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The Western Balkans Geopolitics and Russian Energy Politics Muhidin Mulalić Mirsad Karić*

Abstract

The Energy politics is today at the center of the Russian and the Western Balkans relations. It is widely known that Russia has been playing significant role in world energy supply. Therefore, Russian energy companies have taken a leading role in the promotion of their businesses in the Western Balkans. The Western Balkans region has become geostrategic partner as a transit route for the integration of Russia into the global energy world market. With regards to the transportation of gas Western Balkans as a transit route is determined to fully realize South Stream project. In contrast to "a buffer zone" role, in the past few decades the Western Balkans gained an attention from Russia and became an important geopolitical bridge towards Western Europe. Such geopolitical and geostrategic planning of Russia is apparent with regards to gas and oil. Due to Russian South Stream gas pipeline project the Western Balkans became an important European energy transforming center. These new geostrategic games over the pipeline have also revived the Russian historical interests in the Balkans. This paper aims to analyze Russian-Western Balkans relations with special emphasis on energy politics and geopolitical and geostrategic interdependence of Russia and the Western Balkans.

Keywords: Russia; Western Balkans; Energy Politics; Geopolitics

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The Russian Foreign Policy

Foreign policy is often defined as the strategy of actions chosen and taken beyond the boundaries of the state to achieve certain goals and objectives in relations with other powers in the international system (Russett et. al., 2000, p. 117; Hudson, 2008, p. 12). Such relations are often conducted in very complex, ever-changing domestic and dynamic and international environments. This also contributes to the decision-making process, which results from the work of coalitions of interested domestic, regional and global or international actors and groups. In the light of this foreign policy definition it is obvious that the goal of each state in the international system is to protect and to promote its national interest in terms of country's security, autonomy, welfare, status and prestige.

Throughout the history Russia and the Western Balkans have been interconnected and interrelated. The Russian foreign policy towards the Western Balkans was marked throughout the history by the cultural and spiritual closeness. At times such relationship was exaggerated and used to get a mythological character. At the same time often the Slavic-Orthodox solidarity was rarely a deciding factor of Russian policy in the Western Balkans. Since the eighteenth century, the Russian involvement in the Balkans was largely based on a friendship. For instance, during the 1770s, Russia supported the Montenegrin uprisings against the Ottoman rule. Then, in the nineteenth century the national liberation movements of the Western Balkans gained

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics significant support on the ethnic and religious basis. The Russian foreign policy was greatly based on an idea of pan-Slavism. Actually pan-Slavism was used as a tool against the Ottomans by the Slavic and Orthodox nations in the Western Balkans (Levine, 1914, pp. 664-686). The Russian Empire fought for dominance in the Western Balkans and definitely had strategic interests in the region during the World Wars.

During the Cold War, and especially in the 1950s and 1960s, other great powers feared that the Soviet Union would surpass the United States as the world's leading power. The Soviet Union had the world's largest territory, third largest population and second largest economy and it produced more oil and gas than Saudi Arabia. It possessed nearly one-half the world's nuclear weapons, had more men under arms than the United States and had the highest number of people employed in research and development. In terms of soft power, during the period following the World War II the communist ideology was attractive in Europe because of its resistance to fascism and in the Third World because of its identification with the popular movement toward decolonization (Nye, 2011, pp. 168-169).

Due to the triumph of the West and the collapse of the Soviet Union, Russia significantly shrunken in territory (76% of the Soviet Union), population (50% of the Soviet Union), economy (45% of the Soviet Union) and military personnel (33% of the Soviet Union). Moreover, the soft power of the communist ideology virtually disappeared (Ibid., p. 169). Therefore, after the

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics fall of the Berlin Wall and the collapse of the communist system Russia has experienced the economic, social and political crisis. Such quick collapse had a strong influence on Russian foreign policy too. With the fall of communist regimes in Eastern Europe and the withdrawal of Soviet military forces Russian foreign policy had also diminished. There consequently followed the Western expansion to the post-communist East. In this regard, there was a tendency that Russia will seek ways of stabilizing internal situation without taking too much care about foreign policy and the world politics. Russia was preoccupied with its internal affairs, particularly with the consolidation development of the country's economy. This so-called Romantic Period in the Russian foreign policy under Andrei Kozyrev was characterized by liberal internationalism that was even ideally seeking the unification with the West (Beom-Shih, 2009, pp. 1-24).

