

# STRATEGIC CHALLENGES IN SOUTH EAST EUROPE AND THE BLACK SEA AREA



*POLICY PAPER*

-February 2017-

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# *Strategic challenges in South East Europe and the Black Sea area*

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## *I. Introduction and methodology*

History has shown that changes in the international system have a deep impact on the areas that generally face uncertainties about their future. A closer look at the countries in the Southeast Europe and Black Sea area provides an illustrative example of how much the external factors influence domestic actions. The countries in the area experience a growing level of vulnerability, given the unexpected developments in the EU and US. Many problems are high on the agenda of the Euro-Atlantic policy making. Nevertheless, history has shown several times that neglecting the East and South East Europe does not mean that the problems would simply disappear: most probably they would get worse.

The substance of this paper is the complementarity between the Black Sea area and Southeast Europe. An array of events has connected the two regions since the dismemberment of the former Soviet Union and Yugoslavia. As most of the countries in the area had historically mistrusted their neighbours, seeking the cooperation of external factors became a primary objective of their foreign policy. Lacking the capacity to perform in a sustainable manner and constantly scolded for their weak governance, many countries in the area seem unprepared to face the growing competition among external actors for regional influence.

The research aims to depict the role of Southeast Europe and the Black Sea (2B-area) in the European security equation and to highlight both the vulnerabilities and the opportunities arising from the evolving situation. While security threats in Europe have risen significantly, the attention being paid Southeast

Europe and the Black Sea is in decline and actually evaporated from the European agenda. The illegal annexation of Crimea and the human tragedy along the Balkan migration route have shown that this large region still has a lot of unfinished business which could trigger unthinkable consequences.

At a time when the international system becomes less predictable, the main question that this paper tries to explore is the return of geopolitics by analysing the actions of the main external actors and the responses of the local ones. These are organized in 3 concentric circles. The authors have primarily relied on desk research and interviews conducted with security experts in a general interview guide approach, while some were informal interviews. Less emphasis was placed on the bilateral relations of the countries in the region, while more attention was given to conceptual triggers. A distinct section concentrates on the profile of each of the six major external actors in relation to the Black Sea and Southeast Europe.

Listing the final policy recommendations was not an easy task, especially due to the uncertainties in Europe and within each of the states in the region. The liberal values that were embraced in the early 1990s came to be questioned almost everywhere in East and South East Europe since the countries in the region have failed to provide clear evidence of considerable and consistent progress. In spite of this, the analysis offers several prospects for the future that would prevent the Black Sea and Southeast Europe from igniting once again and jeopardising the European security architecture.

## II. The communicating vessels\*

The end of history that Francis Fukuyama once predicted never happened although, at least theoretically, the conditions were apparently there after the dissolution of the Soviet Union and the collapse of communism. The universal application of a single socio-cultural model, no matter how rational, to fit a variety of nation-building processes proved to be elusive once more. Some of the countries that emerged from the ruins of the former USSR or Yugoslav Federation experienced the trauma of being left on the wrong side of history and sought refuge in the familiar pattern of militant nationalism, ethnic exceptionalism or autocracy. Others decided to embrace the values of the Western world and chose to embark on a difficult but ultimately rewarding transition to democracy, rule of law and functional market economy.

The countries in Southeast Europe and the Black Sea epitomize those developments much like communicating vessels would. More than a quarter century after the momentous political changes of 1989-1991 we still see here a mixed picture of spectacular progress, relative stagnation and downright regression in political, economic and security terms, sometimes verging on state failure. From the Caucasus to the Adriatic, there is still a lot of work to be done and unfinished business to be taken care of. As always, the main problems lie not in obscure details, but in the obvious.<sup>2</sup> Much has been expected from the policy of 'smart waiting': putting off the attempts to solve problems until they lose importance. That applies in particular to the temptation to put a lid on (or freeze) simmering conflicts rather than tackling their substance and root causes. At the time, this may have seemed more reasonable than risking a violent confrontation. But now the geopolitical situation is changing and we can no longer avoid grappling with the real issues.

The growing Russian military-strategic assertiveness in Southeast Europe looks like an extension of its actions in the

Black Sea area. Recent statements by some South East European political leaders indicate a fear that few proper lessons have been learned from the Ukrainian tragedy.<sup>3</sup>

Having accepted the role of a benevolent stabilizer in Southeast Europe and Black Sea space, the Euro-Atlantic institutions tended to regard those two segments – East (the wider Black Sea area) and South (the South East Europe) as distinct entities allegedly because they faced different challenges that had to be tackled separately. Recent developments have shown, however, that the two sub-regions display an increasing degree of complementarity, at least in terms of national security concerns. As geopolitics returns to the 2B-area, it makes sense for the countries concerned to improve their communication and increase their resilience against destabilizing forces in order to confront the challenges ahead.

Under such circumstances, Southeast Europe and the Black Sea area are likely to be regarded as an interlinked strategic space with several similarities and complementary elements. The realism of this evaluation is supported by the following arguments:

- Russia's active military presence in Syria places it in a position where the former perception of potential threats only from the Eastern Flank has been superseded by the realities on the ground;
- The implicit linkage, tending to become explicit, that Moscow (and other actors) appears to be making between 'the Syrian file' and 'the Ukrainian file' has become obvious and can no longer be ignored;
- The principal regional powers, Russia and Turkey, have traditional historical interests (some convergent, others divergent) and are massively involved both in the Black Sea region (e.g. the Caucasus) and in the Balkan space and the Middle East in a fragile balancing act with high volatile potential;

\* This section is based on the findings of the joint paper *Romania's Neighbourhoods: East and South: An Integrated Approach* produced by the New Strategy Center, the 'I.C.Brătianu' Institute of Political Science and International Relations of the Romanian Academy, Aspen Institute Romania, and the Black Sea Trust of the German Marshall Fund of the US, Bucharest, 2016.

1. Croatia, Slovenia, Serbia, Bosnia & Herzegovina, Montenegro, Kosovo, Albania, Macedonia, Greece, Bulgaria, Romania, Republic of Moldova, Ukraine, Georgia, Armenia, Azerbaijan.

2. Edward P. Joseph, "Back to the Balkans", *Foreign Affairs* 84, 1 (2005): 122.

3. See Clive Leviev-Sawyer, "Bulgarian President: Moscow has put the Balkans at the centre of its geopolitical interests", *Independent Balkan News Agency*, October 8, 2015, <http://www.balkan.eu.com/bulgarian-president-moscow-put-balkans-centre-geopolitical-interests/> (accessed November 2016).

- In terms of energy security most of the countries in the wider region are heavily dependent on Russia, while the diversification of sources and regional interconnections are still at an early stage of development;
- With reference to the frozen conflicts in the former Soviet space Russia often invokes 'precedent-setting' examples in the Balkan area, in particular the Kosovo case.

The evolution of the two EU neighbourhoods (or flanks in NATO parlance), prove that a re-affirmation of the EU and NATO interests and commitments are essential. If the above-mentioned reasons require an approach which places the Southeast Europe and the Black Sea area in a complementary mechanism, the success of that endeavour can only be guaranteed by the Western institutions. Concrete measures designed to reinforce the resilience of the borderline states and to strengthen their security and stability would benefit not only the regional security environment but also the Euro-Atlantic community as whole. Therefore, a stronger support for the countries in the Black Sea area should be in place, despite

### *III. A shattered landscape*

After the fall of communism, the end of the Cold War and the dismemberment of former federal entities, USSR and Yugoslavia, the newly independent states stood at a crossroads. The relative stability they enjoyed within the previous unions engendered a craving to find their own role in the region and the world, and to assert the specificity of their statehood. The traumatic wars of succession and efforts to adjust to a new status left in their aftermath a long list of latent ethnic and other disputes, ready to erupt whenever a spark would reignite them. If some of the conflicts are more visible, others seemed to fade from public attention but preserved their explosive potential.

After some hesitation, the European Union sought to provide workable solutions for the array of issues facing the countries of the region. The supra-national structure offered both the economic drivers and the experience in dealing with complex issues, including ethnic relations. Even with some differences in terms of timing, the EU political support for a decisive change

the fact that some of them (Ukraine, Republic of Moldova or Georgia) do not have full control of their internationally recognized borders.

With so many hotbeds of tension brewing in both Southern and Eastern European neighbourhoods, the idea of a grand bargain at a strategic level between the Russian Federation and the United States and its allies has been mooted recently in the media. At the very least, this is Russia's avowed goal. By temporarily easing the pressure on Ukraine, Russia gained a foothold in Syria. Similar developments may easily happen in other contentious areas. While Russia could agree to suspend its interference in one area (i.e. Montenegro)<sup>4</sup> in order to make headway in some other part of the region such an agreement would not be lasting. This calls for enhanced solidarity among the Atlantic allies in a comprehensive approach ensuring a proper balance of attention given to the entire eastern flank, between its northern tier (the Baltic) and the southern tier (the Black Sea and Southeast Europe).

and the administrative model was provided for the countries in Southeast Europe and the Black Sea area. Even though it was embraced relatively fast by most of the countries in the area, the alignment to the EU standards had been hardened by the numerous conflicts existing in the region. Fortunately, the EU and US (also NATO) have a recent common history when it comes to cooperation for regional stability and development, especially in Southeast Europe. Despite this, finding common standards for the national minorities in Southeast Europe and Black Sea area were not always easy to reach.<sup>5</sup>

After the start of a new millennium, the prospect of EU enlargement into South East Europe and the Black Sea area caused alarm in Russia, which saw this as an encroachment on its former imperial domains. At the same time, Moscow was not in a position (nor was it willing) to make a better, alternative offer to the countries of the region and eventually decided to use a strong-arm approach, while accusing the EU of imperial

4. Yulia Petrovskaya, "Balkanskije 'zelionye chelovechki', Radio Svoboda, October 29, 2016. <http://www.svoboda.org/a/28082688.html>

5. Joseph, "Back to the Balkans", 118.

designs of its own. Conceptually, some scholars point out that the countries in Southeast Europe and the Black Sea region had to choose between two 'imperial' formats – a normative, democratic Europe<sup>6</sup> or an authoritarian tsarist-type Russia.

