

**Commission on Security & Cooperation in Europe:
U.S. Helsinki Commission**

“Foreign Meddling in the Western Balkans: Guarding Against Economic Vulnerabilities”

Committee Staff Present:

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HAND: It's getting quiet, so I think we can start. Usually, I have to step in and get everyone to tone down, but now everybody's anxious to go. Maybe that's a sign in the interest in the subject matter today.

So let us start. And as moderator, let me welcome the panelists, as well as the audience, to today's briefing. My name is Robert Hand. I'm a policy advisor at the U.S. Helsinki Commission. Our chairman is Senator Roger Wicker of Mississippi. And our co-chairman is Representative Christopher Smith of New Jersey.

This is the third Commission briefing on the Western Balkans in three months. That fact underlines the ongoing concern of the Helsinki Commission for this region in Europe, despite many other issues which require so much attention.

Today's turnout for this briefing I think demonstrates that the Commission is not alone in its concern for the Western Balkans. Let me, nevertheless, start by stressing why we are having this briefing, and why the stability of the Western Balkans and the democratic development and economic prosperity of the countries of the region remain so important to us, two decades or so after devastating conflict. First, we have already devoted significant effort – political, economic, even military – not just to stopping those conflicts, supporting recovery, and preventing new conflicts. It only makes sense that we should complete this job. It's a commonsense argument and probably means greater commitment than we see now from United States as well as the European Union, but nothing near what was required in the past.

Second, these countries are next in line to each other as future aspirants to join the European Union. And most are similarly in line to join the NATO alliance. Indeed, some have already done so in the region. They each can make a small contribution, but collectively far from an insignificant contribution to both collective security and common prosperity in Europe. Being next in line, but still outside the safety of the club – especially at this time of uncertainty, conflict, and confrontation in Europe – may be the toughest place to be, accentuating the internal and external threats these countries face. As the foreign minister of Macedonia, Nikola Dimitrov, recent said on the matter: “Those on the inside tend to forget how cold it is outside.”

Expectation can encourage reform, but reform generates expectation as well. If not met, internal reversals are sure to come. By external threats, or outside sources of instability, I mean those that seek to divert the Western Balkans from what otherwise seems to be a natural and genuinely popular European path, and also to seek opportunities for mischief that is far from innocent. Russia comes immediately to mind in this regard, and the attempted coup in Montenegro in 2016 as the country was finalizing its NATO bid is only the most blatant of many manifestations of these outside sources of instability. Moscow's attempts to steer public opinion in Serbia away from Europe and to encourage recalcitrance in the Republika Srpska entity of Bosnia-Herzegovina have also received our attention. The Kremlin also took interest in Macedonia during the course of the political crisis there.

This, of course, makes the Western Balkans more important, as the countries there are a stage on which a much bigger issue is playing itself out – namely, Moscow's aggressive behavior

throughout Europe. As one expert witness told the Helsinki Commission last year at a hearing on Russia's threat to European security, the Western Balkans are in Russian crosshairs. We continue to read about Moscow exerting a malign influence in Europe and elsewhere. And considerable attention has been given to that issue here in the U.S. Congress. Turkey, various countries in the Middle East, and now China have also developed a presence in the Balkans, with some reason for concern regarding the implications for stability.

Our briefing today focuses on foreign meddling and, more specifically, how the absence of good governance and strong adherence to the rule of law give outside actors an opportunity to develop an economic footprint that can be used for political purposes. The four countries of primary focus this morning are Bosnia and Herzegovina, Macedonia, Montenegro, and Serbia. Of course, there may be some commonalities throughout the region, including countries not the focus of this morning's briefing. And we may comment on those as well.

And although the focus is primarily on Russia's economic footprint in these countries, the reform shortcomings that create vulnerabilities are of concern to the extent that they also slow the process of European integration and, let's remember, rob the citizens of the countries of economic opportunity and of increasing prosperity.

This is, of course, yet another reason why the Balkans are so important, beyond the concern about foreign meddling. The people of the region have already been traumatized so much by conflict that they deserve better from their own political leaders. Indeed, their political leaders have committed themselves in the OSCE to develop good governance, to adhere to the rule of law, to operate with greater transparency, and to combat corruption. At the 2012 meeting of foreign ministers in Dublin, Ireland, for example, the OSCE adopted a declaration on strengthening good governance and combatting corruption, money laundering, and financing of terrorism, which best expresses the commitment of all OSCE states in this regard.

We have an excellent panel today to discuss this important topic. You have their biographies. They were handed out to you as you signed in this morning, so I won't detail them here. Let's just start by thanking them, again, for coming. And let me particular thank the Center for International Private Enterprise for taking its leadership role in working with partners in the region on this issue. And so let me start with Andrew Wilson, the managing director of CIPE, to introduce the issue. Let me say how much I value CIPE's work. We deal a lot with other organizations dealing in the political affairs. But just as we know that we need free and fair elections in these countries, we also need to have free and fair markets. And that's where CIPE plays such an important role.

And then after we hear from Andrew, we will listen to some of the partners CIPE who are visiting Washington, coming in from their home countries. And then we'll finalize with Dr. Dimitar Bechev, who will put it all together and give some comments and analysis on the region.

So with that, let me turn it over to Andrew and we'll start the presentation. When everybody's done, we'll then go to a question and answer period.

Andrew.

WILSON: Thank you, Bob. And thank you for the kind introduction. I'd like to thank Bob and the Helsinki Commission for his leadership on this important initiative, and welcoming the participants and attendees of this timely briefing.

Over the past decade, there has been an increase in the flow of funds from a number of non-democratic countries into emerging democracies. While in many cases, this might represent wholly legitimate investment, in other cases there are signs that governments have specifically sought to direct this capital to achieve purposes other than purely economic. At CIPE, we define this issue as corrosive capital, equity, debt, and aid that takes both advantage of and exacerbates weak governance in emerging democracies to the detriment of their democratic and market development, as well as to influence their geopolitical orientation. Corrosive capital can distort policymakers' incentives and decision making, privileging the political influence of foreign governments over local citizens' voices.

CIPE welcomes the partnership with the Helsinki Commission and the opportunity to present today these knowledgeable panelists who will be speaking on how to respond to this challenge in the Balkans in particular. As we know, in the Balkans, despite the passage of nearly two decades since the end of armed conflict, democratic transitions remain woefully incomplete. Against that backdrop, in recent years external actors have reasserted their role, diverting the Balkans from a trajectory of Euro-Atlantic integration. As the panelists will explain, corrosive capital has emerged as a key element of that approach, posing a major challenge for governments, business communities, and civil societies across the region.

In response, in 2017, CIPE embarked on a unique project in pioneering a new comprehensive methodology to analyze, first, how what we call governance gaps, such as loopholes in anticorruption policies, nontransparent procurement policies, and a lack of strong competition policies create in the Balkans opportunities for the inflow of corrosive capital. And, second, how that capital widens those governance gaps and potentially undermines the consolidation of democracy in the region. A network of CIPE partners represented by the panelists today from across the region, Bulgaria, Montenegro, Serbia, Macedonia, and Bosnia and Herzegovina, have identified specific governance gaps and, in particular, have examined the extent and impact of Russia's economic footprint in the region.

Now, we recognize that in recent years the countries of the Balkans have made important progress. But as the panelists will discuss, judicial and executive institutions are still not sufficiently independent, efficient, or accountable. Implementation and enforcement of legislation is often weak and inconsistent. And further efforts are needed to tackle corruption and to make public budgeting, procurement, and privatization more transparent. We're honored that the Helsinki Commission has invited CIPE's partners here to inform a U.S. audience about these issues, just as they are raising awareness in their own countries. In addition, working with local business and civil society leaders, they are seeking to create greater transparency about foreign investment in the Balkans, and to advocate with policymakers to close those identified governance gaps.

By so doing, they aim to ensure that local businesses can compete on an equal footing and that all investors enjoy a level playing field. This, in turn, will make markets and democracies in the Balkans more resilient to potential untoward external influence and help ensure inclusive economic growth. This effort can contribute to democratizing economic opportunity in the Balkans, and countering the worrying spread of a perception in the region that democracy and markets have failed average citizens.

We note that the European Commission plans to adopt a new strategy to boost democratic transition and economic reforms in the region. By tackling the challenge of corrosive capital in the Balkans, CIPE is also developing tools and approaches that can benefit other emerging democracies worldwide, including across Asia, Latin America, and Africa. We look forward to future opportunities to share the results of that work with you as well.

Finally, I'd like to close by thanking the National Endowment for Democracy for its support of the CIPE program that engages today's panelists. Of course, such projects are, in turn, made possible thanks to the critical commitment of the U.S. Congress to funding the NED. Thank you.

HAND: Thank you, Andrew. Our next speaker is Ruslan Stefanov. He is the director of the economic program at the Sofia-based Center for the Study of Democracy.

Ruslan.

STEFANOV: Thank you. Let me start by thanking the Center for International Private Enterprise and specifically its executive director Andrew Wilson for the partnership of the past more than 25 years, the National Endowment for Democracy for its support, and, of course, the Helsinki Commission for taking the time and leadership to examine the issues that are key to the security and prosperity of the Balkans region.

The Western Balkans have become one of the regions in which Russia, among others, has increasingly sought to assert its presence in the past decade. Thus far, the region has remained on its chosen course on Euro-Atlantic integration toward market economy and transition. But the countries from the region need to not just recognize their vulnerability, but know their level of the vulnerability and work to close existing governance gaps which allow the penetration of corrosive capital and democratic backsliding.

To improve the understanding of the interplay of existing governance gaps and corrosive capital from non-democratic countries, we at the Center for Study of Democracy, together with CIPE and experts from the Western Balkans that you will hear from, have embarked on an assessment of Russia's economic footprint in Serbia, Montenegro, Macedonia, and Bosnia-Herzegovina. The assessment builds on previous work of CSD that you might have seen, the Kremlin Playbook, which analyzed Russia's influence in Central and Eastern Europe.

