



# **NATO DEFENSE COLLEGE FOUNDATION**

## **BALKANS AND EASTERN EUROPE STRATEGIC TRENDS**

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# Situation report

## *Serbia*

### **Zagreb and Belgrade: a tepid rapprochement**

Zoran Milanovic and Ivica Dacic, the Prime Ministers of Croatia and Serbia, met in Belgrade on January 16. The bilateral summit came as a surprise, as it wasn't scheduled in advance. Bringing the bilateral dialogue back on the right track was the goal.

Since Tomislav Nikolic and Ivica Dacic were appointed President and Prime Minister last year, cooperation between Yugoslavia's two main successors has deeply deteriorated. Nikolic's ultra-radical background and Dacic's role as spokesperson of Slobodan Milosevic in the late Nineties are seen in Zagreb with a certain skepticism, although the two politicians changed their views over the years and now accept European perspective. Nonetheless, Nikolic's unhappy statements about Vukovar, the Croatian city that suffered the worst war damages, sparked rage in Zagreb. Few days after his election he said that Vukovar, which was put under siege and completely destroyed by Serbia's battalions in 1991, «was a Serbian city» before the war.

Recent developments in The Hague, where the International Criminal Tribunal for the former Yugoslavia (ICTY) is located, contributed to increase tensions. On 16 November, The UN judicial body decided to clear from war crimes the former Croatian generals Ante Gotovina and Mladen Markac. Previously, they had been sentenced to 24 and 18 years respectively for their conduct during Operation Storm, the military action carried out in August 1995 which brought Croatia to retake control of the regions fallen under Serbia's control in 1991, the year the war between the two countries erupted. The large-scale offensive led to the exodus of at least 200.000 thousand Serbs. Belgrade angrily reacted to the acquittal of Gotovina and Markac, whose are considered bloody criminals by many Serbs.

During the meeting in Belgrade, both Milanovic and Dacic regretted for the recent freezing of the dialogue, which was strongly enhanced during Boris Tadic's second mandate (2008-2012) as President of Serbia. He forged a good friendship with the Croatian Head of State, Ivo Josipovic. They met frequently and pushed Serbian-Croat relations to the higher level ever. In November 2012, they went to Vukovar for a joint visit and they reciprocally apologized for the crimes committed by their nations during the war. This is the most valuable example of regional post-war reconciliation in the Balkans so far.

Milanovic and Dacic discussed about many issues, such as the situation of the Serbian minority in Croatia, the return of the Serbs still living as refugees, ongoing trials for war crimes in Belgrade and Zagreb, economic cooperation and bilateral trade, which should be more balanced as Croatia has now a noticeable surplus. Milanovic also said that Croatia, which should join the EU on 1 July, will continue supporting Serbia's efforts to get a faster path to the European community.

To sum up, the meeting between the Prime Ministers of Serbia and Croatia was an important step towards the normalization of bilateral relations, but rebuilding the trust

will take some more time. Analysts argue that a real restart will come only when Nikolic and Josipovic will meet. The Croatian Head of State has refused to meet his Serbian counterpart since the latter stated that Vukovar was a Serbian city before the siege. Someone suggested that Milanovic and Dacic's summit in Belgrade could pave the way to a face to face between the Presidents.

### **What the EU wants**

Both Croatian and Serbia media reported that the meeting between Milanovic and Dacic was suggested – if not mediated – by the EU, which has observed with frustration the recent evolution of relations between Serbia and Croatia. However, both Milanovic and Dacic denied the EU's mediation.

Regardless these rumors, it is not a mystery that Brussels is interested in fostering a good dialogue between Serbia and Croatia. After all, as they are the heavyweights of the Balkans, their stances influence the general political environment of the region, as well as single countries' stability. Bosnia is the most evident example. When Zagreb and Belgrade's relations worsen, Bosnia's internal balance becomes even more complex than it is, mostly because of the presence of strong Serbian and Croatian minorities whose parties look to Belgrade and Zagreb more than Sarajevo.

Thus the EU, whether it mediated or not the summit between Dacic and Milanovic, must work to downsize tensions between Belgrade and Zagreb, especially in a period during which the crisis is stimulating some populist dynamics in the region.