The countries of the Black Sea space sought a way out of this dilemma by trying to foster mutual trust through regional cooperation in specific fields. Even if a certain degree of mistrust was still visible, the countries aimed to prove that they were ready to settle any current or future disputes in a peaceful, civilized manner and to organise their cooperation on the basis of mutual benefit. By including Russia into such structures, countries like Georgia or the Republic of Moldova hoped to incentivize Moscow to behave in constructive and predictable ways. That was the philosophy behind the Turkish initiative of 1992 to establish the Black Sea Economic Cooperation (BSEC) with a full panoply of institutional structures. Following the Russian unlawful annexation of Crimea in 2014, the BSEC became largely irrelevant, at least for the time being.

The countries in Southeast Europe had little prospect to engage in a sub-regional project outside the EU framework. The wars in the former Yugoslavia had proven that a workable cooperation framework was more likely to be imposed through gentle nudging from the outside. Mutual confidence in the region was scarce due to the legacy of the post-conflict environment. Some hopes had been placed in the NATO-Russia cooperation for bringing peace and stability to Southeast Europe, but that proved to be a short-lived dream. After a promising start in the early stage of the joint peacekeeping mission in Bosnia, NATO and Russia split for good. Finding a common ground became even more difficult and the passing years only increased mutual suspicion. The Russian presence in UNMIK was an exception in this regard and was mainly intended to ensure that the Kosovo issue could be somehow controlled. For the Russian decision-makers, NATO had become a 'strategic challenge' in both Southeast Europe and the Black Sea areas during the early years of the new millennium. The West witnessed how Russia's estrangement grew into open hostility as Moscow failed or persistently avoided to embrace liberal values.<sup>7</sup> Meanwhile, each

state in Southeast Europe received advice from Moscow not to adopt the liberal values of the West and integrate into the EU. When it came to integration into NATO, Russia transformed its advice into warnings. Even Serbia was scolded for its 'unusual' pro-Western views at times.

Allowing the West to operate freely in what was regarded as a Russian zone of interest meant, in Moscow's view, a loss of its status as a regional power. In Kosovo, external powers made possible the change of borders without the mutual agreement of the secessionist entity and the titular state.<sup>8</sup> Such an intervention triggered fears in Moscow that some parts of Russia itself could decide to breakaway from the mother country. Moreover, the perceived threat of a possible NATO intervention in the CIS or even on Russian soil haunted the Kremlin.<sup>9</sup> Having failed to prevent Kosovo's unilateral declaration of independence in 2008 and still lacking the means to confront the West, Russia strove to represent itself as the guardian of international law. As Russia managed to contain secessionist movements in Ingushetia or Chechnya, it made use of the Kosovo precedent to instigate border changes in the Black Sea area by confronting Georgia in 2008 in order to remove the provinces of Abkhazia and South Ossetia from Georgian sovereign control.<sup>10</sup>

The change in the Russian discourse and political action had been made possible by the improving economic situation and the construction of a new ideological concept after Vladimir Putin took office as prime minister, then as president once again. Aware that he could not possibly present and sustain a competitive offer, Putin resorted to the one tool available: military action. The large-scale armed intervention in Ukraine was even considered 'Putin's last stand' in the Russian media, a test he ultimately passed.<sup>11</sup>

President Putin proved ready to challenge the West's intention to bring its own model of democracy into the former Soviet space. Confronting Georgia in 2008, increasing military expenditures and fuelling nationalistic feelings have been regularly depicted in Moscow as purely defensive actions. With such an approach, it is not surprising that Putin managed to obtain the national

6. Jan Zielonka, *Europe as Empire: The Nature of the Enlarged European Union* (Oxford: Oxford University Press, 2007), 9. Jan Zielonka argues that a European state is impossible, despite the will expressed by some European statesmen. Still, the enlargement process could render the Union into "a kind of medieval empire".

7. Oksana Antonenko, "Russia and the Deadlock over Kosovo", Russia/NIS Center, Paris (July 2007): 8-9.

8. George Friedman, "Kosovar Independence and the Russian Reaction", Stratfor, February 20, 2008, [https://www.stratfor.com/weekly/kosovar\\_independence\\_and\\_russian\\_reaction](https://www.stratfor.com/weekly/kosovar_independence_and_russian_reaction) (accessed November 2016).

9. Oksana Antonenko, "Russia, NATO and European Security after Kosovo", *Survival* 41, 4 (1999): 132.

10. Katinka Barysch, "The EU and Russia: From principle to pragmatism?", Centre for European Reform (November 2006).

11. Igor Torbakov, "Russia and the EU: The Tale of Two Empires", EurasiaNet, November 10, 2015, <http://www.eurasianet.org/node/76031> (accessed November 2016).

support for the annexation of Crimea in 2014.<sup>12</sup> If the nostalgia for the lost possession of Sevastopol and Crimea had a mere symbolic value in the early years after the fall of communism, the annexation of the Peninsula brought about a considerable increase of Moscow's military capabilities. The anti-access/area denial (A2/AD) systems have transformed Crimea into a formidable outpost of the Russian armed forces.<sup>13</sup>

Two years after the annexation of Crimea, there are too many 'potential flashpoints that threaten regional security' on the Black Sea.<sup>14</sup> Of all the countries in the area, Ukraine is still engaged in a fighting war and has to deal with the consequences of the occupation. After the dire situation in which it found itself in 2014, the Ukrainian army has improved its capability to resist aggression.<sup>15</sup>

What is certain is that the developments in the Black Sea area and Southeast Europe influence each other and are becoming more interdependent than before. Since the fall of communism, the countries in these two complementary regions have been

caught between the main actors of the world stage with relatively little room for independent manoeuvre. Even though the next EU enlargement is not in the cards right now, the public in those countries show their conviction that EU membership is a cause worth fighting for. At the same time, some of the leaders in the region have developed a double-track approach: while vocally supporting the idea of European integration, they practice an opposite style of governance that is rather closer to Russia. The frustration over the lack of tangible results has reached already a worrying level in some of these countries. While the Western Balkan countries have a better chance to join the EU sooner, in the Black Sea area the perspective is not that certain. Even so, some Balkan leaders have already started to complain that they have been manipulated with the EU dream in vain.<sup>16</sup> Under such circumstances, it will not be not only the terrorist fighters or the deteriorating economic situation that could reignite political turbulence in Southeast Europe and the Black Sea, but also the deceived expectations about: the political support from the EU and NATO to continue their modernization and alignment to the Western standards.

## IV. The return of geopolitics

External influences in Southeast Europe and the Black Sea (2B) can be imagined as a series of concentric circles. At the core one finds the EU and Russia. While the EU has a stronger presence in South East Europe, the wider Black Sea is largely dominated militarily and dependent in terms of energy on Russia. The US and Turkey form the second circle. Their presence in Southeast Europe and the Black Sea is recognized, but their attention

(US) and power (Turkey) are not big enough. The largest circle includes the newcomers: emerging powers and global partners. The 2B region offer a relatively large market for international competition and an attractive transit route for trade and investment between Europe and Asia. China and the Gulf states seem quite interested in taking a place at the table.<sup>17</sup>

12. Daniel S. Hamilton and Stefan Meister, "Eastern Challenges", in *The Eastern Question: Russia, the West, and Europe's Grey Zone*, ed. Daniel S. Hamilton and Stefan Meister (Washington, DC: Center for Transatlantic Relations, 2016), 11.

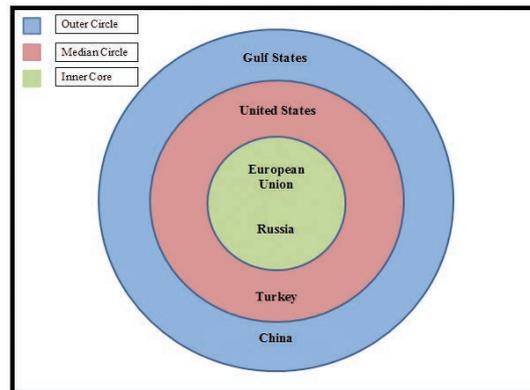
13. Robbie Gramer, "Changing Tides: Russia's Growing Stronghold in the Black Sea", *Foreign Affairs* snapshot, February 8, 2016, <https://www.foreignaffairs.com/articles/russian-federation/2016-02-08/changing-tides> (accessed November 2016).

14. F. Stephen Larrabee and Stephen J. Flanagan, "Making Waves on the Black Sea", *U.S. News*, 7 July, 2016, <http://www.usnews.com/opinion/articles/2016-07-07/nato-summit-should-prioritize-the-growing-importance-of-black-sea-security> (accessed November 2016).

15. Larrabee & Flanagan, "Making Waves on the Black Sea".

16. Nik Martin, "Germany, EU have failed us, Macedonian president says", *Deutsche Welle*, March 11, 2016, <http://www.dw.com/en/germany-eu-have-failed-us-macedonian-president-says/a-19110117> (accessed November 2016) - FYROM President, Gjorge Ivanov, claimed that his country has 'always been a victim of the EU institutions'. He added that the manipulation has been going on for the last 25 years. In this regard 'Macedonia had achieved nothing out of the European Union, no EU membership, no Schengen zone and not NATO [...] Nobody wants us.'