The Russian economic footprint in the four assessed countries has notably expanded in absolute numbers over the past decade. Russia has grown from peripheral economic power to a significant player in the region. In some countries, though, Russia's economic footprint in the

Western Balkans has shrunk in the wake of economic recession, international sanctions following its annexation of Crimea. Yet, in others, we've seen that it has deepened and has even amplified rising political and soft power, including over media.

The Russian corporate footprint, or the share of Russian company revenues of the four economies' total turnover hovers between 6 ½ and 10 percent. Russia's economic presence is highly concentrated in strategic sectors such as energy, banking, mining, and real estate. Although it has been most significant and most diversified in Serbia, notably, until the withdrawal of Deripaska in 2013 from the KAP aluminum plant in Montenegro, close to one-third of that country's – Montenegro's – economic was under the direct or indirect control of Russian firms. Even today, Russian FDI stock in Montenegro is close to 30 percent of the country's GDP.

The Russian footprint is least pronounced in Macedonia, while Russian FDI tops out at only 1 percent of GDP. In Bosnia and Herzegovina and Serbia, the footprint is about equal. Russia exerts direct and indirect control over about 10 percent of the economy in Serbia, primarily in energy and banking. In Bosnia and Herzegovina, Russian FDI is concentrated in the Republika Srpska, where in 2014 – which is the latest available data – Russia-owned companies controlled 39 percent of the total corporate turnover in the hands of foreign companies.

The indirect footprint of Russian companies general goes through several channels including, number one, the dependence of local companies on imports of Russian raw materials, such as, most notably, natural gas. Debts – number two – debts accumulated for gas supply. Number three, the dependence of domestic companies on exports to Russia, or loans provided by Russian-controlled banks. For example, the subsidiary of Agrokor, which drama we have seen play out in the past year. An overreliance on Russian energy imports, coupled with an expansion of Russian capital, has made the governments of the Western Balkans particularly susceptible to pressures on strategic decisions related to not only energy market diversification and liberalization, but also Russian sanctions and, notably, NATO and EU integration.

Russian state-owned and private energy companies dominate the region's oil and gas sectors. These firms have gained influence through a series of nontransparent privatization deals for lucrative assets, such as the Serbian companies NIS and Beopetrol, the Brod refinery in Bosnia and Herzegovina, and Skopje Heating Company in Macedonia. These countries remain almost entirely dependent on supplies of Russian gas, allowing Gazprom to charge some of the highest prices for gas in Europe.

Russian companies have also taken advantage of the closed nature of regional and gas markets to solidify their dominant position, successfully exploiting governance deficits, such as delays in market liberalization, a reliance on intermediaries for wholesale supplies of gas, and an unwillingness to advance diversification projects. Furthermore, Russia has locked regional governments into costly energy projects, such as the South Stream pipeline, overwhelming poorly resourced regional governments' administrations, and exposing the western Balkan nations to huge fiscal risks.

Nontransparent privatization, in which asset valuations did not stem from objective economic assessments have enabled Russian businesses to expand their economic presence in a number of key industries, to the detriment of the host countries. Too often these companies have received preferential treatment, including tax regimes and energy subsidies, but rarely complied with the terms of their privatization agreements, leading to losses for taxpayers and state budgets alike. To exploit these governance gaps, Russia has captured local power brokers by offering government-sponsored business opportunities at premium returns. These intermediaries in turn have benefitted from further business opportunities or Russian support for their political objectives. Ultimately, the concentration of power in small, influential, economic and political networks creates vulnerabilities that Russia can exploit to affect public and private decision making.

Finally, to amplify the effect of its economic footprint, Russia has deployed an array of traditional soft power instruments, including through media, support for pro-Russian nonprofits and political parties, as well as high-level political visit and statements. These tools have been used to leverage both current governments and opposition groups depending on which means suits Russians best.

Now, based on the findings of our study we have made a number of targeted policy recommendations that you could find in the papers outside or also the website of CIPE and CSD.bg. But let me just sort out some of the most important one. First, there is a strong need for diversifying foreign direct investment away from an overreliance on corrosive capital from non-democratic countries. The corporate governance of state-owned energy companies should be depoliticized and improved because otherwise they can be decapitalized in long term deals granting preferential treatment to clients that enjoy special status from the government. All infrastructure projects should be in compliance with the high standards for transparency and competitive tendering. Independent institutions for privatization and follow-up monitoring should be strengthened by the appointment by parliament of staff free from any influence.

Similarly, countries should enhance the investigative capacities of their financial intelligence to institutions, tax administration, and anti-money laundering institutions to identify the ultimate beneficial ownership of foreign investors, in order to prevent tax evasion and money laundering. The EU and its member states, as well as the U.S., should substantially enhance their assistance mechanisms, particularly to counter corruption to help the most vulnerable countries in the region build greater resilience to corrosive capital inflows.

(Background buzzer.) Is that for me to end? (Laughter.)

The U.S. and EU should work together on joint coalition building mechanisms in the Western Balkans to support the capacity building of civil society and independent media to monitor and expose corruption, state capture, and external risks.

And finally, something we've been doing with our partner from CIPE for the past 25 years, private sector in the region, through it support organizations, should engage in a constructive dialogue with the national government on shaping a corruption-free business environment and open, competitive markets in line with the best international standards, such as

the laws developed by the Organization of Economic Cooperation and Development and/or the European Union. And with that, I'd like to thank you.

HAND: Thank you. And, no, that buzzer was not a response to your comments. Since we're here in the Congress, we do have these bells or buzzers that go off when one or the other chambers goes into session, when there's votes, et cetera. And so if it happens again, just ignore it. I should have mentioned it earlier to our visitors. But it's just the way that we keep our Members of Congress aware of what is happening on the floor and when they need to go for votes, et cetera.

Our next speaker is Milica Kovacevic. Milica is president of the Center for Democratic Transition in Montenegro. Welcome. We look forward to your statement.

KOVACEVIC: Thank you. And thank you very much for having us here to share our thoughts on the challenges facing the Western Balkans and our countries.

I'd like to start with a historical reference that I find really illustrative. So during the Cold War, back in 1956, Yugoslav ambassador to Moscow, Montenegrin Veljko Micunovic, write to Yugoslav President Tito that history of our economic relations with Russia is not less dramatic than the history of our political relations. For Russia today, as in the past, every trade is a direct means of politics, he wrote. Even today, this sentence continues to remain valid, and the playbook for our region was always the same.

In the last decade, we saw a significant level of economic engagement by Russian companies and individuals in Montenegro. And in addition to economic relationships, Montenegro and Russia used to have sparkling political ties. Political relations, however, deteriorated since 2013, as Montenegro moved forward with its NATO integration. And so far, by the data that we have, this change in the relationship has not yet affected the economic ties between two countries. But there have been some warnings coming from senior Russian officials.

So, for example, in March 2017, Russian Foreign Minister Sergey Lavrov said that Montenegro has sacrificed its economic relation with Russia by joining NATO. The dependence of Montenegrin economy on Russian investment in real estate and in tourism still raises the possibility that further deterioration in bilateral relations could pose a risk to our economy. Ruslan already mentioned, today Russian foreign direct investment in Montenegro makes up close to a third of country's GDP. Russia is the single largest indirect investor in Montenegro, with almost \$1.3 billion U.S. of cumulative investment, which is equal to 13 percent of all foreign direct investments to the country. A majority of this FDI is concentrated in the real estate and the tourism.

The number of Russian tourists in Montenegro has consistently increased in the last 10 years. Russian tourists, according to the official data, make around one-quarter of the total number of country's visitors. And this is really important, because tourism is the key sector of Montenegrin economy, and the most powerful generator of economic growth. Today, it makes around one-fifth of Montenegrin GDP and over 54 percent of all exports.

However, on the other side, Russia's share of the overall Montenegrin economy significantly shrank in recent years from almost 30 percent of total revenue back in 2006 to around 5.5 percent in 2015. And this is largely a result of the withdrawal of the Russian capital from Podgorica's aluminum plant, KAP, one of the largest companies in the country. Similar trends are observed in the analysis of the number of the employees working for the Russian-controlled entities, which fell from over 14 percent in 2007 to just 2.3 percent in 2015. And, again, primarily because of the loss of the control of KAP.

Based also on the experience of some other countries in the region, where some of the initial Russian investment in the energy sectors spilled over to a number of other economic sectors, we can now only contemplate what would have happened if the parliament of Montenegro hadn't stopped the acquisition of country's energy resources by KAP's owner, Oleg Deripaska, in 2007. The government of Montenegro also rejected Russian request to use Montenegrin Port of Bar for military purposes, despite the fact that Russia allegedly had a multibillion proposal, worth at least half of country's GDP. In 2014, Montenegro also aligned with the EU sanctions following the Russian annexation of Crimea.

Well, obviously prior to the admission to NATO, Russian government condemned Montenegro's membership aspirations, but also actively worked to prevent it, in particular by backing up the nationalist groups whose policy platforms are at the odds with Western values. Russian Deputy Foreign Minister Dmitry Rogozin went even further when he said that Montenegro will regret joining NATO. In parallel, the Russian media started to run a negative campaign aimed at preventing Russian tourists from coming to Montenegro, describing it as a dangerous place.

Montenegro has accused the Russian Federation of meddling in the 2016 parliamentary elections by attempting to overthrow the government to the strongest opposition coalition in Montenegro, the Democratic Front. There is an ongoing court case for the coup attempt against some of the DF leaders for acting against country's constitutional order. The indictment also includes two Russian military intelligence officers and several Serbian nationals, mostly member of the right-wing organizations and groups. Furthermore, another Democratic Front leader is being charged with participation in a money laundering scheme during 2016 election campaign. Allegedly the DF used funds of criminal origin, provided in large amounts by Russia to offshore accounts and then split into small installations and sent to individuals who later donated the money to the party.