Not willing to renounce its imperialistic ambitions, Russia faced very big challenge such as establishment and self-creation of a new cultural, social, economic and political identity. As a result of this there has been a fundamental reassessment of the interests of Russia, basic goals of its foreign policy, the means of achieving these goals and the policy process (Beasley, et. al., 2002, p. 109). Therefore, different forces in Russia, beginning from Evgeny Primakov, began increasingly to seek Russian position in the world politics and more dynamic and realist foreign policy that will strengthen Russian interests. In this

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics context the main premise of Russian foreign policy as one of the most important tools to ensure steady development of a country and guarantee its competiveness in the globalizing world under any government has been based on a realistic assessment of the country's interest which has to ensure the national security, preserve and strengthen its sovereignty and territorial integrity and secure its high standing in the international community as one of the influential and competitive poles of the modern world. In 1999, with the coming of Vladimir Putin another strong change in Russian foreign policy began (Lo, 2002, 5-9). Since then Russian foreign policy and strategy were aimed at stabilization of Russian internal affairs, using of oil and gas as diplomatic tools and return of Russia as a great power. Actually, due to stunning economic growth Russia again began to challenge the United States in the global political arena. For instance, average per capita gross domestic product (GDP) in Russia has grown from \$1,312 in 1999 to \$8,842 in 2007 (Oliker, et. al., 2009, 1).

Geopolitics has been taken as the guiding principle for Russian foreign policy objectives and interests. For example, Russian new geopolitical approach towards so-called 'southern periphery of Russia' changed to 'the Russian sphere of interest'. Therefore, Russia started to position itself as returning power to the international arena but with different objective than in the past whereby ideology was replaced with the common interest. Russian geopolitical strategists, politicians and diplomats also began highlighting strategic and economic interest of Russia in

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics relation to neighboring countries that were previously part of the Soviet Union. Russia didn't do away with her superpower role, especially in her neighborhood. For instance, in order to prevent NATO expansion in the Balkans Russia also made a strategic partnership with Beijing based on the idea of multi-polar world (Selezneva, 10; Mankoff, 2009, 199). Then, shaping of new Russian foreign policy was greatly affected by world energy crisis. Due to world gas demand and its relatively high prices Russia managed to undertake significant economic stabilization. Actually Russia transformed itself into an energy superpower, which contributed to Moscow's much stronger international position and at the same time Moscow managed to rebuild the foundations of the national power by using energy revenues. Therefore, Russian foreign policy is greatly related to the domestic policy by strengthening economic resurgence and ensuring sustenance of the international prestige and the security interests (Mankoff, 2009, 31; Oliker, et. al., 2009, 6).

Geopolitics, Russia and the Western Balkans

According to Holdar (1992) the term geopolitics was coined in 1899 by Rudolf Kjellin, Swedish political scientist. Throughout the history this term has had various connotations. At the beginning of the 20th century term geopolitics was a useful word to describe the geographical base of the state, its natural endowment and resources, which many claimed determined its power potential. With Hitler's rise to power the term was

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics associated with expansionist Nazi foreign policy, and during the Cold War the word was used to describe the global contest between the Soviet Union and the United States for influence over the states and strategic resources of the world (Hanhimaki, 2004; Hepple, 1986, pp. 21-36). Furthermore, the Cold War scholars of international relations described that the main goal of geopolitics was the competitive zero-sum game played by nation-states in their pursuit of power and security. In such circumstances countries were primarily concerned about gains from trade, investment and military action relative to other national competitors. Greater territory and resources for one party necessarily crate a loss for others. However, since then the geopolitics has become a much broader concept referring to the influence of geographic, cultural, demographic, economic and technological factors on the political discourse among actors in the international sphere (Victor, et. al., 2006, pp. 4-5). Based on this it might be said that relative gains do matter but so do joint gains from interdependence which prevails in the world today and possible and necessary cooperation among the states.

In Russian foreign policy Balkans has been a significant area of a steady geostrategic interest. Thanks to the cultural, religious and political affiliations, the Western Balkans is the closest part of Russia towards Europe. On the other hand, this region has been actively used as a ground for the suppression of Turkish and European interests. After the First and Second World Wars the Balkans represented a clearly identified group of six

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics countries: Albania, Greece, Bulgaria, Romania, Yugoslavia and Turkey. During the Cold War the subsequent six countries were divided into so-called 2+2+2 groups. NATO members included Greece and Turkey, a member of the Warsaw Pact included Bulgaria and Romania and the non-aligned and independent blocs included Yugoslavia and Albania. After the fall of the Berlin Wall and the disintegration of Yugoslavia several new states were founded (Mitrovic, 2011, pp. 99-106).

