



Select Committee on International Relations

Corrected oral evidence

Beyond Brexit: the UK and the Balkans

Wednesday 11 October 2017

10.30 am

[Watch the meeting](#)

Members present: Lord Howell of Guildford (The Chairman); Lord Balfe; Baroness Coussins; Lord Grocott; Lord Hannay of Chiswick; Baroness Helic; Lord Jopling; Lord Reid of Cardowan; Baroness Smith of Newnham.

Evidence Session No. 3

Heard in Public

Questions 33 - 41

Witnesses

I: Mr Laza Kekic, former Economist Intelligence Unit and independent analyst; Dr Jarosław Wiśniewski, Visiting Fellow, LSE; Dr Timothy Less, Director, Nova Europa; Dr Michael Taylor, Senior Analyst, Oxford Analytica; Mr Michal Makocki, formerly of EUISS and Mercator Institute for China Studies.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.
2. Any public use of, or reference to, the contents should make clear that neither Members nor witnesses have had the opportunity to correct the record. If in doubt as to the propriety of using the transcript, please contact the Clerk of the Committee.

Examination of witnesses

Mr Laza Kekic, Dr Jarosław Wiśniewski, Dr Timothy Less, Dr Michael Taylor and Mr Michal Makocki.

Q33 The Chairman: Gentlemen, good morning, and thank you very much indeed for sparing time to come and share your thoughts with us on our current investigation. We are planning a report which will be entitled *Beyond Brexit: the UK and the Balkans*. Collectively, you have enormous expertise in these areas. The Committee has already had circulated to it an extensive number of learned papers and an extremely helpful summary by our clerk. Nevertheless, there is no substitute for verbal expertise and explanation of a kind that we all need.

The Committee has visited the region, including four of its several countries. Therefore, we have a number of experiences to test against your observations and papers. It will be a bit of a global tour this morning because we are looking at, in as far as they can be disentangled, the outside influences of the powers and world trends on the region, rather than the minutiae of the domestic scene. They are all entangled; we realise that everything is woven together but we will try to come at it from the outside, as it were, and to deal with the various impacts of China, Russia, Turkey, the United States and obviously the EU, NATO and Britain's own interest as they work towards the western Balkans summit which is planned for next year. Its date is as yet unspecified but believed to be some time in July.

I add formally that this session is on the record. Records are made of it and there is an opportunity afterwards for you to see those and alter anything in what you may say. That opportunity is there but we are on the record.

Coming down from the global level, I will start on an area which 20 or 25 years ago I think hardly came into our consideration yet has now come into the entire consideration of the world: the growing influence of China. We heard a lot on our visit about the 16+1 and the ambitious Chinese plans, backed up by vast conferences in Beijing, for the development of huge infrastructure projects in the region.

I was going to ask for a volunteer but Mr Makocki is probably most likely to start. I begin by asking how you see China planning to fit into the area and the neighbouring countries as well—that is, eastern central Europe generally, and indeed Greece. How do the west Balkans fit into China's broader economic and political strategy? Why are they interested and why did we keep hearing references to China on our visit? Mr Makocki, would you like to start, but please, will any of you chip in? As we are going to deal with different subjects in which some of you have extreme expertise, I will try to get the lead each time to be the person who has studied that area. Let us have China first, starting with Mr Makocki.

Mr Michal Makocki: Thank you, Lord Chairman, and good morning to everyone. First, thank you for inviting me to this inquiry, which is very timely given the potential for a governance crisis in the Balkans. Here,

the China dimension fits perfectly with the concerns about the potential governance issues in the region.

Let me start with a short description of the Belt and Road Initiative which China has proposed to the world, and of which the Balkans form part. The Belt and Road Initiative is one from the current Chinese leadership to change the domestic economic model of China, thanks to the global integration of its economy. This implies building infrastructure connecting the Chinese market with other parts of the world to solve two key issues in China. One is to export all the capacity of different Chinese industries; the other is to move China up the value chain. Through connections with different markets around the world, China wants to achieve a change in its economic model but also to redefine its global role. This will obviously have enormous geopolitical consequences for every region where China tries to establish those strengthened relations. With the Belt and Road, China is building infrastructure: it is trying to build new railway connections, maritime routes and ports; it is also investing in creating new links in so-called people-to-people connections, and in policy co-ordination with different countries.

The Balkans form a crucial part of that, because China wants to link its own market with the European market and the Balkans are perceived as a gateway to it. Since 2012 China has intensified investments in the Balkans and Greece, starting with a huge investment in the port of Piraeus in Greece, which serves as a bridgehead for China to access the Balkans and other parts of Europe. In the western Balkans, China is trying to build railway connections that will link the port of Piraeus in Greece to central Europe and then further on to the rest of the European Union. This has to be seen in perspective; it is not the only connection that China is trying to build. It wants to develop alternative routes, notably through central Asia and eastern Europe, which are also a way to connect with the European Union market.

What does that mean for the Balkans? In the Balkans, given the huge infrastructure deficiency, China's overtures are seen as extremely positive as they may be a boon to the local economies. Since 2012 and the start of this rapprochement between China and the Balkans, we have seen huge attention paid to China. This is happening through different vehicles: one of them is called 16+1, which is a grouping of China with 16 countries of the region, which are central European EU member states and countries in the western Balkans. Crucially, China perceives this region as a contested space. This has been happening since 2012 and the moment of the eurozone crisis, which China perceived as a moment of strategic opportunity. It was perceived that because of a crisis in the European Union, the EU might diminish its commitment to the region and that would create a strategic opening for China. Since 2012 China has moved on, with lavish funds and political engagement, to establish close political links with the leadership of the countries in the region. It has also offered substantial funding for infrastructure and promised investments.

