



## Briefing Paper III:

### EXTERNAL INFLUENCE IN THE ECONOMIC SPHERE

**The third briefing paper covers Russian, Chinese, Turkish, Gulf States' and Iranian influence in the economic and financial sphere.** It focuses on FDI and mutual trade, identification of main investors and forms of dependencies, especially in the energy sector and control of strategic assets. In addition, the briefing paper investigates economic activities undermining rules-based market competition such as corruption and non-transparent purchases.

#### **Preceding briefing papers:**

- **The Briefing Paper I: East vs. West** provides the historical and geo-strategic context of the project – **full version** or an **executive summary**.
- **The Briefing Paper II** focuses on Russian, Chinese, Turkish and Gulf States' influence and activities in **the political arena** of the Western Balkan countries – **full version** or an **executive summary**.

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# WESTERN BALKANS AT THE CROSSROADS: ASSESSING NON-DEMOCRATIC EXTERNAL INFLUENCE ACTIVITIES

## Introduction

Economic influence by different foreign powers in the Western Balkans usually reflects their political influence, but not always. Russian and Turkish economic influence is limited but rising, much like their political influence. Iran and the Gulf States are present economically just as little as they are politically. A notable exception, however, is China, whose economic influence is rising and has significantly transcended its political influence over the last couple of years.

What needs to be underscored is the fact that the Western Balkan (WB) countries' economic relations with the West - the US, the European Union and EU member countries – significantly surpass economic relations with any other countries, including Russia, Turkey, China, Iran and the Gulf States. The Western powers remain the single largest economic partners of the Western Balkans. Yet despite this data, some local politicians, officials and experts have in recent years portrayed the economic involvement of non-democratic actors to be if not greater than at least equally important to that of the West.

One of the main reasons for this public misconception is the fact that although economic in appearance, the Russian, Turkish, Chinese and some Islamic countries' involvement is of a different nature than the involvement of the West. Specifically, when American or European investors or companies engage in business activities in the WB, they usually try to keep interactions as business-like and apolitical as possible. In contrast to this approach, business deals which involve Russian, Turkish, Chinese or Iranian companies are often of a political nature because they are almost always conducted in a way which promotes these countries' political and economic interests – by building close alliances with local leaders and using non-transparent, shady deals or corruption.

## Russia

Russia's share in the region's foreign trade, investment, credit, and remittance flows has been on the decline for several years, falling from one of the region's top economic partners at the beginning of the century to single digits today.<sup>1</sup> Although the Western Balkan countries have been relegated to a third-rate level on Moscow's foreign policy list, the region has not become irrelevant for Russia.<sup>2</sup>

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<sup>1</sup> Maxim Samorukov, "Russia's Tactics in the Western Balkans," *Carnegie Europe*, November 3, 2017, accessed September 15, 2018, <http://carnegieeurope.eu/strategiceurope/74612>.

<sup>2</sup> Maxim Samorukov, "Russia's Tactics in the Western Balkans," *Carnegie Europe*, November 3, 2017, accessed September 15, 2018, <http://carnegieeurope.eu/strategiceurope/74612>.



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Russia remains among the key economic partners for Serbia and also focuses on developing closer ties with the Republika Srpska entity of Bosnia and Herzegovina (BiH). Its economic activities predominantly focus on the energy sector. Dependence on Russian oil and gas is the principal source of potential vulnerability for Serbia and Republika Srpska as well as Macedonia. Russia's involvement is structurally very different in Montenegro where Russia is the biggest direct investor.

Notwithstanding Russia's relatively small economic presence in the region when compared to the EU involvement, Russia has been consistently perceived and portrayed as an important investor and economic partner throughout the region.

### Bosnia and Herzegovina

A major business deal marked the beginning of Russian engagement in BiH, and it also became a solid base for Russian political influence in the country. In February 2007, Russia's state oil company Zarubezhneft purchased majority stakes in Bosnia's sole oil refinery Brod, motor oil plant Modrica and fuel retailer Petrol - all located in BiH's Serb-dominated entity of Republika Srpska (RS) - for 121.1 million euro.

The relatively small investment, from Russia's perspective, in the over-indebted and outdated complex (that yields no profit but keeps accumulating debt) enabled Russia to establish a firm political and economic grip with one of the most powerful local leaders – the RS strongman, that-time Premier and leader of the ruling party the Alliance of Independent Social Democrats (SNSD), Milorad Dodik. Despite the Brod refinery's continued attraction of debt, Russia refused to consider selling or closing it because Russian officials were aware that such move would jeopardise Dodik's position in RS and subsequently their influence in BiH.<sup>3</sup>

Russia represented the biggest foreign investor in RS and the fourth in Bosnia and Herzegovina with the FDI around 547 million euro between 2005–2016, accounting to 3.3 % of GDP.<sup>4</sup>

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<sup>3</sup> Interview with a senior Bosnian Serb official, March 2018.

<sup>4</sup> "Assessing Russia's Economic Footprint in Bosnia and Herzegovina," *Center for the Study of Democracy*, January 2018, accessed September 12, 2018, <http://www.csd.bg/fileSrc.php?id=23351>.

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Russian business interests focus mainly on the energy sector. Besides its investments in the Brod and Modrica oil industry, Russia has in recent years tried to engage in several other business deals in RS such as the purchase of company Energoinvest - Elektroenergetska oprema; negotiating the eventual construction of a hydropower plant at Mrsovo and a new block in the Ugljevik thermal power plant and three accompanying mines. All these deals or plans have, however, failed due to the poor business climate in RS and other factors.<sup>5</sup>

As a result, the RS oil industry remains the only substantial Russian investment in BiH. On the list of foreign investors in BiH for the period 1994-2016, Russia remains in the fifth place with investments valued the total of 417 million euro. Nonetheless, the amount of this investment is almost insignificant compared to the countries that hold the first four places on the list; Austria (1.2 billion euro), Croatia (1.1 billion), Serbia (1 billion) and Slovenia (with 486 million euro).<sup>6</sup>

The only other business sector worth mentioning is BiH's export of fruits and vegetables to Russia. BiH profited from the fact that it did not join trade sanctions against Russia and in 2017 started exporting some of its agricultural products to the country. However, local governments and farmers have so far failed to exploit the huge needs of the Russian market and managed to export only limited amounts of produce. The total value of goods which BiH exported to Russia in the first eight months of 2018 was only 30.3 million euro which is some 0.76 % of the total exports of 4 billion euro. According to these statistics, Russia was not even among the top 20 export destinations for BiH.<sup>7</sup> The aforementioned factors make Bosnia and Russia only small trade partners with the EU's being Bosnia's the biggest import and export market.

### Kosovo

Economic activities between Kosovo and Russia since 2008 have been limited as a result of stalled bilateral relations caused by Kosovo's independence and Russia's refusal to recognise it and historically close ties between Russia and Serbia.

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<sup>5</sup> "Ruske investicije u RS-u: Propale privatizacije, dugovanja, neuspjesni kameni temeljci," *Faktor*, November 13, 2017, accessed September 14, 2018, <https://faktor.ba/vijest/ruske-investicije-u-rs-u-propale-privatizacije-dugovanja-neuspjesni-kameni-temeljci-274362>.

<sup>6</sup> Agencija za unapređenje stranih investicija u Bosni i Hercegovini, September 2018, accessed September 14, 2018, <http://www.fipa.gov.ba/informacije/statistike/investicije/default.aspx?id=180&langTag=bs-BA>.

<sup>7</sup> Data from the BiH Statistical Agency.

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When looking at the data for the first half of 2017, Kosovo exported only limited amounts of goods to Russia and imported Russian products amounting to around 10 million euro, an insignificant volume compared to some 450 million euro imports from the EU.<sup>8</sup> The trade turnover with Russia was even smaller in previous years, but it thus seems to be on the rise. Data from Kosovo's Central Bank show that Kosovo imported goods worth 9.9 million euro from Russia in 2015, while in 2016 this figure increased to 12.4 million euro.<sup>9</sup>

An important point to mention is that FDI in Kosovo has marked a continuous drop since the declaration of independence in 2008 and Russia's case has not been an exception.<sup>10</sup> Its investments in Kosovo amounted to 2 million euro in 2016, which represented only a small portion of overall FDI.<sup>11</sup>

Russia seeks to extend its economic influence in Kosovo through investments or donations to the Serb community living in the North Kosovo, where Kosovo's central authority exerts only limited control. In 2011, for instance, media reports indicated that about 30 lorries with aid for the Serbs was sent to Kosovo from Russia. The convoy faced problems entering Kosovo's territory because it failed to abide by the rules of Kosovo Customs.<sup>12</sup> Russia had also sent ten vehicles to the Civil Protection, an illegal Serb structure operating in the northern part of Kosovo.<sup>13</sup>

The energy sector is one of the key components of Russia–Kosovo cooperation. Kosovo does not have a refinery of its own, and its annual oil imports amounts to 650 million litres of oil.<sup>14</sup> Representatives of the Association of Kosovo Oil Traders observe that a high

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<sup>8</sup> Zijadin Gashi "Russia Challenges Kosovo's Western Orientation", *Evropa e Lire*, November 3, 2017 <https://www.evropaelire.org/a/rusia-sfidon-orientimin-properendimor-te-kosoves-/28833106.html>.

<sup>9</sup> "Russia Cannot Have a Big Influence in Kosovo", *Telegraph*, April 8, 2017, accessed September 18, 2018, <https://telegrafi.com/rusia-nuk-mund-te-kete-ndikim-te-madh-ne-kosove/>.

While in 2008 foreign investments had reached the figure of around 355 million Euro, in 2017 investments dropped to around 220 million Euro. Global economic recession of 2008 has been mentioned as one of the causes, but foreign businesses experts continuously argue that factors such as high corruption, weak rule of law, and political insecurity have often prevented them from investing in Kosovo.<sup>10</sup> However, some foreign companies have already managed to successfully integrate into Kosovo's economy, by owning important assets such as the country's only airport and the power distribution network, as well as securing high cost tenders for road infrastructure constructions.