## ***Kosovo***

### **Truce in the North**

The dialogue between Serbia and Kosovo, mediated by the European Union, is moving forward. After the first face to face in October, the Prime Ministers of the two countries, Ivica Dacic and Hashim Thaci, met again. The two countries haven't held high-level meeting since the late Nineties.

In January, Kosovo appointed the current ambassador to Sweden Lulzim Peci as its envoy to Belgrade. Serbia is expected to send its own representative in Pristine. However this doesn't mean that Belgrade is ready to recognize Kosovo's independence. The appointment will be made within the framework of the EU-mediated talks, which have had a technical nature

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far.

Meetings brought to a relevant result in January. Serbia and Kosovo reached an agreement on customs along the borders, which since mid-2011 have become the hot spot of tensions. The Serbs living in Northern Kosovo, who represent the ethnic majority in those territories and firmly reject any dialogue with Pristine's authorities, had erected barricades in order to prevent Kosovo's police – dispatched by Pristine's Government – to take control of the customs, normally patrolled by the Serbs. The long-lasting blockade harmed commerce and economy.

Under the recent agreement between Thaci and Dacic, the barricades have been removed. Circulation of people and goods has started again, although some radical Serbs from Northern Kosovo regret the deal, according to which Serbia and Kosovo are expected to

jointly collect customs duties. Revenues will flow into a special fund managed by a European commercial bank and will be used for economic development in the North. Softening the radical stances held so far by both sides over this sensitive part of Kosovo's territory is the basic idea behind the custom agreement. Northern Kosovo is controlled by Serbia through demographic supremacy and the so-called "parallel institutions", a network of schools, banks, public offices and security agencies directly administered by Belgrade, which refuse to dismantle it. As for Pristine, it asks Belgrade's unilateral withdrawal from the North, without carrying out a comprehensive plan to integrate the Serbian population. Europe's purpose is to ensure a reasonable coexistence in the short term. The agreement on customs is the first step of this tactic. Other less comfortable issues will come afterwards, but only if talks between Thaci and Dacic will evolve positively. In the meantime, the EU is not going to put on ground the question of the legal status of Northern Kosovo and Serbia's recognition of its former province, which however is unavoidable in the long term, analysts suggest.

### **Domestic obstacles**

Both Serbia and Kosovo are surprisingly exhibit a pragmatic approach and showing a willingness to continue negotiations. This has wondered observers, as few of them thought that the new Serbian leadership, due to its nationalist background, would have sit on the same table with Kosovo's leaders.

Yet there are some possible uncertainties related to the domestic scenario both in Belgrade and Pristine. On the one hand, the Serbian leadership has to make some concessions on Kosovo, since the opening of negotiations for EU membership depends on good neighborhood – the EU call the process "normalization" – with Kosovo. On the other hand, Dacic and the President, Tomislav Nikolic, have to pay attention to that portion of the electorate who thinks that fighting for keeping Kosovo is more important than accession to the EU.

As for Kosovo, the ruling elite is aware that treating the Serbs living in the North as mere "intruders", without seeking their integration by making important concessions (that is to say a very large autonomy), doesn't help the process of recognition among the UN and EU members <sup>1</sup>, which is a key to Kosovo's international legitimacy. However, the Government headed by Hashim Thaci knows like the Serbian counterpart that a remarkable portion of the society is not yet ready for a historic compromise with Belgrade.

Divisions within the Democratic Party of Kosovo (PDK), the main political force in the Government, are another factor to be closely watched. The party, leaded by the Prime Minister Hashim Thaci, held its Congress on 26 January. Thaci was reconfirmed as chairman, yet some party bosses didn't attend the conference due to conflicts with Thaci. Some observers glimpse the risk that Thaci, without the full support of his own party, may have troubles in pushing forward the dialogue with Serbia.

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<sup>1</sup> 98 out of 183 Members of the UN and 22 out of 27 Members of the EU have recognized Kosovo independence so far.

## ***Montenegro***

### **The Balkan velvet divorce**

The Serbian President Tomislav Nikolic went to Montenegro on January 18. It was his first visit to the tiny Adriatic country. In Podgorica he met Milo Djukanovic, who has recently been appointed Prime Minister of Montenegro for the seventh time. The two leaders discussed about the perspectives of cooperation between their countries. Both argued that the level of the dialogue is excellent.

