РУСИЈА И БАЛКАН

Економско, политичко и културно присуство Русије на Балкану

Положај, улога и значај Републике Србије

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Тематски зборник радова

Књига 12

2022.

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FOREWORD

Thematic collection of papers “Russia and the Balkans: Russia’s economic, political and cultural presence in the Balkans (Position, role, and importance of the Republic of Serbia)” was created as one of the first steps in the official scientific cooperation between the Institute for Political Studies, Belgrade and the Russian Presidential Academy of National Economy and Public Administration (*Российская академия народного хозяйства и государственной службы при Президенте Российской Федерации, РАНХиГС*), St. Petersburg. These two state-funded institutions, with many years of experience in science and academia, signed the Agreement on Cooperation on April 2021, with the aim of promoting academic, scientific, and cultural cooperation between the Republic of Serbia and the Russian Federation.

The fact that the research conducted within the Institute for Political Studies encircle different issues, such as political institutions and processes, political theory, identity and political culture, international relations, and modern trends in political economy, indicates the need to improve scientific and educational cooperation between Russia and Serbia. Although the relations between the two countries are at the level of strategic partnership, which testifies of strong economic and political ties, scientific cooperation, especially in the field of social sciences, has remained underdeveloped. Therefore, this book is an attempt to further strengthen the scientific research potential and promote future cooperation between Russian and Serbian scientists.

Bearing in mind that Serbia is located on the Balkan Peninsula, as well as the fact that in its history Serbia has shared the same political and economic space with many other Balkan countries, while Russia has acted both politically and economically on the entire Balkan Peninsula, we have decided that the Thematic collection of papers should include the economic, political and cultural presence of Russia in the Balkans, with special reference to the position, role, and importance of the Republic of Serbia in this process. Consequently, most of the papers in this book deal with the relations between Serbia and Russia, which was to be expected, not only because of the prominent level of economic cooperation between the two countries, but also because of good political relations, both in certain periods of history and today.

The Thematic collection of papers consists of three main parts that deal with Russia's economic, political, and cultural presence in the Balkans. The book is structured in a way that the readers can get a general picture of the most important aspects of cooperation between Russia and Serbia in these three areas. The papers provide an overview of what has been signed, ratified, and implemented so far, but also anticipate the possibilities and directions of Russia's future presence in the Balkans, primarily through its political and economic engagement in this region. An important contribution of this book is that it shows how researchers from Russia and Serbia perceive and interpret the same aspects of Russia's political and economic presence in the Balkans and Serbia, with emphasis on their similarities and differences.

Seeing this edition as a set of selected papers that shed light not only on the economic and political, but also on the cultural and historical aspect of Russia's presence in the Balkans, readers will be able to gain insight into the historical development and movement of the Russian factor, its structure, character, and scope. It is necessary to emphasize those segments that indicate possible weaknesses in cooperation between the Russian Federation and the Republic of Serbia, i.e., those fields of cooperation that are not sufficiently developed and in which there is potential for improvement. Therefore, this Thematic collection gives a set of different recommendations and solutions that could eliminate these shortcomings, and which could further strengthen the cooperation between the two countries for their mutual benefit. Taking into account the broader context of international relations, the papers here open a number of new dilemmas regarding the Russian presence in this important region, which remain open for further research and analysis.

It is important to note that the papers in this edition are written in three languages, Russian, Serbian, and English. The Thematic collection is primarily intended for Serbian and Russian readers, but this does not limit its range of readers. Although the book for its target group has students, researchers, and scientists in the field of international relations, economics, politics, history, and culture, it is also open to anyone interested in relations between Russia, the Balkans, and Europe.

Editors

Belgrade and St. Petersburg, February 2022.

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Review article

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CURRENT SERBIA-RUSSIA ECONOMIC RELATIONS: STAGNATION AND FADING

Abstract

Paper hypothesize that warmer relations between Serbia and Russian Federation don't lead to increases economic relations for years. Long-term stagnation is evident in trade in goods and services while investment is fading. Perhaps the sudden withdrawal of Sberbank is an act of formal reduction of engagement. Russian economic presence is anchored in the energy sector and shows little ambition to change. Good initiatives such as the implementation of the FTA between the Republic of Serbia and the EAEU appear sporadically but it is unlikely that it will significantly improve economic performances.