<sup>11</sup> Nadie Ahmeti "Russia Remains a Weak Investor in Kosovo", *Evropa e Lire*, May 3, 2018, accessed September 18, 2018, <https://www.evropaelire.org/a/ndikimi-rus-ne-kosove-/29206525.html>.

<sup>12</sup> "EULEX Blocks a Convoy of Russian Help", 13 December 2011, accessed September 18, 2018, <https://telegrafi.com/eulex-i-bllokoi-konvoj-in-me-ndihma-ruse/>.

<sup>13</sup> "Russia Supports 'Civil Defense' in The North of Kosovo", accessed September 18, 2018, <http://illyriapress.com/rusia-perkrah-mbrojtjen-civile-ne-veri-te-kosoves/>.

<sup>14</sup> Over 60 million liters are imported from Serbia, around 133 million from Greece, and over 25 million liters from Bulgaria.



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percentage of diesel which appears to come from Serbia and Bulgaria, in fact, originates in Russia.<sup>15</sup>

There was also a political incident related to Russia's involvement in the energy sector. In December 2016, Kosovo officials accused Marko Djuric, the head of the Office for Kosovo within the Serbian Government, of breaking the Kosovo government's sanctions against Russia by opening gas stations in Kosovo. The stations were run by a Serbian company linked to Russia's Gazprom Neft included on the list of companies and persons specifically banned from doing business in Kosovo or had their assets blocked.<sup>16</sup>

### Macedonia

Compared to other Balkan countries, Russia has had a more limited economic footprint in Macedonia. Over the past years, however, Russia has attempted to exert greater economic influence in the country.

There are 78 companies in Macedonia that have at least 25 % of their shares owned by Russian entities. Even though the revenues of Russian companies have increased from 63 million euro in 2006 to over 212 million euro in 2015, "these companies make up a little over 1 % of the total revenues in the economy."<sup>17</sup> The largest Russian energy company operating in Macedonia, Lukoil, which sells petroleum products, accounts for almost half of the revenue referenced.

Russian FDI in Macedonia amounts to less than 1 % of all FDI in the country. However, if we take into account third-party investments transmitted through tax haven countries, Russian investment in Macedonia is estimated to be around 4 % of total FDI. The import of Russian goods accounts for 1 % of Macedonia's total imports, while the export of goods to Russia accounts for 1.2 % of Macedonia's total exports. Macedonia, like other WB countries, has a significantly negative trade balance with the Russian Federation. Total bilateral trade amounts to only around 100 million euro.

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<sup>15</sup> Nadie Ahmeti "Where Does Kosovo Import its Fuel From" *Evropa e Lire*, 20 October 2017, accessed September 15, 2018, <https://www.evropaelire.org/a/prej-cilave-shtete-importon-nafte-kosova-/28806391.html>.

<sup>16</sup> Kosovo Accuses Djuric of Busting Russia Trade Sanctions, *Balkan Insight*, December 2016, accessed September 18, 2018, <http://www.balkaninsight.com/en/article/nis-petrol-violates-kosovo-s-embargo-to-russia-12-21-2016>.

<sup>17</sup> "Assessing Russia's Economic Footprint in Macedonia," *Center for The Study of Democracy*, January 2018, accessed September 15, 2018, <http://www.csd.bg/artShow.php?id=18116>, p. 2.



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A major vulnerability for Macedonia is its energy dependence on Russia. Russia controls the TransBalkan Pipeline—the single gas route to Macedonia. Moreover, Macedonia has to pay among the highest price in Europe for its gas supply. The former Moscow-friendly government led by Nikola Gruevski sought to join the South Stream pipeline project as well as Turkish Stream. During the political crisis in Macedonia, Moscow blamed the West for attempting to overthrow Gruevski because of his “support of the South Stream and...the Turkish Stream.”<sup>18</sup> The South Stream line was ultimately cancelled by the Russian government in 2014, and a plan for the so-called Turkish Stream pipeline began the same year and remains in the construction phase.

### Montenegro

Russia is the single largest direct investor in Montenegro. According to the Montenegrin Investment Promotion Agency, in 2016 Russia was responsible for 52.8 million euro of total FDI. By way of comparison, Serbia invested 25.3 million, Germany 16.7 million and the US only 5.6 million euro.<sup>19</sup> The data of the Statistical Office of Montenegro for 2015 show that 32 % of foreign-owned companies in the country belong to Russian citizens. Russian nationals also possess property throughout the country and significantly contribute to Montenegro’s travel and tourism industry. Thanks to the visa-free travel, Russians are the second most numerous visitors to the country after Serbians.<sup>20</sup>

Since Montenegro does not depend on Russian energy resources, trade between the two countries is not significant. In 2011, the share of exports attributed to Russia amounted to 1 % of total Montenegro exports, and in 2016 it fell to just 0.7 %. The share of imports from Russia was 1 % in 2011 and only 0.2 % in 2016.<sup>21</sup> When Montenegro joined the EU economic sanctions against Russia in 2014 over the annexation of Crimea, Russia introduced a trade embargo on agricultural imports. Moreover, in 2017, the Russian consumer rights and protection agency banned the imports of the Montenegrin state-owned wine company,

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<sup>18</sup> Elena Holodny, “A tiny European country is making Russia extremely nervous,” *Business Insider*, May 22, 2015, accessed July 5, 2018, <http://www.businessinsider.com/russia-macedonia-turkish-stream-gas-pipeline-2015-5>.

<sup>19</sup> “Montenegrin Investment Promotion Agency,” Government of Montenegro, accessed September 13, 2018, <http://www.mipa.co.me/en/-fdi-statistics/>.

<sup>20</sup> “Montenegro seeks alternatives to cooperation with Russia,” *Central European Financial Observer*, November 8, 2017, accessed September 12, 2018, <https://financialobserver.eu/cse-and-cis/montenegro/montenegro-seeks-alternatives-to-cooperation-with-russia/>.

<sup>21</sup> Ibid.



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Plantaže, because of allegedly poor quality.<sup>22</sup> The Montenegrin government argues that the ban was politically motivated because of its NATO membership.

Regardless of the limited trade between the two countries and Russian actions that stemmed from Montenegrin's NATO accession, more than 28% of all foreign investments in Montenegro are Russian,<sup>23</sup> making it the largest direct investor. This high number was mainly due to the country's biggest company, the Podgorica Aluminium Plant (KAP). It used to be part of the Central European Aluminium Company, owned by a Russian tycoon with close ties to Putin, Oleg Deripaska. However, the Montenegrin government initiated a bankruptcy procedure in 2014 after the KAP accumulated more than 360 million euro in debt. The plant once contributed to around 51 % of the country's exports and about 15 % of its GDP.<sup>24</sup> A current court claim worth hundreds of millions euro launched in late 2016 by Deripaska against the Montenegrin government could cause serious financial issues for the country.<sup>25</sup>

When it comes to the energy sector, Russia has attempted to make itself a key player targeting, for instance, the mining sector and fuel market. In the latter case, a Russian energy corporation, Lukoil, acquired Montenegrin petrol station chain Roksped and succeeded in the expansion of gas stations throughout the country. Nonetheless, unlike its neighbours, Macedonia does not depend on Russian energy.

### Serbia

Based on historically close ties between Russia and Serbia, economic relations between the two countries remain on a more developed level, when compared to the other WB countries. There has been a definite upward trend in Serbia's exports to Russia, which have increased by 352.7 % in value from 2005 to 2016 (from an admittedly low base).<sup>26</sup>

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<sup>22</sup> "Kremlin's Diplomatic Sour Grapes Leave Bad Taste for Montenegrin Winemaker," *Radio Free Europe*, June 4, 2017, accessed September 13, 2018, <https://www.rferl.org/a/montenegro-plantaze-winery-russia-ban-nato/28527931.html>.

<sup>23</sup> "Montenegro seeks alternatives to cooperation with Russia," *Central European Financial Observer*, November 8, 2017, accessed September 12, 2018, <https://financialobserver.eu/cse-and-cis/montenegro/montenegro-seeks-alternatives-to-cooperation-with-russia/>.

<sup>24</sup> "Russian Billionaire Sues Montenegro over Lost Investment," *Balkan Insight*, December 7, 2016, accessed September 12, 2018, <http://www.balkaninsight.com/en/article/russian-tycoon-deripaska-sues-montenegro-over-investment-loses-12-07-2016>.

<sup>25</sup> "Assessing Russia's Economic Footprint in Montenegro," *Center for the Study of Democracy*, January 2018, accessed September 12, 2018,

file:///C:/Users/Administrator/Downloads/CSD\_Policy\_Brief\_73\_Montenegro.pdf.

<sup>26</sup> Ibid.

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Russia lags behind the EU by a factor of ten, however, regarding Belgrade's foreign trade, which amounted to just 6.7 % with Russia in 2016. This compared to 64.4 % with the EU in the same period.<sup>27</sup> Not even the refusal to join EU sanctions against Moscow helped Serbia to revitalise its economic cooperation with Russia. Despite this fact, opinion polls show that many Serbs mistakenly believe Russia is their biggest partner for trade, aid and military assistance (see graph below).

The reality is that Russia exerts both direct and indirect control over about 10 % of the Serbian economy, primarily focused on key sectors such as energy and banking.<sup>28</sup> Similarly to other Western Balkan countries, Russia has come to dominate Serbia's oil and natural gas market, a fraction of the overall economy, but one key to the country's security. Serbia imports 75 % of its natural gas, all of it from Russia. Since 2008, Moscow has also been controlling domestic production after Serbia's national energy company was sold to Gazprom for a below-market price.<sup>29</sup>

The central piece of Russia's energy strategy in the region, the South Stream gas pipeline, was surprisingly abandoned in 2014.<sup>30</sup> According to Insajder's investigation,<sup>31</sup> the bilateral agreement with Russia, the sale of Naftna Industrija Srbije (NIS) and Russia's withdrawal from the South Stream project, left Serbia without an oil industry, oil and gas reserves, geothermal springs, and the 30 million euros it invested in the South Stream project.<sup>32</sup>

Russia has expanded its presence in the Serbian economy through not only corporate investment but also via direct government-to-government loans. During the Serbian fiscal

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<sup>27</sup> Ibid.

