000 (*The Tale of the Fisherman and the Fish*)
Nikolai Gogol	16	500–5.000
Leo Tolstoy	14	500–5.000
Anton Chekov	10	1.000–3.000
Mikhail Sholokhov	8	2.500–5.000
Mihail Bulgakov	7	1.000–1.500 (5 X *The Master and Margarita*)
Sergej Jesenjin	7	500–6.000
Vladimir Nabokov	7	1.000
Daniil Kharms	7	500–5.000
Marina Tsvetaeva	7	500–3.000
Alexander Belyayev	6	10.000–20.000 (5 X *The Star KETs*)
Eduard Limanov	6	2.000
Aleksandr Solzhenitsyn	5	500–2.000

15) This is an active data base in which information is accurately updated, thus the listed data is continuously changing and should be read bearing this fact in mind.
16) Reprints of previously published translations have also been taken into consideration. All bibliographic units have been counted, from multi-volume monographs to individual short texts published in journals. Data in the catalog of the National Library of Serbia is also regularly updated.

Two scientists came close to the authors from above, according to number of titles translated into Serbian:

Pavel Rovinski (ethnographer)	7	Unknown number of copies
Lev Vygotsky (psychologist)	6	1.500

Table 5: Theology, Mystic Literature, Conservative philosophy, Church literature published during the nineties

Author	Number of Titles	Number of Copies Printed
Nikolai Bergiaev	22	500–1.000
Mikhail Epstein	7	1.000
Pavel Florensky	6	500–2.500
Vladimir Solovjov	6	300–500
Sergei Bulgakov	5	300–700
Nikolai Fyodorov	3	500–600
Georgi Florovski	1	1.000

Such contents are published often in *Istocnik,* a journal for faith and culture.

There were 2,176 titles translated from the Russian language in the catalogue of the National Library of Serbia during the first decade of the twenty-first century.[17] The two previously defined groups are clearly present again, and both have substantially increased:

• Belletristic – by 1.070 titles or 49.20 percent;

• Theology, Mystic Literature, Conservative philosophy and Church Literature – by 516 titles or 23.71 percent.

Table 6: Belletristic published after 2000

Author	Number of Titles	Number of Copies Printed
Fyodor Dostoyevsky	98	500–1000 (*The Eternal Husband, The Brothers Karamazov*– 50.000)
Leo Tolstoy	45	500–5.000 (*Anna Karenina* – 130.000)
Alexander Pushkin	40	500–5.000 (*The Tale of Tsar Saltan* –15.000)
Anton Chekov	37	500–2.000
Nikolai Gogol	32	500–1.000 (*Dead Souls* – 50.000)
Alexander Genis	27	1.000
Sergej Jesenjin	25	500–2.000
Boris Akunin (Grigory Chkhartishvili)	22	1000–2.000 (4 X *Azazel*)
Mihail Bulgakov	19	500–1.000
Mikhail Sholokhov	18	1000–7.000 (only *And Quiet Flows the Don*)
Victor Pelevin	15	700–1.000

17) Reprints of previous translations have been also taken into consideration. All bibliographic units have been counted, from multi-volume monographs to individual poems printed in journals.

Ludmila Ulitskaya	12	500–2.000 (*Women's Lies,* translated into Serbian as *Transparent Stories*– 15.000!)
Vladimir Suteev	12	2.000 (12 X Fairytales and illustrations)
Joseph Brodsky	11	500 (mostly in journals)
Boris Pasternak	11	1.000–5.000 (*Doctor Zhivago*– 35.000)
Ivan Bunjin	10	1.000–8.000
Aleksandr Solzhenitsyn	10	1000–3.000
Daniil Kharms	9	500–1.000
Alexander Zinoviev	9	500–1.000
Nina Berberova	8	2.000
Ivan Turgenev	7	1.000–2.000
Chyngyz Aitmatov	7	500
Nikolay Afanasyev	7	1.000
Gaito Gazdanov	7	1.000
Vladimir Nabokov	7	500–1.000
Vladimir Voinovich	6	1.000
Vladimir Sorokin	6	500–1.000
Yuri Polyakov	5	500–1.000
Valentin Cernih	1	500–1.000 *Moscow Does Not Believe in Tears* (1980) 7 editions in 4 years 2006-2009

Table 7: Theology, Mystic Literature, Conservative philosophy, Church literature published after 2000

Author	**Number of Titles**	**Number of Copies Printed**
Nikolai Bergiaev	23	500–1.000
Ignatius Brjancaninov	12	500
Teofan Zavoratul	10	500–2.000
St. John of Kronstadt	10	500
Vladimir Solovjov	9	500–1.000
Pavel Florensky	8	500–1.000
George Florovsky	8	500–1.000
Alexander Schmemann	8	500–3.000
Boris Viseslavcev	7	500
George Gurdjieff	7	500–1.000
Sergei Bulgakov	5	500
Archbishop Averkey	5	500–1.000

Literature from the field of alternative medicine is a new phenomenon:

Gennady Malakhov , Quack, TV compère	37	500
Alternative Medicine	24	500–1.000
Bio-energy	17	500–1.000

Chess literature experienced a renaissance after 2000: 66 titles were printed, compared to a symbolic presence during the nineties.