Keywords: *Russia, Serbia, Western Balkans, economic relations, trade, investment*

Introduction

Serbia pursues a diversified foreign policy, balancing between the West and the East. Thereby, dissatisfaction with their political status (EU accession prospects are moving slowly) and economic position will inevitably lead the country to look for other allies. But it is clear that the category of hypothetical ‘natural’ allies of

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Serbia, and other Western Balkan countries as well, is not limited to neighbouring states EU, Russia, and, recently and increasingly Turkey (Hake and Radzyner, 2019). The rivalry between the United States and China is even more intense.

Suppose it is in Russia's sentiment is rather towards a preservation of the degree of influence in Serbia. However, despite the favourable foreign policy and undoubted economic progress and good results of Serbia in recent years, Russia, as a partner in many economic areas, is increasingly lagging behind the mentioned strategic rivals. Most say current economic relations with both Serbia and Russian Federation are great. Even claim Russia's economic footprint has been growing for at least a decade (CSD, 2018). But, in the long run, if Russia wants to preserve its significant economic presence, the energy leverage must be extended to a more serious multidimensional approach.

Unlike the international political scene where Russia is seen as a tactical player taking swift decisions and acting flexibly (Bechev, 2015) in the economic sphere it is most often sluggish and stuck in the past. Recently extending the EAEU's FTA to Serbia could also become a tool in Russia's new economic approach. This paper deals with these issues.

Trade and other items related to trade

Trade in goods

The first years of this millennium were extremely fruitful in terms of trade. In the first decade, the value of Russian-Serbian trade has almost quadrupled, while Serbian exports to Russia have increased more than ten times, which was greatly facilitated by the August 28, 2000 Free Trade Agreement (FTA) between our countries. Russia had the best chances to succeed in the Balkans in the early to mid-2000s, when it pursued its policy using investment and economic influence. Now it is clear that they were missed, whether partially or completely (Entina, et al 2018). Soon after, saturation will follow. The structure and scope of the exchange do not reflect the potential and the opportunities that Russia and Serbia have. This statement has been observed in several papers (Maksakova, 2014a).

The Republic of Serbia and Russian Federation conduct regular exchanges on trade facilitation, good regulatory practices, and standards. Is going so, on the basis of the current implementation of the free trade regime between the Republic of Serbia, the Russian Federation, Kazakhstan and Belarus, the implementation of the FTA between the Republic of Serbia and the Eurasian Economic Union (hereinafter referred to as "the EAEU") began on July 10 2021.

The parties rightly aim to expand and improve mutual trade and economic cooperation with the development of efficient procedures for the implementation and enforcement of the agreement itself. But is it realistic and within what timeframe?

Although the current trade of the Republic of Serbia with Armenia and the Kyrgyz Republic was at a modest level, somewhat higher with Kazakhstan and mostly on the side of our energy imports, the potential of the trade agreement with the EAEU can be analyzed through the prism of a previous trade with the Russian Federation. And nonentity definitely can't be completely satisfied with that. Neither Serbians nor the Russians.

Serbia's exports to the Russian Federation are stagnating, while merchandise imports from Russia are oscillating due to one-time purchases of military goods for special purposes and/or drastic changes in energy prices, which misleads us about the estimated trend in the value of trade and overall economic cooperation. The bias in valuation is often conditioned by the change in the value of the EUR and the US dollar, because part of the import of energy is invoiced in the US currency.

Before the presentation the facts about foreign trade with the Russian Federation, it should be emphasized the unquestionably good things that the new Free Trade Agreement between Serbia and the EAEU brings.

Table 1. Republic of Serbia trade in goods with the EAEU, 2017-2020, thousand EUR

	2017	**2018**	**2019**	**2020**
EXPORT				
Russian Federation	880.995	864.105	872.710	800.759
Kazakhstan	37.237	44.263	52.742	46.858
Belarus	25.998	12.896	11.778	9.956
Armenia	11.741	5.413	5.508	5.357
Kyrgyz Republic	893	3.793	15.358	3.830
EAEU	*956.865*	*930.471*	*958.096*	*866.759*
IMPORT				
Russian Federation	1.412.134	1.724.602	2.195.799	1.387.684
Kazakhstan	53.689	4.636	3.541	91.317
Belarus	54.643	78.456	61.016	47.291
Armenia	76.015	101.838	149.610	17.525
Kyrgyz Republic	2.885	3.165	1.857	2.669
EAEU	*1.599.365*	*1.912.697*	*2.411.823*	*1.546.485*
Trade balance with the EAEU	*-642.500*	*-982.226*	*-1.453.727*	*-679.726*
Value of trade	*2.556.230*	*2.843.168*	*3.369.919*	*2.413.244*

Source: Statistical Office of the Republic of Serbia

Serbia is opening a market of 184 million people, with great potential. The EAEU is a powerful and promising regional integration, whose total GDP in 2020 will reach $ 5.000 billion (or 5,9% of world GDP). The Union produces 14,5% of the world's oil production, it is ranked second in terms of gas production (20,7%) - that is a guarantee for Serbian unhindered import of missing quantities of these energy sources. In that sense, and overall energy stability, especially in the upcoming period, which is assumed to be globally energy challenging. EAEU produces 4,8% of world iron production; 4,8% steel, 4,3% mineral fertilizers etc (EAEU, 2021).

