

Russian IFF and political influence in South Eastern Europe: How financial flows and politics intersect in Montenegro and Serbia¹

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Summary

This briefing note – part of a project advancing a new conceptual framework designed to improve our understanding of Russian illicit financial flows (IFFs) as linked to foreign policy (FP) aims⁴ – provides an overview of Russia's economic presence in South Eastern Europe. It first considers its interaction with the post-Yugoslav region as a whole, then zooming into the patterns at play in Serbia and Montenegro. These two countries have had a dramatic change in relations with Russia in 2014, when Montenegro implemented sanctions after the annexation of Crimea, and Serbia did not. This juncture offers a clear opportunity to think about the extent to which IFF from Russia are linked to foreign policy considerations. It is shown that flows were indeed disrupted in Montenegro in the short term and possibly rerouted to other political actors, while the partners in Serbia have remained, by and large, steady, with a remarkable resilience of the rent-seeking practices set in place in the early years of post-communist transition (1990s). However, the findings of this brief caution against seeing Russia's interaction with the Balkans as a mere top-down, Russia-led, dynamic. It is instead shown how local actors and local FP considerations influenced the IFF-FP nexus, sometimes to the advantage of the local players, and sometimes of Russia itself.

1 For the full research paper see, Owen, C., Prelec, T. and Mayne, T. (2022). *The illicit financialisation of Russian foreign policy*, SOC ACE Research Paper No. 3. Birmingham, UK: University of Birmingham.

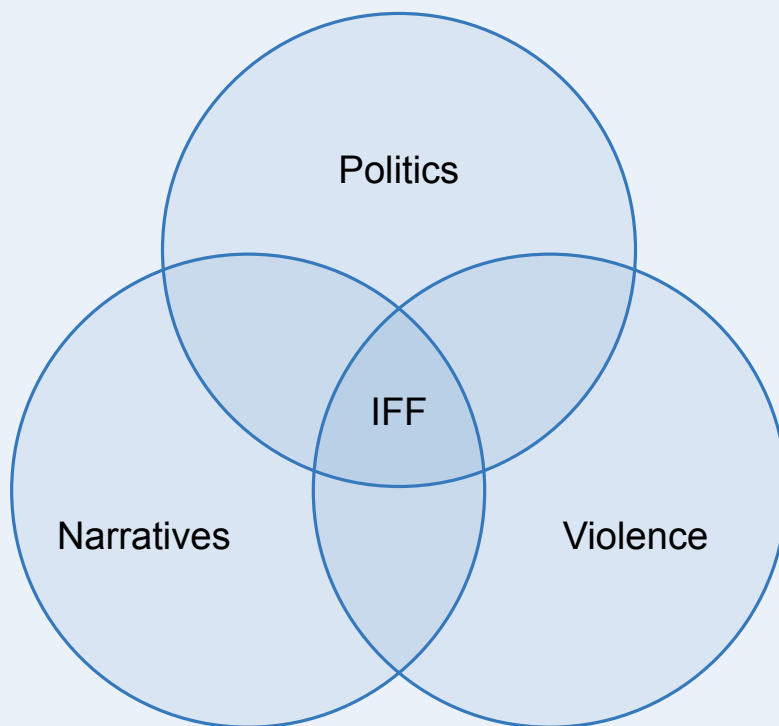
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4 <https://www.birmingham.ac.uk/schools/government/departments/international-development/research/soc-ace/projects/countering-russian-illicit-finance-serious-organised-crime.aspx>

This briefing note is one of three that map the conditions in which Russian state-linked illicit financial flows flourish across three geographical locales: sub-Saharan Africa (SSA), south-eastern Europe, and western Europe. The briefing notes employ a common framework identifying three vectors employed by Kremlin-connected actors to create a conducive environment for the investment of dirty money overseas in order to pursue the Russian state's foreign policy objectives. These vectors are 1) political activities, which blur formal and informal means of diplomacy and political influencing to promote Russia-friendly candidates and political parties; 2) media activities, which blur truth and falsehood by constructing and disseminating fictitious narratives; and 3) political violence, which blurs legitimate and illegitimate use of force to secure investment projects, destabilise regions and eliminate opposition. The intentional blurring of legality and illegality, licit and illicit, makes these channels of Russian engagement very difficult to prevent. The relationship between the three vectors and Russian IFF is illustrated in Figure 1.