What does this mean for us in the European Union and especially for the United Kingdom? We have to see it in context. China is a relatively new player in the region. It started from a very low base but the dynamic is extremely fast. In a way, China competes with us but, at the same time, there is quite a substantive collaborative dimension to China's relations with the region. The key issue in competition is that China brings with it its own investment model. With every infrastructure project there comes a new set of rules, which are part and parcel of China's own domestic economic model. Those rules are related to the lack of public procurement tendering, which means that projects are awarded directly by politicians to their preferred companies. Chinese companies often operate with less attention paid to standards of corruption. They also operate with lower transparency standards. This all contributes to undermining the governance reforms that we have been promoting in the Balkans.

But there is also this collaborative dimension to China's approach in a region such as the Balkans, which has not been a prime investment location. It is positive to see this new attention from an external investor, especially such a formidable one as China, which now has the second biggest economy in the world. This should be welcome but we have to work with China in a way that addresses all the different concerns and deficits of its investment model, so that we get the best of its attention to the region while mitigating the potential risks that I mentioned, which relate to China's investment model.

Q34 The Chairman: On the finance side, are we talking about pure Chinese finance? I noticed that at the last Beijing conference on OBOR they began talking about raising money from the countries through which they were going to build their infrastructure. That might just be for central Asia, but is the pattern that China arrives in these areas with real finance, or is it just promising it?

Mr Laza Kekic: That particular issue is of interest. I came back yesterday from an *Economist* conference in Athens on Eurasia, Russia and China. What struck me was that with this great initiative of theirs—one belt, one road—the annual sum of money involved in these projects, in this whole area, is apparently \$1 trillion, which is absolutely astonishing. The money that goes into the Balkans from this is just a drop in the ocean. We are talking a few billion dollars. It is not even on their radar screen.

The number two person involved in this walked up to me at the conference and I started talking to him about China and the Balkans, China and Serbia. He knew nothing about it; it was such a small aspect. Nevertheless, a relatively small amount of money goes a long way in the Balkans. Serbia gets about half of it. The estimates are of about \$5 billion to \$6 billion in contracts. The important thing is that this is all in the form of loans; hardly anything is in the form of foreign direct investment. There is only one significant foreign direct investment, the Smederevo steel works, which used to be owned by the United States Steel

Corporation. The Chinese came in and saved it. It is of some significance, but everything else is loans.

That is one reason for some of the reservations among analysts about the money in the region. Even though, as Mr Makocki mentioned, the leaders of the region welcome it—and why shouldn't they? It is additional money—there are some reservations. The first is the companies' increased debt, because it is loans, not foreign direct investment. Loans are usually not accompanied by technology transfer, unlike foreign direct investment. Interestingly, the Smederevo steel works workers' unions are also quite unhappy about it; they are unhappy about how they are being treated by the Chinese. One of China's reasons for this model is to gain construction work for Chinese companies and workers, which is not that popular. So there are some caveats.

In direct answer to your question, it is mainly loan finance, and in the scheme of things the sums involved are relatively limited, although they are not insignificant from the perspective of the Balkan recipients.

Baroness Helic: You have said that you welcome Chinese investment. Could you tell the Committee where in the world Chinese investment has produced positive outcomes in terms of transparency, fighting corruption, developing good governance and strengthening institutions?

Mr Michal Makocki: I mentioned that we should welcome Chinese investment on the condition that they comply with our rules in the Balkans.

Baroness Helic: Are we in a position to put conditions on their investment in the Balkans?

Mr Michal Makocki: We should support the structural conditions in the countries, especially those that have applied for membership of the European Union. We have quite important policy levers in the accession process and we should incorporate specific China-related goals into it. China will stay in the region and the leaders of those countries will be interested in Chinese money regardless of what we tell them. We should work with China to establish the rules that will allow the societies in those countries to reap the benefits of Chinese investment.

In the accession process, those rules should relate to public procurement standards, to transparency issues, to debt sustainability and, more broadly, to fighting corruption. When we manage to establish those rules, there will be greater potential for the Chinese investments to bring positive effects. If we do not work with those countries to improve those conditions, China will simply be there and will offer those investments with all the potential negative consequences.

Mr Laza Kekic: May I give a slightly different answer? I have two points. It is a bit like the pot calling the kettle black to talk about standards of transparency and so on. The idea that EU companies are paragons in this stretches belief. I have a few examples. Some of the main EU

investments in the region, such as the Fiat plant in Serbia, are totally non-transparent. The content of contracts is secret. Local journalists recently investigated the nature of EU investments and subsidies, and the corruption involved is quite astonishing. So the idea that China is the only bad guy stretches belief.

Secondly, on the attitude to Chinese investment, Britain, post Brexit, should in my view be an open and welcoming economy and not be protectionist. At the moment, the EU is advocating very protectionist measures towards Chinese investment, screening it under the guise that these investments threaten national security. To my mind, this is just an excuse for protectionism, and the UK, post Brexit, should not take part in it. If you do not believe me, you should read Mr Juncker's statement justifying this. It is quite stunning in its protectionist intent towards Chinese investment, and I do not think that the UK should participate in it.

Dr Timothy Less: I just want to add one other point in answer to your question. We have analysed some of the complications that come with Chinese investment, but the reality is that if China was not willing to put its money into some of these big infrastructure projects, nobody would, and the Balkans would not have the new railroads, ports, roads, factories and other investments which the Chinese are currently financing.

Baroness Helic: The same goes for Africa.