The agreement with the EAEU contains innovated provisions in the part related to preferential rules of origin, the most important of which is the abolition of direct purchase conditions (from now on goods can transit through third countries with appropriate documentation from their customs authorities, and invoices can arrive from Serbia or any other country) and improving the provisions regarding the cooperation of the competent authorities. In order for the goods to have duty-free treatment, they need to be fully obtained in one of the signatory countries, or to have undergone sufficient processing in Serbia, so that the value of the used material of foreign origin is less than 50% of the value of exported goods. The possibility of cumulation of origin also applies, so that the goods will be considered to be from Serbia - if they were obtained there, and the materials used are from the EAEU countries, whereby these materials do not have to undergo sufficient processing.

For the Serbian side the agreement is most important for agriculture and the food industry, but many exporters and importers can benefit.

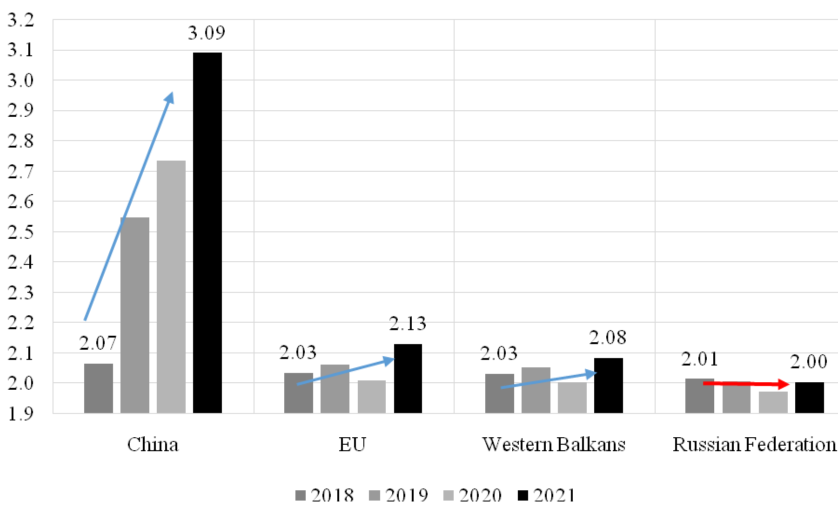
The most important product in terms of value that could realistically represent a new increase in Serbian exports in the duty-free regime are cigarettes, which contain tobacco (customs tariff HS 2402 20). Given that exports are limited by tariff quotas of two billion pieces per year, it is estimated that on that basis, exports could increase even up to an additional half a billion euros). Nevertheless, it is a good incentive for the tobacco primary production and manufacturing sector. For the first time, certain types of cheese and brandy receive preferential treatment, but we estimate that the potential of these products, due to production capacities or stricter import quotas, can reach only one tenth of the export revenues from cigarettes.

Potentially interesting products for export to the EAEU market are: canned fruits and vegetables, jams, juices, compotes, edible fruit and rose seedlings, medicines, ceramic tiles, furniture, pet food, and cooperation in the field of construction industry is attractive. ICT. It is encouraging that several companies from the agro-industrial sector have announced the signing of new contracts with the EAEU market.

The agreement can be used by foreign investors. Foreign companies open production in Serbia and use duty-free access to markets with which country have free trade agreements. Among the top ten most important exporters from Serbia to the Russian Federation, nine are foreign investments, eight of them from European Union in various areas of business: from agri-food production, textile and clothing industry, white goods and construction materials, to trailers, rubber industry and production of medical and medical preparations, etc.

In the medium term, having in mind the technical quality requirements for entering the EAEU market, which are sometimes stricter than European ones, Serbian companies are expected to undertake additional investments in plants and technical characteristics of products, so that in the future they can offer a better product and more efficient technology. But as exports do not progress, the following data indicate that this imperative refers to the preservation of existing positions on the Russian market, rather than some kind of expansion.