After the end of the Cold War, Russia lost its military, economic, political, ideological and geostrategic importance in the world. Consequently, after being a major world power since the end of the WWII Russia was forced to accept a 'second class' status' in the international system. However, a new scenario was unacceptable for Russia which tried to find a place in promoting its international status and reputation. Russian foreign policy decision-makers have realized that traditional military and political alliances cannot anymore protect against all the existing trans-border challenges and threats. Therefore, the bloc-based approach in addressing international issues has been gradually replaced by a 'multi-vector' foreign policy and 'network diplomacy' based on flexible participation and diversified approach towards every country in the international system in terms bilateral and economic relations. Russia's principal objectives in the area of international economic relations which are consistent with its priorities include strengthening its strategic partnership with major producers of energy resources while

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics actively promoting dialogue with consumers and transit countries, based on the assumption that measures to ensure the security of energy supplies should be consistently complemented with reciprocal measures to ensure stable energy demand and reliable transit. Imperialistic and hegemonic ideas of Russia have become very current again especially over the past decade as Russia's economic position significantly improved, inter alia through large revenues acquired from gas production. Rapid economic growth has encouraged further Russian investment overseas including the Balkans and increased Russia's confidence and activates on the international scene.

In Russian geopolitics the Western Balkans remains a link between Russia with Europe, whereby Russia has been taking advantage of this geopolitical and strategic relationship. More active engagement of the EU and the U.S. in the Western Balkans, as a result of the breakup of Yugoslavia, was seen by Russia as negative as these influences, according to Russians, affected the disintegration of Yugoslavia and the creation of independent state of Kosovo. With Slovenian and Croatian joining of the NATO the political and strategic interests of Russia were greatly limited. In both Slovenia and Croatia strong and organized Serbian minorities do not exist which greatly reduced a chance of Russia to built stronger pro-Russian policy based on Orthodoxy. Therefore, because of these limitations the main attention of Russian foreign policy has been directed towards Serbia, which is believed to be the only Eastern European ally. Russia used historical relationship

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics to keep Serbia outside NATO and in return Russia has been helping Serbia in the domain of economic, political and military aspects. Therefore, Serbia is considered as the headquarters of the Russian policy in the Balkans in tackling NATO member countries and the spreading of Turkish influence in the Western Balkans.

Russian foreign policy toward the Western Balkans is threefold. The first and most important instrument of the Russian presence in the region is "energy policy," which is coupled with the "identity politics" and "security policy." With the majority of countries in the region, Russia share common Slavic origin or Orthodox religion which stimulates dialogue in the humanitarian field and encourages mutual cooperation. Common traditional and cultural values again after the Soviet collapse became the foundation for dialogue at a high political level between Russia and the Western Balkans leaders (Lo, 2002, 15-17). Frequently, at meetings the heads of diplomatic missions from the Western Balkans use to acknowledge a special historical significance and spiritual-cultural heritage that unites Slavic nations underscore the importance of their mutual cooperation in the new world order. Russia and the Western Balkans have been searching a way for mutual economic and political cooperation. Russia and the Western Balkans states must re-develop their own strategic and political interests and emphasize on modernization and sustainable development. The third pillar of Russia's involvement in the Western Balkans is a "security policy." Russia is a M. Mulalić&M. Karić *The Western Balkans Geopolitics and Russian Energy Politics* permanent member of the UN Security Council, which has been involved in a major security issues, especially related to the Western Balkans. This policy is often seen as a continuation of "identity politics" in the sense of solidarity with the Serbs. In addition to these three dimensions, the Western Balkans has the potential for trade, economic and military cooperation with Russia, taking into account the traditional ties that bind Russia and the Western Balkans states. Russian President Putin made it clear that

"the [gas] pipelines are our legacy from the Soviet Union. We intend to retain state control over the gas transportation system and over Gazprom. We are not going to divide Gazprom. The European Commission had better forget about its illusions. As far as the gas is concerned, they will have to deal with the Russian state" (Rosner, 2006, p. 1).