Nevertheless, Montenegro managed to resist the allegedly Russian-orchestrated use of both hard and soft power, joining NATO in 2017. But even NATO admission has not completely brought Montenegro out of the danger zone. Russian interests in the Western Balkans has never been to annex the region, but to keep it unstable and as far from the Western integration as possible. And many analysts in the region, and followers of the region would agree that the region's integration in the EU will be the next target of these campaigns. EU integration is supported by the overwhelming majority of the citizens of Montenegro, and by all key political actors.

The report that we prepared also examines the governance gaps that have been exploited for the intrusion of the corrosive capital, and offers recommendations how to close these gaps to prevent further deterioration. Addressing these gaps is essential for our democratic reforms, inclusive economic growth, and EU integration. In order to succeed, we remain determined to advancing the progress we made so far. And we would welcome even more international support.

At the end, I would like to thank you, the Commission, and everyone here for the ongoing support and commitment to the region. The West should be persistent in demanding real democratic progress in our countries, because it's the key for a country's stability, security, prosperity, and resilience to harmful foreign influence, both in the region and beyond its borders. Civil society in the Western Balkans looks with hope at the United States enhanced diplomatic engagement, and relies on your help in ensuring that the region remains on its Euro-Atlantic integration path. Thank you.

HAND: Thank you very much.

Our next speaker is Nemanja Todorovic Stiplija, who's the editor in chief of "European Western Balkans."

Nemanja.

STIPLIJA: Thank you, Mr. Hand. Dear guests, thank you for the opportunity to appear before the Commission today. Allow me to thank also the Center for International Private Enterprise, and the National Endowment for Democracy for their support and the opportunity to present our views here in Washington. We very much appreciate the interest of the Helsinki Commission in issues that are of the great importance of the stability and the future of the Western Balkans.

Serbia is one of the key countries where Russian influence is the most obvious. Since 2008, it has been based on two pillars. First, the issue of Kosovo. And the second, the Russian engagement in Serbian energy sector, which dates back to the South Stream construction deal, and the below price purchase of the Serbian oil industry, shortly NIS. Furthermore, following particularly the global economic downturn in 2014 and 2014 Ukrainian crisis, the Russian influence has slipped over to the key economic sectors, such as the financial sector and the infrastructure. The economic engagement, high-level political visits, and strengthening cultural and religious ties mutually reinforce each other.

While most research has focused on the outright political influence, it has often disregarded the sophisticated networks in nation economics that exploit the democratic deficits in Serbia, and throughout Western Balkans. Despite the fact that South Stream was discredited, Russia still dominates Serbia's oil and gas sector. Through NIS, Serbia – Russia almost completely runs oil production, refining, and retail. Serbia imports more than 70 percent of crude oil consumption, and close to 65 percent of its natural gas needs from Russia. What's more, Russia is only importer of gas in Serbia, and it favors inflexible, long-term deals.

Through those deals, it has gained the eminent influence over a state-owned wholesale gas supplier, Srbijagas, which, as a result, the accumulated debt affecting Serbia's financial health. Srbijagas, the state-owned company, holds a dominant position on national gas market. An intermediary, YugoRosGaz, which is owned by Gazprom, receive around 4 percent premium on the gas resales to Srbijagas. Besides Srbijagas, Russians generally do a lot of business with state-owned companies, and those with close connections to politics.

That is why the country needs to advocate the reform on its public administration as soon as possible. Gas diversification is long overdue. Furthermore, steps are needed to tackle the restructuring and privatization of Serbia's enterprises. Based on our analysis, lowering the budget deficit and reducing the high public debt level, including debt generated by companies of strategic importance, also remain a challenge.

With regard to private sector, Russians fully or partly opened approximately 1,000 companies in Serbia. They control revenues of close to 5 billion euros, or 13 percent of the total revenue generated by the country's economy. Russian companies are also almost the major employers in the country, directly employing approximately 2 percent of total labor force, and indirectly employing 5 percent. What is important is that such employment is concentrated in just a few industrial enterprises.

Export to Russia has become an important aspect of the economic relationship between Russia and Serbia, particularly following the expansion of free trade agreement in 2009 and 2011. Russia's 2014 embargo on imports of EU agriculture or food products has provided a boost to export in non-EU countries in the Western Balkans. Nowadays, Serbia export to Russia is highest by volume in the Southeast European region after Greece.

Russian foreign direct investment remained relatively small amounting 4 percent of all FDI stocks in Serbia, according to data available from 2005 to 2016. Should we account also investing – following from third states, but still attributed to Russians, along with their reinvestment from profit, the total Russian FDI would be around \$2 billion, or 6 percent of country GDP.

During Serbia's fiscal crisis, Russia further deepened this – its economic – its engagement with the Serbian economy by adding loans to array of other tools deployed to promote its interests. Some of these loans reportedly stipulate less favorable conditions than those of the international financial institutions, and even granted preferential status to Russian state-owned contractors for the infrastructure modernization projects.

While Russia's presence in the finance sector is somewhat limited, borrowing loans from Russian banks may involve risks, as shown in recent Agrokor crisis. Relying heavily on bank loans, this retail has recent expanded into almost all countries of the Western Balkans, including Serbia. In early 2017, not only Agrokor employed more than 60,000 people through the region, but also accumulated debt totally around \$6.4 billion, or 6 times its equity. Sberbank, the Russian state bank, owns around 18 percent of it. Despite the debt, Agrokor remained relatively stable until the statement of Russian ambassador to Croatia sent shockwaves through the market.

Again, in Russia's mind, the economic engagement and other tools manually reinforce each other. Russia attempts to widen influence also through initiatives in the spheres of media, culture, church, nonprofit and academia. It provides support, including financial, to organizations, groups, and individuals that promote Russian interest in foreign countries. In Serbia, Russia has supported development of several media enterprises and information initiatives of major Russian media outlets. For example, the state-owned news agency Sputnik opened its regional editorial office in Belgrade in 2015. They seek to disorient the local audience by offering narratives that exploit Serbia's weak spot and promote the Russian interests.

To conclude, I would like to stress that all relevant actors – whether Serbian, regional or international – need to recognize the potential costs of inflow of corrosive capital in the region – which region is facing. They should press for democratic progress, which is a real key to regional security and long-term stability, inclusive growth, and countering a foreign – negative foreign influence. Based on the analysis I conducted together with the research director of ISAC Fund, Dr. Igor Novaković, and in addition to the regional report presented by the Center of Study of Democracy, we made – we made country-specific recommendations. And if you're interested, I can share this with you during the questions. Thank you so much.

HAND: OK. Thank you.

And then, last but not least, we have Dr. Dimitar Bechev, who is at the University of North Carolina in Chapel Hill, I believe, but also a nonresident senior fellow at the Atlantic Council.

Dimitar?

BECHEV: Thank you so much. First of all, let me extend my warmest gratitude to the U.S. Helsinki Commission, as well to the Center for International and Private Enterprise. It's a great occasion and we need to have more of those gatherings to put the Balkans on the map, but also to discuss the region in – there's some broader processes and events. Russia is obviously very relevant on a number of counts.

What I'd like to do here, just to complement what Ruslan and his team across the region have done in terms of collecting the data and putting a lot of flesh to the discussion, is to give some general views on what Russia is doing in the region. It echoes arguments I've developed in a recent book I published with Yale University Press called "Rival Power: Russia in Southeast Europe." And I have three points to make. I'll be very brief, because I know you guys are itching to ask your questions to the team here.

First point is what Russia's strategy looks like in Southeast Europe, but perhaps even more broadly in Europe as a whole. And second of all, how Russian foreign policy squares with Russian business or corporate interests in the region and beyond. And finally, how Russian policies intersect with what regional elites, institutions, political players are up to domestically – in other words, the supply and demand. What is the demand for Russian policies in the region?

First of all, a lot of people discussing Russia almost come to this easy line: Russia is back to the region. Well, guess what? It is not back. It has been there for a long time. And much of what we discuss now is a legacy of the 2000s, when Russia was resurgent. It was – flowed with cash because of the high oil prices. And it was on a shopping spree in the region. Many of those privatization deals date back to the 2000s – the Beopetrol sale, even NIS in Serbia, the oil industry of Serbia that Nemanja discussed, Lukoil’s expansion on the region.

But back then, Russia was having a much more cooperative relationship with the EU, in the early 2000s, even with the U.S. So economic profits and co-opting local elites was much more of an overarching objective than disruption. And I’d suggest that what happened with the Ukraine crisis is that Russia has shifted gears from co-optation or expanding its footprint to disruption. And you see it not just in the world of business, but more prominently in the world of politics with the Russian-affiliated political players, civic actors, political movements, media playing a role.

In the old days, Russia wouldn’t argue against EU membership, EU expansion in the region. Now EU, along with NATO, has become a problem and challenge. So that’s this shift of gears. Russia is pursuing disruption. The logic in Moscow, if I allow myself to think like Mr. Putin or his close entourage thing, is we are under siege. The West is encroaching our near-abroad in Moldova, in Georgia, and Ukraine. Well, guess what? We can do the same in the Balkans, which is the vulnerable part of the West, an enclave that is not subsumed into NATO and the EU, and where we have traditionally our economic and political allies.

It’s a tit for tat strategy. And as long as you maintain pressure on the Western alliance, you can have a bargaining chip in the greater dynamic between Russia and the Western actors – the U.S., but also European allies. So I think that’s the – my rough version of what Russian foreign policy is about, maintaining pressure.