Lord Jopling: What do you think is the Russian attitude to China's aspirations, which you have been explaining to us? An awful lot of the transport links involve going through the Russian sphere of influence, whether it is in the Eurasian economic—

The Chairman: Lord Jopling, I see that you are talking about Russia and China, so your question is linked, but it would be nice if we could just tie up the complete China scene and then come on to Russia.

Lord Jopling: I will put my question the other way around. Do you think that the Chinese are likely to be impeded in any way in developing their infrastructure projects by interference and objections from the Russian sphere of influence?

Mr Laza Kekic: You put a good question. I will refer again to the conference that I just attended. It was quite evident that the Russians were pretty sour and unhappy. I would not be at all surprised if they did not welcome this. Indeed, I have a strong feeling that they do not. In the human context, you could see that they were quite resentful at the pride of place given to the Chinese, but why should they not be given it? The Chinese are bringing the money, not the Russians. In places such as Kazakhstan, which is very close to Russia, the Kazakhstanis are welcoming this Chinese initiative, and I can imagine, although I have no proof, the pressure from Russia behind the scenes not to get too cosy a relationship with China.

Dr Michael Taylor: There was a time about 10 years ago when Russia saw itself as the East-West link. For the Russians, the Chinese are a rival. They are taking their lunch away from them.

The Chairman: We will come back to Russia in a moment. Just to sum up before we move on, we are saying, first, that this is loan finance. This is not comparable with aid in the American or the British sense. I think there is a Washington think tank this morning pointing this out: that it is loading up the area with debt. Secondly, it seems to be the opinion that, nevertheless, Britain and British business should seek to work with these vast projects in a reasonably positive way. Have we got that right?

Mr Michal Makocki: Let me confirm what has been said before but also correct some other approaches. First, yes, China's approach is based on lending, which also transfers the risk from all the different projects on to the recipient countries.

We should be very careful with the numbers that China has mentioned, such as \$1 trillion. This is part of China's soft-power attempt to convince others that its initiative is realistic—that it is based on some fundamentals and backed up with substantial funds. This is not always the case. Most of the Chinese lending throughout the different regions where it engages has been based on lending. Especially in the Balkans, this has fuelled the indebtedness of those countries. For example, we have seen that in Montenegro, one project amounted to a quarter of Montenegro's GDP. It was also a loan, established in US dollars, which meant that with the currency exchange rate the amount of that loan to Montenegro suddenly increased by 25%.

The IMF and the World Bank have already engaged all the countries in the region on the issue of Chinese lending. Serbia has also become extremely cautious in taking up other projects from China because of a warning from the IMF that its indebtedness is already reaching its ceiling. Now, the Serbian Government—in my recent trips to the region, I have talked to advisers to its Prime Minister on infrastructure—are extremely cautious about making use of Chinese money. However, they are trying to find other modalities to engage Chinese funding.

For example, the well-advertised project to connect Belgrade to Budapest has raised a number of concerns, including in the European Union, because the Chinese investment model might stand in contravention to European Union law. There is a lot of noise around this project, which people describe as a high-speed railway when in reality it is a conventional-speed project. People also make assumptions that the entire project will be financed and executed by China, while in reality so far only a small portion of 40 km has been awarded to China; of the rest of the project, another 40 km has been executed by Russian companies and the rest of the line is still under discussion.

Why has it happened like this? Because the Serbian Government are also becoming cautious about Chinese money and were willing to grant China only a small part of this project. This is supported by the Serbian Ministry

of Finance but other political interests are in play. That is why I mention that those countries will take advantage of Chinese money, but we should try to engage them as quickly as possible to make sure that any parts of society or government which have a rational approach to Chinese money are supported. We should support them through all the different ways and means, including the accession and enlargement process.

The Chairman: Those was fascinating issues, but we must move on. Lord Reid will start on another question.

Lord Reid of Cardowan: As you say, China is relatively new in the area but we turn to Turkey, which is not. I am probably addressing this question initially to Dr Less and Dr Taylor—

The Chairman: I am so sorry but I have made a Chairman's mistake. We are moving straight on to Russia first, which is why Lord Reid looked surprised. I apologise.

Lord Reid of Cardowan: We will come back to Turkey.

The Chairman: Hold it there and instead, Lord Grocott wants to go straight on to Russia.

Q35 **Lord Grocott:** I have a general question to begin with about Russian involvement in the western Balkans. We have had some evidence to suggest that this may be exaggerated by some leaders in the Balkans for the benefit of negotiations with the West, and that in any event Russian involvement is not nearly as extensive as it is sometimes characterised. Would anyone like to comment on that?

Dr Jarosław Wiśniewski: Russia's approach to the region is based on several principles. First, it is pragmatic; it is eager and able to work with anyone, regardless of political or ethnic affiliations. Of course, it has certain preferences but the approach is primarily pragmatic. Secondly, it is opportunistic; it takes advantage of what is happening on the ground. You may hear different theories about a grand Russian strategy for the region but it is difficult to confirm it from the existing evidence. Russia's reaction to the region is also reactive; it is not very constructive and does not offer new or different opportunities to contrast with the European Union's or NATO's. It has more of a critical approach, where the basis is criticising the existing Western models. It is also flexible; depending on the situation, Russia has the flexibility to change its approach and the players that it supports on the ground. So Russia's strength in the western Balkans lies primarily in its ability to exploit opportunities through a mixture of pragmatism, flexibility and opportunistic approaches. As I said, it is primarily reactive and not very constructive.

To answer your question directly, one of Russia's priorities is to create a projection of Russia as a great power—that Moscow is one of the capital cities of the world, on the same level as Washington and Beijing. It is always a challenge not to underestimate the Russian approach. When it comes to the Balkans, Western leaders have often underestimated what Russia is doing there. At the same time, Russia should not be

overestimated; it wants us to believe that its involvement in the region is bigger than it really is. There is a fine balance between what Russia is actually doing, what we think it is doing and the projection that it has in the region.