Figure 1: Mapping Russian Illicit Finance



1. Introduction

Neither near nor far: South Eastern Europe, and the former Yugoslav space in particular, has long been a specific and hotly debated area of Russia's influence abroad. One of the most common misconception in the West relates to its belonging to the 'other side' of the iron curtain during the Cold War.⁵ The relationship between Yugoslavia and the Soviet Union was, in fact, much more chequered and even outright antagonistic: Yugoslav leader Josip Broz Tito defied Stalin as early as 1948, co-founding the Non-Aligned Movement (NAM) and setting the Socialist Federal Republic of Yugoslavia (SFRY) on a very different foreign policy course. A persecution of pro-Soviet Yugoslavs by Tito's regime followed almost overnight,⁶ while the SFRY braced for decades of Soviet invasion scare.

And yet, this relative independence during the communist period does not mean that the Balkans should be discounted as an area that has been wholly free of Russian influence since the fall of the Berlin wall. John Headley's account⁷ of foreign policy on the Balkans under Yeltsin and in the early Putin years argues that Russia's positioning towards the region was a matter of deep controversy after the break-up of the Soviet Union. As for the flipside of this relationship, Dimitar Bechev's more recent work⁸ highlights the role of local actors who have themselves been exploiting Moscow's game in the Balkans for their own gains. While it is unclear how well-formed a plan Russia has for the region, there is widespread consensus that the Kremlin benefits from instability at the EU's semi-periphery, and that IFFs are part of its playbook.⁹

However, an underexplored area of inquiry is the exact extent to which foreign policy and IFFs intersect in the region. This briefing note addresses this question by referring to the project's wider framework (see: BOX) while, at the same time, using a clear junction: Russia's annexation of Crimea in 2014 and the imposition (by Montenegro) and non-imposition (by Serbia) of sanctions in line with the European Union's action.

2. Montenegro: The ebbs and flows of a botched friendship

No country in the Balkans has received as much investment from Russia as Montenegro. The tiny coastal state of just over 620,000 inhabitants regularly topped the charts of recipients of Foreign Direct Investment (FDI) per capita,¹⁰ indeed thanks to money flows coming from a Russia where a 'shock-therapy' privatisation process was raging while these financial flows were at their highest, i.e. in the 2000s.

Friends with benefits: 2005-2014

While funds from Russia started flowing ever since the beginning of the 2000s, the process considerably intensified in the mid-2000s and especially since Montenegro's referendum of independence, with which the country set itself on a new course, breaking free from the rump state of Yugoslavia (Serbia and Montenegro) in 2006.

The largest single inflow of Russian capital occurred on the eve of independence, in 2005,

5 For a recent example: former UK foreign secretary Jeremy Hunt referred to Slovenia, the wealthiest post-Yugoslav republic, as a former 'Soviet vassal state' in February 2019 <https://www.theguardian.com/politics/2019/feb/23/soviet-vassal-state-jeremy-hunt-makes-gaffe-in-slovenia>

6 <https://balkaninsight.com/2019/03/05/goli-otok-yugoslavias-barren-island-camp-for-stalinists/>

7 Headley, James (2008), *Russia and the Balkans: Foreign Policy from Yeltsin to Putin*. Columbia University Press.

8 Bechev, Dimitar (2017), *Rival Power: Russia's influence in Southeast Europe*. Yale University Press.

9 Conley, Heather et al. (2016), *The Kremlin Playbook: Understanding Russian Influence in Central and Eastern Europe*, Center for Strategic and International Studies (CSIS), Rowman and Littlefield, October 2016.; Bieber, Florian and Nikolaos Tzifakis (2020), *The Western Balkans in the World: Linkages and Relations with Non-Western Countries*, Routledge.