Now, Russian business. Many of those people and economic agents, they’re after profits. They’re not necessarily proxies of the Russian regime. They came to the region because there are opportunities to make cash and to get assets, very often in untransparent ways. Some of them parked money because – in jurisdictions like Montenegro, like Cyprus, like Bulgaria. You could have the right conditions. Nobody would be asking questions about the origins of your money. And you could launder money. You have lots of people close to the regime, but also post-Soviet elites from other places like Ukraine, Armenia, and so forth, buying property, investing in Southeast Europe, in the Western Balkans.

But – there is always a but – the lines between foreign policy, the political establishment, and the business establishment are blurry in Russia. In other words, if you are the owner of, say, Lukoil, and you are summoned to the Kremlin, and you are reminded of how much your business depends on the good graces of the political leadership – of Putin and the people close to him – you will be giving back services. So all those business entities, although they might be primarily motivated by economic profit and gain, are potentially exposed to pressure from the state, and can very easily turn into elements of Russian foreign policy.

But it's constructive or disruptive, as I believe the case right now. The formal – any formal in Russia, this boundary's always blurry. Many of the big political leaders are also prominent business people, and so on and so forth. So this ambiguity plays, and is very much present, in Russia policy in the Balkans. And I think that's reflected in the reports with very interesting detail.

Finally, supply and demand. We always tend to see Russia involved. But one thing that's really valuable in the research and the projects, and also – and I call it in my book – is very often we have to look at what are the local conditions that make Russian interference, Russian meddling possible? And very often in the sphere of economic governance you see lots of sectors that have been poorly managed, exposed to high-level corruption, political meddling. That creates the right conditions for Russia to throw its weight around.

And Serbia, being a very prominent country in the Western Balkans, provides the best illustration to me. Nemanja gave you some observations about Srbijagas. Well, Srbijagas has been a political fiefdom since the times of Milosevic, with different parties shifting. There is the intermediary company that charges some premium. And I could argue that this is a slush fund, and this is not a scheme that is not seen elsewhere in the post-Soviet space, but also in Eastern Europe. You could very well hypothesize that some of this money finds its way back into party coffers and buys political influence.

But the real root cause of the problem is why you have state monopoly, why gas is overpriced, why there's no competition or transparency in the gas sector. And you can envision a scenario – and I'm just moving here to the last big of my remarks which is the political recommendations, where the Serbian energy sector and the natural gas is much more competitive, we have rival suppliers, where the final – the consumers and households and industries are given a choice. And actually, gasification of Serbia, which doesn't consume that much in absolute terms, might be a good thing, because it also will lead to lower carbon emissions. It's a problem across the region.

So what we need to have in the Western Balkans, but I would argue also in Southeast Europe, including countries that are already NATO and the EU, is much more robust reform agenda to ensure that sectors that are exposed to proliferation by Russia and political manipulation are scrutinized, are open to market competition and, also, you have a vibrant civil society, including think tanks and critical media investigative journalists, that break through the floor of those networks, and dependencies between local elites – be it business elites or political elites – expose the state capture that is providing the fertile ground for the Russians – or, for the Kremlin to interfere in the region. Well, thank you so much.

HAND: OK, thank you. Excellent presentations from everybody here at the table. And it's made me think of several questions that I would like to ask as a follow up. Looking out in the audience, however, I see quite a number of experts on Balkan affairs here today. And hopefully they'll be able to ask some of those questions for me.

I will ask one question to give people time to come to either one of the standing microphones. I'll ask my question and people can answer and then I'll turn to whoever is at the

microphones to ask their questions. When I do, if you could please identify yourself and also state your affiliation. And then when you ask your question, if you could clarify whether you're asking it to a particular panelist or to the panel as a whole, or just one or two of them, however you see fit. But please clarify. And please try to keep your questions short and to the point. You can make a brief comment, but let me lay stress the word "brief," from the standing microphones.

While people get up and prepare to ask their questions, let me ask all of the panelists here a question, to the extent that they want to respond. You've talked about the threat to stability in the region that is posed by Russia's economic footprint. And you've expressed the views of civil society, I think probably reflective of civil society as a whole in terms of what needs to be done regarding the greater transparency, greater freedom for investigative journalism, perhaps judicial reforms and other efforts that would enhance the rule of law, and could hopefully tackle corruption. And these are very good things. And I think you have friends here in the United States and probably in Europe who can help in that regard.

But I was wondering if you could specify a little bit on how the political leaders themselves in the region see it, the ruling parties. Do they see Russia's economic footprint as a threat, or do they see it as something that gives them leverage that they can use vis-à-vis the West? Or are they somewhat oblivious to it? Are they actually personally benefitting from it? I assume that the answer will be different in each one of the countries in this regard, as well as to the extent which they each view Russia's economic footprint as a threat that determines how open they are to various reform efforts.

For example, I can imagine in Montenegro it's quite stark, the Russian influence. And now that it's a NATO member, there's serious concern. But has that made the Montenegrin government, Montenegrin authorities, more open to some of the fundamental things they need to do in their country in terms of transparency, rule of law? And I give Montenegro just as an example. I don't mean to focus just on Montenegro. I think it applies to all other countries. In Serbia I can see where there may be more of a balancing act. And in all of these countries, certainly probably in Republika Srpska, in Bosnia Herzegovina, you can see how they can actually personally benefit from it or take advantage of it.

So I was wondering if you would like to comment on how the prime minister or president and the ruling part of a country might view the Russian presence in the region? And how does that shape their willingness to engage in these reforms that could try to lessen the malign influences that come with the investment from Russia, or from other countries that tie it to the political issues. Who would like to go first?

Milica.

KOVACEVIC: OK. I can say that we had totally different situation 10 years ago. And probably, if I was doing this research at the time, it would be difficult even to gather the data. So even at that time, there was a criticism coming from investigative journalists, from media, over some concrete investments that later on appeared to be connected with corruption. Some of them are under investigation. For some cases they are already criminal verdicts, judgements. And the

government was actually replying to us that we are – that the money doesn't have nationality and that we are stopping the reforms and stopping the progress. And I would say that there was no basic understanding of this phase that we are describing today, which is corrosive capital.

I have to admit that these things have changed. But I would say that we learned that a more difficult way. During the research – and I've been exchanging that with all the colleagues in the region, we really have the openness of the institutions to share all the available information and data with us. But what I believe is the most important is the recommendations that we are offering, that we should use this as a lesson learned and that we should fix these governance gaps in order that we are not surprised again in several years when maybe some other foreign country decides to use economic influences, leverage in political relations.

HAND: OK. All right. Thank you.

Ruslan, would you like to – make sure the light is on.

STEFANOV: Yeah, it says so. (Laughter.) Well, thank you for that question. And I'd like to address it also from the wider perspective of the – of Europe. And I think it's one distinctive feature when you ask about these attitudes, the leadership of the countries, it's the silence that you usually get on this topic. And I think that speaks volumes. Of course, this has changed in the past year and year and a half. But I would say that this is the case also within Europe. And this – I fear that we will be witnessing this. And of course, it's not a secret that there are certain people also in Europe who like Mr. Putin's model, like the illiberal model, and that somehow hasn't been dealt with.

Now, if you look at the region, we've worked on the past five years on these topics, and including tackling very much governance and corruption problems. And one continues to see people that are – that do not want their names appearing openly in the public. And I should say that in this regard, I'd like to mention that the U.S. role in the region remains indispensable, which is why we actually value very much – very highly Congress' and hopefully the U.S. administration's engagement.

But what we wanted to create with these reports is exactly this discussion space that would allow people to assess the size of the threat, the vulnerabilities that are out there. And I think it's exactly this type of diagnostics that actually should serve as a background for creating the – for designing the policies and the measures to tackle this footprint – or vulnerabilities of the footprint, including the entourage of Mr. Putin.

HAND: OK. Go ahead. Nemanja.

STIPLIJA: Yeah. Thank you. You ask about political leaders. But I want to stress something about citizens. You know, like, perception of citizens in past several years is that Russia is the biggest investor and biggest donor, at least in Serbia. So can you imagine, like, when – in recent surveys in past three years, we have this situation that citizens on question who is the biggest donor or biggest investor in Serbia, it's always Russia in the first place, then China, and then Turkey. And reality is totally opposite. We don't have Russia in first 10 countries

when we took account investments. So first is, of course, European Union, together with Germany and Italy. And then United States and other countries. We even have Japan on the – on the ninth place, and Russia is somewhere below.

So, like, and the point that we need to have this role of media for – to think about these strategic economic sectors and to speak more about this influence and how this influence has happened. Also, governments should ensure that media outlets operate in safe environment, which is not the case now. And also, full access to data and information regarding these things. Thank you.

BECHEV: Just a brief remark, both on the motivations of political elites and, of course, I'm generalizing because there are differences from place to place. But my impression is that bulk of political elites are risk-averse. I mean, we tend to think about Putin as a poker player. He makes risky decisions. Just the opposite in Southeast Europe, where people don't want to rock the boat, get into conflict with vested interests, or push too far against Russia because it might create blowback.

In the case of Serbia, there is an additional dynamic. President Vucic I think has encouraged his friendly media to inflate the image of Russia and its presence, it also reflects in the polling data, because it provides a very useful smokescreen. Anytime you cooperate with NATO and you build up the relationship with the U.S., that potentially is diverted by the media into how great Russian- Serbian relations are doing. It's a Machiavellian strategy of putting Russia first in order to avoid criticism over Serbia's dealings with the West and potential attacks from more radical voices, what Serbia is prepared to do in Kosovo as well, or is prepared to do with NATO. I think that's at play too.

But again, the question we should be asking ourselves is why governments in the region have managed to quell the media and silence critical voices, why they have all those subservient media outlets and there is precious little critical scrutiny in the public sphere.

HAND: Andrew?

WILSON: Yeah, I think we have to look at this, too, in a broader political context, not just within the context of the governments in the region, but I think within a European context to truly understand this.