<sup>28</sup> "Assessing Russia's economic footprint in the Western Balkans", *Center for the Study of Democracy*, January 2018, accessed September 18, 2018, <http://www.csd.bg/fileSrc.php?id=23351>.

<sup>29</sup> Michael Birnbaum, "Russia's low-cost influence strategy finds success in Serbia", *The Washington Post*, October 3, 2018, accessed September 20, 2018, [https://www.washingtonpost.com/world/europe/russias-low-cost-influence-strategy-finds-success-in-serbia--with-the-help-of-fighter-jets-media-conspiracies-and-a-biker-gang/2018/10/03/49dbf48e-8f47-11e8-ae59-01880eac5f1d\\_story.html?noredirect=on&utm\\_term=.fddd395e339c](https://www.washingtonpost.com/world/europe/russias-low-cost-influence-strategy-finds-success-in-serbia--with-the-help-of-fighter-jets-media-conspiracies-and-a-biker-gang/2018/10/03/49dbf48e-8f47-11e8-ae59-01880eac5f1d_story.html?noredirect=on&utm_term=.fddd395e339c)

<sup>30</sup> Irena Stevic, "Južni tok: Kako je posao veka postao propali projekat", *Radio Slobodna Evropa*, December 2017, accessed September 18, 2018, <https://www.slobodnaevropa.org/a/insajder-srpsko-ruski-posao-veka/28174153.html> and [https://www.isac-fund.org/wp-content/uploads/2017/01/First\\_report\\_of\\_the\\_Monitoring\\_Russia\\_Serbia\\_Relations\\_project\\_e.pdf](https://www.isac-fund.org/wp-content/uploads/2017/01/First_report_of_the_Monitoring_Russia_Serbia_Relations_project_e.pdf)

<sup>31</sup> The investigation was revealed in Insider's TV programs "Energetic (mis)understanding", <https://www.youtube.com/watch?v=9tNRTYH-mS0> and "Russian-Serbian deal of the century," <https://www.youtube.com/watch?v=7isU4BJXKBg> and <https://www.youtube.com/watch?v=TnTNvGeAqqk>

<sup>32</sup> "Serbian bilateral agreements: Benefit unknown, detriment paid by the citizens", *Insajder*, 14 March 2018, accessed September 16, 2018, <https://insajder.net/en/site/news/3541/Serbian-bilateral-agreements-Benefit-unknown-detriment-paid-by-the-citizens.htm>

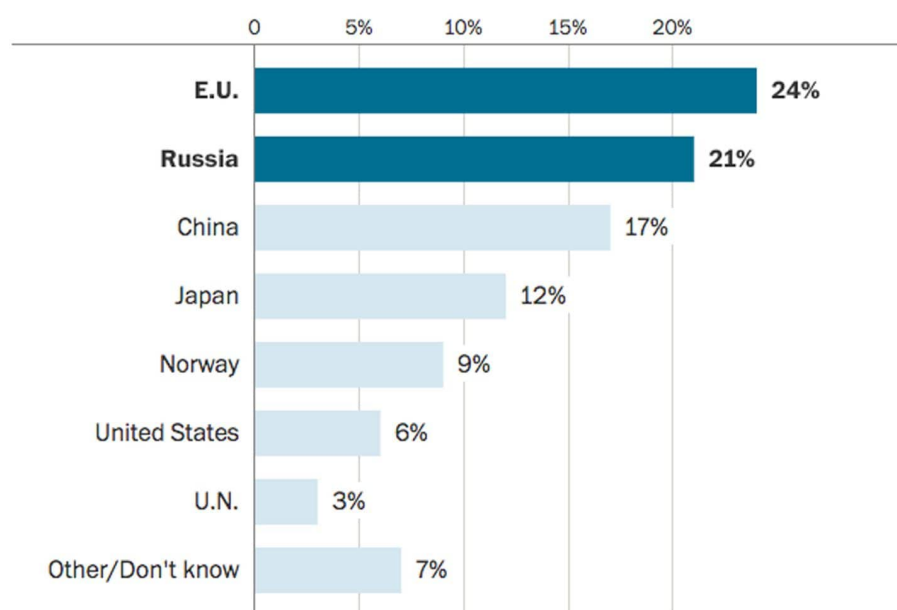
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crisis in 2012, Moscow offered Belgrade a 300 million dollar bailout amid tension with the IMF and extended its hand to Serbia's banking, defence and railway sectors. Moreover, Russian companies employ around 2 % of the total labour force directly and around 5 % indirectly (around 70,000 people) primarily in a small number of industrial enterprises such as NIS, Beopetrol/Lukoil, Sberbank, and Srbijagas-related petrochemical and glass-making plants.<sup>33</sup>

Even though Serbia is an EU candidate country with more robust trade ties to Germany and Italy than Russia, the free trade agreement with Russia, signed in 2000, makes Serbia particularly attractive to foreign investors in the manufacturing sector. The Agreement stipulates that goods produced in Serbia which have at least 51% value added in the country, are considered of Serbian origin and are exported to Russia customs free.

### **Serbian perceptions of the top foreign donors**

In a July poll, the Serbian government asked citizens to identify which country had granted the most aid since 2000.



Source: Serbian Ministry of European Integration

THE WASHINGTON POST

<sup>33</sup> Ibid and Milos Popovic, "Serbia and Major Powers: Public Opinion on EU and Russian Influence", April 2017, accessed September 18, 2018, [https://www.researchgate.net/publication/317539716\\_Serbia\\_and\\_Major\\_Powers\\_Public\\_Opinion\\_on\\_EU\\_and\\_Russian\\_Influence](https://www.researchgate.net/publication/317539716_Serbia_and_Major_Powers_Public_Opinion_on_EU_and_Russian_Influence).

## China

China's real economic impact in the five non-EU countries in Western Balkans remains low, except perhaps for Serbia, which enjoys a more robust economic relationship with the PRC. The perception, however, is widespread throughout the region of a significant Chinese economic presence, especially in terms of investment. At the same time, Chinese FDI outside of Serbia remains negligible.

The discrepancy between quantifiable reality and public perception is not unique to Western Balkans; in fact, it is typical for Central and Eastern Europe as a whole. There seem to be several reasons for this curious gap between facts and impressions.

Perhaps the most important one is the general confusion about the relationship between political and economic factors in the relationship with PRC. "Chinese Investments" have been hyped by the two major Chinese public diplomacy offensives, the "16+1" forum and Belt and Road Initiative (BRI). The rhetoric of these campaigns has been amplified by vocal parts of the local political establishments, influenced by Chinese propaganda and United Front tactics, including outright corruption, as documented in Macedonia. A politically motivated, persistent narrative of massive Chinese investments, driven by both Chinese and local actors, is rather easily mistaken for economic fact.

Second, the overall lack of transparency in the economic relationship with China leads to common misperceptions. The capital inflows from China that do materialise are mostly not strictly speaking FDI, but rather loans from China's policy banks like the EximBank with conditions like the mandatory use of Chinese contractors and labour. Similarly, the celebrated rise in trade hides the fact that the exchanges are highly skewed in China's favour, with imports typically dwarfing exports by a factor of 10 - and in Serbia's case, a mindboggling factor of 63.

Finally, political factors sometimes reinforce each other to devastating economic effect. For instance, in Macedonia, tapes have been released with phone conversations between the PM and Transportation Minister on one side and the Chinese company Sinohydro on the other, discussing bribes in the tens of millions of euro. Sinohydro builds highways in Macedonia and elsewhere in Western Balkans, typically financed with China's EximBank loans offered under unfavourable terms that would likely not be agreed to by less pliable local politicians.

The financed projects and their often non-transparent nature led some foreign observers to express warnings against a possible "debt-trap".

## Bosnia and Herzegovina

China is still a relatively new "player" in BiH as it remains focused on Serbia and Croatia which are much bigger markets for its projects. This, and the fact that most Chinese business deals do not actually fall into the category of foreign direct investment, have contributed to the fact that China does not even make it on the list of foreign investors in BiH.

In terms of trade relations, BiH has very limited exports to China – only 59.1 million euro in the first eight months of 2018 - and somewhat more substantial imports, 441.7 million euro. This means that China is among the top five countries exporting to BiH, amounting to 6.82 % of the total 6.5 billion euro of BiH imports.

However, like everywhere else in the Balkans, China seems to be advancing rather fast in BiH. It appears to be focused mostly on the energy sector. After the 16+1 Budapest summit in November 2017, the Bosnian electric power company, Elektroprivreda BiH, signed a 800.000 euro loan from China's EximBank to finish the thermal power plant in Tuzla. It was seen as the largest post-war investment in the country, but BiH experienced a set-back a few days ago when the consortium of Chinese companies that were supposed to implement the project (China Gezhouba Group Company Ltd - CGGC, China Energy Engineering Group, and Guangdong Electric Power Design Institute Co. - GEDI) announced they were withdrawing. The reason was that the Parliament of the Federation entity failed to approve the project for a full year. Accordingly, BiH became one of the first countries in the region where China pulled out from one of the capital projects.

Bosnia is still counting on China for at least four other projects: the thermal power plant Stanari, thermal power plants in Tuzla and Zenica as well as the Banja Luka–Mliniste–Split highway. In 2018, China Machinery Engineering Corporation and Emerging Market Power Fund are expected to invest into the thermal power plant Gacko 2 in Bosnia's Serb-dominated entity, Republika Srpska. Some experts say that the focus of Chinese companies on construction of thermal power plants in BiH and elsewhere in the region is a result of China's strategic priority of gradually switching to "cleaner" technologies domestically and to export its older, "dirty" technology, equipment and know-how elsewhere.