10 Bonomi, Matteo and Milica Uvalić (2020), "The economic development of the Western Balkans: The importance of non-EU actors", in *The Western Balkans in the World: Linkages and Relations with Non-Western Countries*. Florian Bieber and Nikolaos Tzifakis eds.

when Russian oligarch Oleg Deripaska bought the country's largest company, the aluminium plant Kombinat aluminijuma Podgorica (KAP). The firm then accounted for about half of Montenegro's exports. The 48.5-million-euro investment constituted a very significant injection of capital for Montenegro's economy, while allegedly costing Deripaska less than the private jet with which he travelled to sign the contract. The deal was sealed by visits from individuals at the top of the Kremlin's elite: then-Duma speaker Boris Gryzlov and then-Emergency Situations Minister Sergei Shoigu.¹¹ In the pre-referendum period, the Democratic Party of Socialists (DPS) led by Milo Đukanović needed funds to prepare for the referendum of independence. In fact, KAP is considered to be only one in a series of deals with various domestic and foreign actors that helped build financial security for the DPS's campaign.¹²

Russia's possible role in financing this effort was also corroborated by a journalistic inquiry¹³ that quoted two former senior US diplomats who served in the Balkans, according to whom a US lobbying firm with connections to the Kremlin, Davis Manafort, received several million dollars to help run Montenegro's independence referendum campaign. Paul Manafort, of later Trumpian fame,¹⁴ had just worked on a campaign for pro-Kremlin candidate Viktor Yanukovich in Ukraine (whom he would eventually help win the presidency in 2010¹⁵) funded by the country's richest oligarch Rinat Akhmetov, before taking on the Montenegro task. According to this same investigation, Deripaska told one of his closest

associates that he bought KAP "because Putin encouraged him to do it" as "the Kremlin wanted an area of influence in the Mediterranean".¹⁶

Taken cumulatively, however, the majority of Russian investment went into real estate transactions, especially on the Montenegrin coast: according to some estimates, about 90% of financial flows from Russia were focused on the coast.¹⁷ These boomed even more upon Montenegro's independence, which coincided with a period of unreserved privatisation on part of the newly-appointed state authorities. The purchases exhibited a similar pattern: money stored offshore would be funnelled into property that was often bought at inflated prices, laundering these funds for the purchasers and ensuring handsome payments for the sellers and any middlemen, typically people with political connections.

In a particularly well-documented case, a Cypriot company (Caldero Trading) that was used to buy Montenegrin land from a former President of Montenegro's Supreme Court was found to be involved in the so-called 'Russian Laundromat'. Caldero had been conducting transactions with an offshore company (Industrial Trade Corp.) and two Baltic banks at the centre of networks that laundered huge amounts of money from Russia: it was ascertained, for instance, that it had received 3.4m from Industrial Trade Corp. between 2006 and 2007 – transactions recorded as 'computer equipment'. These transactions fit a wider pattern, as between 2006 and 2013 Industrial Trade took hundreds of millions of euros from Russia through the account of the Lithuanian bank Ukio Bankas.¹⁸

11 By 2022, Shoigu would become sadly renowned for his role in the war of aggression on Ukraine (and, before it, in the annexation of Crimea and in the war in Syria) as Russia's defence minister.

12 Another one being the privatisation of Montenegro's Telekom, which was sold to Hungary's telecoms utility in 2005, creating a damage for the public coffers of several hundreds of millions of euro. See: https://www.slobodnaevropa.org/a/svi_sporni_aspekti_privatizacije_telekoma_ucrnoj_gori/24447321.html

13 Mark Ames and Ari Berman (2008), "McCain's Kremlin Ties", The Nation <https://www.thenation.com/article/archive/mccains-kremlin-ties/>

14 "Paul Manafort, the man who helped Trump win", BBC, 24 December 2020. <https://www.bbc.com/news/world-us-canada-41796461>

15 Shuster, Simon, "How Paul Manafort Helped Elect Russia's Man in Ukraine", *Time*, 31 October 2017. <https://time.com/5003623/paul-manafort-mueller-indictment-ukraine-russia/>

16 Ames and Berman, 2008.

17 Novica Djuric, "Montenegro remains without Russian officials" (Crna Gora ostaje bez ruskih funkcionera), *Politika*, 14 April 2013 <https://www.politika.rs/sr/clanak/254853/Crna-Gora-ostaje-bez-ruskih-funkcionera>