I don't think there really was a lot of concern from the rest of Europe about the nature of Russian investment or the scale of Russian investment in Southeastern Europe. But I think with the rise of euroskepticism within Central Europe, the questioning of globalist institutions that has occurred as a result of in the last two or three years, I think – and sort of the resurgence or the surge of both Russia and China, for that matter, filling a gap, whether it's the Russian move towards sort of this disruptive foreign policy or whatever, I think that's focusing people now. And I think that focusing by European governments on these issues is starting to force the attention of local political leaders as well.

I think it's probably – you know, has the horse fled the barn and we're trying to, you know, close the door? I don't think so. And I think, you know, there is certainly a rethink within Europe because of things like Brexit about the nature of European investment, the nature of European governance. And I think this fits into that broader debate in terms of rule-of-law issues and who's putting pressure where.

HAND: All right. So now you have had time to think of the questions you'd like to ask. And let me first call on this gentleman here. And if anybody else wants to ask a question, just feel free just to come up to the microphone.

Q: Actually, I will make a short comment. I'm Igor Novaković and I'm one of the contributors in the project run by the CSCE and CIPE. And I would also like to stress that there are other issues that local private enterprises are facing in Serbia, but also throughout the Western Balkans.

What actually makes these countries so exposed to the foreign meddling influence? I have a short list here and I will just read it: So there is an excessive state influence in the economy. Weaken energy and transport infrastructure. Inefficient markets. Only partially restructured public utility companies. Difficult access to finance, red tape, large, informal economy. Of course, in Serbia, but also in other countries, employment is rising, but still large portions of the population remain unemployed and this especially affects younger population. So all of the states have a huge brain drain in particular towards the EU. And finally, state subsidies are usually directed towards the public inefficient and unprofitable companies instead of towards other objectives, like the small-to-medium enterprises and development and research.

Thank you.

HAND: Thank you. Does anybody want to follow up on what he said, since that was just a comment?

WILSON: I will. I think, you know, the reports, I think, highlight this already, but I think I would sort of just like to restate certain strategies that need to be put into place in this regard. And I think, you know, the NED in itself has been doing some very interesting work on kleptocracy, et cetera, about flows of capital once they leave the country. But our argument has been you really need to focus on, what are the conditions that allow these, you know, the loss of money from state budgets and other things to occur? And focus on public procurement policy in the region needs to be reinforced.

Corporate governance, I think it was said in one of the reports, is very important, especially within the state-owned sector to make sure that enterprises aren't politicized or bad decisions are made. Budget transparency – and, again, the importance of competition policy in this area, so these monopolies where they occur in energy or other things can be combated. And if we are able to introduce greater competition into the region, into the economies of the region, I think that'll go a long way towards ameliorating the influence of any one single economic player or group of players to shape political decision-making.

HAND: Thank you.

Paul?

Q: Well, thank you all very much for this great panel. My name is Paul Massaro. I'm the anticorruption advisor for the entire region, a functional portfolio at the Helsinki Commission.

And I had a question. It's rather long, so please bear with me. In a number of countries surrounding the Balkans, we are witnessing the development of kleptocratic governance structures when corruption is used to ensure the loyalty of cronies as well as to influence the politics of neighbors and rivals.

The Global Magnitsky Act, which contains provisions to sanction individuals engaged in grand corruption, is a powerful tool for combating these sorts of regimes by enabling the United States to name and shame kleptocrats enjoying immunity in their own countries – impunity in their own countries, rather. Any such sanctions should be based on strong evidence and target individuals who are demonstrative of the problem so as to serve as a warning sign to others. To what extent are there states in the Western Balkans that could be described as kleptocracies or are on their way to becoming kleptocracies, which may contain individuals who would be appropriate to target under the Global Magnitsky act for grand corruption?

HAND: OK, thank you, Paul.

So the question is that of kleptocracies, but then also of the U.S. Global Magnitsky Act as a tool, in addition to supporting civil society efforts, reform in these countries to actually sanction offending individuals. Who would like to respond to Paul's question?

STEFANOV: I can take that.

HAND: OK, respond.

STEFANOV: Thank you very much for that question. Indeed, we have – we at CSD, together with other partners in the region, have been following as civil society the corruption and anticorruption developments in the past 20 years. And let me underscore that definitely the EU, including its current efforts during the Bulgarian and the Austrian presidencies, have made a difference. So we've seen corruption victimization, so the level of corruption and bribery in the region decreased. But it's still at levels that are systemic.

And probably the single-largest contribution and reason why this is so is the impunity that you have mentioned. Clearly, the judicial systems in the region have not been able to tackle particularly high-level corruption and links between politics and business, which is part of the reason why there's been such corrosive – the possibility of such corrosive capital to enter in the region and to actually exerts its bad influence.

So we think that, and what I mentioned earlier, that the Magnitsky Act is a really powerful and needed tool. And that I think that our reports and the reports that we've produced both for the region, Central Europe, but also the individual reports are a very good starting point as a background to not just target individual politicians or rotten apples, as we say, but give a wider perspective as to the needed policies. And Andrew just mentioned a number of them that we think need encouraging.

And I think that this year we're going to see a lot of that coming, you know, with the renewed European strategy for enlargement. And I think that – and hopefully we'll see more and more focus on the issues of good governance.

Q: Could I just follow up and ask for clarification? Would you see the targeting of a basket of individuals emblematic of the impunity enjoyed by corrupt actors in the region as a helpful move or as an unhelpful one?

STEFANOV: I see it as a helpful move as part of a larger basket of policies. And definitely, I think we've seen this in the past, we've seen it act in the previous European enlargements, we've seen it in the case in Ukraine. So, yes, the short answer is yes.

HAND: Andrew?

WILSON: Yeah, just a couple of thoughts. And I completely agree with what Ruslan has said. I think one of the issues I've got is, how do you define a kleptocracy? And I think a lot of people have been kind of struggling with this. How do you – how do you separate a kleptocratic state from something that's just very, very corrupt?

And I use a loose definition that, if by some means you're able to wave a magic wand and corruption went away immediately, could the state still function within its economic and political structures? So I think you could make the argument, if you waved your magic wand at Russia, the state would probably collapse. Corruption is the way of life and business in Russia. I'm not so sure states in the Balkans are corrupted to that extent. Certainly, we have a lot of corruption, but I would – I would fall short of calling them kleptocratic states.

That being said, I think the power of the Global Magnitsky Act and the ability to sanction individuals is a very important part of a broader anticorruption strategy. But I think, while we may be able to single out individuals in a region to say, you know, you're a thief, you're doing your country bad, I think we also have to put pressure on groups like the EU to step up and say, OK, you're doing wrong, what can you do right? And I think, you know, frankly, the EU is awash in its own problems right now. But I think, you know, if you look at what they've done with Article 7 in Poland and the issues with the judiciary in Poland where they have finally put the foot down and said, OK, no more of this, I think to the extent that we can – if we could encourage the European Union, which is one of the largest investors in the region, to put its foot down and to say we're not going to tolerate this anymore – and by the way, the individuals on these lists are ones we're going to watch closely, too – would be very helpful.

But if we don't have a strategy that addresses both the policy remedies and the criminal approach, we're only – naming and shaming will only get you so far.

STEFANOV: Well, let me just say that I completely agree with Andrew on the kleptocracy thing. I don't think any of these countries could be named as kleptocracies. But there are certain sectors, there are certain sectors, there are certain trends that have been visible and that could be labeled as kleptocratic trends or kleptocratic deals, you know, and we've mentioned these in the reports. You know, looking at the energy sector in particular, looking at largescale infrastructure projects.

And actually the EU – you're right, Andrew – the European Commission actually, I think, is trying to put its foot down, like mentioning in its last progress report on Macedonia, for example, that there are certain trends, certain areas that look like a captured state.

We've certainly had – and I think Dr. Bechev mentioned the captured media, that's a huge issue and needs to be tackled effectively. Thank you.

HAND: Anybody else like to make a comment before we go to the next question? No?

Ma'am?

Q: Hi, Robin Brooks from the State Department. And I'd like to thank the organizers of this conference and all of the speakers for very interesting reports.

I have a question that I'll start with and then – and then give some background and then ask again. My question is to Ruslan.

In the first Q&A, you mentioned that the U.S. role is still critically important. And I want to ask you what the U.S. should do, and I say this as someone who, as you know, has worked in the Balkans and will work in the Balkans again. What I think the U.S. does do is say things like, hey, don't do that Russian project, instead take this American project, and say, hey, don't violate sanctions or more sanctions, Global Magnitsky. But I think what we – what we haven't done very effectively is request and demand an interest-based, transparent approach. You know, why do you want a nuclear reactor? Why do you want this project? Why are you having a tender for this infrastructure project at all? Explain to us and your own people why you need it and where the money needs to go.

And I think there's – you know, there's two interests here at stake, right? There's if – and I think every single one of the speakers mentioned debt as one of the most important ways that Russia maintains its influence in the Balkans. If you're indebted to Russia, they can't kill you, right? Venelin Ganev said that in his book "Preying on the State." They can't kill you if you owe them money because they have to wait for you to pay them back and you never will. So there's a very strong interest in choosing the Russian project so they can't kill you.

But what can the U.S. do to make the U.S. project make more sense? And I think Ruslan and also the first questioner had some good points about sort of the background that builds

resilience, you know, a strong education sector and health care sector that makes – that reduces brain drain and causes good people to stay in a country and actually hold their government accountable and be journalists to hold their government accountable for journalists' safety and so on.

So what more could the U.S. do to actually make a difference beyond sort of contributing to think tanks and saying, hey, don't get in bed with sanctions?

STEFANOV: Thanks, Robin, good to meet you again. Let me underscore that I think both the U.S. and Europe have done a lot to improve transparency in the region. And that cannot be denied. And we've had, with CIPE and Andrew, countless discussion in the past three years about corporate governance, about the facts of capital that's coming from Europe or the U.S., about improving the local business environment so that this capital actually delivers to the people and that also the democracy and institutions that we have been building actually deliver to the people.