Figure 1. Cumulative change in the value of Serbia's merchandise exports in EUR, by selected countries and geographical destinations, in the first six months of the observed years (logarithmically expressed base indices, average 2017 = 100)



Source: Author's calculation on the basis of data of Statistical Office of the Republic of Serbia

It is clear that after the pandemic crisis in 2020, the dynamics of Serbia's exports, observed by country, quickly returned to the previously established long-term trend.

Moderate growth of exports to the neighbouring countries has continued - since 2017, approximately 6% on average per year (with these countries Serbia also has the largest trade surplus).

Even more intensive export growth was recorded with the EU27 countries (around 9% on average per year).

The exports growth have returned to the path of geometric progression with China. That is why the index changes of exports in the previous chart had to be expressed on a logarithmic scale - here the cumulative value of exports in the first half of this year compared to the same period in 2017 increased by an incredible 1.130,6% (that is, 12,3 times, from € 27,1 million to € 333,9 million). This is largely a consequence of an abnormally low base for comparison, but, nevertheless, it should be noted that China is the only country in the ilustration where Serbian exports increased during the 2020 as well.

Unlike other geographical destinations, merchandise exports to the Russian Federation are not growing.

In the first half of 2021, the nominal value of exports reached € 438,9 million, which is barely € 3,2 million more than it was recorded five years ago.

Table 2. Serbia's merchandise exports to Russian Federation (for the first six months of the observed years, thousand EUR)

	2017	2018	2019	2020	2021
Total value of exports	**435.668**	**450.591**	**442.703**	**409.961**	**438.882**
Eight most important export products (2nd digit classification)					
- Edible fruit and nuts; peel of citrus fruit or melons	110.129	92.873	83.395	95.467	86.256

- Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	41.447	37.568	42.754	33.725	48.058
- Pharmaceutical products	31.090	36.483	29.461	25.722	29.281
- Rubber and articles thereof	25.487	39.952	43.121	40.785	39.833
- Articles of apparel and clothing accessories, knitted or crocheted	44.830	45.326	20.075	31.422	33.092
- Paper and paperboard; articles of paper pulp, of paper or of paperboard	28.715	25.044	24.696	15.028	19.875
- Plastics and articles thereof	16.020	17.553	18.966	13.549	18.783
- Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial . . .	2.891	5.233	10.062	8.513	16.247
The share of these eight most important products in total exports	69,0%	66,6%	61,6%	64,4%	66,4%

Source: Author’s calculation on the basis of data of Statistical Office of the Republic of Serbia

Therefore, Serbia’s merchandise exports to the Russian Federation, despite the free trade regime and the preferential status of certain products, have stagnated in the long run. As it has already been mentioned, when energy products and military goods for special purposes are excluded from the total exchange, no significant changes can be noticed even with Russian imports into Serbia, as well.

This is the most important issue that must be faced by the representatives of the Joint Committee, whose task is to monitor the agreement and consider the possibilities for further improvement of trade relations.

Table 3. Cumulative change in exports of observed commodity groups, period 2017-2021
(realized value of exports in the first six months of the observed years)

	Russian Federation	**World (total)**
Eight most important export products (2nd digit classification), cumulatively	**-3%**	**38%**
- Edible fruit and nuts; peel of citrus fruit or melons	-22%	15%
- Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	16%	48%
- Pharmaceutical products	-6%	15%
- Rubber and articles thereof	56%	44%
- Articles of apparel and clothing accessories, knitted or crocheted	-26%	-6%
- Paper and paperboard; articles of paper pulp, of paper or of paperboard	-31%	23%
- Plastics and articles thereof	17%	49%
- Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial . . .	462%	206%

Source: Author's calculation on the basis of data of Statistical Office of the Republic of Serbia

Apart from the fact that Serbia exports simple and labour-intensive products (apples make up as much as 13,6% of total merchandise exports in the first six months of 2021), it is paradoxical that some of the most common products, on which Serbia's exports to the Russian Federation are based (2/3 of total merchandise exports) has much better propulsion in the rest of the world than in the Russian market (Nikolić, Brankov 2018).

Is it possible that Serbia do not have competitive goods for this market? As it is possible that except for the mentioned apples, all other goods are still at the level of statistical error of goods imports of the Russian Federation. Is the problem the size of the market and the inability to produce on a larger scale? Transport and logistics costs? Or, in essence, the weak interest of companies to place goods in a larger capacity on this market? There are a lot of questions that need to be answered!