There are three "pillars" of Russian influence in the Western Balkans. Russia has privileged position as a permanent member of the UN Security Council and blocks all processes run by the United Nations in the Balkans if they oppose Russian political interests and objectives. Then, Russia has the historical, cultural and political relationship with the Balkans there is the growing economic importance of Russia for the Balkans nations. Russian veto has its utility value in organizations such as the OSCE and Russian voice has great significance in other international bodies. The three pillars of Russian influences are most evident in Serbia. Russian privileged position in the UN Security Council brings Russia political capital in bilateral

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics political relations between her country and the Western Balkans. Then, Russian historical, cultural and political relationship with the Balkans increased the understanding of Russia's priorities in international relations. Sometimes, as in the case of Serbia, Russian electorate request cooperation with Russia, because of the historical and cultural relations.

Russian Energy and Foreign Policy

Energy has become an integral part of the foreign policy agenda as it guarantees national security. States now desire energy security in the same sense that they desire military and economic security. Therefore, according to Kalicki (2005) energy security may be understood as "assurance of the ability to access the energy resources required for the continued development of national power... and adequate infrastructure to deliver these supplies to market" (p. 9). Following this definition it seems that energy security means different things to different actors in international relations. For the majority of importer states, energy security means security of supply, in which the consistent delivery of affordable energy sources is vital. On the other hand, for exporter states such as Russia, security of demand requires access to a developed and reliable market for the long-term sale of energy products. Following this, states have economic and political concerns. Former concerns are related to maintaining supply and demand between exporters and importers respectively in order to minimize any energy disruption or shortages on the

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics premises that such energy shocks might undermine their economic wellbeing. Political concerns are more about the potential leverage exercised by exporter states over both final consumer and transit states due simply to their dominant position as energy suppliers (Hadfield, 2008, pp. 323-324). So as to avoid having problems and obstructions in delivering the energy to the final destination, exporter countries look for various options to minimize the monopoly of countries across whose territory energy is transported. This has been very obvious since the dissolution of the Soviet Union which was of crucial importance in realizing the potential of energy in one country's foreign policy.

Russia's "geopolitics of gas" has both, economic and political implications. Yes, it brings more investment and extra revenues to the countries involved but it also requires actions of governments, investors and other key actors who decide on the routes to be followed, projects to be built, how the gains will be allocated and how the risks of dependence on international gas trading will be managed. It is widely known that almost half of Russian GDP, two-thirds of export profits and half of government revenues comes from the energy sector. Energy companies have become the center of the promotion of Russian business in the Balkans and allow Russia to maintain a position in the foreign trade. Energy interests also define a platform for politicians and policy allowing the Russian energy business to benefit.

The main goal of Russian foreign energy policy is formulated in the *Energy Strategy of Russia for the Period till*

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics 2030. Russia aims at a maximum efficient use of Russian energy potential for full integration into the global energy market and strengthening its position in achieving the highest possible benefits for the national economy. In this regard, the Balkan region has become a strategy for Russian integration into the global energy market, which is an important transit route and significant market. As a transit route Balkans is the final phase of the Russian supplies of oil and gas. Russia is interested to continue negotiations on the sale of gas and the use of transport options to the Balkans. Russian gas sales to the Balkans are dominated by "Gazprom." Russia is a leading player in total exports, resulting in a share of more than 95 % in some Balkan countries that are dependent on Russian supplies. Russian companies are determined to increase gas exports to the Balkans and there are plans to develop the gas network in Macedonia and expand a gas pipeline to Albania, southern Serbia and Kosovo. Therefore, "Russia is determined to exercise, through political and economic means, a sphere of influence in its "Near Abroad," especially by manipulating energy supplies and prices" (Oliker, et. al., 2009, 5).

As for the sale of oil, Russia's presence in the Balkans is primarily made through Russian giant 'Lukoil'. As far as transport options, primarily for transport of gas, transit potential Balkans intended to be used throughout the project *South Stream* pipeline 900 km long, that needs to open in 2015. This pipeline will connect Russia to the Balkans, where the route is then split north

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics to Austria and south to Italy. This project has so far joined Austria, Croatia, Italy, Slovenia, Bulgaria, Serbia, Hungary, Greece and Turkey. Connection deliberately bypasses Ukraine to avoid repetition of disputes over gas supplies that prevented the Russian delivery to Europe in the last four years. In the case of oil, Russia has proposed the pipeline, which transported the Russian and Caspian oil from the Bulgarian Black Sea port to Greece bypassing the Bosphorus and the Dardanelles. However, Bulgaria has recently rejected the project on environmental grounds after a referendum held in the region through which the pipeline would run, which is the perspective of the project remains unclear. Russia is also interested to build underground reservoirs of gas in a number of Balkan countries. The electricity sector is another area in which Russia looks for cooperation. One of the most important projects in this field is the synchronization of the energy systems of Western, Central and Southern Europe with the energy systems of the former Soviet Union and the Baltic states.