18 Dejan Milovac and Jared Ferrie, "Traces of Russian Money Laundromat on the Montenegrin Coast", 11 June 2011 <https://www.mans.co.me/en/traces-of-russian-money-laundromat-on-montenegrin-coast/>

The supply – i.e. money laundering by Russian (and other post-Soviet) elites who profited hugely from a botched privatisation process – therefore met with the demand – Montenegrin elites who actively welcomed such money flows and curtailed their oversight, while themselves starting an intense privatisation process upon the split from Serbia. “It is key to understand that, at the same time when these dynamics were at their highest, there was no capacity nor willingness whatsoever among the institutions to investigate and persecute such cases”, explains Dejan Milovac of the anti-corruption watchdog MANS.¹⁹

Lost love?: 2014-2022

A decade later, in 2016, with Montenegro taking a different geopolitical orientation and aiming to join NATO,²⁰ Deripaska sued Montenegro for 100 million euro over the failure of KAP after the company had gone into bankruptcy in 2013.²¹ The moment of reckoning came in 2014, when the DPS-led government of Milo Đukanović suddenly turned its back on Russia, aligning itself with EU sanctions against Russia after the occupation of Crimea and provoking a tit-for-tat food import ban from Moscow.²² Since then, it is safe to say that Russia’s financial backing no longer went to the DPS, which have turned to other investors from countries “characterised by a similarly weak democratic tradition” to continue this form of deals.²³ However, it would be a mistake to think

that Russia’s economic presence vanished from the Balkan country. While FDI influx fell in 2015 and 2016, it then picked up again in the following years, reaching again the first spot in 2021, when total inward investment into Montenegro from Russia stood at 11.7% of the total.²⁴ Montenegro remains a country where Russian is widely spoken, with Russian-language kindergartens and primary schools in Budva.²⁵ This reflects the fact that many homeowners in Montenegro are from the Russian middle class: not all Russian money in Montenegro’s real estate is oligarch-generated.

There are two main instances in which Russian foreign policy influence through IFFs in Montenegro is suspected in recent years, though neither of them can be conclusively confirmed. The first is through the alleged attempted coup against Milo Đukanović on election day in autumn 2016.²⁶ The judicial investigation did not, until the time of writing, return conclusive evidence that the individuals accused of carrying out the coup and seemingly trying to murder Đukanović were funded by Russia.²⁷ The second is through direct funding of the pro-Russian and pro-Serbian coalition Democratic Front (DF), which joined a government coalition upon the elections in August 2020, when the DPS lost power for the first time in the country’s history. According to Milovac, the source of their funds is unclear, but “what is undeniable is that the DF had never run such well-funded campaigns as in 2016 and 2020”²⁸. While

19 Interview with Dejan Milovac, MANS, March 2022.

20 Montenegro joined NATO in June 2017 https://www.nato.int/cps/en/natohq/topics_49736.htm

21 Dušica Tomović, “Russian tycoon Deripaska sues Montenegro over investment losses”, *Balkan Insight*, 7 Dec 2016 <https://balkaninsight.com/2016/12/07/russian-tycoon-deripaska-sues-montenegro-over-investment-losses-12-07-2016/>

22 Balkan Insight, Russia extends sanctions to include Montenegro, 14 August 2015 <https://balkaninsight.com/2015/08/14/montenegro-gets-revenge-for-sanctions-against-russia-08-14-2015/>

23 Such as Azerbaijan, the UAE, etc: interview with Dejan Milovac, March 2022; see also Tena Prelec, “Doing Business in the Balkans, UAE Style”, ISPI, 2019. <https://www.ispionline.it/en/publicazione/doing-business-balkans-uae-style-22840>

24 “2021 Investment Climate Statements: Montenegro”, US Department of State, 2021 <https://www.state.gov/reports/2021-investment-climate-statements/montenegro>

25 Radio Free Europe / Radio Liberty, “Russian schools on the Montenegrin coast” (Ruske škole na crnogorskoj obali), 6 January 2018 <https://www.slobodnaevropa.org/a/ruske-skole-crna-gora-budva/28956614.html>