Indeed it is, if one consider that Montenegro's independence, gained through a referendum in May 2006, caused tensions between Belgrade and Podgorica, which had been part of one of Federation of Yugoslavia and then, since 2003, established the Union of Serbia and Montenegro.

However, the consequences of divorce have been absorbed now and the two countries are developing a more structured cooperation in areas like transport, agriculture, infrastructure and tourism. In addition, Serbia is Montenegro's main trade partner, and vice versa.

European integration is an important factor behind the good neighborhood. Both countries have made progress on the path to Europe. Serbia is a candidate for membership, while Montenegro has recently started accession talks. These almost parallel roads to the EU can enforce even more the quality of bilateral relations, although ups and downs in the future shouldn't be ruled out. Somehow, Serbian-Montenegrin relations recall the evolution of relations between the Czech Republic and Slovakia. After their joint decision to put an end to Czechoslovakian experience in 1993, the dialogue between Prague and Bratislava fell down. Yet, when the European perspective clearly emerged, the countries mended their ties, forged a strong friendship and improved cooperation in many fields. Will the Czechoslovak Velvet Divorce have its Balkan version?

## ***Bosnia and Herzegovina***

### **A census that nobody wants**

Bosnia's first census since its 1992-95 war, planned for April this year, was postponed until October, national authorities announced on 23 January. The census is delayed for the second time. Originally, Bosnia should have held it in 2011 alongside all the Member States of the EU. However it failed to do this. Then political parties negotiated the date – April 2013 – with Brussels, which made strong pressures on Bosnia's leadership. However the deadline was missed again. Poor data exchange between the two ethnic entities of the country (Republika Srpska and Muslim-Croat Federation), lack of training for the staff and revision of formularies are the issues adduced by the Government for the postponement.

Yet political parties' irresoluteness is the real reason. Once more. Parties representing the Muslims, Serbs and Croats, Bosnia's three main ethnic groups, fear that the new demographic picture could undermine their power, based on the 1991 census and wartime internal borders. Muslims, the main ethnic group, think that the findings of the census could show that they are less than they were in 1991 (43% of the total population), due to

wartime ethnic cleansing. In this case, they would lose some political weight. The Serbs and the Croats (31% and 17% of the population in 1991) share more or less the same worries, although ethnic cleansing wasn't so dramatic as the one the Muslims suffered. The Serbs have more reasons than the Croats to be afraid of the new census. Their entity, the Republika Srpska, has a huge autonomy. Its prerogatives are close to the ones owned by a State and the Bosnian-Serbian leadership has always refused to devolve some of these powers to central institutions, as the international community would want. If the census will show that the Serbs represent less than 31% of the total population this stance will be weakened.

### **The others**

There is another factor that provokes concerns among the Muslims, Serbs and Croats. According to what some local media reported, the test census held in October would show that up to 35% of citizens chose the fourth option foreseen in the formularies, a category including all the people who belong to ethnic groups other than the three main ones, plus those who don't want to declare an ethnic affiliation. This outcome, if confirmed, indicates that citizens are tired of lining up with ethnicities and parties representing the three main Bosnia's group.

Jakob Finci, leader of Bosnia's Jewish community, said that he would not be surprised if the census was postponed in order to give political leaders more time to persuade people to declare themselves as members of the three main ethnic groups.

Finci advocates the change of the Constitution, which currently gives only Muslims, Serbs and Croats the chance of being elected as members of central institutions. Thus he submitted a formal complaint to the European Court of Human Rights (ECHR) in 2006, alongside a member of the Roma community, Dervo Sejdic. **IN** [In] 2009, the Court issued a sentence asking Bosnia's authorities to put an end to this discrimination. Due years later the Bosnian Parliament approved a motion to update the Constitution, but no formal changes have been done since then, although the EU has made clear that the implementation of the ECHR ruling is a requisite for moving forward on the path to Brussels. The EU also set a deadline (November 2012) to comply with the ECHR sentence. Yet, political parties let the time pass without taking any step to match the wishes of the EU.

