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The Balkans: Policy Recommendations for the Next Administration

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Chairman Eliot Engel, Ranking Member Michael McCaul, and members of the House Foreign Affairs Committee, thank you for the opportunity to offer recommendations for the next U.S. administration in developing its policies toward the Western Balkans.

This hearing comes at an opportune moment, in the wake of a deadly pandemic that has exacerbated economic decline, political disputes, and social tensions in the region, and on the cusp of a new U.S. administration that can reinvigorate the trans-Atlantic alliance. President Donald Trump's national security team helped to strengthen NATO's military capabilities along the eastern front in facing a hostile Russia and included two West Balkan states in the Alliance – Montenegro and North Macedonia. However, trans-Atlantic disputes mushroomed in several arenas and weakened a necessary common approach toward the Western Balkans. A concerted U.S.-EU policy can enhance security and Euro-Atlantic integration in a region facing both internal and external assaults. This testimony offers recommendations for resolving two regional challenges (the Kosova-Serbia dialogue and the impasse in Bosnia-Herzegovina) and combating two external threats (Russia and China).

Kosova-Serbia Dialogue

1. The goal of the Serbia-Kosova talks should be to devise a roadmap for inter-state recognition. This is the only sustainable solution that would free both countries to pursue their aspirations toward EU integration and economic development. Dialogue without a clear purpose distracts and paralyzes both sides.
2. U.S. leadership and partnership with the EU in reaching a final settlement between Serbia and Kosova is essential. Without U.S. involvement the EU is a weaker, more divided, and less influential interlocutor. Without a consistent American role, the region becomes more exposed to ethno-nationalism, irredentism, and subversion by outside powers. Washington has demonstrated its political, diplomatic, and military capabilities in resolving disputes and dealing with external threats. The resolution of the Macedonia-Greece dispute through the 2018 Prespa agreement demonstrates that positive results are achieved with more intensive U.S. engagement.

3. Although the White House meeting with the leaders of Serbia and Kosova in September 2020 re-engaged Washington in the dialogue, the U.S. cannot simply focus on economic factors and neglect key political and diplomatic decisions. Economic relations will not be normalized if political and diplomatic relations remain abnormal. Since the 2013 Brussels Agreement talks have focused on such issues as minority rights, police reform, energy, telecommunications, legal reform, and a host of smaller technical questions. It is time to move the talks forward toward mutual inter-state recognition otherwise both sides will remain indefinitely paralyzed in the past.
4. The talks have been sidetracked by several questions, including government turnovers in both capitals, democratic deterioration in Serbia, the work of the Specialist Chambers investigating war crimes allegations in Kosova, and discussions about land exchanges between Serbia and Kosova that have little chance of realization but generated fear and dispute throughout the region.
5. Belgrade and Prishtina can take several important steps as part of a bilateral “normalization package.” Kosova can unblock visits by Serbian officials to northern Kosova, provide Serbian Orthodox religious sites with a special status as internationally protected shrines, and implement an agreement on the Association of Serb Municipalities but without executive functions to preclude state partition. Serbia can unblock opposition to Kosova entering international institutions such as Interpol or the Organization for Security and Cooperation in Europe (OSCE), permanently suspend its global de-recognition campaign, and drop its objections to Kosova gaining a seat in the UN General Assembly.
6. Such steps could convince the five remaining EU states to recognize Kosova while demonstrating Serbia’s independence from Russia, which uses its blocking tactics in the UN as leverage over Belgrade. Trying to balance West and East, in imitation of Titoist Yugoslavia, is no longer a rational option for Serbia when Russia is intent on undermining the West and uses Belgrade to achieve its goals. Simultaneously, Prishtina can declare that the progress made in the “normalization package” should certify Serbia’s compliance with Chapter 35 in its EU accession agenda. This display of bilateral goodwill grounded in self-interest would hasten Belgrade’s progress toward meeting the criteria for EU entry.
7. Washington would need to be closely involved throughout the normalization process. It may even consider appointing a special envoy with an intensive knowledge of the region to underscore its determination to resolve the dispute. The envoy should work closely with the EU’s Special Representative for the Serbia-Kosova Dialogue, former Slovak Foreign Minister Miroslav Lajčák, who played a key role in Montenegro’s successful independence referendum in May 2006.