17. See also "Great power competition in the Balkans heating up", *GeoPolitical Monitor*, Toronto, Canada, November 8, 2016.



## European Union

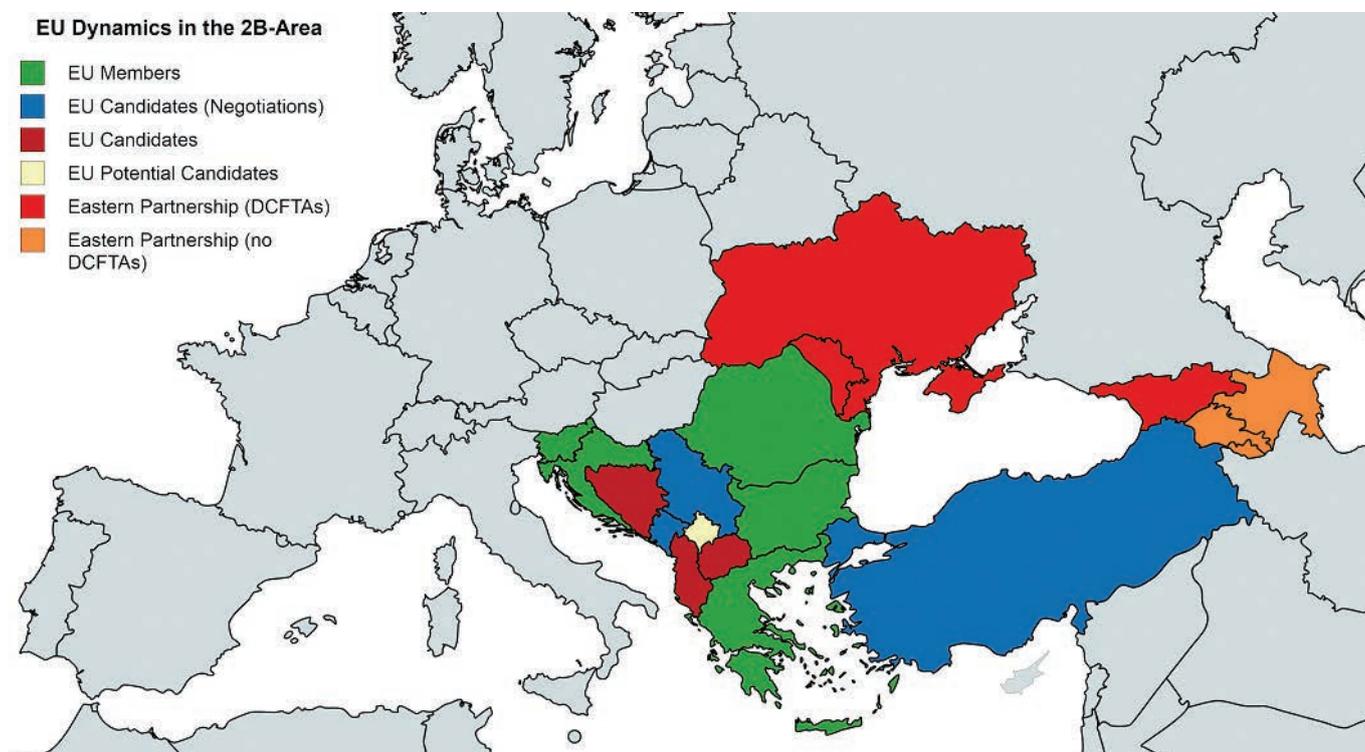
The European Union is the leading actor in the immediate proximity of the 2B space, including member states, negotiating candidates and partner countries. The EU has some direct responsibilities in the entire Balkan area, which is contiguous with the Pontic zone. Following the accession of Bulgaria and Romania as littoral states, it is fair to say that the EU has also become a Black Sea power. The EU presence throughout the region has been constant after the end of the Cold War and – more importantly – it has been the motive force for comprehensive integration. The strategic dimension of the EU footprint on the ground proved to be crucial in the turbulent years following the disintegration of Yugoslavia and the unravelling of the Eastern bloc. European border monitoring, military and law-enforcement missions have been dispatched to countries such as FYROM, Bosnia-Herzegovina, Kosovo, Georgia, Ukraine or the Republic of Moldova in a quest for securing and stabilizing its neighbourhood in a systematic manner.

In this regard, the European Union addressed not only stringent political upheavals and pure conflict resolution but also developmental issues by sharing its own experience and practice in good governance. Although being a late comer in this part of Europe – as compared to traditional power-players like Turkey or Russia – the EU managed to present the only comprehensive approach to transforming the entire 2B-area. Therefore, beyond its short-term insistence on ensuring stability in the area, the European Union also deployed its strongest instrument for long-term development: the full alignment to the EU standards..

The possibility to become an EU member is offered under strict conditions, providing a strong incentive to the states in Southeast Europe and the Black Sea to proceed with a complete and profound transformation: legal, economic, social and political. Adherence to Western liberal values appears as a prerequisite to the process of accession and it is closely monitored on the long road to membership. Therefore, the EU aims to ensure not only economic performance and legal efficiency, but also a (post)modern manner of conducting politics and obtaining optimal governance through the process of Europeanization. For the 2B-area, such conditionality is designed – in theory – to act as a catalyst for a neat and definitive transition to a different type of society and statehood, a clear break with their former totalitarian or authoritarian legacy. However, the difference between the stated goal of achieving veritable transformation and the past failures of the EU in Southeast Europe might suggest that more flexibility is advisable in imposing such conditionality.<sup>18</sup>

For all these reasons, the EU appears as the most active actor throughout the 2B-area, being at the same time external (in terms of exclusive membership) and internal (in terms of geographical position), cutting this territorial continuum in the middle along the Danube axis. The bloc's position and its political-economic instruments enable it to offer the strongest incentives for institutional and state metamorphosis to the weaker states of the area and to enhance their resilience vis-a-vis the more traditional power-players. In addition, its systematic approach ensures a more durable allegiance (once gained), in contrast with the transient and limited cooperation of other actors.

<sup>18</sup> In this regard, see the policy paper issued by Balkans in Europe Policy Advisory Group, “The Unfulfilled Promise: Completing the Balkan Enlargement”, Centre for Southeast European Studies (May 2014).



## Russia

For more than three centuries, finding the proper way to engage Europe and to manage shared neighbourhoods had been a constant feature in Russian political thinking. In modern times, the Russian leadership was more inclined towards conflict and instigated also the nations on its periphery to clash with liberal Europe. Moscow's ambition was to prove its capability to be the centre of a new civilizing model fashioned in the image of its own empire.<sup>19</sup> In the past two decades, as the EU pushed again its liberal model into Russia's historical soft belly –the Black Sea area– and its Mediterranean bridgehead – Southeast Europe–, Kremlin's reaction was almost automatic. Russian leaders find it impossible to accept that the European Southern and especially Eastern neighbourhoods could be contested and eventually absorbed into a multinational structure that is not controlled or administered by Russia. The annexation of Crimea highlighted the fact that Russia is prepared not only to resist the pressure of European values and

principles of governance but also to project force and expand its domain, as an empire would. In this line of thinking Russia does not have to be concerned only about its internationally recognized frontiers, but rather about its imperial borders. Provinces legally belonging to other sovereign states (such as Transnistria, South Ossetia, Abkhazia) or countries linked to Russia by mutual defence arrangements (Belarus, Armenia, Kazakhstan and Tajikistan) are regarded as outposts of Russia's broader strategic design.<sup>20</sup>

The incursions in Ukraine and Syria seem to have whetted the Kremlin's appetite for a more activist stance in Southeast Europe. As a self-appointed protector of Southeast Europe against the threat of militant Islamism and alleged exploitation by the EU, Russia seems to have intensified its efforts to exert its influence through the Slav and Orthodox- communities in the region. Traditional cultural and religious bonds are used to divert attention from real issues and exacerbate internal

19. Oscar Halecki, "Imperialism in Slavic and East European History," *American Slavic and East European Review* 11 (October, 1952): 18.

20. Igor Torbakov, "Russia and the EU".

tensions especially in the countries that have significant ethnic problems, such as Bosnia and Herzegovina, Montenegro or Macedonia. Most of the EU initiatives to solve or ease ethnic tensions in Southeast Europe are doubled by the Russian negative approach.<sup>21</sup>

Russian media have been engaged in a relentless anti-American campaign in the region, with outlandish accusations such as the alleged US responsibility for the rise of Islamic fundamentalism.<sup>22</sup> The constant expansion and diversification of Russian propaganda has become a major subject in the

Western media. Despite solid evidence to the contrary, the Russian external action is presented as eminently law-abiding and democratic, aiming to build a polycentric architecture based on the interaction of leading centres of power in the interest of finding joint solutions to global problems.<sup>23</sup> In an endeavour to construct a magnetic pole of power in Eurasia that would be able to confront directly the US dominance of the international system, Russia apparently considers South-East Europe and the Black Sea as a primary target of its geopolitical designs.<sup>24</sup>

## United States of America

With so many interests around the world, the US showed only recently, in historical term, a renewed interest for Southeast Europe and the Black Sea area. At the core of NATO, the US constantly sought to protect its European partners, especially those that were located in the most vulnerable peripheries. The symbolic value of the US and NATO for the countries in the area is mostly security-related. The leaders and, more importantly, the people in those countries understood pretty quickly that association with (and membership of) NATO represented an early step (and indeed a prerequisite) for eventual EU accession.