There is a growing involvement of Russia in the European integration process of the Balkans countries, whereby Russia bases her relations on cooperation with the European Union. Russian energy policy is in convergence with EU policies in this area because all the Balkan countries, either through membership in the EU or through the signing of the Stabilization and Association Agreement follow EU energy regulations. Due to

M. Mulalić&M. Karić *The Western Balkans Geopolitics and Russian Energy Politics* such cooperation with the Balkan countries Russia de facto becomes integrated into the EU internal energy market.

The Balkans and Russian Energy

Since the end of the Cold War the Balkans has been undergoing uncertain transition which created a source of regional instability. Hence, the Balkan countries had to look for a new political framework which will provide peace, create new security architecture and bring economic prosperity to the region. In such political turmoil, interests of the countries in the region have been interwoven with the goals and objectives of the major powers, mainly the EU and the United States. However, gradual decline of the USA leadership in the Balkans and financial crisis that affected the EU for the last few years created a political vacuum which has been exploited by other active powers such as Turkey, China and even Israel, but above all Russia.

Among all big powers in the world, only Russia does not need to import important energy sources such as oil and gas. At the moment and in the coming twenty years it has enough energy for its domestic consumption and to export too. On the other hand US has to import more than half of its oil consumption and some amount of gas; EU, from its own resources currently covers only about 25% of oil and just over half of gas needs. By the year 2030, countries that make the EU today will be able to cover just 20% and 40% of oil and gas needs respectively. Russia is able to export more than two thirds of its oil production and in the case of

M. Mulalić&M. Karić *The Western Balkans Geopolitics and Russian Energy Politics* gas capacities are very significant as well (Petrovic, 2013, pp. 8-11). Since the dissolution of former Soviet Union Russia has remained a superpower in the field of gas and other natural resources available in Russia today.

For sometime Moscow has tried to convert the Balkan region into a strategic hub and a preferential entry point to the Western economic zone. In such undertakings Russia has always had zero-sum equations in its approach towards the Balkans and especially after the NATO and EU enlargement eastward, unresolved the Kosovo crisis and the permanent post-Dayton instability in Bosnia and Herzegovina. This policy has been driven by *kto kogo* (who wins over who) style resulting in the fact that "for every winner there must be a loser" (Lo, 2002). Moscow has seen the Balkans as its predominant sphere of influence and the buffer zone where the Russian economic and geopolitical interests have to be given priority over the EU and USA.

Russia's main goal in the Balkans has been to provide stability, security and peace as conflicts and wars in the Balkans have not brought any good to Russia throughout the history. On the contrary, conflict in the Balkans has always been something bad for Russia. Last wars after the dissolution of Yugoslavia showed that Russia could not have a significant influence on the aftermath of those wars since USA and NATO prevailed at the end. Therefore, Russia is ready to use all capacities at its disposal to preserve the ideas of sovereignty, to get prevent the spread of the

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics Western ideas that have prevailed in the West since 1991 that it is legitimate to use force to solve international problems, the most specifically to solve domestic problems in the countries concerned. What is nonetheless important for Russia in the Balkans is obviously energy aspect. Hence, Russia has been investing in the infrastructure of some Balkan countries which have the role of providing a route for Russian gas to get to Western Europe.

Serbia has been Russian strategic partner in the Balkans throughout the history. Hence, since the dissolution of the former Yugoslavia the key issue in Serbian politics has been whether to be closer to the West or Russia. Almost all political parties in Serbia and people of all backgrounds have faced this dilemma. Since the end of the Cold War Russian political elites have tried to facilitate its relations with Serbia and thus to attract Serbian political elites and people to accept Russia as their strategic partner which is of crucial importance in Serbia's regional and international relations (Halilovic, 2012, pp. 195-197). Thus, in 2009 Serbia and Russia signed the visa-free regime which envisaged that citizens from one country may enter the territory of the other one and stay there for one month.