8. The U.S.-Kosova bilateral relationship has been weakened in recent months, particularly as it is widely believed in Kosova that the newly elected government led by Prime Minister Albin Kurti was maneuvered out of office in March 2020 with alleged U.S. compliance. Whatever the truth of such assertions perceptions are important in maintaining trust. The best way that trust can be reinforced is by Washington re-engaging fully in the talks between Belgrade and Prishtina and stating clearly that the ultimate goal of “normalization” is equality between Kosova and Serbia through mutual recognition. In addition, Washington should intensify its cooperation with Prishtina in developing the Kosova Armed Force into a fully capable military force than can help the country qualify for NATO membership in the years ahead and thereby contribute to Allied security. This would transform Kosova from a “consumer” to a “producer” of security.

Impasse in Bosnia-Herzegovina

1. Bosnia-Herzegovina is not a multi-ethnic democracy but an association of ethnic fiefdoms, in which nationalist parties maintain divisions in order to control their co-nationals and protect their spoils. Politicians seeking a more cohesive state that guarantees equal citizenship regardless of ethnicity have been consistently sidelined even though they have significant public support as recent local elections indicate.
2. The Dayton accords were not designed to construct an integrated state with an effective central government. Instead, they created a complex administrative structure in which ethnic balancing predominates and layers of governmental bureaucracy contribute to inefficiency and budgetary burdens. This system has obstructed effective decision-making, as ethno-national identity predominates over civil-state interests. Ethno-politics has stymied the development of state citizenship, individual rights, and a competitive democracy.
3. In this climate of state paralysis, the Serbian entity has steadily moved from autonomy toward sovereignty and its leader Milorad Dodik, with Moscow’s financial, political, and propaganda support, has raised the prospect of separation. This has tempted some Bosnian Croat politicians to call for a third entity and the partition of the Bosnian Federation. Meanwhile, Bosniak Muslim leaders remain committed to defending Bosnia’s territorial integrity.
4. To resolve the Bosnian impasse, U.S. officials working closely with EU representatives must devise a roadmap for far-reaching administrative, constitutional, and electoral reform. Without progress over the coming few years a new frustrated generation 25 years after Dayton could again reach for other weapons as a way out of the impasse Unlike in the 1990s, Washington needs to prevent violence from erupting and not try to extinguish it after it has flared up. The status quo between the two Bosnian entities is not a viable long-term solution and can degenerate into regional havoc.

5. The U.S. administration working in tandem with the EU has several tools available to promote reform and nurture a civic Bosnia. Diplomatic, political, and material support for civic politics across the country can be significantly increased, the rule of law can be strengthened to ensure that the justice system is separated from political interests and judges and prosecutors become independent actors. Economic instruments are both carrots and sticks – encouraging reform, a more empowered central government, and more effective local governments, while squeezing out funds to entities and cantons that block the functioning of the state. Separatists can be sidelined and sanctioned by exposing their corruption and illicit ties with Russian oligarchs. Persistent threats against Bosnian integrity must have consequences and penalties, as they limit economic development, curtail foreign investment, promote inter-ethnic discord, encourage radicalism, and endanger the survival of the state.
6. To curtail destabilizing influences from Moscow, steps toward NATO membership for Bosnia-Herzegovina have to be pursued. The Reform Program signed in 2019 by the Bosnian Presidency is in effect its first Annual National Program (ANP) that places Bosnia on the road toward NATO accession. Qualifying for NATO will underscore that the security of the Bosnian state guarantees the security of all ethnic groups and reduces the prospects for armed conflicts and territorial partition.