The US was reluctant at first to get involved in the wars that tore apart the former Yugoslav Federation, leaving to the EU the responsibility for conflict resolution. It was only after the EU's less than successful experience in Bosnia and Herzegovina that it had to call for a more robust US presence in Europe.<sup>25</sup> When it finally intervened, the US took over the responsibility for dealing with conflict and made an essential contribution to the Dayton accords that put an end to the war. The American decision to respond to the request for assistance from its European allies was indeed remarkable since the US

had other open conflicts – mainly in Afghanistan and Iraq – to concentrate on.<sup>26</sup>

An early version of the information war ensued. Russia made use of its 'legalistic streak' in foreign policy that provided the possibility to contest the actions of other powers based on arguments retrieved from the international law. At the same time, Moscow continuously insisted on the legality of its action. A study case in this regard is the Kosovo case 2008 and Ukraine case 2014. Following such an attitude, Russia strove to assume the role of a 'constitutionalist', while the US was regarded as a 'pragmatist'.<sup>27</sup>

In some of his last official statements, the Obama Administration confirmed its commitments regarding Europe's security, with particular emphasis on the new NATO member states in the Baltic, Black Sea and Balkan areas and additional reassurances for the vulnerable partner countries. US Vice-President Joe Biden declared in 2015 that the region was not forgotten by the US policy makers and the events were carefully watched.<sup>28</sup> The expectations are high and the new US president has not

21. Marc Pierini, "Turkey, Russia, and the European Diplomatic Chessboard", Carnegie Europe, October 17, 2016, [http://carnegieeurope.eu/strategieurope/?fa=64870&mkt\\_tok=eyJpIjoiTkdsSU9UWmxOemcoWIRBeHZkVENkhraotLYmEocDhCM2Y2ZEVGQoirVHpuZiU2M1wvSjQ5dEtIQTNuM3FWa2QwS1BDc2VOaVJoRzhVbogxdnNcL3A5NEVwYzoiifQ%3D%3D](http://carnegieeurope.eu/strategieurope/?fa=64870&mkt_tok=eyJpIjoiTkdsSU9UWmxOemcoWIRBeHZkVENkhraotLYmEocDhCM2Y2ZEVGQoirVHpuZiU2M1wvSjQ5dEtIQTNuM3FWa2QwS1BDc2VOaVJoRzhVbogxdnNcL3A5NEVwYzoiifQ%3D%3D) (accessed November 2016).

22. Nikolaus Blome, Susanne Koelbl, Peter Müller, Ralf Neukirch, Matthias Schepp and Gerald Traufetter, "Putin's Reach: Merkel Concerned about Russian Influence in the Balkans", Spiegel Online, November 17, 2014, <http://www.spiegel.de/international/europe/germany-worried-about-russian-influence-in-the-balkans-a-1003427.html#ref=rss> (accessed November 2016).

23. As Sergey Lavrov argued in 2016 – see "Shift to multipolar world: Lavrov says Russia working to adjust foreign policy to new reality", Russia Today, April 10, 2016, <https://www.rt.com/news/339082-russia-new-foreign-policy-multipolar/> (accessed November 2016).

24. Janusz Bugajski and Peter Doran, "Black Sea Rising: Russia's Strategy in Southeast Europe", Center for European Policy Analysis, Black Sea Strategic Report No. 1 (February 2016), [http://cepa.org/files/?id\\_plik=2096](http://cepa.org/files/?id_plik=2096) (accessed November 2016).

25. Chris Hedges, "Kosovo's Next Masters?", *Foreign Affairs* 78, 3 (1999): 24-27.

26. Joseph, "Back to the Balkans", 111.

27. James Ker-Lindsay, "Between 'Pragmatism' and 'Constitutionalism': EU-Russian Dynamics and Differences during the Kosovo Status Process", *Journal of Contemporary European Research* 7, 2 (2011): 175-194.

28. See "Biden says south-east Europe of extreme interest to USA", Dalje, November 25, 2015, <http://en.dalje.com/2015/11/biden-says-south-east-europe-of-extreme-interest-to-usa/> (accessed November 2015).

yet confirmed the interest for the South East Europe and the Black Sea. The rumours regarding the possibility that Donald Trump may seek an agreement with Vladimir Putin are still not dissipated. Considering the number and depth of the issues in the Southeast Europe and the Black Sea that are still awaiting

proper resolution, a more active US presence would certainly improve the ability of the state actors in the region to decide their own development path and to mitigate external pressures that aim to divert their determination to look towards the West.<sup>29</sup>

## Turkey

Since most of the space of Southeast Europe and the Black Sea area used to be once parts of the old Ottoman Empire, this historical legacy still represents a constant theme for political thinking in Ankara. The imperial nostalgia is not as visible as the one coming from Moscow, but the wider region is subject to increasing Turkish interest and attention. Naturally, the geopolitical circumstances are different now, but echoes of such feelings can still be detected in some communities in South East Europe.<sup>30</sup> For instance, surveys conducted in Southeast Europe revealed that Turkish TV historical docudrama shows enjoy high audiences in Bosnia and Herzegovina, Macedonia, Kosovo and even in Serbia, a country that has few religious, cultural or ethnic affinities with Turkey.<sup>31</sup>

The main vectors of Turkey's involvement in South East Europe are still related to the economy, investment and trade, plus energy since Turkey is well on track to become a major hub for natural gas transit to the region and onwards to Central and Western Europe not only from Russia but also from Azerbaijan and in future from Turkmenistan, Iraq and Iran. Geographical

proximity and the fact that Turkey has a customs agreement with the EU are likely to reinforce that positive trend. At the same time, keeping in mind the disastrous consequences of massive flows of mostly undocumented migrants from the Middle East in 2015 and early 2016, the South East European countries in particular have a special interest in keeping Turkey on board in order to stem or at least to limit a repetition of that experience.

Turkey is expected to continue to play an increasingly complicated geopolitical game both in relation to the regions that it is contiguous with (Black Sea, Caucasus, Middle East, Eastern Mediterranean and the Levant, and Southeast Europe) and to the global powers even on matters of broader strategic significance. The complexity of this multi-faceted policy that subordinates tactical moves to a strategic purpose entails certain risks but also holds the promise of high rewards. It is not surprising that some of Turkey's actions on the political scene have been aptly described as expressions of "diplomatic symbolism".<sup>32</sup>

## China

China began to show some geopolitical interest in the 2B region during the Cold War, when its relations with the USSR were tense, concentrating primarily on the states less influenced by the Warsaw Pact (such as Yugoslavia, Romania or Albania). Nonetheless, in economic and political terms, China is a relative newcomer in the region.<sup>33</sup> More precisely, after the demise of

communism and the bipolar order, it was quick to accept the new reality, to shed ideological considerations and to assume the role of a benign economic player and even-handed partner.

Its new approach was to promote mutually beneficial investment and trade with no political strings attached. As

29. See the article "NATO and Russia's influence dominate Montenegro vote", EurActiv, October 14, 2016, [http://www.euractiv.com/section/enlargement/news/nato-and-russias-influence-dominate-montenegro-vote/?nl\\_ref=22783393](http://www.euractiv.com/section/enlargement/news/nato-and-russias-influence-dominate-montenegro-vote/?nl_ref=22783393) (accessed November 2016); "Russian, Serbian, Nationalists Accused of Plotting Montenegro Coup", Balkan Insight, November 6, 2016, <http://www.balkaninsight.com/en/article/Montenegro-s-prosecution-says-nationalists-from-russia-behind-coup>, November 6, 2016 (accessed November 2016).

30. For a nuanced image of Turkey's perspective on the Balkans, see Ronald H. Linden and Yasemin İrepoğlu, "Turkey and the Balkans: New Forms of Political Community?", *Turkish Studies* 14, 2 (2013): 229-255.

31. Amina Hamzic, Maja Nedelkovska, Donjeta Demolli and Nemanja Cabric, "Turks Bewitch The Balkans With Their Addictive Soaps", *Balkan Insight*, May 1, 2013, <http://www.balkaninsight.com/en/article/turks-bewitch-the-balkans-with-their-addictive-soaps> (accessed November 2016).