To sum up, Bosnia has shown once more that there is a lack of political will to make incisive reforms. Political parties play a double game. On the one hand, they fight each other. On the other, they tacitly agree to leave the country in a limbo, preserving the status quo. This is widening Bosnia's political stagnation, which looks even more dangerous considering the country's serious financial problems. These could worsen if political parties will continue postponing the nationwide census. As a matter of fact the EU needs the update of the population to plan financial aids for its future members.

Yet, there is at least a good news. On 31 January, Bosnia and Serbia signed in Brussels a protocol on cooperation for the prosecution of perpetrators of war crimes. The agreement, sponsored by the EU, facilitates the mutual transfer of suspects between the two countries and it is an important step forward on the path to regional cooperation. It shows that, although the legacy of the war still affects the dialogue, Balkan countries can now succeed in speeding up cooperation, a key to European integration.

## ***FYROM***

### **Towards early elections?**

January was another politically troubled month for Macedonia. The divisions between the ruling coalition and the Social Democratic Union of Macedonia (DSMS), the main opposition party, deepened. On 24 December, after the approval of the budget by the Internal Macedonian Revolutionary Organization-Democratic Party for Macedonia National Unity (VMRO-DPMNE) and the Democratic Union for Integration (DUI), the parties that forms the ruling coalition, the DSMS decided to boycott parliamentary sessions, adding it could withdraw its participation in local elections in March. The DSMS also asked again for early parliamentary elections, a request launched last November.

The day after the vote there was a tense stand-off in Skopje between pro-and anti-Government protesters. They were separated by a police cordon. Later on, opposition supporters organized road blockades in the capital and around the country. Yet Nikola Gruevski, the Prime Minister and leader of the VMRO-DPMNE, refused to call snap elections.

The offensive of the opposition is linked to the forthcoming electoral test and is rooted in the former Yugoslav republic's tradition of strong political polarity. Greece and Bulgaria's veto to the opening of accession talks between Macedonia and the EU last December accelerated the political crisis. The Greek veto was largely expected, because of the long-lasting controversy over Macedonia's name<sup>2</sup>. By contrast, Bulgaria's decision wondered. Sofia and Skopje have a complex dialogue, but the first has never opposed the latter's efforts to join NATO and the EU. Bulgaria's new approach stems from several reasons, including general elections in July 2013 (politicians could play the Macedonian card to get some more votes among the nationalist segments of the society) and a recent Macedonian movie suggesting that Bulgaria assisted the Nazis in deporting Jews Macedonian. It sparked anger in Sofia.

Macedonia's political struggle, coupled with problems with neighbors and growing tensions between Slavic majority and the Albanian minority, led the European Commissioner for Enlargement, Stefan Fuele, to go to Skopje on January 23. He met with Gruevski, the President of the Republic Gjorgje Ivanov and the leader of the DSMS, Branko Crvenkovski. According to analysts, the EU is trying to mediate between the ruling coalition and opposition in order to avoid an escalation of the crisis. After Fuele's visit, local media reported that the EU could propose to postpone local elections from March to June. General elections would be held on the same day to satisfy opposition demands.

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<sup>2</sup> Macedonia was provisionally named Fyrom (Former Yugoslav Republic of Macedonia) after its independence in 1991 in order to give it a seat in the UN General Assembly. Since then, nothing has changed. To Greece, the name Macedonia implies territorial claims over its homonymous region, of which Thessaloniki is the main city.

## **Georgia**

### **Ilia's trip**

After his surprising electoral victory in October, the new Georgian Prime Minister Bidzina Ivanishvili is working to mend ties with Russia, as announced during the campaign. Russia and Georgia broke diplomatic relations after the brief war they fought in August 2008. Abkhazia and Southern Ossetia, Georgia's former rebel provinces, declared their independence under Russia's patronage once the conflict ended.

Ivanishvili pushed forward his plans in December by meeting the Russian Prime Minister, Dmitry Medvedev, on the sidelines of World Economic Forum in Davos. This was the first high-level contact between the two countries after the war in 2008. The two Prime Ministers agreed to improve bilateral relations. During the Swiss gathering the two countries' delegations arranged to hold a Russian-Georgian business forum in Tbilisi in the near future. This was another significant move towards normalization.