Destabilizing External Factors: 1. Russia

1. Two foreign actors are directly contributing to instability in the Western Balkans – Russia and China. Both adversaries view the region as Europe’s weak spot where competition with NATO and the U.S. can be increased, disputes manipulated, new allies captured, and economic opportunities exploited. America's increasing focus on China must not distract attention from a more immediate Russian threat. Kremlin officials may view Washington’s growing preoccupation with China as an opportunity to intensify their own policies. Although both Russia and China are expansionist powers that challenge U.S. and European interests, their current impact is not equivalent. While China is a long-term threat, Russia presents the most pressing short-term danger to NATO allies and partners.

2. Moscow views the Balkans as a strategic asset and pursues four main goals:

First, expanding Russia’s geopolitical reach. Traditionally, the Balkans are a stepping-stone to the Adriatic and Mediterranean and an inroad into Central Europe. Moscow’s influence over Balkan governments, its role in multi-national formats (including the Peace Implementation Council in Bosnia-Herzegovina), its military deployments (as in Serbia), and its institutional presence through various arms of the Russian state, provide it with a major stake in the region’s evolution.

Second, fracturing Western cohesion and undermine Western institutions. Fomenting conflict not only contributes to unsettling the Balkans, it also divides international responses. One recent example was the territorial exchange gamble between Serbia and Kosova supported by Moscow and accepted by some Western officials. Even debates about partition promote rifts in the region and policy disarray between Western governments. Unresolved conflicts and disputed states also enable the Kremlin to claim that despite its expansion NATO has failed to stabilize the Balkans.

Third, undercutting the U.S. presence. The main reason for obstructing NATO enlargement is to prevent a growing American military footprint and to preclude any firm security guarantees to countries in the region. The Kremlin tries to block Balkan states from joining the Alliance, as this enhances Washington's role in defending Europe. It also seeks to weaken EU and NATO from within, as its growing influence in Hungary and Bulgaria demonstrate. Joining NATO helps strengthen state security but it does not ensure immunity from subversion.

Fourth, capturing allies or supplicants. Economic, energy, and financial connections are a tool for corrupting, blackmailing, or bribing officials who can assist Moscow in its international goals. Although Moscow is not a leading economic player in the Balkans, compared to the EU or China, its investments and expenditures are targeted for maximum political impact and the propaganda of Russian assistance is widespread. Simultaneously, state directed disinformation campaigns claim that Western democracies are a failing system, as evident in the recent U.S. elections, the EU will disintegrate, as evident in Brexit, and closer ties with Russia offer a valuable alternative.

3. To achieve its strategic objectives, Moscow pursues several policies:

- Promotes ethno-nationalist, xenophobic, and populist movements to help incite regional conflicts.
- Assists the autonomist government in Bosnia's Serb entity (*Republika Srpska*) to keep the country divided and encourages Bosnian Croats to push for a third entity and split the Bosnian Federation.
- Blocks Kosova from UN membership and courts the Serbian minority to fan internal disputes.
- Exploits Montenegro's domestic turmoil and North Macedonia's obstructed path toward the EU to promote inter-ethnic conflicts.
- Favors ultra-nationalist and pan-Serbian irredentist groups in Montenegro to disrupt the country's independence and pro-Western direction.
- Benefits from Bulgaria's blockage of EU accession talks for North Macedonia and helps mobilize the pro-Russia lobby in Bulgaria.