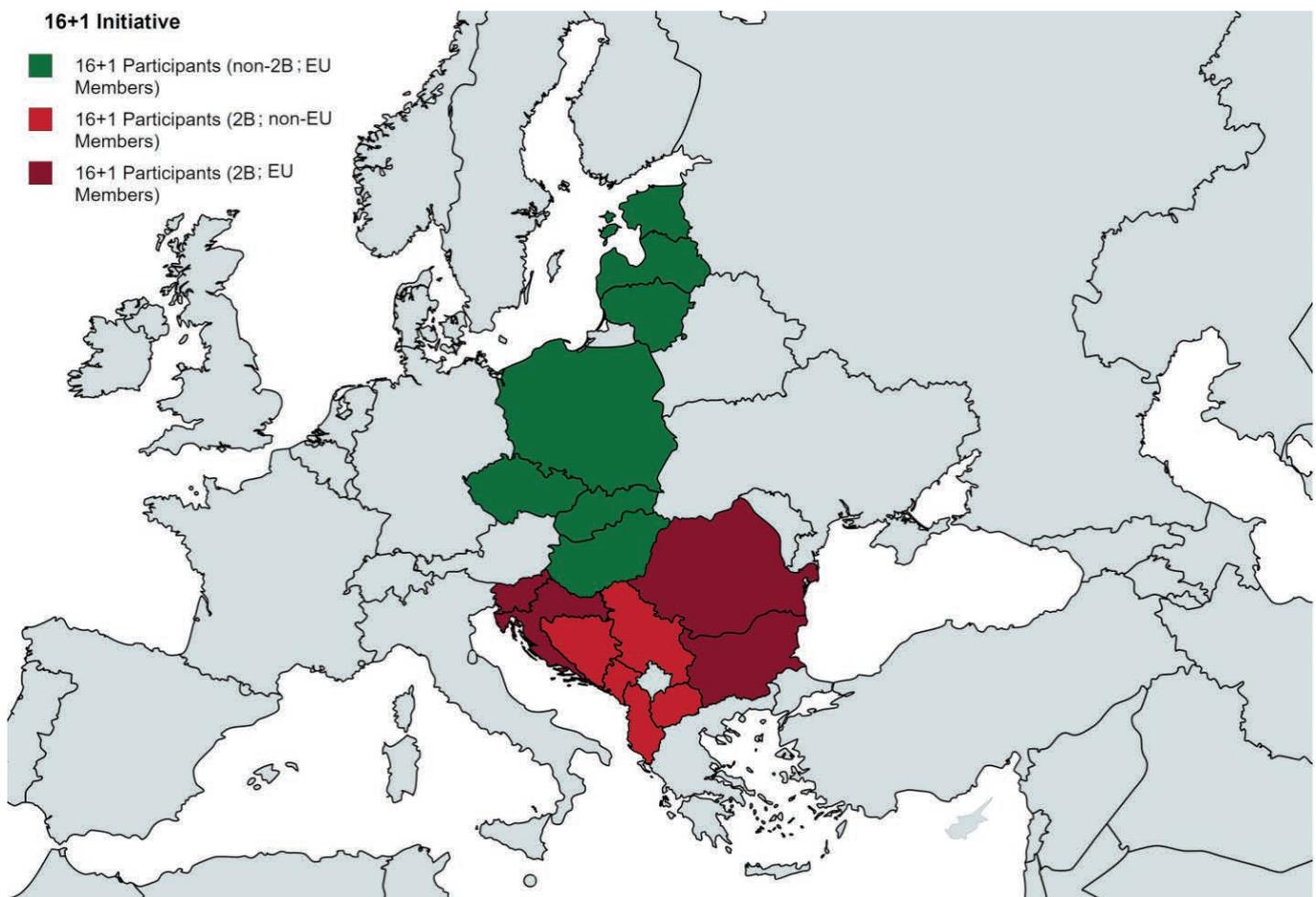
32. Marc Pierini, "Turkey, Russia, and the European Diplomatic Chessboard".

33. Loïc Poulain, "China's New Balkan Strategy", *Central Europe Watch* 1, No. 2 (August 2011).

China's economic-financial clout and geographical outreach grew spectacularly during the past three decades, it discovered the importance of the Western Balkan-Black Sea area and Central Europe as a vital segment for its future-oriented strategic design: a modern version of the ancient Silk Road, a land-bridge for commerce connecting the Pacific and Atlantic coasts of the Eurasian mass. It was with this aim in mind that China took the initiative to establish a multilateral economic development forum with sixteen Central and South-East European countries (16+1) and to allocate an initial amount of 10 billion US dollars in loans and credit guarantees for joint projects in those countries.

As part of the broader One Belt/One Road concept, the priority

given to this part of Europe is explained, in the words of the Chinese premier, by the fact that it is "located at the eastern gateway to Europe and enjoys a distinct advantage for enhancing connectivity".<sup>34</sup> Analysed in a broader perspective, this entire project is offered by the Sinic actor as a purely economic quest, devoid of any geopolitical considerations. In its own description, the One Belt/One Road concept includes road, rail and maritime links that economically bring together greater Eurasia and allow "orderly and free flow of economic factors, highly efficient allocation of resources and deep integration of markets."<sup>35</sup> However, it could hardly be argued that such an approach is totally unrelated to hard strategic objectives. The long-term finality is that the South East European area is a crucial junction point for reaching the EU.



34. Remarks by Li Keqiang, Premier of the State Council of the People's Republic of China, at the Fourth Summit of China and Central and Eastern European Countries, Suzhou, 24 November 2015, [http://news.xinhuanet.com/english/china/2015-11/25/c\\_134854567.htm](http://news.xinhuanet.com/english/china/2015-11/25/c_134854567.htm) (accessed November 2016).

35. National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road', March 2015, First Edition 2015, available at [http://en.ndrc.gov.cn/newsrelease/201503/t20150330\\_669367.html](http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html) (accessed December 2016).

## *Gulf States*

The Arab players are the latest arrivals to the 2B area, concentrating predominantly on Southeast Europe. Their footprint is mainly economic, but motivated also by religious and cultural considerations. Despite not being officially sanctioned at state level, an Arab (para)military presence was sporadically noted in some parts of Southeast Europe in the form of jihadist foreign fighters on the side of local Muslim combatants during the armed struggles in former Yugoslavia during the 1990s.<sup>36</sup>

In opposition to the values promoted by the EU, but on the same level of axiological commitment, some Gulf States emerged in Southeast Europe as ideological actors working towards an ordering narrative based on Islam. More precisely, by supporting the dynamic and highly activist Salafi theocratic-political vision they raised the stakes of religious radicalization and conflict in Southeast Europe.<sup>37</sup> In a broader sense, their quest was to construct an Islamic narrative of 'global community', to re-interpret the ummah so as to include all Muslim polities across the postmodern world and to oppose it to the 'universal' values of Western Enlightenment.

Whatever their motivation may be, the Gulf States have become significant external players on the South East European chessboard, playing both the role of civil society sponsors (seen in its cultural-religious incarnation) and the role of generous investors, chiefly in infrastructure and real estate. So far, their projects in the region have been symbolic rather than materially significant and focused upon the more amenable host countries (Kosovo, Bosnia-Herzegovina and – more discreetly – Albania), but it is reasonable to expect that their involvement and influence in Southeast Europe are set to grow in the years to come.

However, the local perception of the Gulf States' mercantile-minded presence is disproportionate to its actual dimensions. The visibility of real estate projects and tourist resorts, doubled by 'charitable' investments in Islamic cultural centres and madrassas artificially increases their soft-power in the area. For this reason, their impact is not only a public relations phenomenon but also a real strategic issue that would raise concerns for the entire region in the period to come.

## *V. Investment and trade*

Strategic competition is doubled by an economic one in Southeast Europe and the Black Sea. Just as before, the picture is far from homogenous. The map of economic allegiances appears to be significantly different from the existing formal network of political and military partnerships revealing that for some actors these two facets are not necessarily aligned in a consistent framework.

The traditional power-brokers in South East Europe – Russia and Turkey – hold only a minor share in regional trade and

investment flows. These and newer actors such as the Gulf States and the US – concentrate on specific poles using commercial incentives to supplement an already existing geopolitical or ideological affinity, or to gain new allegiances. Even though they might seem – from a conventional strategic perspective – to be the only actors that really matter in Southeast Europe, the trade and investment flows generated by them are selective, limited and do not follow a systematic geo-economic pattern. Here, trade and investment are not functions, but handmaidens of realpolitik.

36. Francisco de Borja Lasheras, Vessela Tcherneva and Fredrik Wesslau, "Return to Instability: How Migration and Great Power Politics Threaten the Western Balkans", European Council on Foreign Relations (March 2016): 11.

37. Mieczysław P. Boduszyński, "The Gulf and the Balkans: Islam, Investment, and Influence", Gulf State Analytics Monthly Monitor (January 2015): 5-8.

The United States inflows of capital are fairly small in South East Europe and the Black Sea area, with some significant projects in Romania, Kosovo or Greece, countries that host NATO bases on their territory. In the same vein, Russia can offer certain incentives to countries that are traditionally attracted to its geopolitical and cultural-religious narrative. Thus, its main anchor in the region is Serbia, followed by the Bosnian sub-division of Republika Srpska, but not neglecting NATO member states such as Montenegro, Bulgaria or Greece, following the same pattern of Orthodox cultural affinities, but with fewer military strings attached. However, the Russian investment pattern is not a mere display of opulence and grandeur (such as is sometimes the case with Turkey or the Gulf States), but one targeted on strategic sectors such as energy, media and heavy industry. Its trade activity also includes exports of advanced military hardware – at least for Serbia – and mineral resources.<sup>38</sup> What matters for Russia is the economic leverage it gains by engaging with the local business environment and political elites.

The truly major economic actors in South East Europe are the European Union (both as an entity and through its member-states) and, increasingly, China, given their level and manner of commitment. Both of them have developed bilateral and multilateral negotiation formats, approaching this area in a coherent and systematic way. Brussels and Beijing are the only global players that have established long-term geo-economic strategies for the region, deploying a whole array of legal instruments to that end. The effectiveness of soft-power techniques and, in the case of China, a more or less neutral stance vis-a-vis regional disputes is augmented by institutionalized multilateral forums encompassing all the local participants. For the EU, this zone is one of strategic importance for its entire south-eastern flank and its connection with Asia Minor and the greater Middle East, ensuring its position as a global player. That is why the enlargement process commenced with the Balkan ‘rim’ states with access to the sea or the Danube: first Greece, followed by Slovenia, Romania, Bulgaria and Croatia.

In these circumstances, the EU experimented in the area – and continues to do so – by using two geo-economic instruments: (a) the promise of future accession and (b) the deployment of sub-regional economic multilateral cooperation.<sup>39</sup> The first mechanism was slowed down after Croatia joined the bloc; the enlargement process was stalled in the short term, leaving the remaining South East European countries only with the prospect of accessing funds via the IPA II (Instrument for Pre-Accession Assistance), which are suited for preparing the administration and society for membership, but are not suited for strategic investment.

The second set of EU geo-economic tools gained some traction in several new areas during the past decade. For this purpose, besides using the more generalist RCC (Regional Cooperation Council), CEFTA (Central European Free Trade Agreement) was amended in 2006 to include all the non-EU Balkan countries.<sup>40</sup> This treaty required all its signatories to be legally integrated into the liberal free-trade paradigm by a commitment to the WTO rules, an EU association agreement and free trade agreements with all the other CEFTA members. Thus, CEFTA represents a sub-regional form of integration among Balkan countries, an antechamber to full EU membership.