Political rapprochement and economic relations aren't the only tools used by Ivanishvili in order to pursue his strategy. Also religion could play a role. Under this light, the visit of the Georgian Patriarch Ilia to Moscow on 21 January must be looked with a certain attention. Ilia, who also met Putin, is one of the first prominent Georgian personalities admitted in Russia after the war. «I think that this visit will serve mutual understanding and the strengthening of our brotherly relations between our people, and those problems which exist between our governments will be resolved positively», he said during his trip.

Some analysts suggest that his visit could pave the way for a Ivanishvili's trip to Moscow. This view shouldn't be excluded. Yet, ecumenical dialogue could also serve Russia's interests. As a matter of fact Orthodox brotherhood is one of the pillars of Putin's strategy for widening Moscow's influence in the post-Soviet space. Ties with Belarus and Ukraine, two Orthodox countries where Russia's have a strong influence, are cemented through religious dialogue too. Thus, rapprochement between the churches could also be seen as the first Russia's attempt to regain a certain degree of control over Tbilisi internal affairs after the end of the era marked by the political dominance of the bloc belonging to the President Mikhail Saakashvili (his second mandate will expire this year), who toppled down the then pro-Kremlin regime in 2003 and since then oriented the country's foreign policy towards the West.

### **The Armenian way**

Ivanishvili knows that Russia has a hegemonic stance and is trying to find a way to improve ties with Moscow without falling under the latter's sphere of influence. Georgia's new leadership, in other words, wants to win back Russia's trust preserving at the same time the dialogue with NATO and the EU, as well as some of the liberal economic reforms carried on during Saakashvili's tenure. Armenia's lessons could teach a lot. Erevan conducts a foreign policy based on maintaining good relations with both NATO and the Collective Security Treaty Organization (CSTO), a military alliance formed by Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and Russia, which plays the leading role. However this strategy isn't easy to implement, as Ivanishvili's party, the Georgian Dream, is a heterogeneous coalition cemented by opposition to Saakashvili's ruling style. Some of its stakeholders who once were Saakashvili's allies have pro-Western approaches in foreign policy.



## ***Ukraine***

### **Ukraine's shale gas and its strategic impact**

On Tuesday 24 January, Ukraine and Royal Dutch Shell announced a \$10 billion deal to develop the former Soviet republic's shale gas industry. The deal was signed by the Minister of Natural Resources Eduard Stavitsky and Shell CEO Peter Voser, on the sidelines of the World Economic Forum in Davos and in the presence of Ukraine's President Viktor Yanukovich.

Under the agreement, Royal Dutch Shell will drill for shale gas in the Yuzovska fields, located in the eastern part of the country. Ukraine's authorities estimate that the wells may hold 3 million cubic metres of gas. If true, the former Soviet republic's gas consumption will be covered for approximately 70 years.

The deal between Ukraine and Royal Dutch Shell could play a big role for Europe's shale gas, as it is the biggest contract signed in the sector so far, as well as the top foreign investment in Ukraine. Shale gas, which is found in porous underground shale rock and extracted through a particular process called hydraulic fracturing, is booming in the US, where it is supposed to become the main energy source by 2030. Europe, which lags behind the US, is trying to build its own shale gas industry. Poland, the Baltics and Ukraine, alongside France, are the European countries with the largest estimated reserves.

The Davos agreement has also special political impact on Ukraine's relations with Russia. It could reduce dependence on Moscow's gas, which gives Russia a strong say in Kiev's domestic affairs. Although it has often shown pro-Kremlin approaches, slowing down Euro-Atlantic ambitions as consequence, the current Ukrainian leadership knows that the strong dependence on Russian energy has unsustainable economic and political costs.

Gas imports, in particular, are the main problem. The prices are too high and Ukraine, already experiencing a hard economic situation due to the global crisis, can't afford them. The Government has tried several times to renegotiate the current contracts, signed in 2009 by the then Prime Ministers of the two countries, Vladimir Putin and Yulia Tymoshenko. Yet Moscow has always said that there are no reasons to bring down the prices. It might do it only if Kiev joined the Custom Union between Russia, Kazakhstan and Belarus, which is the first step for the creation of a Eurasian Union, a project advocated by the Russian President Vladimir Putin. Ukraine is rather skeptical about it, as it would enormously reinforce Russia's hegemony the former Soviet space.