The fact is that there is competition in the Russian market certainly large, while Serbian business is mostly small and insufficiently prepared for successful entry into the Russian market (Maksakova, 2014). On the other hand, the Serbian economy is rapidly improving (for a more detailed observation of this thesis see: Nikolić, Zubović 2013; Nikolić, Nikolić 2020) In addition to the positive technological restructuring, the contribution of the SME sector is growing, which must be equally encouraged to cooperate with the Russian Federation (Nikolić, Rajić 2019).

Table 4. Serbia's merchandise imports from Russian Federation
thousand EUR

	2018	**2019**	**2020**
Natural gas in gaseous state	471.456	560.895	296.284
Petroleum oils and oils obtained from bituminous minerals, crude	615.537	488.862	269.372
Commodities not elsewhere specified	32.325	41.363	200.127
Mineral or chemical fertilisers containing the three fertilising elements nitrogen, phosphorus . . .	27.831	30.889	51.948
Parts of aeroplanes or helicopters, n.e.s. (excluding those for gliders)	29.911	1.886	51.216
Chewing tobacco, snuff and other manufactured tobacco . . .	21.023	25.058	46.613
Urea, whether or not in aqueous solution (excluding that in pellet or similar...)	5.678	3.797	37.698

Cigarettes, containing tobacco	22.202	27.308	24.231
Carbon (carbon blacks and other forms of carbon, n.e.s.)	30.394	32.097	21.666
Other products	468.245	983.644	388.529
TOTAL	*1.724.602*	*2.195.799*	*1.387.684*

Source: Author's calculation on the basis of data of Statistical Office of the Republic of Serbia

Limited results are also recorded on the side of products that the Russian Federation sells to Serbia. Dominated by energy-mineral products and military goods for special purposes. For the reasons already mentioned, the share of these products often makes up 3/4 of the total Serbian imports from the Russian Federation. The same question and dilemma follows. Is it true that the Russian Federation has nothing more competitive to sell to Serbia except oil, gas and weapons?

Trade in services

Services, as well as goods, define the ability of countries and their firms to compete on international markets. Services are the backbone of the modern economy, contributing more to economic growth and job creation worldwide than manufacturing and mining activities or agriculture.

Russia-Serbia trade in services reaches half a billion euros in recent years. Observed in the long run, it can be said that the exchange of services between these two countries is in balance. In period 2007-2020. Russian Federation was the Serbian's twelfth ranked main partner for trade in services - eleventh on the export side and fifteenth on the import side. Also during 2021, for period January-august, the rank remained the same - Russian Federation still occupies the twelfth position.

Table 5. Share of importing markets for a service exported by the Republic of Serbia

	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021 (jan-aug)**		Aver-age 2014-2020
Germany	9,8%	9,7%	10,3%	10,3%	10,3%	10,8%	10,9%	**10,9%**	>	*10,3%*
U.S.	4,9%	6,3%	7,1%	6,6%	7,4%	8,6%	10,7%	**10,9%**	>	*7,4%*
U.Kingdom	7,4%	7,5%	8,5%	9,6%	9,2%	8,6%	7,1%	**7,4%**	<	*8,3%*
Russian Federation	*5,7%*	*3,9%*	*2,7%*	*2,4%*	*3,5%*	*3,0%*	*4,1%*	***3,1%***	<	*3,6%*
China	1,4%	1,1%	1,3%	1,0%	1,2%	1,7%	1,7%	**2,3%**	>	*1,3%*

Source: Author's calculation on the basis of data of National Bank of Serbia

Data from the tables on various services indicate that in the first eight months, the share of the Russian Federation in exports and on the import side of services is lower than the long-term average. It is possible that the significance will increase somewhat by the end of the year, but this data is given more as an indication of relatively unfavourable tendencies in the exchange between Russia and Serbia, which is also applied in the field of services.

Table 6. Share of supplying markets for a service imported by Republic of Serbia

	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021 (jan-aug)**		*Average 2014-2020*
Germany	7,0%	6,3%	7,4%	7,3%	6,5%	6,4%	7,8%	**7,3%**	>	*7,0%*
U.Kingdom	4,3%	4,5%	4,3%	4,6%	4,5%	5,2%	7,0%	**6,9%**	>	*4,9%*

China	1,4%	1,7%	0,6%	0,7%	0,7%	1,6%	3,1%	**4,3%**	>	*1,4%*
Russian Federation	*4,4%*	*3,6%*	*2,6%*	*3,2%*	*4,6%*	*4,8%*	*4,2%*	***3,3%***	<	*3,9%*
U.S.	3,0%	2,8%	3,0%	2,7%	3,1%	3,6%	3,4%	**2,7%**	<	*3,1%*

Source: Author's calculation on the basis of data of National Bank of Serbia

Similar to trade in goods, Russia-Serbia trade in services was formed in traditional areas with neglected modern and propulsive services that are expanding everywhere. Construction is the most common, in addition to traditional services related to business support and tourism, while the Telecommunication, computer and information services (ICT) is still undervalued.