## Kosovo

Similar to the case of Russia, China has not recognized Kosovo's independence. Despite the fact that over the past several years China has been increasingly courting Balkan countries

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with investments, economic activities between Kosovo and China thus far continue to be insignificant.

Kosovo is even excluded from Chinese initiatives. For example, in 2014, when the annual Economic and Trade Forum between China and 16 countries of Central and Eastern Europe, called the 16 + 1 Initiative, was held in Belgrade, Kosovo was the only country in the region not invited to attend.

### Macedonia

China's economic influence in Macedonia has been growing steadily, but not rapidly. This year, China has become Macedonia's seventh largest trading partner, despite not having been among the ten biggest trading partners ever before.<sup>34</sup> Total trade turnover between the two countries in the first eight months of 2018 amounted to 316 million dollars. Compared to 2017, exports have been decreasing, while imports have been on the rise, which increased Macedonia's trade deficit to China by 42.2 %. The deficit now stands at 237 million dollars.<sup>35</sup>

Prospects of continued Chinese economic influence in Macedonia are mixed. The corruption scandals surrounding the construction of the two Chinese highways in the country has not interfered with China's plans for involvement in other infrastructure projects. For example, Prime Minister Zaev announced that in 2018, the government plans to invest more than 272 million euro in infrastructure projects.<sup>36</sup> According to a statement by the Ministry of Transportation, a significant portion of this investment is likely to be financed with a loan from a China's EximBank.<sup>37</sup>

Finally, like most of the projects within the Belt and Road Initiative, highways carry a significant risk of economic unsustainability for the indebted economies of the Western Balkans. The stipulations of the highway contract with Macedonia have made China immune to incurring any costs from performance shortfalls, and provides sole legal jurisdiction for determining the efficiency of the construction (carried out almost solely by Chinese workers)

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<sup>34</sup> „Расте трговската размена меѓу Македонија и Кина,” *Radio Free Europe Macedonia*, September 22, 2018, <https://www.slobodnaevropa.mk/a/29501938.html> [last accessed September 24, 2018]

<sup>35</sup> Ibid.

<sup>36</sup> Radomir Ralev, “Macedonia to invest over 270 mln euro in road infrastructure in 2018,” *SeeNews*. January 24, 2018, <https://seenews.com/news/macedonia-to-invest-over-270-mln-euro-in-road-infrastructure-in-2018-599363> [last accessed July 5, 2018]

<sup>37</sup> Ibid.



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-to Chinese courts.<sup>38</sup> In fact, Macedonia has already been forced to incur large-scale debt in order to finish the construction of the highways, which could add Macedonia to an already sizeable list of countries in different parts of the world that have fallen into this so-called “Chinese debt trap.”<sup>39</sup>

### Montenegro

Economic cooperation between Montenegro and China is relatively new and focuses primarily on the development of infrastructural projects along the lines of several initiatives, most importantly the ‘16+1’ summit and the One Belt and One Road Initiative (OBOR).

The bilateral cooperation between China and Montenegro is at a low level. According to the data of the Montenegrin Investment Promotion Agency for 2016, China invested only 441,000 euro in FDI and it is positioned in 47<sup>th</sup> place, followed only by Belize and Bulgaria. This is not surprising as China’s primary focus is on loans and not FDI. The current debt to China is at around 800 million euro.<sup>40</sup> A number of Chinese financial initiatives are far from transparent and, at times, it is hard to know if China is interested in making investments, loans or providing grants.

The largest Chinese projects in Montenegro are: a) the railway track connecting the city of Bar with Belgrade, b) a highway between Montenegro and Albania and c) the construction of the Podgorica-Kolašin motorway section.<sup>41</sup> One of the biggest lenders is the Chinese EximBank, which in 2014 extended Montenegro a loan of over 800 million euros to build the Podgorica-Kolašin highway and the China Road and Bridge Corporation (CRBC), the large

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<sup>38</sup> Ljupco Popovski, “Има ли Кина тројански коњи на Балканот?”, Deutsche Welle Macedonia, September 4, 2018, <https://www.dw.com/mk/има-ли-кина-тројански-коњи-на-балканот/a-44952123>, [last accessed on September 15, 2018]

<sup>39</sup> “Eight countries in danger of falling into China’s “debt trap”, Quartz, <https://qz.com/1223768/china-debt-trap-these-eight-countries-are-in-danger-of-debt-overloads-from-chinas-belt-and-road-plans/> [last accessed on September 15, 2018]

<sup>40</sup> “China and Montenegro's expensive 'headache' due to a very dear motorway,” *Independent Balkan News Agency*, July 20, 2018, accessed September 27, 2018, <https://www.balkan.eu.com/china-and-montenegros-expensive-headache-due-to-a-very-dear-motorway/>.

<sup>41</sup> “China’s Road: into the Western Balkans,” *European Union Institute for Security Studies (EUISS)*, February 2017, accessed September 21, 2018, <https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief%203%20China%27s%20Silk%20Road.pdf>.





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state-owned Chinese company, which is building the first section of the Bar-Belgrade highway.<sup>42</sup>

China is interested in expanding to Montenegro and the whole region since it sees it as a major transport corridor, connecting the Mediterranean to Central Europe via the Piraeus port and the “Land-Sea Express”. The region also provides opportunities for the Chinese government to invest a certain amount of excess capital, production and construction capacities.<sup>43</sup> As Montenegro has direct access to the sea, it could serve as an entry point into Europe from the Adriatic, which would be invaluable for China once Montenegro becomes an EU member.

### Serbia

Serbia stands out among the five countries as having a more significant economic relationship with China, reflecting its unusually close political relationship with both, the governing party and the opposition.

Overall, China is Serbia’s third-largest import partner, slightly behind Germany and Italy. Since the establishment of a Strategic Partnership in 2009, the Serbian government has made an effort to position itself as a transit country for Chinese goods from Southeast Europe to Central Europe.<sup>44</sup>

Chinese “investments” mostly take the form of M&As, largely through acquisitions of underperforming former state-owned companies. Some experts<sup>45</sup> consider the Chinese as the only ones who can invest a large amount of money in a short period of time into indebted industrial giants that were considered as “black holes” of the Serbian economy.<sup>46</sup>

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<sup>42</sup> “Chinese ‘highway to nowhere’ haunts Montenegro,” *Reuters*, July 16, 2018, accessed September 21, 2018, <https://www.reuters.com/article/us-china-silkroad-europe-montenegro-insi/chinese-highway-to-nowhere-haunts-montenegro-idUSKBN1K60QX>.

<sup>43</sup> “China’s Road: into the Western Balkans,” *European Union Institute for Security Studies (EUISS)*, February 2017, accessed September 21, 2018, <https://www.iss.europa.eu/sites/default/files/EUISSFiles/Brief%203%20China%27s%20Silk%20Road.pdf>.

<sup>44</sup> *Ibid.*

<sup>45</sup> E.g. Professor of the Faculty of Economics in Belgrade Ljubodrag Savić.

<sup>46</sup> Tanjug, “Profesor Ekonomskog fakulteta: RTB Bor od ‘crne rupe’ postao razvojna šansa Srbije”, *Blic*, August 31, 2018, <https://www.blic.rs/biznis/vesti/profesor-ekonomskog-fakulteta-rtb-bor-od-crne-rupe-postao-razvojna-sansa-srbije/ch71bk4>

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China has already invested more than 1 billion dollars to finance the building of transport infrastructure and energy projects in the country.<sup>47</sup> Although the metal and energy industries have remained China's primary sectors for investment in the country, Chinese capital has gradually diversified into sectors such as transportation, technology, the automotive industry.

Chinese investment credits are attractive to local leaders due to low interest rates and the fact that China has not established explicit EU-style political conditionality on aid. However, the nature of Chinese investment is almost exclusively acquisitions, construction contracts and loans with special conditions (e.g. Chinese contractors, low interest rates, job creation and skills development, the transfer of knowledge and new technologies etc).

Chinese policy banks have also been extending loans to various infrastructural projects, notably the Serbian section of the Belgrade-Budapest high-speed rail. Last year in Beijing, the Minister of Construction, Transport and Infrastructure signed an agreement on a 297.6 million dollar loan with the Chinese EximBank to finance the reconstruction and modernization of the first section of the railway from Belgrade to Budapest.<sup>48</sup> One of the Chinese firms was also hired to build the Obrenovac-Ub and Lajkovac-Ljig sections of the motorway, financed with a 296.5 million euro loan from the EximBank.<sup>49</sup>

In the same year, China's Zijin Mining won the tender to become a strategic partner in Serbia's sole copper complex RTB Bor, pledging to invest 1.26 billion dollars in return for a 63% stake. The company also promised to settle RTB Bor's debt and keep employed all 5,000 workers. Some experts have warned, however, that the government's deal with Chinese company is not a good solution because Serbia has no strategic control over decision-making in the company.

Serbia has also gone furthest in accepting Chinese participation in its telecom and IT infrastructure, especially after the election of the Prime Minister Ana Brnabic government in 2016 which made digitalisation its top priority and enthusiastically joined the "Digital Silk Road". In contrast to many western countries, Serbia harbours no security concerns in this area.

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<sup>47</sup> The Sino-Serbian Friendship Bridge completed in 2014 worthed \$260 million. This is not a FDI because the bridge was financed and built by Chinese.

<sup>48</sup> Beta Agency, "Potpisan sporazum o finansiranju pruge Beograd-Budimpešta", *N1*, May 16, 2017, <http://rs.n1info.com/a249166/Biznis/Potpisan-sporazum-o-finansiranju-pruge-Beograd-Budimpesta.html>  
European Parliament, "Serbia's cooperation with China, the European Union, Russia and the United States of America", European Union, 2017, p. 23.