And I think the real question is that, as I mentioned, the silence among the leaders. You know, there is – people have never been shy to discuss certain deals in which the U.S. or European countries, European investors have been involved, including in cases of Foreign Corrupt Practices Act and so on and so forth. But Russia appears as the elephant in the room, you know, nobody wants to speak about it for some reason.

Now, when – and I think there are a lot of issues that have been discussed in terms of potential policies. You know, one is, I already mentioned, I think, the focus on media capture. That is definitely something that we need to do.

Andrew already outlined a very good list of policies we've had. I mean, one sees the difference between, for example, Bulgaria and the Western Balkans in terms of the level of transparency. And that has also affected the European Union integration that is much higher in Bulgaria.

But at the same time, you look at certain, you know, we call them switch projects, like, for example, the interconnectors in the energy sector because energy is critical. You know, like the IGB interconnector in Bulgaria or like the Bulgaria-Serbian interconnector. You know, these are very straightforward, very clearly beneficial to the countries and to the people and to the prices they're going to pay. And yet, they don't happen for some reason. So I think these are the switches that the U.S. and the EU could help, you know, push a little bit forward.

And we could – we could talk, of course, in many more different such aspects, but I think, you know, this gives an example. You know, we keep – I think there has been a lot done on the overall environment on transparency, on the capacity-building of public administrations and on keeping that pressure in a way. I mean, I think somehow with the EU accession we've been somewhat complacent, saying that once a country is in that's it – (inaudible). But that's not the case. Actually, I think people in Europe start realizing that it's a, you know, it's a constant work that we need to – we need to deliver.

HAND: OK.

BECHEV: Yeah, I mean, the U.S. has one advantage that it has more of a strategic approach. It's a nation state. What we have with the EU is very often speaking with different voices. All those governance issues, the pressure for human rights is sometimes outsourced to the European parliament which ends up being a huge talking shop. And there are very good people there and they say the right things, but when it comes to the nitty-gritty, it's the member states who decide and very often it's the lowest common denominator, it's always the same, you know, it's worse.

When the U.S. speaks, for all the dysfunctionalities you sometimes encounter, you have more of a unified voice and pressure. So America carries some weight in the region still, that's important on this score.

And just to echo what Ruslan said about the energy sector. Energy security has been high on the radar of U.S. diplomacy, but it's the State Department's policy, there is very little by way of private investment to follow up. So U.S. diplomats pursue some objectives, but it's very rare that you see private business prepared to invest there, which is probably fair from their perspective because the profits are not short term. You have to make a case for the economical nature of those ventures. But that's where it's lacking with the U.S. approach, the money, which Europe does have, but it doesn't have the vision.

HAND: Sir, go ahead.

Q: Hello. I'm from the House Foreign Affairs Committee. And I have a question for all of you.

You've talked a lot about the extent of Russian meddling in the West Balkan region. You also mentioned earlier that China and Turkey were putting corrupt capital into these countries. Could you talk more about specifically what these two countries are doing in the region and what are some tangible effects of their influence?

HAND: Who would like to start on that one?

Andrew?

WILSON: I think we need to make a distinction, first off, between types of corrosive capital, if you will. So if we look at Russian capital and the way it's tied to foreign policy objectives as opposed to maybe easy capital, you know, which might be something from Turkey or others, which is – which is just capital, in our minds, which tends to flow into high-risk environments, the nature of the investment becomes much more short term and it's quicker to flow out. It's not the best kind of capital you can get, but that's a premium for being in a high-risk place.

If I was to look at, say, Chinese projects in the region, you know, the Chinese were able to buy the Port of Thessaloniki a while back and it's part of their Belt and Road strategy. And I

think if you look at the construction of the railway line, the proposed railway line through Serbia into Hungary to link Thessaloniki with the European rail infrastructure in a more – in a better way, that's one area.

Should we look at how that deal was made in Serbia? The Hungarians, because they're under EU policy, have yet to commit to building their stretch of the track. But I think we could look to say, what was the nature of the deal that got the – that's getting the dual tracking being built in Serbia as part of that.

You know, Chinese investment, Chinese aid, Chinese projects are a completely other – a completely different area of focus, one we're working on as well at CIPE, you know. But I think, you know, the questions need to be asked. The same types of weakness in government that allowed in the 2000s Russian investment in private enterprise or privatization in the region are the same basic weaknesses that we're seeing now that might allow governments to take dubious loans from the Chinese or allow dubious construction projects.

Frankly, you know, Chinese financing and Chinese foreign aid is kind of like the payday loan version of lending. You know, you can – you can take a lot of risk there, they'll take a lot of risk with you, but when it comes time to pay the debt you're collateralized and they'll seize it. And that's how doing deals with the Chinese is very different from doing deals with, say, the World Bank or the IMF when it comes to these types of aid projects. And I think there's not enough scrutiny in regards to how these deals get made in the first place.

HAND: Thank you.

Somebody else would like to speak on China, but also Turkey? And I would actually add also the presence of Gulf states from the Middle East and stuff to the extent that they can be compared and contrast to what we're talking about in terms of the Russian economic footprint.

BECHEV: Maybe one – just a word on Turkey. I mean, they've – there's a spectrum of Turkish investment over the past 25, 30 years all the way from small-medium enterprises based on diaspora networks. I mean, let's not forget that Turkey is not exactly an external power. Just look in a place like Sanjak in Serbia and Montenegro, how many of their relatives live in Turkey and there is human connectivity. So there is that. I mean, it's money.

There is a vibrant business sector as well, so some of the investment is always also may be beneficial. But certainly, there is politically correct capital, especially in the construction sector with the AKP government. All those people have made money because of their proximity to Erdogan and his family, so we're likely to see those.

But I think the dynamics are more in the – in the mold of the Turkish state lobbying for its investors to get market openings relevant to seeking to employ economic connections to push governments in one direction or another. So I think there is something different between Russia and Turkey. The Gulf is a different story as well, somebody might want to comment.

HAND: Milica?

KOVACEVIC: It wasn't part of this very research, but actually the patterns, the problems, the governance gaps can also apply to some other investors as we see in civil society. And I would – I would agree with Dimitar what he said on Turkey, but I would say that civil society, at least in Montenegro, but also I'm talking to the rest of the region, is recognizing the problems that we recognized 10 years ago with huge Russian investments, now with the Chinese investments, especially because they are using the same ways, like, for example, bilateral agreements to avoid public tenders, to avoid Freedom of Information Act. So we are ending up like it was back in 2005 and 2006 with Russian investments without knowing what's behind these deals. So we don't know now and I can't say anything about that.

But I'm hoping that we will continue working exactly on this, and not because of Russia only, but because of all the potential risks and, you know, we are endangering our economy by not knowing about these important problems.

STEFANOV: Just very, very briefly. As Milica said, this was not a focus of our – of our research. I'd say the worrisome thing is the integration between politics and business. And if – and this is clearly – I mean, Russia, in this respect, has presented the most assertive threat in the past years. But if there's one country that combines the same level of control over business and coordination of political strategy, that's probably China and we've seen this. I mean, talking to stakeholders in the region, we've seen this worry of similar impacts.

But the real issue is that we don't know really know what are its business opportunities they are after, or rather, the suspicion is we don't really know what their political goals might be. So, again, this is my take on this.

HAND: Thank you.

Sir?

Q: Hi. I'm Marko Durovic, I work for a congressional office here, but I lived in Belgrade, like, all my life.

I don't know where to start. And I'm sure you feel that way, too, sometimes. But I guess the first part would be about the media. And I feel like the media at this point is essentially state owned, except for maybe N1. So how do you put pressure on the government to move away from that? Because without an impartial media there's no way to change public opinion and public opinion is not in favor of what people in this room think should be the solutions.

And then secondly, how do you put pressure, in general, on a government that that is playing this balancing act between the West and the East and that could, if you put too much pressure on them they might go further towards Russia than you would like and that could lead to some even worse problems? And I don't know. I have so many questions that I could ask.

Yeah, for anyone.

HAND: Well, why don't we get answers to those and then maybe we can go to a round two.

STIPLIJA: So basically, the media situation has become very complicated from 2012 in Serbia, but, you know, throughout Western Balkans, especially, in the first place, in Macedonia was the worst example. So basically, media are not owned by the government, but just influenced by the government, so it's very, very, very big topic. So, you know, like, if we speak about how government influences media through advertising to controlling some other aspects or their work, et cetera, et cetera, even controlling owners of media.

In Serbia, this is several, of course, free media. And maybe for some part of civil society it's the only way to influence. But still, influencing through just media cannot affect the broader population. That's true.

Q: Exactly. Sorry. But I think that a lot of the population literally looks at television, like N1, and thinks, oh, American propaganda. And I've heard this because I'm –

STEFANOV: Yes, yes.

Q: So how do you practically change that? Because there's a lot of solutions that in theory are great, but there's just too many powerful actors with no real incentive to change the status quo.

STIPLIJA: You know, like, we try to work with the, in the first place, European institutions, you know, through the – because in this stage of enlargement we have something which is called Chapter 23 and Chapter 24 which are chapters dealing with basic rights and also the rule of law and, at the end, media freedom. So by – and these are crucial chapters for Serbia and Montenegro in this phase of European enlargement. So pushing the government through this is one of the things we do.

HAND: Ruslan?

STEFANOV: There are no silver bullets. And I understand how you feel. And we've been facing this situation time and again, but we're very positive about the future, you know. And there is one kind of unique disinfectant and that's sunshine. You know, knowing the ownership structures and not allowing concentration is the good old principle of not having a monopoly on media distribution or media ownership and, of course, knowing who owns the media. Because in many cases in the region and actually throughout Central and Eastern Europe, you don't exactly know who owns – who's the official owner of the media and how they respond to the different ethical standards that are in these countries.