- Supports close links between Russian and Serbian Orthodox Churches to undermine religious freedom and the independence of autocephalous churches in Montenegro and North Macedonia.
 - Corrupts national politicians to favor Russian interests by remaining neutral or backing Moscow's positions in various foreign policy offensives.
 - Fosters energy dependence by tying Balkan countries into its pipeline projects and purchasing refineries and other energy facilities. Energy dependence is used as a method to ensure political compliance.
 - Engages in disinformation offensives through local media and internet networks to enhance Russia's prestige and undermine Western institutions. Its messages are designed to appeal to anti-globalists, Euroskeptics, and ultra-conservatives in which Russia masquerades as the defender of traditional values, while the EU and U.S. are portrayed as deviant. The Kremlin also appeals to the radical left as an anti-imperialist and anti-American vanguard.
4. Moscow views the government in Serbia as a useful tool to undermine stability in the Western Balkans, limit Western integration, and expand Russian influence. Under Aleksander Vučić's presidency connections with Moscow have expanded. Serbia has signed a free trade agreement with the Moscow-led Eurasian Economic Union, despite strong opposition from the EU. It has refused to join the sanctions regime imposed against Russia for its invasion and partition of Ukraine. It has acquired heavy weapons from Moscow, including anti-aircraft systems, fighter jets, and attack helicopters despite warnings of U.S. sanctions. Belgrade also continues to expand the "humanitarian center" in Niš in southern Serbia with Russia's security services. The center enables Russian intelligence gathering throughout the Balkans.

In the economic arena, Serbia remains reliant on Russian oil and gas. The second leg of Gazprom's Turk Stream gas pipeline will traverse Serbia, its biggest oil company, *Naftna Industrija Srbije*, is majority-owned by Gazprom, and Gazprom holds a majority stake in the largest gas storage facility in southeastern Europe, Banatski Dvor in Serbia. Serbia continues to expose itself as a conduit for Moscow's interests. In trying to imitate Titoist Yugoslavia by balancing Russia and China with the U.S. and EU, Serbia is subverting its own links with Western institutions and weakening security on the Balkan peninsula.

5. In confronting Russia's attempts to destabilize the Western Balkans the new U.S. administration can pursue the following policies:
- Promote a regional initiative focused on vulnerabilities that the Kremlin exploits, including disinformation, corruption, and the funding of nationalist extremism. The degree of cooperation in combating Russia's inroads will indicate the strategic orientation of each government and their willingness to counter Moscow's destabilizing policies.

- Expose Russia's illicit money flows in the region, its media connections, disinformation campaigns, and the links of Russian oligarchs and intelligence services with local politicians, nationalist parties, religious institutions, and social organizations.
 - Impose sanctions such as asset freezes and issuing arrest warrants against Russian agents, oligarchs, and entities engaged in corrupt activities or inciting ethnic conflicts or coup attempts in the Balkans.
 - Assist media outlets and civic organizations to better coordinate their efforts in exposing and countering disinformation promulgated by Russian and Chinese sources through on-line social networks.
 - Undercut Moscow's influence by helping to facilitate faster EU integration for Albania, North Macedonia, Montenegro, and Serbia. Stronger U.S. leadership can help consolidate the rule of law and invigorate anti-corruption campaigns.
 - Encourage the inclusion of the Western Balkan in the trans-continental Three Seas Initiative (3SI). The north-south transportation corridor will boost economic performance, initiate commercially viable cross-border infrastructure projects, and help provide alternatives to dependence on Russian energy and Chinese loans. This can also accelerate the entry of participating states into the EU by meeting the regulatory and legal standards of 3SI membership.
 - Pay greater attention to nearby states that can exert a negative influence in the Western Balkans, especially Bulgaria, Hungary, and Croatia, by enabling them to resist Russian penetration and strengthen the NATO alliance, including required levels of defense spending. Moscow is intensifying efforts to undermine EU and NATO from within. Joining NATO does not ensure immunity from foreign subversion, especially if local leaders calculate that they can profit politically or personally from Moscow.
6. A successful U.S. policy has to be undergirded by a strong NATO and a firmer approach toward Russia's government. The new U.S. administration must avoid another self-defeating "reset" with the Kremlin in the fruitless hope that America's chief adversary can be transformed into a genuine partner. Moscow views compromises as weaknesses that embolden its revisionist ambitions. A more assertive U.S. policy needs to spotlight Russia's growing vulnerabilities, including its economic weaknesses and escalating domestic turmoil.