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In 2014, the Ministry of Interior signed a memorandum of understanding with Huawei allowing the company to take part in MoI projects on establishing System 112 - emergency numbers for the police, fire services and emergency cases.<sup>50</sup> The same year Huawei donated a 4G IT laboratory to the electronic engineering college of the Belgrade University as an expression of support to the Serbian system of academic education and to help create new IT research and development centers.<sup>51</sup> The company announced in October 2016 a plan to invest 150 million euro in modernising the existing fixed network of Telekom Serbia.<sup>52</sup>

In line with the implementation of the Memorandum of Development of Information Silk Road, the government signed two agreements on strategic partnership with Huawei. Huawei has engaged in strategic cooperation with multiple Serbian ministries, major businesses, and municipalities in the ICT sector, working on potentially sensitive projects like national broadband, safe city, smart education, smart grid, and smart city domains. Additionally, Serbian government has announced in 2018 that a new IT centre, i.e. the Serbian-Chinese industrial park in Belgrade will be built by China Road and Bridge Corporation (CRBC).

## Turkey

Investments, trade and business deals have been a key part of Turkish "soft power" approach to the Western Balkans over the past decade. Turkey has strengthened its economic presence in the Western Balkan countries over the past several years, with Turkish companies being active in construction, retail, banking and production; and Turkish development agency TIKa financing multiple projects, usually in support of the Ottoman heritage renovation. However, Turkish economic influence still lags behind traditional economic partners from the European Union, such as Germany and Italy.

## Bosnia and Herzegovina

Most of Turkey's political links in BiH have been built with Bosniak officials. Turkish business efforts have focused on the areas populated predominately by Bosniaks. While Turkish and

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<sup>50</sup> Tanjug, "Angažman "Huawei" na projektima MUP-a Srbije", *E-kapija*, January 24, 2014, <https://www.ekapija.com/news/841154/angazman-huawei-na-projektima-mup-a-srbije>

<sup>51</sup> Tanjug, "Serbia and China sign 13 agreements and memorandums", *B92*, December 18, 2014, [https://www.b92.net/eng/news/business.php?yyyy=2014&mm=12&dd=18&nav\\_id=92609](https://www.b92.net/eng/news/business.php?yyyy=2014&mm=12&dd=18&nav_id=92609)

<sup>52</sup> European Parliament, "Serbia's cooperation with China, the European Union, Russia and the United States of America", European Union, 2017, p. 35.

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BiH officials glorified their business relations as the "best practice" in the region, the reality on the ground offers a more mixed picture.

On the one hand, Turkey has indeed established itself as one of the key business partners for BiH, yet statistics in recent years show that levels of Turkish investment and trade turnover with Serbia and Croatia are significantly surpassing Turkish business relations with BiH.

Over the past several years, several major Turkish companies have ventured more into Bosnia's business community. Among them are Kastamonu Entegre Altunizade Istanbul and Hayat Kimya Sanayi Anonim Sirketi Istanbul, which in 2005 purchased BiH's leading paper producer Natron - Hayat d.o.o. Maglaj, for 75 million euro. Sisecam Soda Lukavac d.o.o., which was originally purchased by Soda Sanayii A.E. Turkey in 2006 for 50 million euro, transferred its ownership in 2013 to Sisecam Chem Investment B.V. Amsterdam, a Netherlands-based company from the same group and Turkish Ziraat Bank.

BiH's meat, milk and dairy-producing companies have also been benefitting from preferential treatment in exporting their produce to Turkey, which started in 2012. According to BiH Foreign Trade Chamber, this export grew from 24 million euro in 2013 to 57 million in 2014, 110 million in 2015 and 140 million in 2016.<sup>53</sup>

Moreover, the Turkish TIKa development agency and Turkish Ziraat Bank have been supporting various business and other projects in Bosnia for years.<sup>54</sup> Turkish economic activity in BiH resulted in a seven-year trade deficit with Turkey, as reported by Bosnia's Foreign Trade Chamber. Only just the first four months of 2018, this deficit stood at around 100 million euro.<sup>55</sup>

A look at the list of BiH main business partners compiled by the BiH Foreign Promotion Agency showed that Turkey is currently ranked only in 11th place with business investments totalling only 199.1 million euro, only 3 % of total investments in BiH.

During his visit to Sarajevo in May this year, Turkish president Recep Tayyip Erdogan reaffirmed his previous pledges that Turkey will provide some 3 billion euro to finance construction of Sarajevo-Belgrade-Sarajevo highway. Also, Turkish officials have already

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<sup>53</sup> "Analiza vanjskotrgovinske razmjene Bosne i Hercegovine " February 2017, [http://www.mvteo.gov.ba/attachments/hr\\_analiza-vansjotrgovinske-razmjene-bosne-i-hercegovine-2016.pdf](http://www.mvteo.gov.ba/attachments/hr_analiza-vansjotrgovinske-razmjene-bosne-i-hercegovine-2016.pdf).

<sup>54</sup> "Turkey's 'Soft Power' Risks Backfiring in Balkans" Balkan Insight, February 26, 2016, <http://www.balkaninsight.com/en/article/turkey-s-soft-power-risks-backfiring-in-balkans-02-25-2016>.

<sup>55</sup> BiH Foreign Trade Chamber.

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pledged last year to invest some 4.2 billion euro in the construction of a major ski resort on the Mount Vlasic in central Bosnia, with accompanying airport and other infrastructure.

Yet these and many other major plans for the future are threatened by growing political and economic crises in both countries.<sup>56</sup>

### Kosovo

Turkey has a strong economic presence in Kosovo. According to estimates, Turkey's investments in Kosovo amounted to 372 million euro since 2008, when the Kosovar-Turkish Chamber of Commerce became operational in Kosovo. These figures rank Turkey among the countries with the highest economic activity in Kosovo, other countries being Germany, Switzerland, Austria, and the United Kingdom.<sup>57</sup>

Turkish investments span various sectors such as banking, education and catering. Perhaps the most visible investments are related to privatisation of energy distribution network, operating the Prishtina International Airport and the construction of highways.

In 2012, the Turkish consortium, Limak and Calik, privatised Kosovo's electricity distribution network for which they paid around 26 million euro.<sup>58</sup> Experts in the field have frequently said that the value of the privatisation was lower than the true value of this asset.

Another consortium, Limak-Aeroport de Lyon, signed a concession agreement with the Kosovo government in 2010, which grants it operating and management rights to the Prishtina International Airport for the next 20 years.<sup>59</sup>

Concerning highways, Bechtel-Enka, a Turkish-American consortium, has constructed the highway connecting Kosovo with Albania, and now are constructing a highway from Pristina to Macedonia border. The former is estimated to have cost Kosovo around 1 billion euro (half of Kosovo's annual budget), while the construction of the highway leading to Skopje is

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<sup>56</sup> "Turkey-Bosnia 'Love Match' Fails to Sway Investors" Balkan Insight, June 5, 2018  
<http://www.balkaninsight.com/en/article/turkey-bosnia-love-match-fails-to-sway-investors-06-02-2018>

<sup>57</sup> Nadie Ahmeti "Millions of Turkish Investments in Kosovo", November 29, 2017  
<https://www.evropaelire.org/a/investimet-milioneshe-turke-ne-kosove-/28886628.html>

<sup>58</sup> "Contract for Privatization of Distribution Signed", 11 October 2012, Kallxo.com  
<https://kallxo.com/gjnk/nenshkruset-kontrata-per-privatizimin-e-distribucionit/>

<sup>59</sup> Nadie Ahmeti "Economic Partnership Between Kosovo-Turkey Risked by Politics", Radio Evropa e Lire, April 2018  
<https://www.evropaelire.org/a/marrdheniet-ekonomike-kosove--turqi-/29140247.html>

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valued around 600 million euro. None of the contracts has been revealed to the public so far, which has raised serious questions about corruption.<sup>60</sup>

Last but not least, the Turkish development agency, TİKA, has been operating in Kosovo since 2004. The agency has implemented hundreds of different projects and has both constructed and reconstructed a large number of mosques all over Kosovo.<sup>61</sup>

Even though Kosovo signed a free trade agreement with Turkey in 2013, it has not been ratified yet in the Kosovo Assembly. Kosovar producers opposed that agreement by arguing that Kosovo has yet to strengthen its domestic production and relies too heavily on the import of the goods.<sup>62</sup>

### Macedonia

Turkey was the 8<sup>th</sup> most significant trade partner of Macedonia for the first half of 2017 and 2016.<sup>63</sup> The total amount of Turkish investment in Macedonia is 1.2 billion euro which amounts to 35 % of all direct investments.<sup>64</sup> It makes Turkey one of the most important players in the country.

Some of the largest investors are TAV Airports Holding and Halk Bank, but more than 100 Turkish companies are operating in Macedonia.<sup>65</sup> In 2010, TAV signed a concession contract to operate the two airports in Macedonia (in Skopje and Ohrid). Earlier this year, Macedonia's Prime Minister, Zoran Zaev, said that TAV is investing around 45 million euro in an infrastructural project in the country.<sup>66</sup> Both the former administration, led by Nikola

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<sup>60</sup> "Kosovo Contracts, Non-Transparent and Unprofessional", 3 July 2018, Koha.net <https://www.koha.net/arberi/102923/kontrat-e-kosoves-me-mungese-transparence-dhe-profesionalizmi/>

<sup>61</sup> "Turkey Extends Its Influence in Kosovo", Evropa e Lire, July 18, 2016 <https://www.evropaelire.org/a/27865384.html>

<sup>62</sup> "Local Producers Oppose the Agreement for Free Trade with Turkey", April 10 2017, Koha.net <https://www.koha.net/arberi/11212/prodhuesit-vendore-kunder-nenshkrimet-marreshes-per-tregti-te-lire-me-turqine/>

<sup>63</sup> Бектеши: Трговската размена со Турција бележи раст, добредојдени се инвестиции во стратешките сектори," *Vecer*, February 7, 2018, <https://vecer.mk/ekonomija/bekteshi-trgovskata-razmena-so-turcija-belezhi-rast-dobredojdeni-se-investicii-vo-strateshkite-sektori>, [last accessed July 5, 2018]

<sup>64</sup> Ibid.