So I think it won't happen overnight. But at the end of the day, a combination between, as Nemanja said, the European integration process, local civil society, including through an approach like this, you know, where you create this discussion space, you create the opportunity for other people to contribute, and I think this is the way forward. Thank you.

Q: Yeah. Thank you, Bob. My name is Reuf Bajrovic, and I'm the former minister of energy in Bosnia and Herzegovina. I really didn't want to say anything, but I have to just make two short comments and ask a question for your excellent panelists.

First is a response to the question by the gentleman here about the Chinese. The Chinese are extremely interested in the energy sector. They have lined up two very big investments in Bosnia in two thermal plants. They love coal, as we all know, unfortunately, and there's a very good possibility that they'll do the same in Montenegro, in Pljevlja actually.

They're doing a number of other things. Their influence, unlike the Russian influence, is far more under the radar and, in many ways, I'd say a more strategic one. They have a much – in my view, their window of sort of how they view their investment is much, much more – much longer.

Regarding the corruption, I was very surprised by Mr. Stefanov's response, because as somebody who actually resigned because of the endemic corruption, it is my impression that, I mean, we're dealing with probably the most corrupt countries in Europe. I mean, I could be wrong. I've never actually worked in Russia in any capacity, but corruption is absolutely everywhere. And since the U.S. has essentially sort of let the Europeans take over the region, as we used to call it lead it from behind, you know, in the last several years, at least seven, eight years, corruption is not really something that people want to deal with.

The judiciary is completely penetrated by the ruling parties. And there's absolutely – and my view is that the Magnitsky Act can do more good to the Balkans than probably any other part of the world that I know of. Because unlike other big countries where, you know, if you really, as the gentleman there said, if you push too hard, they might go in the very wrong direction, I think in the Balkans it would actually make a difference if some of these people were actually named and shamed.

And the EU, in my view, I hope that I'm wrong, the EU is not going to do it. I mean, the EU simply, for example, refused to impose sanctions on Mr. Dodik after the U.S. did last year, because the EU just doesn't want to, as your panelists have said, doesn't want to deal with the region, period.

My question is for the panelists. And it is, do you – is the – I've read the report and I think the reports are excellent. I've read every single one of the papers that you've been publishing them consecutively. Do you actually – what you don't say there and what I would like you to share with the audience here – do you think that the Russians are getting a good return on their investment in the Balkans, because nobody really wants to talk about that, you know, people say they don't make profits, they don't make money? But overall, do you think that the money they're spending is, you know, from their point of view, a well-spent dollar? Thank you.

HAND: Thank you, Reuf.

And before we turn to his question, I'd just like to reinforce the point that he had made in terms of initiatives the United States can take in terms of sanctioning individuals, but that we certainly need the support of Europe which is currently very much unwilling to do the same type of thing. If there was a united front in that regard, I think it could make an enormous difference in the region. So I just wanted to reiterate that.

But return on investment for Moscow, who would like to start with that one?

Ruslan? I always go to you first. You're always ready. (Laughter.)

STEFANOV: No, I can actually respond because it was a direct comment on what I said. We actually have in the regional report, that you can download at CSG.bg, we have this perspective. And indeed, Bosnia and Herzegovina is the one country from the four that has stayed above the regional average in terms of corruption and victimization, so probably your feeling is right.

But at the same time, we've seen a decline in the past 20 years and that we have registered through a victimization strategy. And I also have brought here a couple of copies of "Shadow Power," a regional report that I – that I can distribute.

But let me say that the level of corruption indeed that we're seeing and I mention is really systemic and it requires further concerted action, including, as you mentioned, through the Magnitsky Act at the highest level.

Now, we've also wondered about a return on investment, but then you have to acknowledge as to how does an investor define that return on investment, whether it's just the monetary value or whether it's something more. And I should say that if you look at the – in the number of cases that we've looked into, profit is not usually shown on the balance sheet. So if you look at just the numbers, probably the answer would be no. But the question is, are we certain? And rather, we'll say we're certain that this is not, in many of the cases, this is not the ultimate or the only criteria that the investors themselves are looking into.

So I should say that that's exactly the point that we're making, you know, that return on investment and how the investor feels, it depends on their goals in the first place. And we're not sure actually, sure that in many of these cases it has not been entirely commercial. Thank you.

HAND: Dimitar?

BECHEV: Yeah, I guess the answer varies from place to place. In some cases, there's been a lot of betrayed expectations. When Oleg Deripaska bought into KAP, he was counting on continued support and subsidies from the Montenegrin government, so his accounts didn't prove right. And, I mean, ultimately, he was burned. And that's his perspective, I'm sure.

In other cases, if you think about the NIS sale, they have very different accounts. The Serbian viewpoint is that they sold their family silver to the Russians and didn't get much back. The Russians will say that we bought an underperforming company with a lot of liabilities and

hidden problems that we needed to sort out, and we did the Serbians a favor, but there is no way to bail out now. And what we wanted to get at the end of the deal, South Stream, didn't happen. So it doesn't – or it's not very clear what the balance is.

But you have, certainly, cases where Russian businesses with political cover, or klisha (ph) in Russian, have – did very well. I guess Macedonia might be a case. Mr. Samsonenko has a thriving gambling empire being in cahoots with the previous government and I'm sure has connections with the business establishment.

So I think the answer varies from place to place and from business to business and there is a whole new level when it comes to geopolitics. My gut feeling is that – yeah, I mean, and the other thing is some of the people involved in those deals, packages, geopolitical, have their personal interests at stake. Gennady Timchenko, Stroytransgaz, involved and on the sanctions lists, I should add, involved in South Stream, he has done very well. Even if the project was canceled, the amount of services he delivered to South Stream and construction, but also pipes have generated profit. So at the different levels, the geopolitical level, the business level, but also the state capital level, the answer varies from what is the dimension you are looking at.

HAND: Anybody else?

We have time for one more question if there's anybody out in the audience who would like to come to the microphone. OK. Or we could do two if they're quick.

Q: Hello, everyone, Boris, Macedonian Information Agency.

I just wanted to ask about or focus on the Macedonian report, on the report from Macedonia. You guys have put scrutiny on the energy sector, basically, but we – I don't see any other parts of the economy, like investments of the Russian capital in, for example, in food sector or agricultural sector, because I have information that the Russians are investing in these sectors as well, as well as in real estate. So have you seen – have you – do you know any information about that? I mean, I have information that Russian security services, individuals from this – from Russian security services, they used their capital, they are getting capital to invest in these parts of the economy. So maybe you have put this perspective more on the energy, and why is it like that?

HAND: OK, thank you. Why don't we go to this side and ask both questions together?

Q: Thank you, Bob. I'd like to salute Bob Hand today for his longtime involvement.

HAND: If you could identify yourself, please.

Q: Yes, sorry. Joe Foley –

HAND: Before you salute me. (Laughter.)

Q: Giving out the accolades early. But I'm Joe Foley with the National Federation of Croatian Americans here in Washington. And I wanted to thank Bob again for his longtime expertise in the Balkans and for his excellent assembly of this expert panel on the basis of the Commission.

The Croats in Bosnia are the smallest of the three constituent peoples as designated by the Dayton Peace Accord, as we all know. The NFCA has viewed Bosnia as a frozen state for some time and that the current and future treatment of the Croats in Bosnia is and will be an indicator of the success of this new nation state. In other words, the treatment of Bosnian Croats equally along political, economic and religious lines, this matter remains an Achilles heel in Bosnia and, in effect, the Croats and their equal treatment may be the glue that will hold the Bosnian nation state together.

Does the panel agree or have additional thoughts on this? And will Russia continue to pick at this seeming political scab via the statelet of Republika Srpska and/or in the parallel statelet of the Federation? Or should we be more worried about Turkey in Bosnia? Thank you.

HAND: OK, thank you.

And there's one last question that we'll add to this group and then I'll ask each of the panelists if they want to answer the questions, but then make a quick concluding remark, then we'll wrap up.

Q: Yeah, well, that will be my question actually. Good morning, everyone. I'm Jovana Djurovic, a journalist from Serbian service of Voice of America.

So my question is basically, what is the conclusion, what could U.S. and EU do towards decreasing this malign Russian influence? Because we have heard a lot of times on hearings like this that there should be a stronger engagement. But, you know, regarding this economic influence, which is very concrete, we are talking about money here, what could be done instead of, of course, what has been done already in terms of fortifying civil society and, you know, justice? Thank you.

HAND: OK, we've had three questions: just to summarize, not do them justice, but to summarize the questions – sectors other than energy, the issues in Bosnia, and then, again, the U.S. and what it can do.

Why don't we start, go in reverse order from the way that we started and you can make any concluding comment that you want as well. And we'll start with Dimitar.

Would you like to make any comments on any of these things?

BECHEV: Well, just to say a few words about Bosnia that we sometimes assume that the Russians are bound by their alliance with local Serbs, Serb nationalists. But in reality, Russian foreign policy has been very versatile. There are no commitments, no permanent allies. They can do business with pretty much everyone, so you could see with the change of tone by

Croatia's president, Ms. Grabar. Mrs. Grabar-Kitarović, so she is one of the people who argued that Russia was waging hybrid warfare in Bosnia. But since, she has softened her rhetoric, she went to Sochi, had a face-to-face with Mr. Putin. I think Agrokor made a difference.

And in order to disrupt U.S. policies, I think the Russians are prepared to align with extreme factions of Bosnian Croats as well, without going as far as upending Dayton. So, I mean, yeah, the Croatian issue is crucial, but my sense is that Russia can exploit this line of confrontation as well, if it suits its interests. And we have to be mindful of that.

STIPLIJA: Basically, I don't have any comments, but if – yeah, I don't have any comments.

HAND: Milica?