In terms of flexibility, Russia's approach has changed with different events. One might argue by going back into history but let us focus on relatively recent historical events. The Ukrainian-Russian gas crisis in 2006, when Russia cut the gas supplies for Ukraine, had a significant influence on Russian energy interests in south-east Europe. This is when Russia's South Stream pipeline initiative appeared, as a possible transit route to bypass the existing pipeline systems, which is one example of its pragmatic and flexible approach.

The second thing is the recognition of Kosovo. Russia verbally supported Serbia throughout the conflict in the 1990s but in reality there was not much direct action. After the recognition of Kosovo in 2008, Russia re-engaged directly with Serbia to try to play the role of its bigger brother, and biggest supporter on the Kosovan issue.

The third example is the Ukraine crisis of 2013-14. In a way, this was a turning point in Russia's approach to the region. Ever since, Russia has looked at contacts with the West more in terms of the West being an opponent—conflict may be too strong a word. The Balkans is often described as the EU's soft underbelly. This is where Russia seeks the opportunities to exploit differences by playing the anti-Western card. It uses it in its relations to undermine the Western model and its achievements in the region, such as Dayton and Kosovo, to give two examples. It is therefore difficult to answer directly your question of whether Russia's political influence is overestimated or underestimated. I would say that there is a fine balance and that it reacts more to the events than it creates them.

Mr Laza Kekic: I will attempt to give you a direct answer. In my view, the answer is much ado about little, as Russia is overestimated. If you look at it in economic trade and investment terms, Russia is so small. It has 5% or 6% of these countries' trade and investment, so compared to the EU it is a very small player. Okay, as was said it is trying opportunistically to fill a vacuum which, to be fair, was created by the EU. Frankly, the enlargement perspective is almost finished as things stand so Russia is trying—just like China, which we talked about before—to fill a vacuum there.

In terms of Russia's political influence, yes, it leverages to a certain extent some historical and cultural ties with the Slavic populations there. It did not help Serbia in the 1990s but I would not underestimate how much it leverages there. But Russia is crucial, along with China and some other countries, in blocking UN membership for Kosovo and its universal recognition. This is the main card that it plays with Serbia.

But when you look at Russia's influence in the whole region, let us not forget that it has suffered some immense setbacks recently, such as

Montenegro's NATO membership. Montenegro is meant to be a traditional ally so that was a big blow; it incensed Russia but there was nothing it could do about it. Pence visited Macedonia where it was trying to stir up trouble by strongly backing Gruevski. That was also an incredible setback, with the Social Democrats returning to power. When you look at the region, the only area where you could argue that they have a strong influence is Republika Srpska, the Bosnian Serb republic. Even there, Dačić is effectively more reliant on Serbia than he is on Russia. Serbia is trying to play old Tito's game of balancing Russia against the West, and why not? Small countries tend to do that. Serbia is not clearly pro or anti-Russian. It is certainly not going to join EU sanctions against Russia, but at the same time it is still committed to EU membership and its new Prime Minister is very strongly pro-Western, though it has got into a bit of trouble by downplaying Russia's role. So that is where Russia stands.

My last comment, which I am sure the Chairman will want to come back to afterwards, is that when we say "we", I am not sure what we are talking about. One of the other witnesses was talking about "we", as in the EU and the UK. To me, this is no longer "we"; remember that the UK is leaving the EU, so one should talk separately about UK policy post-Brexit. It is no longer the same thing as the EU.

The Chairman: Does that give us new opportunities to communicate more directly rather than go through the labyrinth of Brussels?

Mr Laza Kekic: Absolutely, I think so. I do not know if Lord Howell remembers but we were at a conference in Greece about 12 years ago where this point was made about British and Greek society. I think it does provide opportunities; even though Britain does not have many trade and investment links with the region, it has certain historic ties and the big advantage of the English language and its role in NATO as well as its cultural diplomacy and educational ties, and it is unencumbered by a certain EU view of the region. That gives the UK considerable opportunities to play an important role, which I hope will also become evident with the conference on the Balkans next year.

Lord Grocott: I would like to ask another question, but I think that Dr Less was about to go on.

Dr Timothy Less: I would endorse a great deal of what Mr Kekic just said there. To answer your question directly, you asked whether the influence of Russia has been overestimated and whether some local politicians were using it as leverage against the West. The short answer to that is certainly yes, and it is particularly true of those parts of the Balkans that are only weakly exposed to Russia, such as Albania and Kosovo, where there is pretty strong evidence that local leaders are exaggerating the threat from Russia in order to shock the EU and revive the stalled process of enlargement.

I would make one other point. Russia's inherent capacities are limited in the Balkans, and I will go on to make the same point about Turkey. These are not big hitters in the region. The reason why they have any

influence at all is solely because of the power vacuum that is opening up as a result of the breakdown of the EU enlargement process and the diminishing authority of the West. This means that Russia can have a significant impact when it inserts itself onto the politics of region, whether Serbia's dispute about the final status of Kosovo or the crisis in Macedonia that unfolded last year. I would also emphasise the determination of the Bosnian Serbs to make a drive for independence, which Russia is backing. Because Russia is championing these causes, it has influence in the region, despite making only minimal effort and having minimal resources behind it.

Q36 Lord Grocott: I have a follow-up. Maybe this is too big a question to ask but it is along the lines of the view from the western Balkans towards involvement by Russia and involvement by "the West". I do not know the extent to which you can generalise this. Inevitably, as viewed from the West, if Russia is doing things in the western Balkans, that is regarded as interference; but if the West is doing things in the western Balkans, that is regarded as constructive engagement. You probably cannot generalise about the views from the western Balkans towards involvement from outside, but I would be interested to see if you were willing to make any observations on that.