<sup>65</sup> „Унапредување на економската соработка меѓу Македонија и Турција," *MRT*, February 2, 2018, <http://www.mrt.com.mk/node/46731>, [last accessed July 5, 2018]

<sup>66</sup> Radomir Ralev, "Macedonia to invest over 270 mln euro in road infrastructure in 2018," *SeeNews*. January 24, 2018, <https://seenews.com/news/macedonia-to-invest-over-270-mln-euro-in-road-infrastructure-in-2018-599363> [last accessed July 5, 2018]



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Gruevski, and the current administration has organised numerous summits aimed at strengthening economic cooperation between Turkey and Macedonia.

### Montenegro

According to the data of the Montenegrin Investment Promotion Agency for 2016, Turkey contributed 17.7 million euro to the country's FDI statistics. Apart from Russia, it is preceded by Norway, Italy, Azerbaijan, Hungary, Switzerland, Serbia, the UAE and Slovenia.<sup>67</sup> Bilateral trade volume between the two countries was around 39 million euro in 2015.<sup>68</sup>

The recent trend is that middle-class Turks are coming to Montenegro with the aim of setting up businesses, buying real-estate (mainly in the cities of Kotor, Petrovac, Budva, Zabljak), or recognising their diplomas. Most of them are escaping the changing political situation in Turkey under the rule of Erdogan. In 2017, according to the official data, three companies and 441 Turkish citizens registered a company in Montenegro. In comparison, in 2016, only seventy six Turks registered a company while in 2015, there were only fifty of them.<sup>69</sup> Most of the new companies establish deals for providing consultancy services, construction and real-estate. The Economic Cooperation Protocol and Free Trade Agreement signed between the two countries provide good starting points for Turkish investors in Montenegro.

The two largest Turkish investments in the country are Tosçelik's purchase of the former Ironworks Niksic (*Željezara Nikšić*) in the second half of 2012 for 15.1 million euro, and the acquisition of today's Port Adria in late 2013 for 8.08 million euro. In addition, Turkish NET Holding has contracts for managing casinos in the Hilton Hotel in Podgorica, Splendid in Becici, and Avala in Budva. Furthermore, the largest shopping mall in Podgorica, the Mall of Montenegro, is a public-private partnership between the Podgorica Municipality and the Turkish company, Gintaş. Also, the Turkish Ziraat Bank has entered Montenegro, as one of eighty branches around the world, which may be a sign of new investments.<sup>70</sup>

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<sup>67</sup> "Montenegrin Investment Promotion Agency," Government of Montenegro, accessed September 18, 2018, <http://www.mipa.co.me/en/-fdi-statistics/>.

<sup>68</sup> "Relations between Turkey and Montenegro," Turkish Ministry of Foreign Affairs, accessed September 18, 2018, <http://www.mfa.gov.tr/relations-between-turkey-and-montenegro%20.en.mfa>.

<sup>69</sup> "Turci sve češće otvaraju firme i kupuju nekretnine," *Vjesti Online*, March 14, 2018, accessed September 19, 2018, <http://www.total-montenegro-news.com/business/629-more-turkish-citizens-are-buying-real-estates-and-opening-companies>.

<sup>70</sup> "Da li je Turska spriječila radikalizam u Crnoj Gori?," *Radio Slobodna Evropa*, July 18, 2016, accessed September 18, 2018, <https://www.slobodnaevropa.org/a/podrska-turske-sprijecila-radikalizam-u-crnoj-gori/27865484.html>.





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Other reasons that attract Turkish citizens to Montenegro is the visa-free travel, daily flights between the two countries, and a very simple procedure for obtaining residence and working permits, which takes up to twenty days for establishing a company or forty five days for the purchase of a property.

In addition to economic cooperation, Montenegro and Turkey have agreed to work together in the defence industry field. Turkish Defence Minister Nurettin Canikli has recently met with his Montenegrin counterpart, Predrag Boskovic, who agreed to exchange experiences and skills in the defence area. The cooperation would, for now, entail “production and trade of defence goods and services, maintenance and logistical support,”<sup>71</sup> and would be the basis for the modernisation of Montenegro's armed forces. Beforehand, Turkey's main partners in this field were the US, the UK and Norway, but nowadays it embraces Montenegro due to increased business connections between the two countries.

### Serbia

Serbia is Turkey's most important market in the Western Balkans. Economic relations between Serbia and Turkey began to significantly develop more than nine years ago when a free-trade agreement was concluded with the Turkish government.<sup>72</sup> Since then, several new agreements were signed,<sup>73</sup> and Serbia's exports to Turkey has increased 7.5 times, while total foreign trade has increased three fold in the period from 2009–2017; from 38.9 million dollars in 2009, it rose to more than 1 billion dollars in 2017.<sup>74</sup> In 2016, Serbian President Vucic and Turkish President Erdogan pledged to push the annual trade turnover between the two countries from 850 million in 2016 to 1 billion dollars in 2017.<sup>75</sup>

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<sup>71</sup> “Montenegro Deepens Defence Industry Ties to Turkey,” *Balkan Insight*, March 26, 2018, accessed September 20, 2018, <http://www.balkaninsight.com/en/article/turkey-montenegro-to-enhance-defence-industry-ties-03-23-2018>.

<sup>72</sup> [https://eb.ticaret.gov.tr/portal/content/conn/UCM/path/Contribution%20Folders/web\\_en/Trade%20Agreements/Free%20Trade%20Agreements/Serbia/ekler/2.%20Turkey-Serbia%20FTA-main%20text.pdf](https://eb.ticaret.gov.tr/portal/content/conn/UCM/path/Contribution%20Folders/web_en/Trade%20Agreements/Free%20Trade%20Agreements/Serbia/ekler/2.%20Turkey-Serbia%20FTA-main%20text.pdf)

<sup>73</sup> “Seeking Increased Influence, Erdogan Pledges Trade, Investments With Serbia”, RFE/RL's Balkan Service, October 10, 2017, <https://www.rferl.org/a/turkey-president-erdogan-serbia-talks/28784166.html>

<sup>74</sup> Trade between Serbia and Turkey, 2011- (I-VI) in 2016, <http://www.pks.rs/MSaradnja.aspx?id=53> and Radio Free Europe Infographic, <https://www.slobodnaevropa.org/a/infografika-trgovinska-razmena-srbija-turska/29285730.html>

<sup>75</sup> DMITAR BECHEV, “Erdogan in the Balkans: A neo-Ottoman quest?”, *Al Jazeera Balkans*, October 11, 2017, <https://www.aljazeera.com/indepth/opinion/erdogan-balkans-neo-ottoman-quest-171011094904064.html>

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Turkey's investment in the textile industry is growing steadily. For example, the Turkish company Tibet Moda opened its first facility in Cuprija in September 2016, and this year, local authorities announced that the company would expand its capacities through the purchase of another hall. That same year, Aster Textile invested 7 million euro into opening one of the largest Turkish textile companies in Nis, currently employing 300 workers, but planning to expand to 2000. It received two million euro from the Government of Serbia as an incentive. The government and Turkish Ambassador to Serbia announced several other planned investments into the textile industry.<sup>76</sup>

Another Turkish company, Mitsuba Teklas Turkey Otomotiv A.S., which is a global supplier for the automotive industry, bought the bankrupt 'AD Sloga' from Vladicin Han and invested more than 11 million euro<sup>77</sup> into the opening of a new production facility.<sup>78</sup>

Furthermore, the Turkish development agency (TIKA) invested in Serbia's renovation of its Ottoman heritage sites, such as the Kalemegdan fortress in Belgrade, and has been providing developmental assistance to the Muslim community in Serbia.<sup>79</sup>

## The Gulf States and Iran

The Gulf States have been economically active in the Western Balkan countries in recent years, but there is no evidence of any clear strategy on the side of the Gulf countries in this regard, and pledges of investment substantially surpass the number of actual investments. In addition to the funding of the construction and renovation of religious buildings in the Balkan countries with Muslim populations, such as BiH, Kosovo and Macedonia, UAE companies were especially active in Serbia and Montenegro, while companies from Saudi Arabia invested primarily in BiH. Iran's economic involvement in the region has been historically very limited.

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<sup>76</sup> "Turkish company Taypa to invest EUR 35 million in production of textile in Kraljevo – Government adopts Memorandum of Understanding", *E-kapija*, October 10, 2017, <https://www.ekapija.com/en/news/1903108/turkish-company-taypa-to-invest-eur-35-million-in-production-of-textile>

<sup>77</sup> Lj. Bukvic, "Za devet godina izvoz u Tursku skočio 7,5 puta", *Danas*, January 31, 2018, <https://www.danas.rs/ekonomija/za-devet-godina-izvoz-u-tursku-skocio-75-puta/>

<sup>78</sup> "Turkish company Teklas Automotive starts construction of new production facility in Vladicin Han", *E-kapija*, August 18, 2017, <https://www.ekapija.com/en/news/1852793/turkish-company-teklas-automotive-starts-construction-of-new-production-facility-in-vladicin>

<sup>79</sup> Turkey has built two primary schools in Novi Pazar in the past years, and has reconstructed the hospital and court building. Four agreements were signed on the construction of a kindergarten, a bridge in the center of the city, a reconstruction of the hammam in the Old Bazaar in Novi Pazar, as well as the reconstruction of the hammam in Jošanička Bay. <https://www.slobodnaevropa.org/a/Erdoğan-novi-pazar/28786353.html>



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Iran has been exercising very limited if any economic influence in the Western Balkan countries in the recent past. There have been small developments including lifting visa regimes and several high-level meetings, but tangible economic results are yet to be seen.

### Bosnia and Herzegovina

For many years, investments from, and trade with, the Gulf countries, Iran and other Islamic countries in BiH have been marginal, and mostly limited to occasional business deals negotiated between individual Islamic officials and Bosniak leaders.