Table 7. List of services exported by the Republic of Serbia to Russian Federation, million EUR

	2018	**2019**	**2020**
Construction	105,0	77,0	95,9
Other business services	51,9	53,7	53,6
Travel	24,0	22,0	27,0
Transport	28,0	49,0	25,0
ICT	3,5	12,3	4,6
Personal, cultural & recreational	3,5	3,4	2,3

Source: Author's calculation on the basis of data of National Bank of Serbia

Serbia is determined to invest in infrastructure, especially in the railway (see: Nikolić, Kovačević 2019; Nikolić, Šagovnović 2018). With Russian Railways, since 2013 Serbia have modernized about 200 kilometres of railways in Serbia so far. The cooperation is good and takes place according to planning documents. This activity is mostly reflected in the position of “Construction” in the balance of imports of services from the Russian Federation.

Table 8. List of services imported Republic of Serbia from Russian Federation, million EUR

	2018	2019	2020
Construction	134,0	113,0	78,9
Other business services	30,0	77,0	57,9
Transport	2,0	20,0	20,0
Travel	28,0	24,0	17,0
ICT	5,0	11,0	8,0
Financial services	1,0	4,0	7,0
Maintenance and repair services n.i.e.	14,0	16,0	6,0
Other services	20,0	17,0	7,0

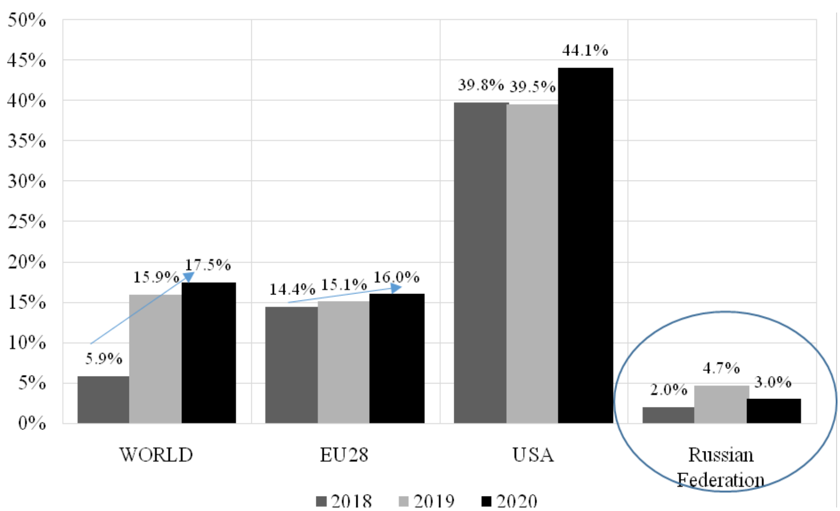
Source: Author’s calculation on the basis of data of National Bank of Serbia

Note that on October 2019, during the visit of Russian Prime Minister Dmitry Medvedev several agreements were signed. The first is an agreement between the Government of the Russian Federation and the Government of the Republic of Serbia on granting a state export credit to the Government of the Republic of Serbia. The Russian railway loan was € 172,5 million worth, with participation from the budget of the Republic of Serbia amounting to € 57,5 million, which is a total of € 230 million. The loan relates to the design and construction of the new dispatch centre on the railway, development of design and technical documentation for the continuation of the reconstruction of Bar railway line and the construction of electrical infrastructure on the section of Belgrade-Budapest high-speed railway line, from Stara Pazova to Novi Sad (for more information see *link*: JSC Serbian Railways).

The construction of a Dispatch centre is underway (the plan is to complete in 2022), for which the contract is worth about € 100 million. It will help to establish efficient traffic management on the entire territory of Serbia and contribute to the much better use of railway infrastructure.

Serbia will start very soon build a high-speed railway line Belgrade-Nis, as well as Nis-Presevo (the complete railway line to the state border to North Macedonia), concurrently reconstruct regional railway lines. Works on the construction and further improvement of the railway infrastructure are joint projects which are being realized by Russian Railways "RZD International" and Chinese company "China Railway International Company".