Dr Timothy Less: That is absolutely true, if a country is in conflict with the West. We can go back to the ones that I mentioned. Serbia is in dispute over the state of Kosovo, and the Bosnian Serbs over their status in Bosnia. The Macedonian Government, which recently fell, was under massive pressure from the United States and other Western Governments to resign, and for a period of nearly two years was holding out in the face of massive diplomatic pressure. So we should not run away with the idea that everything coming from the West is seen as co-operation and everything coming from the East as interference or manipulation.

Mr Laza Kekic: Another example is the obsession with Russian interference and so-called fake news, whether that is interfering with local political processes or putting out false information, with a big role allegedly being played by Russian media outlets like Sputnik and Russia Today. Even that has to be taken with a pinch of salt. If one looks at the western Balkans, even though organisations like Sputnik are undoubtedly present, again they pale into insignificance given the Western ownership of all the main media outlets, such as newspapers and Radio Free Europe. The Russian share is very small. If we look at political influence in these countries, again, in a country that you might think would be receptive, such as Serbia, only some 10% to 15% of the Members of Parliament are members of parties that are obviously pro-Russian. So I would argue that its ability to influence events in the region and its media influence are vastly exaggerated.

The Chairman: Dr Taylor wants to get in.

Dr Michael Taylor: I can follow that up by saying it is interesting to look at the kind of political parties that do lean towards Russia. I would have

trouble naming one that was actually in government in any of the Balkan countries. Having said that, you can probably find one example, but the number is still quite low. Most of the parties that Russia is engaging with are minority or extremist parties that no one is going to go into government with, so its influence politically is quite low.

I wanted to underline an earlier point about opportunism. It is a weakness from Russia's point of view. If we look back at the Macedonian example, it took up Gruevski. In fact Sergei Lavrov, the Russian Foreign Minister, came out and said the West was intervening in Macedonian affairs and it was outrageous. Gruevski is now in opposition. Where is Russia's influence now? The Social Democrats can say, "Well, the Russians picked their side. We're on the other side now and we want nothing to do with you". Look at the South Stream debacle—at least, I consider it a debacle. Putin unilaterally said it was finished. All these Balkan countries, Bulgaria in particular, were saying, "We're really interested in this South Stream, it's going to do us a lot of good". But then he turns up in Turkey, I think it was, and says, "It's over now". That seemed to be a fit of pique because the EU was applying its rules about competition against Gazprom's pipeline so that Gazprom would have to let other people use the pipeline. Now Russia has revived TurkStream but we still do not know whether it will end at the Turkish/Greek border or go any further into Europe. No one knows. I think the Russians have a way of shooting themselves in the foot.

Dr Jarosław Wiśniewski: I have just one point concerning the media, because that is one of the hot topics whenever one tries to find evidence of Russian involvement in the region. They look mainly at soft power and strategic communication or propaganda, however one wants to label it. Going into the example of Sputnik, it is true that the actual reach of Sputnik is difficult to estimate but if one looks at other media outlets, they usually publish information based on a certain source. For example, Reuters is obviously one of the most famous news agencies but one of the main agency sources of news, particularly in Serbia but also in Republika Srpska and Montenegro, is Sputnik. So among what are considered respectable media outlets in the Balkans, when you look at the source of the information, not always but very often it is Sputnik because it is one of the few agencies in the region with a large number of correspondents or local stringers. Western media have a limited number of stringers and correspondents working in the region, which creates a certain imbalance.

Various studies done by academics have looked at Russian strategic communication. Those academic studies are not saying that all the communication coming from RT or Sputnik is propaganda, but that often there are certain narratives with experts who present a point of view that is more favourable to Russia—one that Russia prefers—than the West. For example, they present events in Ukraine from the Russian perspective rather than from the perspective of other countries in the region, or they look at the events in Kosovo from a perspective that favours Russia or Serbia rather than different actors in the region.

This is very difficult to quantify. It is difficult to estimate the actual numbers because no one is releasing them on how many people view Sputnik or open its website. But when you look at the available evidence out there, the fact is that it is often the main source of news information in the region.

Mr Laza Kekic: Just a quick addition to this, if I may. Heaven forbid that they should represent the Russian point of view but have you watched CNN recently, or the BBC for that matter?

Dr Jarosław Wiśniewski: I am not giving that opinion.

Mr Laza Kekic: The main point about people's perceptions in this region is that the Russians are really knocking at an open door. They do not have to do much. In Serbia, two things that obviously affect the vast majority of Serbians' view of the situation are the NATO intervention in 1999 and the recognition of Kosovo as an independent state. So the Russians really do not have to engage in fake news; they can rely on that recent history and its influence on the perceptions of the people.

Mr Michal Makocki: If I may—

The Chairman: Yes but very quickly, as we must move on.

Mr Michal Makocki: I have been alerted to one public opinion poll in Serbia where Russia was perceived as the number one aid provider to Serbia, which is far from being true. The same goes for China's involvement; I described the high-speed project which is not high-speed. Even Mr Kekic's quotation of some numbers pertaining to China's involvement in the region complicates the picture. In reality, the combined funding from the European Union, individual Western donors and international financial institutions is much higher than any offer from China. As we also discussed, it is based on grants rather than lending. We should not underestimate ourselves. The discussion about Russia's or China's influence in the region always has to be seen in the context of how little we have achieved so far and whether we should step up our offer there.