KOVACEVIC: Oh, I think that Jerusalem can provide Macedonia and Bosnia answers for this question whether the EU and the U.S. can – I mean, we have been frequently asked this question, and – obviously it's not a simple answer, and it requires a strategy for this region. And I am actually happy to hear that there are some developments.

So I will just try to be as simple – though I will say that the U.S. should continue what it is doing right now because, for many years before I was screaming and yelling at my friends from the – Western Europe and primarily from the U.S. that once they lost interest to the region, once they got out, the gap was left, and the vacuum couldn't stay because we are not in the space because there is always someone to fill in that gap. And, unfortunately, we were – for all the mentioned reasons that include both good governance – well, actually deficiencies of the governance and poor economy, we were not always able to really be choosy.

But this new engagement and diplomatic presence and efforts in the Western Balkans, I would – we – civil society in the Western Balkans really looks at that hoping that it can help because we already see that it is giving some motion to the processes that were quite stagnating due to the different reasons in Europe.

HAND: Ruslan?

STEFANOV: Thank you.

On Macedonia, this was a country that was most difficult to get data from, so – and many of – many of the investments there come from offshore jurisdictions, so there wasn't a way to actual verify whether they were actually with Russian origin or not.

So that's – that would be my answer on Macedonia, and we'll continue this as a pilot – I mean, we'll continue to research that, and as information becomes public available, would be able to of course deepen and expand that analysis.

On Bosnia, I'd like to underscore that the real issue that we're looking at is our governance gaps. I do not think that Russia or anybody else that wants to exert malign influence

would look at the really historical or cultural links. I would rather – we would rather think – and this is what the research shows – that they are actually using any governance gap that they can, and in that respect, they could actually – as Dimitar mentioned, could go into any different kind of – through any different channels – channel of influence.

Now – and final remarks – I think with – we have a more detailed section on recommendations in each of the reports and also the regional one. I would like to underscore, again, that we think that the U.S. remains the indispensable nation for the development of the region. We think there's been a very good development in the past year, and Congress has been leading that on the side of the U.S. We think that the EU is also increasing its focus on the region, including on good governance. We've seen that in the past.

We would like to see a little bit better kind of joint voices on the side of the EU from the different institutions – from different institutions like the Commission, the Council, the delegations on the ground, the different political party families; would like to see a coherent message. So I think that the real issue with the EU approach has not been the approach itself or the amount of time or focus that they spend, but the coherence of the message, and we hope that this will continue to improve in the future.

So, with that, I would like to conclude.

WILSON: I'll comment on the question of – on land ownership in particular. I'm personally not as troubled about land ownership as I am about other assets. You know, land is not going anywhere. You might own a piece of land, but it's not like you are going to take it away to Russia if you don't get your way. It's stuck in the country. It's a fixed asset; therefore, your ability to influence of land ownership I think is a little more restrictive.

And I think we also have to look at why are people in the secret services, for instance, buying land versus the other nature of Russian investment in, say, energy sector. I would posit that if you are buying land somewhere – if I'm a criminal buying land somewhere that I – and I reside in Russia, I'm essentially trying to move my money to someplace where it's more secure. My intention there is to get it out of the country. It's not to try and influence, you know, a decision made elsewhere, whereas buying a stake in a gas company is something that you can directly use for political ends in the longer term. So I think you need to distinguish between the types of ownership.

In terms of final thoughts of – you know, I think why we haven't been talking about this more and investigating this more is that I think this idea of corrosive capital is not one that people have paid a lot of attention to until recently. And I think we all are just starting to understand, as we start looking at these connections between governance failures and governance weakness and the nature of investment, that we're starting to put these pieces together.

So if we're going to move forward and have, you know, an idea about, you know, OK, what do we do about this, I think I'd go back to what Ruslan was saying earlier about sunshine. I think – I think the better we understand things, the more information we can get to the public that

helps people draw the line between investment decisions being made or accepted and the potential outcomes – whether it was the decisions on South Stream or something else.

So we need to understand the nature of ownership. We need to point out the nature of the consequences of this type of ownership – you know, this investment was made and it was used to influence a decision here or there – and then to say what are the policy remedies that need to come from this. That doesn't necessarily mean that the United States or the EU needs to shift its policies or reinforce policies. I think that what that really means is we need to encourage groups like these at the table to undertake this kind of research. We need to enable them, civil society, independent media, and others – and I think it has been said here at the table – to start looking at this as an issue. And that's certainly what we, at CIPE, are trying to do. It's not to really, you know, in single cases try to point these things out, but to say, hey, look, there's a connection here that needs to be made. There is a cause and effect here that's out there, and we need to better understand that, especially because of the – of the changing nature of globalization and how the economy is working in the world, and the nature of how norms, moving forward in the economy, are going to change.

Corrosive capital is here. It's not going to go away. So the issue is how do we provide governments and people in emerging markets with the tools they need to understand the potential impact that's going to have on them, and I think we have a lot more work to do in trying to understand the basic nature of the problem, in the first place, and then to understand what the policy remedies are moving forward.

HAND: OK. One additional person has come up to the microphone. I never like to say no, so I'll allow the question. But after Ajla's question, the microphones are closed and I'll conclude the briefing.

Ajla?

Q: Thank you, Bob. I'm sorry, everyone. This will be very quick.

My name is Ajla Delkic, and I'm with the Advisory Council for Bosnia and Herzegovina. We advocate for a united multiethnic and democratic Bosnia.

My question is for Dr. Bechev. Why is the Croat question crucial when it comes to Bosnia? Would you not say that – well, first of all, Croats have equal rights under the law given that they are one of three constituent peoples, according to the Dayton Peace Accords. And it's actually Bosnians themselves that would be the more crucial question because if you identify just as a Bosnian, you can't run for presidency, as we all know. And another question is, my colleague, Mr. Foley, talked about Russian and Turkish influence in the region, in Bosnia in particular. But what about Croatia's influence?

Those are my two quick questions. Thank you.

HAND: Quick response?

BECHEV: I need a disclaimer of amended – the kind of dynamic between Croats and other groups. It's important, which doesn't mean to say that other questions are not equally pressing in Bosnia. Unfortunately, we have a whole list of concerns and the so-called Croatian question might be one of them, along with many.

On Croatia, I will just say it – absolutely its role is important because at times the governments since I grew up have played constructively, Bosnia has benefitted. And sadly, when they played a disruptive game, consequences haven't been good for Bosnia, but arguably also for Croatia.

I'm not as concerned about the role Turkey plays in Bosnia because, I mean, there is this claim that Turkey is reconquering the region, having new Ottoman ambitions, and what I see in the Turkish case – and that is the last thing I will say – is that they have actually downscaled their objectives because their foreign policy is elsewhere, their concerns are elsewhere.

Back in the day, Ahmet Davutoglu wanted to be the power broker in Bosnia. He didn't go very far. Nowadays, it's Izetbegovic and Vucic going to Istanbul to talk to Erdogan to resolve their issues, but I guess the message from Erdogan is you guys sort out the issue of the highway yourselves. Turkey will probably support you, but we're not there to knock heads.

And, I mean, think about it. Now Serbia think that Turkey is an ally on the issue of where the highway should go through. It's a reversal. It's – Belgrade thinks that Ankara is on its side, not on the side of Sarajevo, which tells us that things are not fixed in the region, and there are new phenomenon, new processes at play.

HAND: OK. Thank you.

At this point let me just wrap up the briefing with a comment or two. A lot of specific recommendations or suggestions have been made here. The thing I take away – and I hear this other places where the Balkans are discussed in Washington – is that, on this issue as in so many others, the United States does need to play a leadership role, and by leadership role, it's not lead by behind, as Reuf Bajrovic said, but also to take some initiative and to promote some of the things that have actually made this country as good as it is: individual enterprise, openness, transparency, accountability. We have our faults, but we try very hard, and we also try to correct the faults that we have as we promote some of those things and be more active and engaged in the region.

And it's not just in the economic realm; I think it is across the board. Looking at some of the larger political issues, having followed the Balkans for 30 years now at the Helsinki Commission, the United States has always championed those that are vulnerable, whether it's the populations as a whole, this or that ethnic group, or this or that country in the region, to make sure that everybody shares in a brighter future. I think that would apply in Bosnia and elsewhere, trying to preserve the equalities of the people at the same time promoting what is an American ideal of stressing individual human rights over collective ethnic privileges generally.

I know other – some people in the audience will probably say, here goes Bob again but it's something that I think we will continue to need to advocate, to push for alternative ways of thinking than the way so many of the people in the Balkans have been thinking over these years, and to realize that there's alternatives to those ways. So I take that away from this briefing, and I think the Helsinki Commission will continue to maintain its focus on the Balkans and pushing these issues throughout the rest of 2018.

Let me just conclude by again thanking the Center for International Private Enterprise, CIPE, for bringing our panelists here. I'd like to do a specific thank you to Martina Hrvolova for helping with this. Martina and I, I think, first spoke about this subject a year or so ago, and I said I'd love to have a briefing on it, and CIPE has delivered very, very well in helping me do that.

I'd like to also thank Lauren Meyer and our interns at the Helsinki Commission who came over here and got everything done. After 30 years, I'm more nervous about organizing one of these things than our interns, who just started this semester. They just get it all done very well – thank you – and let me thank as well Stacy Hope and Jordan Warlick and my other colleagues at the Helsinki Commission who helped make this happen, get the word out and make sure the room is set up the way we want, correct it when it's not, microphones working, and recording it.

I should mention this has been live streamed, and it will be available on the Commission Facebook page and website, as well all the written submissions. I'll include the statements that were made today as well as the reports, and there will be an unofficial transcript originally, but then it will be printed in a final form.

And I hope to see you all again at a future Commission event, and enjoy the State of the Union address tonight – (laughter) – and have a good day. (Applause.)

[Whereupon, at 12:03 p.m., the briefing ended.]