Figure 2. Share of ICT services in total trade in services of Republic of Serbia, period 2018-2020



Source: Author's calculation on the basis of data of National Bank of Serbia

Unlike construction, ICT services as a carrier of development expansion, especially for fast-growing economies, is not only neglected in the exchange of services between Serbia and the Russian Federation, but also records an unfavourable trend. The share of the ICT services in total Russia-Serbia trade of services is on average five to six times lower than the result that Serbia records in the exchange of services with the world. The result is far more unfavourable when we look at how the Serbian ICT sector is progressing in developed western economies (Nikolić, Zoroja 2018).

It should be noted that on October, 2019, Russia and Serbia signed an intergovernmental agreement on cooperation in the construction of the Centre for Nuclear Science, Technology and Innovations in the Republic of Serbia, too. The idea of cooperation in the field of nuclear research dates back to 2013 (Maksakova, 2014). On the Russian side, this activity has been delegated to the company Rusatom Overseas. "When put into operation, the Centre will allow solving vital tasks including production of radioisotopes for medical, industrial and agricultural purposes; doped silicon production for various industries; composition analysis testing of minerals; ecological sampling; specialist training for nuclear industry and other activities that boost innovation and digital technologies. The Centre will comprise a research reactor facility based on a multipurpose water-cooled 20 MW research reactor equipped with all necessary systems, equipment and facilities as well as laboratories and functional complexes..." (Rusatom Overseas, 2019). Two years have passed since this announcement. So far there are no signs of progress.

A brief overview of investment ties

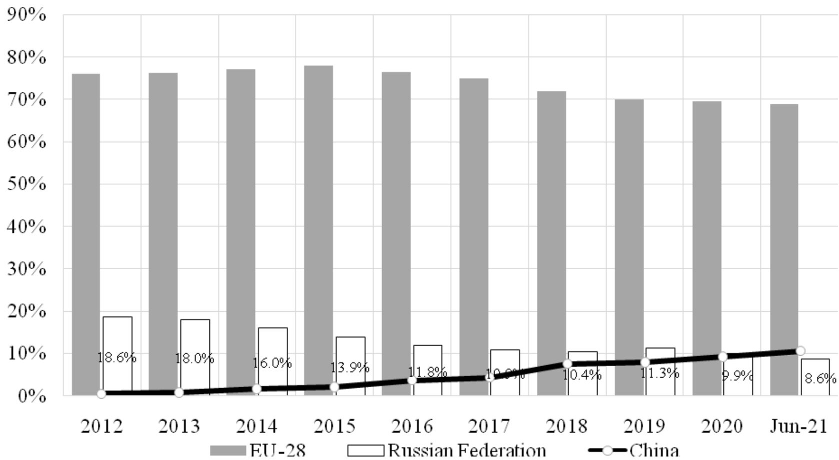
Foreign capital plays a significant role in the socio-economic development of the Western Balkans. Serbia is the largest importer of capital and accounts for over 60% of FDI inflows in the region. According to UNCTAD data, in 2019, Serbia became the second country in transition to attract the most FDI - $ 4,3 billion. The main industries that received FDI are: construction (28%), transport (16%), wholesale and retail trade (8%), information and communication technologies (5%). Serbia has continued to develop export-oriented projects in the automotive cluster, which has been the subject of foreign capital investment (Vorotnikov and Gabarta 2021).

The EU is the biggest source of foreign direct investment - the largest investors are the Netherlands and Germany. The EU accounts for the bulk of the region's trade and FDI, up to 77% of the total stock in Serbia (Bechev, 2019). China has begun to play an increasing role by investing in infrastructure, mining and energy projects, while the Russian Federation among investitures was pushed to fifth place in recent years.

Russia's investment position in Serbia has weakened in the last years. During 2020, net investments were symbolic (€2,4 million), while in the first six months of 2021, for the first time, a significant disinvestment of Russian companies in the amount of €155,8 million was recorded. For example, in the observed period, China invested in Serbia €528,4 million, and€494,4 million, respectively.

The downward trend of Russian investments in Serbia was interrupted only in 2019, when most of the works on the Turkish Stream gas pipeline construction project were performed. The Serbian section of the project, costing around $1,4 billion, would be implemented by a consortium made up of Gazprom with 51% and the state-owned Srbijagas company (49%) (CSE, 2020). The Turkish stream, as an alternative source of supply, has efficiently redirected the import of Russian gas coming from Hungary, bypassing Ukraine. In that way, a secure supply is provided, but also a lower price for domestic consumers. However, even with the completion of this great project, to Russia, the Western Balkans have established themselves as "a transit region for its energy exports to Western European markets" and the sentiment is rather towards a preservation of the degree of influence rather than a competition with Brussels (Krastev, 2018).