It is worth mentioning that the Literary society *Pismo* ("Letter") from Zemun has been publishing a specialized journal entitled *Russian Almanac* with translations of selected extracts from Russian contemporary literature. Fourteen issues were published over a period of 19 years (Zorislav Paunovic, editor-in-chief). Most of the Russian authors published were appearing in the Serbian language for the first time. Thanks to the *Russian Almanac*, a great number of Russian writers and intellectuals have become available to Serbian readers, including: Dovlatov, Pelevin, Dobicin, Baskirceva, Vaclav Nizhinsky, Gazdanov, Daniil Andreyev, Arseny Tarkovsky, Solzenicyn, Averincev, and, from the older generation, Konstantin Leontiev, Leonid Andreyev, Vasily Rozanov, Alexei Losev, Mikhail Bakunin and many others. The list includes more than one hundred of most distinguished Russian authors, including the celebrated Russian rock-poetry by Egor Letov and Roman Neumoev, rare content made available to Serbian readers.

The third indicator of the Soviet / Russian influence in Yugoslavia / Serbia in the twentieth century is the study of the Russian language. The Russian language became the obligatory foreign language in Serbian primary and secondary schools after 1946. However, this was abrogated after the conflict with the USSR in 1948. It was then reintroduced in schools a few years later, but its popularity suddenly decreased and by the mid-fifties it was "severely dwindling".[18]

According to one Soviet analysis, the Russian language, during the first years after the war, was taught in all secondary schools and universities in Yugoslavia, sometimes as the first foreign language, sometimes as the second, but also as the only contemporary foreign language. However, at the university level, it was evident that for "[...] one lecturer [...] there were between 150 and 200 students. It is obvious that the importance of teaching the Russian language has been reduced to zero. Particularly during 1948 – 1949, university authorities attempted to make the teaching of the Russian language difficult at universities, using different manoeuvres. [...] Three-quarters of secondary school teachers in Belgrade gymnasiums attended only short courses in the Russian language and often know less then their students. It is not rare to see a student of Russian origin who reads, translates and interprets in classes on the teacher's request. Lecturers of such a category [...] write examples on the board in some fantastic Russian-Serbian language [...]."[19] This was not only an issue in schools. Some texts in a less fantastic "Serbian-Russian" were "translated" from the Russian language and printed in the journal *Yugoslavia – USSR*, the organ of the Society for Cultural Cooperation of Yugoslavia with the Soviet Union.[20] It is therefore obvious that mass participation in learning the Russian language, under such circumstances, could not leave a deeper trace in culture, although such an educational policy was enforced by the authorities.

The change in the international position of the country at the beginning of the fifties redirected the orientation in learning foreign languages. Until the beginning of the seventies, in 70–80 percent of Belgrade schools, parents were choosing English as the foreign language first and foremost, neglecting Russian, German and French. One attentive and well informed observer remarked that "[...] the absolute dominance of English is equivalent to the earlier absolute supremacy of Russian. In both cases, the regime's absolute dependence on one or the other political (ideological) system was obvious, through economic,

18) "Ucenje ruskog jezika – nekad i sad" [Learning of the Russian Language – Earlier and Now], RTV, Wednesday, December 10, 2008. *Naslovi.net*
http://www.naslovi.net/2008-12-10/rtv/ucenje-ruskog-jezika-nekad-i-sad/951860 Interview with the President of the Serbian Slavic Society, prof. dr. Bogoljub Stankovic; Beta, "Raste interesovanje za ucenje ruskog jezika u Srbiji" [Increase in Interest for Learning the Russian Language in Serbia], in: Blic, October 13, 2008, http://www.blic.rs/Vesti/Drustvo/60777/Raste-interesovanje-za-ucenje-ruskog-jezika-u-Srbiji. Interview with Jelena Ginic, the Secretary of the Serbian Slavic Society.
19) GARF [*Государственный архив Российской федерации* / State Archives of the Russian Federation]. ГАРФ, Ф5283, Оп.17, Д.556, л. 75. *Постановка народного образования в Югославии (Справка)*, April 20, 1949, No. 1. This is a detailed analysis of the overall educational system in Yugoslavia on 46 tightly typed pages.
20) For example, it was possible to find a translation roughly equivalent to the following: "Gybrid fruits were produced by T. A. Gorschkova crossed with apples and pears" and similar absurdities. See: "Novi radovi micurinaca", in: *Yugoslavia – USSR, N*o. 1, November 1945, pp. 44.

cultural and other sources [...]."[21] Whether Russian or English, both policies on teaching foreign languages were one-sided and were the direct consequence of a state decision and the reflection of its international position. Informal resistance towards the Russian language after the war was led by the old, pre-war cadre in the field of education, who, by doing so, were expressing their specific attitudes toward communist ideology, while mass acceptance of the English language demonstrated the attitude of the population in general, born into socialism – two poles representing two ideologies.