One of the first of such projects was the construction of the Bosnian Bank International (BBI) shopping centre, which was opened in March 2009 in downtown Sarajevo as a result of a 35 million euro investment made by the BBI Real Estate Ltd, a company established with capital from Saudi Arabia. The same company was subsequently involved in several other projects in which they constructed several residential complexes, and reconstructed Sarajevo's war-devastated hotel Bristol.

Another similar company, the Al Shiddi group, invested over 75 million euro into the construction of another major shopping mall in the centre of Sarajevo—the Sarajevo City Centre—which also included the Swiss hotel, and officially opened in September of this year. Both companies were speculated to be linked to some of the top Bosniak officials, but those claims were never officially verified.

The situation started changing over the last three to four years when BiH saw a sharp increase in the number of tourists from the Gulf countries. Many of them in the past used to spend their summer holidays in tourist resorts in Northern Africa or the Middle East, but following the destabilisation of this entire region, they found an alternative refuge in BiH.

The drastic increase in their numbers is reflected in the fact that in the whole of 2010, only sixty five visitors from the Gulf countries came to BiH while only in the first seven months of 2017 a total of 42,627 of them visited BiH. This surge was followed by a surplus in construction of accommodation and entertainment facilities, as well as various services for

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these tourists, especially since many of them decided to purchase holiday homes and apartments and spend more time in the country.<sup>80</sup>

This development was also reflected in the level of FDI to BiH from the Gulf countries. According to the data from the BiH Foreign Investment Promotion Agency and Central Bank, the United Arab Emirates were the third main investor with 33.7 million euro in 2016, while among other significant investors were Saudi Arabia with 17.2 million, Turkey with 15.4 and Kuwait with 15.1. However, the impact of this flourishing business and tourism related to various Islamic countries remained relatively limited to the Bosniak-dominated areas, as well as to the sectors linked to real-estate, entertainment, and tourism. There are indications that the number of visitors from the Gulf countries has started decreasing in 2018, the exact numbers are still not available.

Iran has not yet been a significant player or investor in BiH.

### Kosovo

It is estimated that considerable amounts of financial means have entered Kosovo from the Gulf countries since the end of the war in 1999. In general, the money was used for the promotion of political Islam, based on reports of some of the most prestigious international media,<sup>81</sup> but there were also financial means sent in the form of donations or to support different projects.

Kosovo's senior officials, such as the Ambassador to the United States Vlora Citaku, say that even though Kosovo is "primarily looking West and not East," it is grateful for the charitable Emirati gestures, such as the UAE's 20 million euro pledge to build a hospital in Kosovo.<sup>82</sup> Kosovo Assembly Speaker, Kadri Veseli, during a visit to the United Arab Emirates in April 2017, invited the Emirati to invest in Kosovo. "[This is] the beginning of a new epoch in relations with a country that is an example of economic development," he said.<sup>83</sup>

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<sup>80</sup> [http://mediterraneanaffairs.com/bosnia-herzegovina-influence-gulf-states-economics-politics/#\\_ftn2](http://mediterraneanaffairs.com/bosnia-herzegovina-influence-gulf-states-economics-politics/#_ftn2)

<sup>81</sup> Carlotta Gall "How Kosovo Was Turned Into Fertile Ground for ISIS" NYTIMES, May 21, 2015 [https://www.nytimes.com/2016/05/22/world/europe/how-the-saudis-turned-kosovo-into-fertile-ground-for-isis.html?\\_r=0](https://www.nytimes.com/2016/05/22/world/europe/how-the-saudis-turned-kosovo-into-fertile-ground-for-isis.html?_r=0)

<sup>82</sup> Hiam Nawas "Kosovo: The Collateral Damage of Saudi's Funding Extremist Ideology", Huff Post, 31 May 2016 [https://www.huffingtonpost.com/hiam-nawas-/kosovo-the-collateral-dam\\_b\\_10156972.html](https://www.huffingtonpost.com/hiam-nawas-/kosovo-the-collateral-dam_b_10156972.html)

<sup>83</sup> "Veseli Invites United Arab Emirates to Invest in Kosovo", Telegrafi, April 16, 2017 <https://telegrafi.com/veseli-fton-emiratet-e-bashkuara-arabe-te-investojne-ne-kosove-foto/>

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The deepening of economic relations with Saudi Arabia was requested by Deputy Prime Minister, Enver Hoxhaj, in December 2017. During his visit to Saudi Arabia, he received pledges of around 70 million dollars from Saudi officials to support Kosovo's development. Around 15 million were pledged for building the Prishtina-Mitrovica 30-kilometer road in Kosovo.<sup>84</sup>

However, companies from these countries do not manage vital assets of the state of Kosovo, or have not made any major business investment and are not part of the top countries with which Kosovo has major economic ties, such as Germany, Serbia, Turkey, China, Italy or Albania.<sup>85</sup>

Iran has not yet been a significant player or investor in Kosovo.

### Macedonia

It is difficult to find evidence of any substantial economic relations between the Gulf States and Macedonia, apart from the construction of a number of mosques in Albanian-majority areas throughout the country which are financed by Saudi funds. There have been two official meetings at the highest level between Macedonian politicians and Saudi businessmen in recent years. However, neither ex-Prime Minister Nikola Gruevski's state visit to Riyadh in December 2014 (where he met government officials and businessmen alike),<sup>86</sup> nor current prime minister Zoran Zaev's meeting with Saudi businessmen earlier this year<sup>87</sup> has produced meaningful economic results.

Iran has historically exercised very limited, if any, economic influence in Macedonia. However, the current Macedonian government attempted to change that by hosting

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<sup>84</sup> "Saudi Arabia Supports Kosovo With 70 Million Dollars", Zeri, December 27, 2017 <http://zeri.info/aktuale/178542/arabia-saudite-mbeshtet-kosoven-me-70-milione-dollare/>

<sup>85</sup> *The World Factbook* 2018. Washington, DC: Central Intelligence Agency, 2018 [https://www.cia.gov/library/publications/the-world-factbook/docs/contributor\\_copyright.html](https://www.cia.gov/library/publications/the-world-factbook/docs/contributor_copyright.html).

<sup>86</sup> „Премиерот Груевски по инвестиции во Саудиска Арабија“, MKD.mk., December 14, 2014, <https://www.mkd.mk/makedonija/politika/premierot-gruevski-po-investicii-vo-saudiska-arabija>. [last accessed on September 15, 2018]

<sup>87</sup> „Заев на средба со бизнис делегација од Саудиска Арабија: Македонија е земја на конкуритивни можности за нови инвестиции“, *Faktor*, February 28, 2018, <https://faktor.mk/zaev-na-sredba-so-biznis-delegacija-od-saudiska-arabija-makedonija-e-zemja-na-kompetitivni-moznosti-za-novi-investicii> [last accessed on September 15, 2018]

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representatives of the Iranian Trade Association in April 2018.<sup>88</sup> The representatives were welcomed by Deputy Prime Minister for Economic Affairs, Koco Angjushev, who emphasised that Macedonia's annual exports to Iran amounted to 400,000 dollars, thus accounting for a negligible 0.001 % of Iran's global annual imports. Nonetheless, he expressed hope that economic relations would improve, partly because of the new investment incentives introduced by the government, which will, among other things, allow foreign investors a 10% investment return.<sup>89</sup>

### Montenegro

The Gulf States are interested in investing in Montenegro with the United Arab Emirates (UAE) being the most significant investor. According to data for 2017 from the Central Bank of Montenegro, the UAE invested 92.8 million euro, primarily in companies and banks, building and construction, and the tobacco industry. The data for 2016 from the Montenegrin Investment Promotion Agency show that the UAE contributed to Montenegro's economy with 21.3 million euro in FDI. It is preceded only by Russia when it comes to the foreign powers this study analyses. One of its principal projects is the Capital Plaza Center in Podgorica worth 140 million euro, and the Porto Montenegro, luxury yacht homeport, and marina village in Tivat.

According to the same data, Qatar contributed with 1.2 million euro in FDI. It has primarily been interested in the tourist complex "Plavi Horizonti" (*Blue Horizons*) near Tivat. A Qatari company was planning to invest between 250 and 300 million euro, but the project stalled due to property-legal disputes.

Saudi Arabia currently has less concrete investments, but there is talk of future developments, mainly in the area of elite tourism.

Iran has not yet been a significant player or investor in Montenegro. However, the two countries have recently lifted the visa regime, which promises more potential investors and people exchanges on both sides. Recently, flights on the route Podgorica-Tehran have been introduced.

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<sup>88</sup> „Вицепремиерот Анѓушев: Постои голем потенцијал за зголемување на економската соработка помеѓу Иран и Македонија“, Government of the Republic of Macedonia, April 26, 2018, <http://vlada.mk/?q=node/14529> [last accessed on September 15, 2018]

<sup>89</sup> Ibid.





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### Serbia

Relations between the Gulf States and Serbia have intensified after 2012 when new political leadership opened the doors to potential investors from the Middle East, in order to address Serbia's severe economic situation. At present, trade between Serbia and the UAE rose from 23.4 million dollars in 2012<sup>90</sup> to 122 million in 2016,<sup>91</sup> but politicians have plans for this to hit billions of dollars within the next few years.

The United Arab Emirates (UAE) are the largest investor in Serbia of all the Arab countries despite the UAE's vocal support for Kosovo's independence. Serbia particularly has sought to build a strong relationship with the Emirates due to the close ties between two autocratic leaders: President Aleksandar Vucic, and Sheikh Muhammad bin Zayed. One of the main rationales behind such close ties is that the Government of Serbia secured two, low-interest 1 billion dollar loans from the UAE, first to avoid bankruptcy in 2013, and then to halt its public deficit in 2016.