International democracy initiatives proposed by the President-elect should zero in on the Russian Federation by supporting human rights, individual freedoms, political pluralism, ethnic equality, and genuine federalism in this increasingly unmanageable state. In this way Russia's offense against the trans-Atlantic alliance can be turned into a much more difficult defense in which the Kremlin regime will be increasingly confronted by Russian citizens demanding their basic freedoms. In restoring the vitality of Western alliances and democracies Washington can demonstrate that it is not in conflict with citizens of the Russian Federation.

Destabilizing External Factors: 2. China

1. China's long-term ambitions are to replace the U.S. as the leading global power. At present, its expanding influence is based primarily on investment, trade, and development assistance that can undermine trans-Atlantic unity. Russia is a minor player in geo-economics, apart from its supplies of fossil fuels. China has become the key rival for the U.S. in a sphere where global leadership is ultimately decided - economic power. It has the world's second-largest economy and is the largest exporter and second-largest importer of goods. China's expanding global role is not dependent on military power but on economic penetration and leadership in advanced technology. The Chinese regime has no plan to impose its system of government on European states but aims to change global standards for trade and investment that will favor Beijing over its competitors.
2. China's global ambitions are encapsulated in its Belt and Road Initiative (BRI), involving more than 20 countries and aimed at developing land and sea corridors linking China with Central Asia, the Middle East, and Europe. Unlike Russia's failing Eurasian Economic Union, China's Eurasian ambitions are backed by substantial resources and they prey on poor countries with high levels of corruption and limited immediate prospect of joining the EU.
3. Beijing has steadily increased its investments in many BRI countries, especially in telecommunications and physical and digital infrastructure, and seeks to set regulatory standards that will advantage Chinese enterprises. Beijing has selected investment targets that are viewed as politically profitable inroads into the EU and bought or invested in assets amounting to over \$300 billion. State-owned Chinese companies finance the construction of roads and railways throughout South East Europe. This forms part of Beijing's plans to link China with Europe and is a conduit for exerting political influence. China "17+1" investment project with 17 countries from Central-East Europe (CEE) is a direct inroad into the continent. Serbia has become a center of Chinese investments, accounting for more than half of announced funding in the Western Balkans since 2012.
4. In exchange for economic investments, Beijing seeks diplomatic support for its expansive agenda or to mute criticisms of its policies in international institutions. It aims to divide Europe from the U.S. and prevent the emergence of an anti-China front. Beijing's offers to boost local economies are difficult to resist, particularly by poor countries along the BRI route in search of capital. Beijing's geoeconomic strategy increases dependence on Chinese finances and technology and disregards Western regulatory and legal standards. Beijing's spying networks are also expanding. They penetrate the business sectors of Western states and steal intellectual property and industrial secrets to benefit Chinese companies.

5. Western states need to implement policies that can contain Chinese influence but without damaging the economic development of BRI countries. They must boost Western competitiveness in foreign markets while ensuring that China's investments adhere to international standards and do not push governments into becoming permanent debtors. The U.S. and EU will need to work together to prevent the takeovers of key economic sectors in the Balkans and CEE, invest in new technologies, and improve conditions for private and public investment. This is especially urgent given the negative long-lasting economic impact of the pandemic. The EU's Economic Investment Plan that will reportedly allocate up to nine billion euros for projects in the Western Balkans is an important starting point. The recent commitment of the U.S. International Development Finance Corporation to finance several projects in the region is a valuable addition.

6. Similarly to investigations of nefarious Russian activities, Chinese money flows, political connections, business links, and media inroads must be systematically investigated and neutralized where they violate legal standards. Although there is a growing analysis of China's economic penetration in the Western Balkans, more attention must be paid to Beijing's political, social, and cultural infiltration and the negative impact on democracy and security. Beijing has developed sophisticated cyber hacking operations and similarly to Russia it can blackmail or bribe vulnerable politicians and businessmen to favor Chinese geopolitical interests. Beijing is also expanding its presence through funding in academia, the media, cultural initiatives, and civil society activities to promote China's foreign policy goals.