26 The investigative outlet Bellingcat claimed to have identified two Russian military intelligence (GRU) officers who were involved in the attempted coup. See: Bellingcat, “Second GRU Officer Indicted in Montenegro Coup Unmasked”, 22 November 2018. <https://www.bellingcat.com/news/uk-and-europe/2018/11/22/second-gru-officer-indicted-montenegro-coup-unmasked/> Arguments sceptical of outright Russian involvement point out the willingness of Đukanović to reduce the turnout (as a high turnout would have not worked in his favour, as it became clear at parliamentary elections in 2020) by playing up an atmosphere of danger.

27 Samir Kajošević, “Pandemic Delays Final Verdict in Montenegro ‘Coup’ Case”, *Balkan Insight*, 8 May 2020 <https://balkaninsight.com/2020/05/08/pandemic-delays-final-verdict-in-montenegro-coup-case/>

28 Interview with Dejan Milovac, MANS, March 2022.

the DF's towing of a pro-Russian line is apparent,²⁹ at least some of the money that is labelled as 'Russian' might in fact be Serbian, as is the case for the Serbian House in Podgorica, which is funded by money taken from the Serbian state budget.³⁰

3. Serbia: Energy capture

The resilience of gas middlemen schemes

The use of intermediaries in Gazprom's gas exporting operations has long been a well-rehearsed scheme in the business model of the Russian company. By propping up a local partner in the recipient country, which is usually either wholly owned by Gazprom or a joint venture with a local partner, Gazprom is usually able to contribute to the weakening of the national energy company and to bolster the growth of its subsidiary. All the while, these firms provide a channel to funnel money for high level local and Russian officials – thus creating a powerful constituency of people who are ready to defend the continuation of this method.

These dynamics have been playing out in Serbia starting from the 1990s. In that decade, Serbia's economy was heavily affected by international sanctions, which seriously restricted Serbia's ability to import oil and natural gas. These challenges prompted the Serbian leadership to build stronger ties with Russia.³¹ The ties between the two countries were cemented by a personal relationship between two high-level businessmen-turned-politicians: Mirko Marjanović (who led the outpost of a large Yugoslav re-exporting firm in Moscow in the late 1980s) and Viktor Chernomyrdin (the

first Chairman of Gazprom, which he helped restructure in 1989). Both would go on to become prime ministers in their respective countries in the early 1990s. Thanks to their partnership, Serbia and Russia established a system of gas import from Russia into Serbia through two firms: Progresgas Trading and – later – Yugorosgas. This system ensured handsome 'cuts' to both the Serbian and the Russian side, while leaving Serbia with a very significant debt towards Russia at the end of the Milošević era. It is, in part, due to this financial burden (and in part due to geopolitical considerations, with Belgrade wanting to ensure Russia's support for the Kosovo status process), that the 'clean sheet' with which the Đinđić government wanted to start rebounded to the same practice only a few years later. "It was either Yugorosgas, or no gas", stated then Minister of the Economy Mladan Dinkić in 2007.³² The scheme is, by and large, still in place at the time of writing.³³

Political allies: between patron-client relationships & friends of convenience

The energy sector thus provides a clear avenue for Russia to reward the loyalty of local actors. A very obvious case is that of Dušan Bajatović, a politician with the Party of Serbian Socialists (SPS) and the general manager of the state-owned gas utility Srbijagas since 2008, who has always been vocally giving support to Russia's "line", for instance in strenuously promoting South Stream³⁴ – a venture through which local actors were promised handsome rewards but that came to an abrupt halt in 2014. The promise of dividends from South Stream was touted as part of the reason why the oil utility Naftna Industrija Srbije (NIS) was sold to Gazpromneft for a very low price, alongside the

29 E.g.: in June 2016, Andrija Mandić (of the New Serb Democracy Party, a 'hardliner' party within the Democratic Front) signed a cooperation agreement with Putin's United Russia, along with some other leaders of pro-Russian parties from around the Balkans.