Let me come back to the discussion on the UK post-Brexit, and counter a bit this upbeat tone about the opportunities that Brexit provides for the United Kingdom in the Balkans. The most important lever in the region is and will be an accession process. Even if that is not now on the cards in the short term, the whole agenda of engagement through the European Union, which the UK has been and is still able to influence, gives the United Kingdom much more influence on policy-making in the region than will be the case after Brexit. The UK should not forget about this lever. Even after Brexit, it will be able to have a co-operative approach with the European Union and work together there. I do not think that the United Kingdom will ever be able to match the engagement from the European Union or the level of funding from the European Commission, or even the level of investment and trade coming from Germany and other countries.

But this would position the United Kingdom to having a collaborative spirit in working with the other partners in the region.

The Chairman: We will want to come back to this in a moment. There is much more to ask on Russia but perhaps we could now move on to Turkey. I apologise for my premature call, Lord Reid, but let us turn to the Turkish comeback, as it has been called.

Q37 **Lord Reid of Cardowan:** How is Turkey perceived across the region? Is it possible to discern where Turkey's focus is, and to discern a strategic intent? We heard that Russia has a combination of opportunism, pragmatism and so on. My two questions are: how is Turkey perceived by the region itself, and what is its strategic intent and focus there?

Dr Timothy Less: The short answer is that peoples of the region hold strong views about Turkey, both positive and negative.

Lord Reid of Cardowan: Are those based on historical appreciation of the Ottoman Empire and so forth?

Dr Timothy Less: That certainly shapes perceptions but Turkey's behaviour in the present day is also a major determinant of how it is seen. The contrast is clearest in Bosnia,. Among the Bosniak population—the Bosnian Muslims—Turkey is seen very positively. About three-quarters of the Bosniak population cite Turkey as their favourite country in the world. This has a lot to do with a common Islamic heritage and the support that Turkey gave the Bosnian Government during the war, and more recently the support Turkey has given the Bosniaks in their dispute with Bosnian Serbs and Bosnian Croats. By contrast, precisely because of the support that Turkey has given to the Bosniaks, the Bosnian Serbs see Turkey as a hostile power. That then plays into an inherited memory of discrimination and so on from the Ottoman period.

Lord Reid of Cardowan: I can understand that during the 1990s and so on but outside Bosnia, in the wider region—

Dr Timothy Less: Outside Bosnia you have a range of views. As a generalisation, you could say that perceptions of Turkey are more positive in countries with an Islamic heritage, such as Albania or Kosovo. But you cannot say that everyone in those countries is universally supportive of Turkey's role; it also depends on class status and educational background. People have very nuanced views, particularly since their primary loyalty is towards the West.

Lord Reid of Cardowan: Okay. And on Turkey's strategic intent or practical focus—

Dr Timothy Less: The first thing to say is that Turkish politics is in a state of extreme flux at the moment. Therefore, whatever one might say about Turkey's strategic intent right now may not apply a couple of years in the future. But with that caveat in mind—

Lord Reid of Cardowan: So it is not consistent, like the President of the

United States?

Dr Timothy Less: No! A great deal is changing. I cannot even be sure whether by the start of the next decade, for example, Turkey will definitely support the integration of the western Balkans into the EU. I cannot be sure what Turkey's relationship with NATO will be and, by extension, what it wants for the western Balkans. But since you ask the question, to the extent that there are constants, in the political sphere, Turkey certainly sees the Balkans as part of its historic sphere of influence. It wants to project power there to demonstrate that it is a great power. It certainly wants stability in the Balkans because the region is its land corridor to western Europe. In the realm of security, Turkey does not want a hostile power gaining a foothold in the Balkans. That power might be Russia in the future—keeping in mind that Turkey now has this strategic alliance with Russia. Nor does Turkey support separatism in the Balkans, which could set a dangerous precedent for the Kurds.

Lord Reid of Cardowan: How does it regard the EU? Turkey is a member of NATO; that may change in future. I suppose it still technically has a relationship with the European Union in seeking accession, although that looks further away. So if it regards Russia as a potentially hostile competitor in the area for strategic power, how does it regard the European Union?

Dr Timothy Less: This is one of the issues in a state of flux at the moment. If you had asked me that question at the end of the last decade, I would have said that Turkey was reasonably well disposed towards the EU. It was certainly locked into the accession process. Most people would probably have said that its ultimate destiny was to join the EU, but things are changing. Relations with Germany and Austria are desperately strained at the moment. It is probably a safe bet to say that Turkey will not now join the EU. This has implications for what Turkey would like to happen to the western Balkans. Hitherto, it probably took the view that Turkey and the Balkans would all join the EU together and that this was how it could project power and influence over the region. But if Turkey is not now to join the EU, it may decide that the best way to exert hegemony is for the Balkans also to be outside the EU, creating an open field for Turkish influence.

Dr Michael Taylor: Flux is probably one word to describe Turkey at the moment. It is a divided country; several other countries around the world are also highly divided. But Turkey is heavily polarised between people who think Erdoğan can walk on water and those who think he is a devil. Even within his own ruling party, which came to power with businesspeople in central Anatolia forming a large element—people who have done well out of the EU and the customs union—you get contradictory statements from within the party and the Government about this. It is abundantly clear that Erdoğan despises Europe. He thinks it is hypocritical and Islamophobic. He does not admire Europe in the way that, say, Atatürk and the people who came after him did. The tendency

in Turkey, led by Erdoğan, is to move away from the West now but not everybody wants to get on that train. A lot of people still think that the West is where Turkey belongs. It is difficult to make a general statement about what Turkey wants when you have different strands within it, as within many other countries in the world.