China has deployed a different strategy in the area, gradually offering large influxes of investment and trading activities to specific countries and only then moving on to a multilateral format of systematic operations. The ‘16+1’ model advanced by the Chinese government in 2012 encompasses all the non-EU and EU Balkan states, together with the Baltic states and the Visegrád group, creating a negotiation space that stretched from the Baltic to the Aegean and from the Adriatic to the Black Sea. Specifically in the Balkan area, China has become one of the main economic players in the region, not only incentivizing friendly states by offering direct credits and building large infrastructure projects, but also rationally expanding and diversifying its portfolio. Real estate, infrastructure, energy, heavy industry, IT, telecom have all been targeted by Chinese investors directly or indirectly controlled by their home state.<sup>41</sup>

38. Francisco de Borja Lasheras et al., “Return to Instability”, 3-9. However, there are many analysts who question the true breadth of Russia’s military cooperation with Serbia, arguing that it is not always as substantial as presented by Russian and Serbian politicians and media.

39. For a wider picture of EU’s political-economic approach towards the Balkans, see Aristidis Bitzenis, *The Balkans: Foreign Direct Investment and EU Accession* (Burlington: Ashgate Publishing, 2013), 242-258.

40. See the strategy report regarding such multilateral regional cooperation: Regional Cooperation Council, *South East Europe 2020: Jobs and Prosperity in a European Perspective*, November 2013, Sarajevo.

41. In this regard, see the recent EBRD report prepared by Oleg Levitin, Jakov Milatovic and Peter Sanfey, “China and South-Eastern Europe: Infrastructure, Trade and Investment Links”, European Bank for Reconstruction and Development (May, 2016).

However, unlike the EU – which has explicitly affirmed its larger political commitment to the region – China depicts its activities in the region as purely economic in nature, with no strategic implications. Its neutrality and policy of non-intervention in the regional conflicts also enhanced this image, adding to its previous positive involvement in the crisis-ridden Greek economy. The Piraeus port investment was exactly the model it offered for future cooperation with other Balkan countries: flexible, direct and with no political or financial constraints.<sup>42</sup>

In addition, the other pillar of Chinese investment in the region, Serbia, was approached with large infrastructure projects and investments in the iron-and-steel sector. It was followed by offers to Bosnia-Herzegovina, Albania, Macedonia and Montenegro in various industries. Moreover, Romania and Bulgaria have proved to be even larger recipients of FDI and trade from China, benefitting from their dual position (South East European and Black Sea-Danube countries) and from their EU membership giving access to the Single Market across the entire continent. Strategically focused investment enables China to put in place increasing numbers of experts, officials and workers who gradually acquire crucial positions in the economies of the Balkan countries, thus enhancing China’s ‘soft-power’ appeal and geopolitical advantage at the gateway to Europe.

In the Black Sea region the trade and investment picture is somewhat different. Turkey was active in developing trading relations but was more cautious in terms of investment, (often working through Azerbaijan-based companies), China was perceived at first as a rather exotic and episodic appearance among investors,<sup>43</sup> but has been catching up fast. On the other hand, the United States was slow to engage in large investment projects, with the exception of the energy sector. Some Western analysts even suggested that the US was allowing Russia to get the upper hand economically in the region enabling it to pressure the already dependent states into submission or bankruptcy.<sup>44</sup>

The two major economic actors in the Black Sea area are Russia and the European Union. Traditionally, Russia had been the main commercial partner of most countries in the region. In a confusing way, Russian investments in Ukraine often came through Cyprus-based (and, thus, EU) financial vehicles, using the European umbrella for proxy action<sup>45</sup>, while in Georgia it appears that Azerbaijani-based investors lead the chart.<sup>46</sup> On the other hand, Russian economic influence in the Republic of Moldova is directly assumed.

	EU (28)	China	Russia	Turkey	USA
Serbia	74%	6%	5%	<1%	<1%
Georgia	44%	6%	4%	7%	7%

*FDI Flows to Selected Countries of the 2B-area – 2014*

*[Source: 2014 National Bank of Serbia; National Statistics Office of Georgia]*

42. Poulain, “China’s New Balkan Strategy”, 2-3.

43. In fact, since the advent of the Crimean crisis China engaged in more credit and trading activities with Ukraine, while not openly condemning Russia’s position. For more details, see the informative account of Samuel Ramani, “Hey, Putin, have you seen how much China is investing in Ukraine?”, *The Washington Post*, July 24, 2015.

44. Robert D. Blackwill and Jennifer M. Harris, *War by Other Means: Geoeconomics and Statecraft* (Cambridge, MA: The Belknap Press, 2016), 50-56.

45. At first glance, the Ukrainian statistics indicate that the main source of FDI (foreign direct investment) in 2015 was Cyprus with a share of 28.5% of the total, while Russian companies ranked only in the 5th place with 5.4% of the total investment.

46. Various accounts show Georgia as being the most economically independent in this group of states, with a more diversified structure of FDI. See Sergi Kapanadze, “Georgia’s Vulnerability to Russian Pressure Points”, *European Council on Foreign Relations* (June 2014): 2-3. However, it remains

The European Union has been pursuing a coherent geo-economic strategy in the area through its Eastern Partnership (EaP) programme within the larger European Neighbourhood Policy. In essence, the EaP format includes the EU, its member-states and 6 former Soviet republics. Three of those states have so far established further DCFTAs (Deep and Comprehensive Free Trade Areas) with the European Union. Such instruments are novel in their approach and represent a new generation of bilateral association agreements with the EU, amounting to a veritable ‘integration without membership’.<sup>47</sup> In this framework, Ukraine, the Republic of Moldova and Georgia are part of a special bilateral relationship with the EU that covers not only elements pertaining to free trade and elimination of custom tariffs, but also cooperation in the field of CFSP (Common Foreign and Security Policy) and enhanced interaction in the field of Justice, Freedom and Security with an aim to reinforcing the rule of law.

In this sense, despite their bilateralism, the three DCFTAs follow the same model and represent a novel type of agreement. More precisely, they offer three separate ‘integrations’ with the EU – but convergent in terms of standards and norms –

in all areas that matter for creating a geo-economic unified macro-space” through progressive approximation of EU rules and practices, which requires a high degree of commitment to complex and broad-ranging reforms”<sup>48</sup> In such a context, the EU is presently the largest trade and investment partner for all these three countries.

	EU (28)	China	Russia	Turkey	USA
Albania	64.1%	8.9%	1.3%	5.4%	2.7%
Bosnia-Herzegovina	84.2%	1%	2.8%	4.8%	0.9%
Kosovo	N/A	N/A	N/A	N/A	N/A
Macedonia	71.9%	1.9%	1.2%	3.7%	1.9%
Montenegro	41.9%	6.7%	<2%	2.0%	<2%
Serbia	63.9%	4.9%	7.8%	2.6%	1.7%
Georgia	31.9%	7.2%	7.9%	15.3%	3.6%
Moldova	53%	1.8%	18.4%	5.9%	0.8%
Ukraine	37.5%	8.2%	16.3%	4.8%	2.6%

*Strategic Trade Partners in the 2B-area (Share of Total Trade in Goods - 2015)*

*[Source: EU Trade Statistics, DG Trade]*

difficult to discern how much of the FDI really is European and how much is owed to EU-based Russian proxies.

47. See Guillaume Van der Loo, “The EU-Ukraine Deep and Comprehensive Free Trade Area: a coherent mechanism for legislative approximation?”, in *Legislative Approximation and Application of EU Law in the Eastern Neighbourhood of the European Union. Towards a Common Regulatory Space?*, ed. P. Van Elsuwege, R. Petrov (Routledge, 2014), 63-88.

48. European Commission, *A new response to a changing neighbourhood*, Joint Communication by the High Representative of the Union for Foreign Affairs and Security Policy and the European Commission, 25 May 2011, Brussels.

### *Processes, challenges and opportunities*

As it can be seen from the analysis of these two sub-regions, the only actor strongly involved in the entire 2B-area and deploying a coherent development-oriented policy is the European Union. However, it faces two different challenges in each sub-region, which are generated by different actors and motivated by different factors. More precisely, in Southeast Europe, no other actor with the exception of China can act in a constructive and systematic manner for the entire zone. Russia's economic activities in Southeast Europe appear to be mainly as a 'spoiler'<sup>49</sup> (and not as a 'developer'); they are focused not so much on competition but rather on attempts to block EU's projects or programmes. China's approach is different and more future-oriented. Its multilateral 16+1 format has produced (at least so far) no project or offer that may have collided with EU plans and intentions.

Facing such challenges in both sub-regions, the European

Union will probably need to reconsider some elements of its conceptual approach and policy instruments in order to make them more effective and more visible for the populations of the partner countries. Southeast Europe and the Black Sea could benefit enormously, should the European institutions decide to provide meaningful incentives to the EU member states within the region to act as a unifying vector in promoting the agreed strategic vision and practical programmes throughout the region. As a further step in this direction, the EU might wish to consider enhancing the level of multilateral cooperation both within and between the two sub-regions. For a starter, Ukraine and Georgia could be encouraged to seek admission to the Central European Free Trade Area (CEFTA) of the Balkan states, as the Republic of Moldova has already done. Such an enlarged membership of CEFTA – covering the eligible states in the entire 2B-area – could form the basis of a complementary form of geo-economic integration, outside the EU, but working together with it, towards the same goals and adhering to the same values.