Nevertheless, the Russian language became popular again at the beginning of seventies due to the development of the Soviet science and technology. During that time the matriculation exam for the Russian language at the Faculty of Philology in Belgrade was taken by 300 candidates annually. At the end of nineties and the beginning of the twentieth century, the candidates were reduced to less than two dozen (15 times less!), and the actual number would be increased in September only thanks to those who failed to find a place in other foreign language departments. In 2008, for the first time in more than a decade, interest in the Russian language at the Faculty of Philology in Belgrade was such that the number of applications (106) was almost double the number of places available at the course (59). However, Russian is still rarely taught at private schools and institutes for foreign languages. According to the data from the Serbian Slavic Society, around 15 percent of the population in Serbia uses Russian up to the certain level, but they belong mostly to older generations.[22]

Many teachers of the Russian language lost their posts after 2000, but during the last two years some teachers have returned to their classrooms, bringing the number of active Russian language teachers and professors to around 500 in 2008, compared to around 2,000 in the seventies and eighties.[23]

Conclusion

Russian/Soviet cultural influence in Serbia during the twentieth century was closely related to events on the international political scene, and particularly to mutual relations between the two states. Generally speaking, relations between Russia and Serbia have been better than the relations between the Soviet Union and Yugoslavia.

The periods of increased Soviet cultural influence in Yugoslavia were short-lasting, politically conditioned, and without any deep or long term effects. Soviet influence during the era of socialist Yugoslavia could be defined as belonging to the sphere of modern myth rather than fact. Western influences, the US first and foremost, were dominant in Yugoslavia.

Alongside a political influence, the sphere of cultural relations was also determined by ideology. Both extremes of Russian/Soviet cultural influence in Serbia/Yugoslavia, the most and least enthusiastic, were primarily conditioned by the political moment and ideological needs.

The Kingdom of Yugoslavia's severing of ties with the Soviet Russia after the First World War, including cultural relations, was an expression of an ideological non-acceptance of communism.

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21) Krstic, Dragan, *Психолошке белешке 1974–1975* [Psychological Notes 1974 - 1975], Belgrade, 1992, pp. 368–369. Krstic was a member of the state commission responsible for introducing foreign languages in primary schools and had insight into statistical data, the behavior of the regime's representatives and parents' attitudes.

22) "Ucenje ruskog jezika – nekad i sad" [Learning the Russian Language – In the past and Now], RTV, Wednesday, December 10, 2008. *Naslovi.net*
http://www.naslovi.net/2008-12-10/rtv/ucenje-ruskog-jezika-nekad-i-sad/951860 Interview with the President of the Serbian Slavic Society, prof. Dr. Bogoljub Stankovic; Beta, "Raste interesovanje za ucenje ruskog jezika u Srbiji" [Increase in Interest for Learning the Russian Language in Serbia], in: Blic, October 13, 2008, http://www.blic.rs/Vesti/Drustvo/60777/Raste-interesovanje-za-ucenje-ruskog-jezika-u-Srbiji. Interview with Jelena Ginic, the Secretary of the Serbian Slavic Society.

23) "Ucenje ruskog jezika – nekad i sad" [Learning of the Russian Language – In the past and Now], RTV, Wednesday, December 10, 2008. *Naslovi.net*
http://www.naslovi.net/2008-12-10/rtv/ucenje-ruskog-jezika-nekad-i-sad/951860 Interview with the President of the Serbian Slavic Society, prof. Dr. Bogoljub Stankovic; Beta, "Raste interesovanje za ucenje ruskog jezika u Srbiji" [Increase in Interest in Learning the Russian Language in Serbia], in: Blic, October 13, 2008, http://www.blic.rs/Vesti/Drustvo/60777/Raste-interesovanje-za-ucenje-ruskog-jezika-u-Srbiji. Interview with Jelena Ginic, the Secretary of the Serbian Slavic Society.

The sudden massive increase of Soviet influence after the Second World War was a consequence of a change in the ideological model in Yugoslavia, while the interruption of that influence came as a consequence of a Yugoslav political turn towards the West at the beginning of fifties.

The disappearance of the socialist federations, the USSR and Yugoslavia, also brought a change of ideology in Russia and Serbia, i.e. reverting to traditional values, conservatism and religiosity. As a consequence we can speak about a return of cultural cooperation, or of Russian cultural influence in Serbia.