Of course, as we speak, Erdoğan is in Serbia so these things are in flux. I think Erdoğan has realised that the policy they followed for a long time in the near past, which we can link to Ahmet Davutoğlu, who was Foreign Minister and then Prime Minister until 2016, was quite mistaken. Davutoğlu wrote a book called *Strategic Depth*, in which he talked about a kind of neo-Ottomanism—I do not know whether it was accurate to call it that—that would go back to the various past links Turkey had with countries which used to be part of the Ottoman Empire. It seemed unrealistic, and almost to regard those countries as having that nostalgia for the Ottomans which the Turks had. But on the whole other people did not have that apart from the Bosniaks, as Timothy mentioned. Turkey has found that it made quite a mistake there, generating antagonism among them by running that policy.

One way that Turkey was influencing countries was to put money into cultural things and rebuild their old mosques that had fallen into disrepair. They were also educational; one of the educational groups was the Gülen movement—people who were great friends of Erdoğan and are now his deadly enemies. The Gülen movement had quite a good press in the West because it was seen as people interested in education—“What’s wrong with education?” It did in fact offer quite a modern education system and opened schools around the world. That was all fine, as long as Gülen and Erdoğan were on good terms with each other, but as soon as they broke apart that became a problem for Turkey. Turkey is now going around the world putting pressure on Governments to close down these institutions, which locally are regarded with some favour, as a decent education system that parents value. It gives their kids a good education to make it in the modern world but Turkey has now decided it wants to close them down. All sorts of things that Turkey does are working against itself.

The neo-Ottomanism has been seen to have failed. It got Turkey involved with all sorts of adventures in Syria and Iraq, which have gone pear-shaped. The emphasis on Turkey being a great power is still true; it has an idea of itself as a major player but is now drawing its horns in a bit. At the moment, its big problem is the Kurds. A lot of things are now being driven by how it deals with the Kurdish issue and it is forming temporary alliances. There is a kind of Turkish-Iraqi-Iranian alliance being formed, following the Kurdish referendum.

I mentioned the Serbian visit, which is very interesting. It is only the second time that Erdoğan has been to that country; in fact, the last time he was there it had a different name. In a way, it looks as if Turkey is trying to overcome the bad blood it generated with Serbia because of its previous policy, with Erdoğan saying, “Let’s go in there and invest in the

economy". But he has ended up in Novi Pazar, so he has tried to make a bridge towards Serbia but at the same time is saying, "The people in Serbia who I'm really interested in are the Muslims down in the south-west". They celebrated there when he was elected president; when the Turkish election was on, they had big screens up in Novi Pazar showing his triumph there. Those people are very pro-Turkish but that annoys the rest of Serbia.

Mr Laza Kekic: If I may make two brief points—and I agree with a lot of the points that Dr Taylor made—one aspect that I think has not been mentioned so far is the extremely limited economic capacity of Turkey in the region. It is far more limited even than that of Russia. Albania is the only country there where Turkey is among the top foreign trade partners—

Dr Timothy Less: There is Kosovo.

Mr Laza Kekic: Yes, and Kosovo but everywhere else it is quite limited. I think even Kosovo has gone down quite a bit but in Albania it is number three. If we look at investment, even in a country such as Bosnia where there is a predisposition to welcoming Turkey, as we heard, the sum total of Turkish investment is €200 million. That is hardly anything. I would emphasise that Turkey suffered great setbacks, after the 2008 crisis, to its ability to project itself into the Balkans.

The one caveat about this picture of low or insignificant Turkish influence in the future, depending on how things develop and on whether these prophecies of EU doom come about, is what demographic situation we will have in the Balkans. If you look at the projections for 2030 or 2040, the amount of people in the region who are Muslims will be very large and I suspect that they will look towards countries like Turkey for cultural education. As we heard, at the moment that is all spiked because of the Gülen movement but who knows what it will be like in a decade's time?

Lord Balfe: I wanted to follow up on the Muslim input, in particular the Saudi Wahhabis who were active in Novi Pazar and have sent fighters to take part in the atrocities in Iraq. Do you have any comments on the impact, if any, on the local Muslim population of this more fundamentalist streak in the region, particularly on the young?

Mr Laza Kekic: I would say, to paraphrase a colleague, neither overestimate nor underestimate it. Some European politicians have been making alarmist statements about the role of returning jihadi fighters. As Islamic State has been defeated in places like Syria and Iraq, many fighters have been returning to this region. We are talking about hundreds of people in Bosnia and Kosovo who, if not carrying out attacks in the region themselves, could become a conduit for terrorism elsewhere in Europe. So I would not dismiss this altogether, but at the same time we should keep in mind that some politicians are trying to get the maximum effect from this and maybe exaggerate it a bit.

Dr Michael Taylor: On the question of Islam in the Balkans, these countries have gone through decades of living under a secularising push under socialist Yugoslavia, so the religion became quite weak. Bosnia is different, and that is because of the war. The 1992-95 war polarised things. The Muslims in Bosnia have become much more definite that they are Muslims and, "Those people over there are Christians and they are our enemies". If you look at Macedonia, Albania and Kosovo, I would not say it was anything like the sort of problem that you have in Bosnia, where there are small communities—

Mr Laza Kekic: And the foreign fighters.

Dr Michael Taylor: They stay behind afterwards and go on to a village somewhere. They are being watched very closely by the authorities.

Dr Timothy Less: To the extent that there are terrorist attacks—and they are very low-level, mainly stabbings and shootings—they have a strong nationalistic dimension to them. They are directed against Serbs who, for example, were prison camp guards during the war. They are attacked in a way that resembles a terrorist attack that you might see in Western Europe, with all the sloganeering and the paraphernalia around it.

Lord Balfe: Does Saudi money play a part?