## *VI. A view from within*

The most recent reports produced by several international organizations<sup>50</sup> confirm that most countries in the 2B-area still face many 'old' challenges: the quality of democracy, weak institutions, corruption, organized crime, lack of ethnic reconciliation, poor economic progress. In varying degrees, evidence of deficiencies in governance was found in the area stretching well beyond the littoral states of the Black Sea to Eastern Europe, Southeast Europe, and the Caucasian-Caspian area, where corruption and poor governance are serious security challenges. Their attempts to proceed with institutional renewal and reform were often frustrated by low

administrative capacity, state capture and corruption, slow progress in the administration of justice and law enforcement. Several countries in Southeast Europe and the Black Sea region were unable to overcome their vulnerabilities in the past decade. This conclusion is present in the latest progress reports of the European Commission on each of the Balkan states.<sup>51</sup> These data confirm a widening development gap between the countries of the 2B-area and Western Europe. Despite some progress in reform processes, the most important vulnerabilities shared by a number of countries in the region are: growing budget deficits, corruption and poor governance.

49. Francisco de Borja Lasheras et al., "Return to Instability", 6-7.

50. In measuring the level of 'good governance' some of the most relevant datasets and expert studies such as the Bertelsmann Foundation, the Economist Intelligence Unit, Freedom House Nations in Transit, The Failed States Index, compiled since 2005 by The Fund for Peace (FFP) and Foreign Policy magazine, Transparency - Corruption Perception Index and the World Bank Institute have been selected to compare numerical ratings in order to evaluate the progress of countries in the 2B-area. Partial monitoring of governance on national, regional and local level is done or supported by many international actors like World Bank Institute's Governance Matters, The Department of Economic and Social Affairs of the United Nations Secretariat, UNDP Global Program on Democratic Governance Assessments, and European Fund for the Balkans (Balkan Monitor), etc.

51. See the European Commission's Enlargement overview for each (potential) candidate in the Balkans: [http://ec.europa.eu/enlargement/countries/package/index\\_en.htm](http://ec.europa.eu/enlargement/countries/package/index_en.htm) (accessed November 2016).

There is a wealth of definitions of 'governance'. Many political and economic scholars argue that good governance is one of the main factors not only for the democratic development of a country, but it is also one of the primary factors for economic growth. Good governance has been strongly promoted and supported by the European Union as part of the enlargement process, and also by a number of bilateral donors and agencies through their development strategies in the region. For the first time, the Enlargement Strategy of the European Commission (2012) explicitly identified "good governance, the rule of law, administrative capacity, unemployment, economic reform and social inclusion" as major challenges in most countries of Southeast Europe.<sup>52</sup> The most recent version of the Strategy, published in 2015, maintains this focus and places elements of good governance at the forefront of EU conditionality.<sup>53</sup>

But how to determine the indicators that make a difference between poor or good governance? In very simple terms, one can say that the quality of governance is determined by the impact of the exercise of power on the quality of life enjoyed by citizens. It is thus evident that governance issues differ from country to country and even more so from region to region based on social, economic, and cultural distinctions and therefore no 'one-size-fits-all' indicator exists. But there are clear priority aspects which can be named as key domains where the states can foster good governance: reform of the civil service, improvement of policymaking procedures, endorsement of transparency and decentralization.<sup>54</sup> But each of these principles can be instrumentalized by local political leaders for different purposes, turning what seem to be practices of 'good governance' into their opposite.

This is especially true if one takes into consideration that some of the countries in the region face a nearly pre-modern incapacity to centralize and rationalize (in a Weberian sense) their administration/bureaucracy. For example, local

strongmen who have a solid hold on power structures can misuse the principle of decentralization in their personal quest for more autonomy and their own secessionist agenda in breach of a state's sovereignty. Security is directly linked with governance. Poor governance directly contributes to the destabilization of a country because it undermines the central authority and public confidence in governing institutions. This, in turn, can become a driver of conflict. Corruption becomes both an internal and an external vulnerability of states in a world of globalized security threats.<sup>55</sup>

By undermining state effectiveness, eroding trust between citizens and government and exploiting vulnerable segments of the population, corruption has emerged as a top-priority national security threat. Why is governance relevant for security in the 2B region? Because poorly governed areas provide not just a safe haven for crime and corruption, but sometimes even a justification for non-state actors like terrorists, traffickers, insurgents, drug cartels and criminal groups to step in and fill the void. And, in addition, those countries or sub-state entities become vulnerable to subversion from other state actors. Strong regional players can step in through corruption and build-up their ability to influence decision making in the host states in decisive areas, such as their industrial/telecom/media base. Hostile networks thrive where the state cannot prevent or prosecute them. Corruption also gives them a tool to infiltrate and capture the state itself, further weakening governance and expanding the reach of criminal groups. This aspect is very important for the region as the most common element of poor governance is corruption. In its different forms (bribery, embezzlement, misappropriation, patronage practices or nepotism), corruption causes a deterioration of the citizens' lives and their living standards, and their trust in public institutions. Through corruption public resources are wasted instead of being used to promote sustainable development in the interest of all sections of the population. Also, corruption

52. European Commission, Enlargement Strategy and Main Challenges 2012-2013, Communication from the Commission to the European Parliament and the Council, Brussels, 10.10.2012 COM(2012) 600 final, [http://ec.europa.eu/enlargement/pdf/key\\_documents/2012/package/strategy\\_paper\\_2012\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2012/package/strategy_paper_2012_en.pdf) (accessed November 2016).

53. "The focus on fundamentals is reflected in the specific areas subject to the strengthened reporting in the country reports such as the judiciary, fight against corruption and organized crime, freedom of expression, economic criteria, public administration reform, public procurement, statistics and financial control. See European Commission, Enlargement Strategy 2015, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 10.11.2015, COM(2015) 611 final, 9 [http://ec.europa.eu/enlargement/pdf/key\\_documents/2015/20151110\\_strategy\\_paper\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2015/20151110_strategy_paper_en.pdf) (accessed November 2016).

54. The term 'good governance' has been taken as a reference point in evaluating a country's transition to democracy and it has been extensively used by international organizations such as the World Bank (WB), the International Monetary Fund (IMF) and the United Nations Development Programme (UNDP). It is a broad term that includes values and practices such as legality, justice, trust in laws and institutions, efficiency, responsible budgeting, management of human resources and crisis management.

55. Working Group on Corruption and Security, "Corruption. The Unrecognized Threat to International Security", Carnegie Endowment for International Peace, June 2014, [http://carnegieendowment.org/files/corruption\\_and\\_security.pdf](http://carnegieendowment.org/files/corruption_and_security.pdf) (accessed November 2016).

endangers the development of democratic structures and puts the legitimacy of the state in question.

The links between corruption, governance, and conflict are complex and interrelated. For example, in the Caucasus and parts of Southeast Europe, corruption and conflict are intertwined, especially in the breakaway provinces. Corrupt rulers, powerful and contending clans, and criminal networks have often intruded into the economy with impunity through violence and protection rackets. While nationalism and ethnic loyalties have also played a part in conflicts, corruption has been a contributing factor to the region's instability.

Many of the region's economies remain undeveloped, dependent on aid, loans and remittances and are prone to high levels of state intervention coupled with low levels of institutional complementarity with other EU markets.<sup>56</sup> In the case of Southeast Europe, effective economic reform has often been delayed, so the economies of the region are not fully capable to withstand the competitive pressures of the international market. The EU conditionality for the region includes an increased emphasis on 'good governance' criteria – maintenance of the rule of law, independent judiciary, efficient public administration, fight against corruption and organized crime, civil society development, and media freedom.<sup>57</sup>

It should be noted that the high level of youth unemployment creates strong incentives for people to leave their country and look for a better future abroad. Based on recent findings discussed at the Western Balkans Summit in 2016<sup>58</sup>, thousands of young people left the region recently in a context of an unemployment rate among the youth (16-24) reaching 55% in Kosovo, the highest percentage in the region.<sup>59</sup>

Illiberal leaders and strongmen have frequently challenged the

fundamental principles of democracy, using nationalist rhetoric focused on resurrecting hatred, division and fear. Elections in some Balkan countries in 2014, 2015 and 2016 demonstrated this trend. The latest Transparency International report, released in 2016<sup>60</sup> indicated that populist politicians were increasingly hijacking state institutions to shore up their power – a worrying trend affecting Southeast Europe as well.<sup>61</sup>

Uncompromising political elites and ethno-nationalist parties have become part of the establishment and have consolidated their economic and political power in some countries. The result has been a process of 'state-capture', characterized by governance through patronage networks accompanied by large-scale, high-level corruption.<sup>62</sup> In this sense, clientelism is a symptom of 'poor governance' in Southeast Europe and the Black Sea area. In the two regions it is common practice for the political and business elites to overlap and coincide. The whole system is thus dominated by so-called 'oligarchs', who intervene in politics either by running for parliament themselves or by financing individual deputies or entire parties.

Most of the states in the region have weak and volatile party systems, which are highly fragmented and personality-driven. The latest ranking of Bertelsmann Stiftung: Transformation Index shows that the 2B-area offers a mixed landscape of fragile liberal democracies (Serbia, Montenegro, Bulgaria and Romania), illiberal democracies or pseudo-democracies (Macedonia, Ukraine and Turkey), weak states (Azerbaijan, Georgia, Republic of Moldova, Bosnia, Kosovo) and authoritarian regimes (Russia).

Another challenge that the two regions have to face involves the fight against organized crime and terrorism. The process of globalization has unwittingly contributed to a geographical expansion of criminal activities, including trafficking in

56. BIEPAG, "The Unfulfilled Promise".

57. In the new approach, proposed in 2011 by the European Commission, the Balkan countries are expected to get a head start on rule of law reforms, develop a solid track record of results and adopt inclusive processes (accommodating parliaments, civil society and other relevant stakeholders) in support of their national effort for European integration.