Serbian political leaders are tireless in promoting Arab investments in the media, especially during the last three election campaigns. The reality is, however, much less optimistic. The projects implemented by foreign companies in cooperation with the state of Serbia usually contain a confidentiality clause, and are therefore not subject to national laws.<sup>92</sup> Arab investments in Serbia—mainly from the UAE—are, however, controversial also for a number of other reasons.

Most of the announced UAE projects in Serbia have never been implemented. Out of investments worth 15 billion euro announced by Serb authorities, only a few hundred million have been registered so far.<sup>93</sup> This also relates to the alleged 4 billion dollar plan with the UAE-based company, Mubadala Aerospace, to open a computer chip factory, and the aircraft parts factory in Pancevo, that would sell aircraft parts to Boeing and Airbus, or to the UAE partners' notions to invest in developing new military technologies, primarily in NORA

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<sup>90</sup> Tanjug, Skromna robna razmena Srbije sa UAE, *B92*, January 9, 2013,

[https://www.b92.net/biz/vesti/srbija.php?yyyy=2013&mm=01&dd=09&nav\\_id=676005](https://www.b92.net/biz/vesti/srbija.php?yyyy=2013&mm=01&dd=09&nav_id=676005)

<sup>91</sup> "Trgovinska razmena Srbije i UAE 122 mil DOLLAR u 2016. godini", *E-kapija*, May 18, 2017,

<https://www.ekapija.com/news/1762843/trgovinska-razmena-srbije-i-uae-122-mil-dollar-u-2016-godini>

<sup>92</sup> Sasa Dragojlo, "Serbian bilateral agreements: Benefit unknown, detriment paid by the citizens", *Insajder*, March 14, 2017, <https://insajder.net/en/site/news/3541/Serbian-bilateral-agreements-Benefit-unknown-detriment-paid-by-the-citizens.htm>

<sup>93</sup> Velimir Ilic, "Arapske investicije u Srbiji: Više euforije nego ekonomije", *Al Jazeera Balkans*, November 11, 2016, <http://balkans.aljazeera.net/vijesti/arapske-investicije-u-srbiji-vise-euforije-nego-ekonomije>





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and ATLAS rocket systems.<sup>94</sup> In some other cases, a project's implementation is delayed or never finished. In December 2012, the Serbian government took a 25 million euro loan from the Kuwait Fund for the Arab Economic Development to continue reconstruction of the Prokop train station for the purpose of increased international traffic, replacing the central Belgrade railway station and freeing up land in the city centre for urban re-development.<sup>95</sup> In August 2018, the central Belgrade railway station was closed for good but the railway station in Prokop has never been finished and opened.

In April 2015, another important affair emerged. The government of Serbia signed a contract worth 3.5 billion euro to build a business, residential, and commercial area along the rundown riverfront of Belgrade. The project has come under intense criticism from a local social movement known as "Ne davimo Beograd" ("Let's not drown Belgrade") on the grounds of architectural incompatibility with the surroundings, the non-transparent nature of the contract, the cost to the local government for site preparation, and the illegal demolition of buildings to make way for the development. The Belgrade Waterfront project has sparked a series of public protests in Belgrade after a group of unidentified masked men demolished several disputed buildings, and when the Ombudsman published the report proving the involvement of state and local authorities in this crime. Five years later, the project is in its initial phase, and many doubts have been raised about the credibility of the investor and the sustainability of the project.

Another problem with Arab investments into Serbia is that the biggest deals that are being implemented are those in which the Arab companies are given large benefits, and usually do not invest the agreed amounts. Instead, the real investment comes from the Serbian state budget.<sup>96</sup> One of the cases of the UAE's "investment" is the lease of agricultural land in Serbia, for which the UAE company Al Rawafed has not paid a single cent for years.<sup>97</sup>

Arab and Serbo-Arab companies—Al Rawafed<sup>98</sup>, Al Dahra and Yugo Elite Argo—are the second largest landowners in Serbia. Al Rawafed Serbia gets to use 3,500 hectares of

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<sup>94</sup>"FABRIKA ČIPOVA SA UAE: Najveća investicija u Srbiji od 1980.", *Kurir*, February 17, 2013, <https://www.kurir.rs/vesti/drustvo/654745/fabrika-cipova-sa-uae-najveca-investicija-u-srbiji-od-1980> and [https://www.b92.net/eng/news/business.php?yyyy=2013&mm=01&dd=10&nav\\_id=84087](https://www.b92.net/eng/news/business.php?yyyy=2013&mm=01&dd=10&nav_id=84087)

<sup>95</sup> Will Bartlett, James Ker-Lindsay, Kristian Alexander & Tena Prelec (2017) The UAE as an Emerging Actor in the Western Balkans: The Case of Strategic Investment in Serbia, *Journal of Arabian Studies*, 7:1, 94-112, DOI: 10.1080/21534764.2017.1322753

<sup>96</sup> Jelena Jankovic, "Serbia's Committee for monitoring UAE investments not formed after three years", *Insajder*, May 18, 2017, <https://insajder.net/en/site/news/4745/>

<sup>97</sup> Ibid.

<sup>98</sup> Jelena Jankovic, "Serbia's Land for...", *Insajder*, April 19, 2018, <https://insajder.net/en/site/news/4210/Serbia%E2%80%99s-Land-for.htm>



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agricultural land in Karadjordjevo owned by the military institution Morovic, and has not paid any compensation for the use of the state-owned land in the past three years. Recently, the government has transferred a huge piece of land in the country to an Abu Dhabi-based agricultural investment company, and sold out one of the biggest economic giants, PKB, for only 50% of its real estimated value.

The only successful Arab investment in Serbia was by the UAE's state-owned national carrier Etihad's acquisition of 49 % of the Serbian national airline JAT in 2013.<sup>99</sup> Etihad turned its loan of 40 million dollars into ownership of 49 % over Air Serbia, and promised to give an additional 60 million dollar loan to the indebted company. Etihad's five-year contract with Air Serbia expired in August 2018, and the company decided to extend the contract at the last minute.

Although the UAE has invested in aviation, urban construction, and agriculture, it is believed that the backbone of Serbo-UAE cooperation is the export of Serbian ammunition and weapons. The lucrative arms deals with the Gulf States have driven the fragility in the region. Based on the agreement with the Ministry of Defence and the state-owned company "Yugoimport SDPR," the Gulf States have purchased large quantities of weapons, re-exporting some of this weaponry to various armed groups in the Middle East. The Gulf States have thus contributed to the escalation and perpetuation of military conflicts in the Middle East and North Africa with an ironic spillover effect increasing number of refugees transiting through the Balkan route on their way to the EU.<sup>100</sup>

In comparison to the Gulf States' economic presence, the current level of Serbia's economic cooperation with Iran has not yet brought tangible, or visible economic benefits even though the economic interests are the main drivers of Serbia's good relations with Iran. Data from the Republic Office for Statistics, show that the total trade of Serbia and Iran in the period from 2011 to 2016 had been decreasing from year to year.<sup>101</sup> The visa-free travel regime, and the establishment of the direct flights between the two states have benefited tourism in Serbia. However, this has not significantly influenced the volume of trade between the two countries or investments in Serbia. Their economic cooperation is pushed through the Serbian-Iranian business chamber established in 2015<sup>102</sup> and the Serbian Chamber of Commerce.

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<sup>99</sup> "Serbian-Arab affairs", *Insajder*, May 14, 2018, <https://insajder.net/en/site/focus/11333/>

<sup>100</sup> Filip Ejduš, "The impact of Turkey and the Gulf States", In: *Resilience in the Western Balkans*, Report No. 36, August 2017, page 54.

<sup>101</sup> Chamber of Commerce of the Republic of Serbia, <http://www.pks.rs/MSaradnja.aspx?id=71&p=1&pp=2&>

<sup>102</sup> Serbian-Iranian Business Chamber, <http://srpsko-iranskapkc.com/trziste/>



## WESTERN BALKANS AT THE CROSSROADS: ASSESSING NON-DEMOCRATIC EXTERNAL INFLUENCE ACTIVITIES

In February and June 2018, the Serbian Chamber of Commerce organised two business forums between Serbian and Iranian companies to discuss potential cooperation in the field of agriculture, tourism, and energy.<sup>103</sup> The second forum gathered around ninety companies from Iran and Serbia, but its results are still not visible.<sup>104</sup> During a visit of the Iranian Minister of Industry, Mine, and Trade in Belgrade in June 2018, several agreements were concluded, including the free air traffic agreement.<sup>105</sup> The Serbian government is particularly interested in cooperation in the energy sector, because Iran has one of the world's largest proven gas and oil reserves.<sup>106</sup>

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<https://www.ekapija.com/en/news/1240223/serbian-iran-business-chamber-set-up-opportunity-for-development-of-business-cooperation>

<sup>103</sup> "Srpsko-iranski forum o investicijama, turizmu, izvozu", N1 Beograd, February 27, 2018, <http://rs.n1info.com/a367763/Biznis/Srpski-iranski-forum-o-investicijama-letovima-carini.html>

<sup>104</sup> Tanjug, "POSLOVNI FORUM SRBIJA-IRAN: Skoro 100 kompanija o saradnji", *Vecernje novosti*, June 21, 2018, <http://www.novosti.rs/vesti/naslovna/ekonomija/aktuelno.239.html:734196-POSLOVNI-FORUM-SRBIJA-IRAN-Skoro-100-kompanija-o-saradnji>

<sup>105</sup> Current Free Trade agreements between Serbia and other countries, <http://www.ras.gov.rs/podrska-izvozu/sporazumi-o-slobodnoj-trgovini> and <http://www.upravacarina.rs/lat/Informacije/Stranice/MedjunarodniSporazumi.aspx>

<sup>106</sup> Ministry of Foreign Affairs of the Republic of Serbia, Bilateral Agreements, [http://www.mfa.gov.rs/sr/images/stories/bilateral\\_ugovori/iran\\_vazeci.pdf](http://www.mfa.gov.rs/sr/images/stories/bilateral_ugovori/iran_vazeci.pdf)