Figure 3. Structure of cumulative net FDI inflows to Republic of Serbia after 2010.



Source: Author's calculation; data of National Bank of Serbia

According to the data of the Serbian Business Registers Agency, on the territory of the Republic of Serbia about 900 active economic entities are registered, the majority owners of which are citizens of Russia Federation, ie legal entities registered in the Russian Federation (Serbian Business Registers Agency 2021).

Table 9. The largest investors (companies) from the Russian Federation in Serbia

Company name	Sector
Gazprom Neft / NIS a.d. Novi Sad	Energy / Oil Industry
Lukoil / Lukoil Srbija a.d.	Energy / Oil Industry
GSK Krasniy Treugolnik / Vulkan gume d.o.o.	Automotive Industry
Sogoz & Srbijagas / Sogaz a.d.o.	Finance / Insurance
Sberbank	Finance
ICL Services	Information and Communication (ICT)
Mikro Finans Invest /Valetta doo	Food Industry

Source: Serbian Chamber of Commerce 2019

The banking sectors in the Western Balkans remain dominated by foreign-owned banks with an average of 90% of total banking assets. But Russian investment in the banking sectors has been modest so far. This fact, although indisputable, has often been the subject of controversy. Some authors have tried to prove that Russian investment in the banking sectors has been on the increase in the past years (Vladimirov et al., 2018).

Moreover Russia will completely withdraw from the banking market of several countries from next year. Namely, Vienna-based Sberbank Europe officially stated on November 3 that it has signed a deal to sell six subsidiary banks in Bosnia, Croatia, Hungary and Slovenia (with a total assets of € 7,30 billion, 162 branches and some 600,000 clients) to Serbia's AIK Banka, Slovenia's Gorenjska Banka and Agri Europe Cyprus in a move to focus on key markets. The closing of the transaction is subject to approvals by national and international regulators as well as by national competition authorities and is expected to take place in 2022. (SeeNews, 2021). Sberbank Europe is a banking group 100% owned by Sberbank of Russia, while AIK Bank is Serbian privately-owned bank which owns 92% of shares in Slovenian Gorenjska banka and takes stake in Agri Europe Cyprus as well.

Conclusion

It can be seen, then, that Serbia-Russia economic relations are specific in many aspects.

Paper hypothesize that warmer relations between Serbia and Russian Federation don't lead to increases economic relations for years. Long-term stagnation is evident in trade in goods and services while investment is fading, despite the fact that many lecturers from the West prefer the opposite conclusions.

Russian economic presence is anchored in the energy sector and shows little ambition to change. Good initiatives such as the implementation of the FTA between the Republic of Serbia and the EAEU appear sporadically but it is unlikely that it will significantly improve economic performances.

The paper mentions some limitations, primarily on the Serbian side, such as: the size of the market, the inability to produce on a larger scale, large transport and logistics costs, or, in essence, the weak interest of companies to place goods in a larger capacity. Undoubtedly, there are many of them.

Due to the stagnant and fading economic relations, Russia is progressively slipping behind the aforementioned strategic adversaries in Serbia's market. It remains to be seen whether anything will change on this issue. It's clear that if Russia wants to maintain its considerable economic presence in the long run, the energy leverage must be expanded to a more serious multidimensional strategy.

The paper, obviously, opens up a number of new questions and dilemmas. That is the essential reason why more research is needed on this topic in the future.

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АКТУЕЛНИ ЕКОНОМСКИ ОДНОСИ СРБИЈЕ И РУСИЈЕ: СТАГНАЦИЈА И СЛАБЉЕЊЕ

Апстракт

Хипотеза рада је да „топлији“ односи Србије и Руске Федерације не доводе до повећања економских односа годинама. Дугорочна стагнација је евидентна у трговини робом и услугама, док инвестиције бледе. Можда је изненадно повлачење Сбербанке чин формалног смањења ангажовања. Руско економско присуство је усидрено у енергетском сектору и показује мало амбиција да се мења. Добре иницијативе попут примене споразума о слободној трговини између Републике Србије и ЕАЕУ појављују се спорадично, али је мало вероватно да ће то значајно побољшати економске перформансе.

Кључне речи: *Русија, Србија, Западни Балкан, економски односи, трговина, инвестиције*

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