58. Building on the previous Berlin (28 August 2014) and Vienna (27 August 2015) Summits, France welcomed in Paris on 4 July 2016 the heads of government, foreign ministers and the ministers of economy of Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, as well as Croatia, Slovenia, Austria, Germany, Italy and representatives of the European Union and the International Financial Institutions specifically to discuss those issues collectively. See <http://www.diplomatie.gouv.fr/en/country-files/balkans/events/article/final-declaration-by-the-chair-of-the-paris-western-balkans-summit-04-06-16> (accessed November 2016).

59. Daniel Linotte, "The Challenges of Transition in Kosovo", Balkans in Europe Policy Blog, June 9, 2015, <http://www.suedosteuropa.uni-graz.at/biepag/node/160> (accessed November 2016).

60. Since 1995, Transparency International has published an annual Corruption Perceptions Index (CPI) that ranks the countries of the world according to the degree to which corruption is perceived to exist among public officials and politicians.

61. CPI 2015, January 2016.

62. Sue Unsworth and Conflict Research Unit, "Framework for Strategic Governance and Corruption Analysis (SGACA): Designing Strategic Responses Towards Good Governance", Clingendael Institute for International Relations, October 2007, [https://www.clingendael.nl/sites/default/files/20071000\\_cru\\_occ\\_unsworth.pdf](https://www.clingendael.nl/sites/default/files/20071000_cru_occ_unsworth.pdf) (accessed November 2016).

weapons, drugs and human beings. Terrorists often work hand in hand with organized crime and use the money laundering networks of other criminal groups. The unrecognized entities resulting from 'frozen' conflicts tend to be a magnet for such criminal groups. The need to face these types of threats constitutes one of the EU's preoccupations in the region.

World Bank data also confirm that accelerated and sustained growth in Southeast Europe and Black Sea area is critical. Abiding social challenges compound the problem. For example, in 2014 about one-third of households in South East Europe lived in moderate or extreme poverty - with an average of 9 percent living in extreme poverty.<sup>63</sup> These rates are more than double those of the new EU member states, and we have evidence of increasing poverty in all countries since the crisis of 2008-2009. Persistently high unemployment rates, chronic under employment and inactivity disproportionately affect the youth, low-skilled workers and vulnerable groups. The countries of the region have the highest youth unemployment rates in the world. This is a serious concern. Also the International Monetary Fund outlook for economic growth in the region is grim. The regional growth rates are forecast at only 2-3% in the years to come.<sup>64</sup> If these predictions prove to be true, the idea of any convergence with the EU countries will be hard to sustain.

The increasingly polarized political competition in several countries of the region is yet another worrying element. Protest movements have given expression to pent-up indignation over corruption, austerity measures regarded as unjust, and growing mistrust of the political establishment.<sup>65</sup> The key findings for East and South East Europe point towards an 'oligarchization' of politics. The warning signals cannot longer be overlooked: "Governing parties are using unfair means to influence electoral results and ignoring the separation of powers, while power-hungry media tycoons threaten to undermine democracy".<sup>66</sup> BTI 2016 report shows that even though great efforts have been invested into the process of change, countries in the two areas are still marked by high levels of bureaucracy,

informal practices, corruption and lack of accountability and transparency of public institutions that are responsible for reforms running simultaneously on different levels. All this leads to a general deterioration of public trust.

Nations in Transit 2016 is the latest edition of Freedom House's annual assessment of democratic development in Central and Eastern Europe and the former Soviet Union. The final scores show that the situation in the majority of the countries in the 2B areas is not improving in comparison with the previous years (with Bosnia, Macedonia, Montenegro and Serbia dropping points as well as the Republic of Moldova, Russia, Tajikistan and Azerbaijan on a descending trend).<sup>67</sup> The key findings in the report are worrying. Weighted for population, the average Democracy Score of the 29 formerly communist countries surveyed by Nations in Transit has declined every year since 2004—12 years in a row, including 2015. The largest score decline was Macedonia's, where scores dropped in six of the seven indicators that Nations in Transit measures. The region has had more declines than improvements every year since 2007. Not a single sub-region (Eastern Europe, Southeast Europe, or Eurasia) has improved overall since 2011. These trends have now coalesced into fundamental threats to the regional order that bode ill for the future. Most countries in post-Soviet Eurasia rank at or near the bottom of Freedom House's ratings for political rights and civil liberties. While a few—such as Georgia, Republic of Moldova, and Ukraine—have struggled to democratize and pursue European integration in recent years, they face strong opposition from Russia and from antidemocratic elements within their borders.

As a conclusion, it is no novelty to acknowledge that the transition in Eastern and South-Eastern Europe has been a mixed picture of successes and failures. The countries in these areas continue to lag significantly behind EU member states on all major indicators of governance. This underperformance can be attributed to a multitude of factors. Besides ethnic and border disputes, high unemployment and corruption, other features of the un-consolidated democracies in the region,

63. See the speech of Laura Tuck, World Bank Vice President for Europe and Central Asia, delivered at the Vienna Western Balkans Conference 2014, <http://www.worldbank.org/en/news/speech/2014/06/09/vienna-western-balkans-conference-2014> (accessed November 2016).

64. International Monetary Fund, "Central, Eastern, and Southeastern Europe: How to Get Back on the Fast Track", IMF Regional Economic Issues, May 2016, <https://www.imf.org/external/pubs/ft/reo/2016/eur/eng/pdf/reio516.pdf> (accessed November 2016).

65. See the BTI 2016 Report and its overview <https://www.bti-project.org/en/reports/regional-reports/east-central-and-southeast-europe/> (accessed November 2016).

66. BTI 2016 Report overview.

67. Nate Schenkkan, "Nations in Transit 2016: Europe and Eurasia Brace for Impact", Freedom House, 2016, 12, [https://freedomhouse.org/sites/default/files/E/FH\\_NIT2016\\_Final\\_FWeb.pdf](https://freedomhouse.org/sites/default/files/E/FH_NIT2016_Final_FWeb.pdf) (accessed November 2016).

which are direct obstacles to reform, include high levels of popular dissatisfaction with politicians and low levels of trust in political institutions. Those elements make Southeast Europe and the Black Sea area a compact region in terms of security challenges in a less than ideal security environment. The top priorities for the needed reforms should focus on strengthening governance and reducing corruption across sectors and institutions. Relevant reforms include measures to strengthen the independence and quality of regulatory and oversight

bodies, and streamlining regulations and administrative processes to reduce opportunities for rent-seeking behaviour. Effective governance will also require public procurement systems that foster competition, financial management practices that are transparent and subject to regular audits, a meritocratic civil service, and transparency and accountability at every level of government. These elements could directly help the countries in facing their complex security challenges both inside and outside their borders in the years to come.

## ***VII. Outlook and recommendations***

Providing a more prosperous and stable future for the countries in the Black Sea and Southeast Europe depends largely on the evolution of the main core actor, the EU. Its constructive approach has opened a realistic possibility to overcome the tragic legacy of ethnic or religious conflicts and to make meaningful progress toward modern democracy and functional market economy. However, the EU itself is also facing constant challenges and constraints coming both from its internal, political and institutional development, and from the external influences of a dynamic international environment.

With specific reference to the countries of Southeast Europe and the Black Sea area, the European Union is expected to respond to those challenges by taking a conceptual leap forward and engaging both sub-regions in a comprehensive vision deserving a coherent and systematic strategy for stability and development. For this purpose, the EU would be well advised to supplement the current and planned regional programmes of its Brussels-based central institutions by actively involving the member states that are part of the region in this process and offering meaningful incentives to that effect. Outsourcing the initial diplomatic engagement and re-sourcing trade and investment through its members in situ (which might prove more palatable for some non-EU partners) could both relieve Brussels of the burden of asymmetric negotiations and avoid the pitfalls of political risk. This may also mitigate the inherent difficulties (as revealed by recent experiences) related to streamlining and co-ordination of various, partially overlapping EU programmes for the wider region, while encouraging

innovative and cost-effective synergies.

It may make sense to consider the practical feasibility of expanding the CEFTA framework so as to encompass not only the Western Balkan countries but also the Black Sea ones, especially those that have Association Agreements with the EU. A precedent has been already set by Republic of Moldova's CEFTA membership, despite its somewhat isolated position from the other members of the agreement. Thereafter, this legal, economic and political framework could be extended to all Eastern Partnership states, enabling the EU to deal with the entire Balkan-Black Sea area in a coherent manner.

## *New Strategy Center*

New Strategy Center (NSC) is a Romanian think tank, non-governmental organization, designed to provide a debating framework on topics of major interest for Romania. NSC submits relevant topics both in terms of threats to national security, and opportunities for economic development of the country to the general consideration and debate. The Balkans and the Black Sea are the main points of interest for NSC, a

large and complementary area with a significant impact on Romanian security. The defense, the connection between the military modernization and industrial development, the energy security, the technological development, the challenges of the hybrid threats, the public diplomacy and the cyber security are some of other issues on which NSC is focused on.

## *Institute for Development and International Relations*

The fundamental mission of the Institute for Development and International Relations is developing and disseminating theoretical, methodological and technical knowledge and skills required for scientific and professional interpretation and evaluation of contemporary international relations which affect various human activities and related developmental trends important for the Republic of Croatia. Development tendencies are observed in the local, regional, European and global context.

In its scientific and professional work the Institute focuses on various forms of interconnections between international relations and political, economic and socio cultural development tendencies. Fifty years of scientific work of the Institute for Development and International Relations reflects various development dynamics and fluctuating international connections worldwide. The Institute's research often preceded changes in the environment in which it operated. Most research programs were, and still are, characterized by interdisciplinarity and research flexibility.

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