The \$10 billion deal with Royal Dutch Shell is clearly oriented to find alternative sources, as well as downsizing Russian pressures. At the same time, Ukraine also plans to buy cheaper gas from Germany (it would be channeled via Hungary) and import Azeri gas through Turkey and then across the Black Sea. Moreover, authorities are aware that South Stream and Nord Stream, two major gas pipelines under construction, which will bring Russian gas to Europe through the Baltic Sea and the Black Sea respectively, will cause a relevant economic loss once they will be fully operative. As a matter of fact, they bypass the grid of pipelines running through Ukraine, a key transit country for oil and gas supplies from Russia to Europe. This means losing a remarkable amount of customary revenues.

If Ukraine's expectations about its shale gas reserves will be confirmed, the EU would have a card to play to renew its commitment for enhancing political cooperation with Ukraine and reducing Russia's influence over Kiev.

Since Yanukovich won presidential election and his Party of the Regions took control of the Parliament in 2010, relations between Kiev and Brussels have worsened. Over this period, Yanukovich has made questionable choices, negatively affecting the rule of law. He used justice as a selective tool to punish his challengers (Tymoshenko case is just the most known example) and tried to bring media Government control. As for foreign policy, he oriented the country towards Russia (at least until problems related to gas dependence didn't break out dramatically). However the EU has left the door open, offering Ukraine some cooperation schemes under the roof of the Eastern Partnership, an European strategy aimed at improving ties with post-Soviet countries and containing the Kremlin.

If Ukraine's moves to lessen energy dependence on Moscow and downsize Russia's external influence are not just a tactic to convince Putin to renegotiate gas prices, the EU has a concrete chance to reset relations with Kiev. After all, visas, funds and commercial benefits offered by Brussels are issues that Ukraine can't ignore. They are vital for the country's economy and stability.

Of course, Ukraine can't keep this benefits for free. It should respect some of the conditions asked by the EU, which wants the end of the judicial persecution of Yulia Tymoshenko, as well as a clear commitment to improve transparency, human rights practices and fight against corruption.

It is still unclear whether Yanukovich is ready to do this. Nonetheless, if he doesn't push for a rapprochement with the EU, he runs the risk of being crushed by the Kremlin's countermoves. One of them has already been launched. Few days after the former Soviet republic signed the deal with Royal Dutch Shell, Russia slapped a \$7 billion bill on Ukraine for imports of gas, because Kiev is voluntarily buying less gas than agreed in 2009 in order to relax Russia's energy leverage. It is a considerable sum, which could severely affect Ukraine's finances just ahead of a possible \$15 billion loan with the International Monetary Fund aimed at helping the country to meet foreign debt repayments.

## ***Moldova***

### **November goals**

Establishing a free trade area and signing the Stabilization and Association Agreement with the EU, plus getting visa liberalization, are Moldova's Government major purposes in 2013. The pro-European ruling coalition chaired by Vladimir Filat is working hard to reach these goals and hopes to get the green light in November, when the third annual meeting of the Eastern Partnership will be held in Vilnius.

Both the German Chancellor Angela Merkel and the President of the European Commission José Manuel Barroso told Filat that the country is on the right track, during their recent visits to Moldova (Merkel went to Chisinau in August, Barroso in November).

Yet Stefan Fuele has recently gave a more cautious feedback. During a session of the Parliamentary Assembly of the Council of Europe (PACE) he said that Moldova is a positive symbol of the activity of the Eastern Partnership, but it still needs to pursue breakthrough reforms, especially in the fields of judiciary and transparency.

Neighbouring Romania could be decisive for Moldova's aspirations. Romania, which strongly supports Filat's Government, organized in the last weeks some training sessions

for Moldovan diplomats and civil servants involved in negotiations with the EU. Now is carrying on measures to assist Moldova in order to successfully meet all the criteria requested by the EU to liberalize visa regime. A European mission will head to Chisinau in February to assess Moldova's efforts.