Serbia has always been enjoying a strong Russian support and on the other hand Serbia has shown among all the Eastern European countries signs of friendship to Russia. Besides historical ties, Orthodoxy and economic relations Russia is actually trying to stop the penetration of NATO in the Balkans by

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics using Serbia as a proxy power. Serbia has thus played a significant role in an international setting of new Russian foreign policy. Russia is quite aware of the value of Serbia in the Balkans as a country with a bad experience with NATO. Serbia also has been dealing with the problems related to Kosovo independence. Due to these problems Russia could strongly count on Serbia as its strong and long-term ally. Then, Russian policy is consistent against the recognition of Kosovo's independence, which was forcefully separated and took a legitimate part of Serbian territory. Russia along with China is able to block the UN Security Council and the admission of Kosovo into worldwide international organizations. In the case of Russian-American relations Serbia and Kosovo could be traded in for much higher Russian strategic goals. In the case of NATO, Serbia wants to be a neutral country as to count on Russian support. On the economic front, Russia seeks to use its position in the Serbian capital. Russian gas and oil are important energy which is supplied to Serbia. For instance, a controversial agreement was signed between Gazprom Neft and the Oil Industry of Serbia (NIS) for a price that many in Belgrade considered too low and many consider it as some kind of debt to Russia for the support for Kosovo (Oldberg, 2010, p. 52).

Pipeline systems that carry out expensive fuels to consumers are certainly very important and their network is being updated constantly. Thus, the construction of *South Stream* gas pipeline which implies investment of approximately EURO 1.925 billion to Serbia will make the Balkans in general and Serbia in

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics particular a regional energy hub. According to the Serbian Prime Minister Ivica Dacic, the beginning of construction of South Stream pipeline is one of the most valuable investments in Serbia in recent decades. This project, which is considered to be the Gazprom biggest project in Europe, is of special importance for the Serbian geopolitical position in international politics, geopolitical concerns and energy security. Consequently, it gives Serbia a status of an important factor not only in the Balkan region but in the whole of Europe. Therefore, construction of the South Stream pipeline brings multiple benefits of exceptional importance for Serbia.

Conclusion

In Russian foreign policy, the Western Balkans has been seen as a natural and traditional sphere of Russian influence. Unlike with other parts of Eastern Europe, where historical and cultural ties were much weaker, the Western Balkans is perceived as an area where there is Orthodoxy as one of the most important links. Then, there is a common Russian and the Balkans historical struggle against different influences. There is also a close geographic proximity, which allows the realization of common economic projects. Therefore, Russia has been making significant efforts throughout history to keep influence on the Western Balkans.

Russian influence in the Western Balkans and the growing economic importance of Russia, which is reflected both in the

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics energy sector as well as increasing investment and trade potential of Russia in the Western Balkans, enable Russia, through the peculiar bilateral negotiations, to achieve favorable arrangements for their national companies. Russia has taken an active role in a variety of industries in the Western Balkans. Apart from the energy sector, Russian economic and investment interests were directed towards metallurgy, chemical and petrochemical industry as well as agriculture and military sectors. Some Western Balkan companies made joint ventures with Russian companies mainly in industries like pharmaceuticals, food, and light industry, machine and construction industry.

South Stream pipeline provides safe, continuous and uninterrupted supply of gas what is very important taking into consideration interruption and restriction in the distribution of Russian gas for several times in the last few years. With this pipeline Serbia gains additional importance in international politics, as it would cease to be the only receiver of energy via pipelines from other countries, and becomes one of the very transit states of this energy source to the Central and Western Europe. Besides Serbia, one offshoot of the pipeline goes to Bosnia and Herzegovina, entity of Republic of Srpska. This further strengthens the entity of Republic of Srpska, its relations with Serbia and Russia. Construction of this pipeline consolidates the position and role of Russia in the whole Balkan region especially towards Serbia as its long-time ally in international affairs. In relation to Bosnia and Herzegovina, Russian policy is

M. Mulalić&M. Karić The Western Balkans Geopolitics and Russian Energy Politics quite clear helping by all means the Republic of Serbs and entering the plea for its existence, and at the same time helping Belgrade in order to retain the belief that the Serbian territories are preserved in Bosnia and Herzegovina with strong autonomy and a possibility of succession. This approach enables Russia to have a direct control of all processes taking place in the Western Balkan countries and indirect impact on the EU and NATO policies with regards to their possible expansion in the region.

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