30 RTCG, "Four millions for the promoters of Serbian identity in Montenegro", 8 March 2020 <https://rtcg.me/vijesti/politika/271612/za-promotere-srpskog-identiteta-cetiri-miliona-eura.html>

31 In contrast to what is commonly thought, the partnership between Serbia and Russia is not a result of 'historical legacies': instead, Russia's involvement has "ebbed and flowed in a manner that has mainly been dictated by how warm or cool political ties between the two countries have been during certain periods". See: Miloš Damnjanović, 'Serbia', in *Understanding Energy Security in Central and Eastern Europe: Russia, Transition and National Interest*, ed. by Wojciech Ostrowski and Eamonn Butler (London: Routledge, 2018), pp. 202–21 (p. 206)

32 Grabež (2008); Prelec (2020).

33 Interview with Igor Novaković, ISAC Fund, March 2022.

34 <https://www.youtube.com/watch?v=Jh8i5hS8WB8&t=11s>

above-mentioned foreign policy considerations by Serbia in relation to Kosovo³⁵. In 2018, the Balkan Investigative Reporting Network found³⁶ that Bajatović collected at least 4 salaries and has a monthly pay of about 20,000 euro in a country where the average salary is 410 euro per month.

With the takeover of NIS, with Srbijagas run by loyal associates, and with middlemen gas schemes still in place, Serbia's energy sector is firmly in the hands of Russia.³⁷ The SPS is the party that has been curating these connections and overseeing all key positions in this sector and the respective ministries almost uninterrupted until 2020.³⁸ Clearly, Aleksandar Vučić's Serbian Progressive Party (SNS) is aware of these equilibria: although the SNS has had, at various times in its rule, more than enough seats in parliament for a majority, it still included the SPS as a junior partner in the governing coalition.

Conclusions & implications

The invasion of Ukraine in February 2022 prompts us to remain vigilant in relation to Russia's openly stated desire to return to 'great power competition' and to look at the possible developments and consequences for South Eastern Europe with increased attention. While the security aspect is outside the scope of this brief, the analysis presented here has identified four clear takeaways and three apparent avenues for

policy response to counter Russian IFFs. And while not new, the implications outlined below acquire renewed urgency and call for prompt action by western policymakers.

Main takeaways:

- 1. FP & IFF are indeed interconnected and part of a wider 'playbook'**, which includes keeping the countries of the region as far as possible from NATO and from the EU and penetrating the country's economies in such a way as to cow complicit local actors into assisting their foreign policy.³⁹ This set of practices is carried out, by and large, with a highly pragmatic attitude, seeking to maximise the 'destabilisation' gains with little effort and investment.⁴⁰
- 2. However, the two are not always aligned.** Sometimes, the nominally 'most loyal' country does not get the better economic reception from the Kremlin. Serbia, formally Moscow's constant ally, has been given a hard treatment in the sale of the national oil and gas utility NIS, which was undersold by the Serbian government to Gazpromneft in 2008, in a government-level deal that was, at least in part, a payoff for Russia's support for Serbia in the Kosovo status process. This shows Moscow's hard-nosedness and its ability to use foreign policy aims of other countries to its own advantage. On the flipside, as shown in the case study of Montenegro, local actors are also able to extract dividends from Russia for their own aims, such as the blossoming financial flows before and after their independence referendum.

35 <https://insajder.net/emisije/serijali/energetski/prva-epizoda-uv0k9qwu>

36 <https://balkaninsight.com/2018/11/19/multitasking-collecting-paychecks-from-the-serbian-state-11-16-2018/>

37 GONG, "The energy sector in Croatia and Serbia caught in interest networks", February 2022 <https://gong.hr/wp-content/uploads/2022/02/Energetski-sektor-u-Hrvatskoj-i-Srbiji-uhvacen-u-interesnim-mrezama.pdf>

38 Due to Russia's outside role in Serbia's energy sector, the powerholders at the Ministry of Energy are a good reflection of Serbia-Russia relations. A look at the list of Ministers of Energy and Mining ([https://en.wikipedia.org/wiki/Ministry_of_Mining_and_Energy_\(Serbia\)](https://en.wikipedia.org/wiki/Ministry_of_Mining_and_Energy_(Serbia))) will show how the SPS has held this ministry until 2000 (fall of Milošević, who used to head the SPS), and then from 2008 onwards, with a brief interlude in 2012-14 when Zorana Mihajlović (SNS) was made minister for a year and a half, but was then removed and SPS's Aleksandar Antić was reinstated during Vučić's (SNS) first term as prime minister. Mihajlović returned to this post in October 2020, signalling a possible shift both towards the US (Mihajlović is considered to be pro-US and Donald Trump – who cultivated good relations with Serbia – was then still in power) and a shift in Russia's allies in Serbia, with the SNS possibly acquiring more weight than earlier. The long-standing conflict between Mihajlović and SPS's Bajatović (Srbijagas) further reinforces this point.

39 As outlined in the research paper that accompanies this briefing note, this is a complex and sometimes indirect relationship. See: Owen, Mayne and Prelec (*forthcoming*), "The (Illicit) Financialisation of Russian Foreign Policy" – working title.

40 Bechev, 2017.

- 3. Local proxies are key:** what remains a constant is that loyal politicians, businesspeople, and other actors are rewarded with generous spoils. Some of them are very easy to identify (e.g.: Srbijagas' leadership), some less so (the economic link of pro-Russian parties in Montenegro) and some are cloaked in a veneer of respectability (e.g. business actors, both local and foreign, playing various enabling roles). Outside the scope of this brief, but equally important, is the extent to which local leaders are then able to project and amplify Russia's soft power⁴¹ in their own countries through government-friendly media – turning the spoils from the deals described in this brief into a form of 'narrative capture'.⁴²
- 4. Ultimately, pragmatism trumps FP considerations.** In the case of the imposition, or lack of imposition, of sanctions against Russia – by Montenegro and Serbia respectively – it has thus been shown that IFF from Russia will try to reflect that (lack of) shift in the short term, but that, ultimately, inertia and the loyalty of ad hoc actors have so far been more powerful forces than short-term policy considerations.

Implications:

- 1. Favour anti-corruption efforts in the Balkans.** The analysis presented in this brief has confirmed that Russian IFF into the Balkans rests upon home-grown ills, including patronage networks, rent-seeking structures, and the use by local actors of a Russia 'scare' to hedge their bets with the West as well as with their own electorates. Lessons are emerging from ACE (and beyond) on what works best when it comes to sustainable anti-corruption efforts, including the need for these to be locally-led.
- 2. Stimulate 'constructive capital'.** The instances of IFF presented here fall under the definition of 'corrosive capital' – which makes use of rule of law weaknesses in recipient countries and makes them wider. To turn the tables on such processes, it is necessary to stimulate the influx of constructive and sustainable investment linked to clear conditionality mechanisms.⁴³
- 3. Practice what you preach: cut the West's enabling role⁴⁴ and provide a clear and fair EU perspective for the Western Balkans.** This includes heeding recent lessons: the UK and many other western countries have failed to enact measures hitting the (often ill acquired) wealth of Kremlin-linked individuals until the start of the invasion of Ukraine. It is clear that such actions need to be taken much earlier to have a significant impact in disrupting IFF dynamics.

41 GLOBSEC Vulnerability Index 2021 <https://www.globsec.org/publications/the-globsec-vulnerability-index-evaluating-susceptibility-to-foreign-malign-influence-in-8-central-european-western-balkan-countries/>

42 This is, today, at its clearest in Serbia <https://biepag.eu/publication/geopolitically-irrelevant-in-its-inner-courtyard/> ; for an example of how 'narrative capture' works by utilising financial flows from other foreign actors, see: Prelec, 2020 <https://www.pssi.cz/publications/27-our-brothers-our-saviours-the-importance-of-chinese-investment-for-the-serbian-government-s-narrative-of-economic-rebound>

43 <https://corrosiveconstructivecapital.cipe.org/> ; for the risks for the Balkans, see: <https://scindeks.ceon.rs/article.aspx?artid=2217-995X2002167P>

44 Heathershaw et al, "The UK's kleptocracy problem: How servicing post-Soviet elites weakens the rule of law", Chatham House, 8 December 2021 <https://www.chathamhouse.org/2021/12/uks-kleptocracy-problem>

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