Dr Timothy Less: To the extent that it promotes a culture that is enabling radicalisation, I think that is true, but I would not want to say more than that. I certainly would not want to go so far as to allege that anyone in Saudi Arabia is actively promoting terrorism in the region. I just do not think the evidence supports that.

Baroness Helic: To sum up this discussion, I was surprised to be woken up this morning by an email with a little video of Foreign Minister Dačić singing in Turkish to the President of Turkey at a dinner last night. I guess the relationship between Serbia and Turkey is going from strength to strength.

Mr Laza Kekic: Ivica Dačić will use any excuse to sing.

Baroness Helic: Still, that is what they call cultural diplomacy. We have spoken about Russia and China. I know we have not spoken about the United Arab Emirates, which has a sizeable investment in Serbia for whatever reasons. Do you think a country as small as Serbia can ride three horses at the same time, as they say, while having a relationship with the EU? Can it leverage all four at once? Five, including Turkey.

Mr Laza Kekic: They have a great historic teacher in Tito. I guess he rode many horses at the same time. We should not be surprised that small countries aspire to maximise their limited influence; I would not find that particularly strange.

Dr Michael Taylor: The big dichotomy is always between the EU and Russia, and they manage that very well. When Nikolić was President he

was openly pro-Russian, but that did not seem to stop the Government under Tadić or whoever going to Brussels and negotiating for better relations with the EU. They can definitely ride two horses.

The Chairman: It reminds me that in the networked world, every country has to ride at least two horses, if not three and if not four. That is the nature of the network. Let us turn to the United Kingdom's role in all this.

Q38 **Baroness Coussins:** On a recent visit to the region, we spoke to some witnesses who thought the series of western Balkan summits that flowed from the Berlin process were important milestones, and to others who thought they were rather less significant, even tokenistic. I wonder what your assessment is of the effectiveness of the western Balkan summit and, in light of the fact that the UK will be hosting the next one next year, how you think we can add value to that and put our own mark on it. In particular, are there any goals of the western Balkan summit that might enable us to engage China and Turkey in the process as well? I do not know which of you wants to take that question.

Dr Timothy Less: I can offer some initial thoughts. The direct answer to your question is that the summit in Trieste was a modest success on its own terms. The main achievement was to sustain the Berlin process, the rationale of which is to give hope that the western Balkans will eventually join the EU, even as the process of enlargement remains in abeyance. To that extent, the EU is probably deferring the moment when local politicians switch their attention away from integration with the EU to unresolved national questions from the 1990s. However, this all has to be seen in the context of what, to my mind, is an effective end to the process of EU enlargement, which derives from the internal crisis in the EU and a strong feeling among European electorates and Governments that the EU is not ready to enlarge, particularly into a region containing a number of troubled countries whose problems could only add to the EU's own. This is the strategic context in which the UK has to formulate its Balkan policy post-Brexit: how to uphold peace in these countries when the remedy that we have been promoting for the last 20 years, stabilisation through integration, appears to have reached a dead end.

There are three main approaches. One is to soldier on regardless in the hope that eventually things come good in the EU, that it emerges from its crisis, and revives the process of enlargement, which is what Governments in the region would ideally like to happen. As a second option, we could pick up on the aim of the Trieste summit, which was to promote a customs union in the western Balkans. However, while this is probably the best geopolitical option for the region, it has come up against a lot of resistance from countries that see it as a new Yugoslavia, dominated by Serbia. The third option, which would be a brave stance to take, is for the UK to try to address what to my mind is the underlying structural defect in the region, namely the mismatch of political and ethnic boundaries. This would involve backtracking on 25 years of policy towards the region but, I would argue, the stark policy choice is that unless outsiders are willing to manage a transition to nation states, the

locals will take the initiative and pursue it in a way that could be really destabilising.

Mr Laza Kekic: Gosh, that is quite radical. If I could add one or two things, my impression is that the main reaction to Trieste was indeed that it was tokenistic. One of the reasons why some of the locals resent the emphasis on a regional common market is not just the fear that Serbia will dominate; it is that many of them still cling to the EU enlargement perspective and think this is a big distraction away from that. One actor that I think we have not mentioned at all is the US. That is also important.

The Chairman: We have a question on it.

Mr Laza Kekic: Okay. Then my main point would be that the elephant in the room here is the lack of clarity or certainty about the UK's position next year. Next year, the UK will still be a member of the EU. While I understand completely the argument made by our colleague here that, given the UK's limited economic role, the future of the UK is to work in partnership with heavy EU hitters such as France and Germany—I understand that perspective—on the other hand, if the UK is genuinely going to exit the EU, I believe that this provides opportunities for a new and quite constructive independent approach by the UK to this region.

Lord Grocott: I fear this may open up a very wide discussion, but Dr Less, you commented on the mismatch between national loyalties and state loyalties. Were you saying that it might be addressed, or addressed as one of a number of options? Where does that lead us?

Dr Timothy Less: As a first step it means trying to resolve the dispute in Kosovo. The local Albanian population would like it to be independent; Serbia refuses to recognise this and maintains, at least formally, that Kosovo is an integral part of Serbia. This issue has been running since at least 2008, if not since way back in 1999. My suspicion is that there is a deal to be done over Kosovo involving partition, in which Serbia recognises its independence in return for the Serbian-dominated northern enclave. In other words, the deal would involve the partition of Kosovo with the north returning to Serbia. That would be a first step towards addressing what I see as the fundamental structural defect in the region: the mismatch of political and ethnic boundaries.

Mr Laza Kekic: Where would that leave Bosnia?

The Chairman: Mr Vučić, the President of Serbia, told us that he was going to have internal dialogue on this issue.

Dr Timothy Less: That is right.

The Chairman: But it seems we are a long way from your suggestion.

Dr Timothy Less: Partition is the proposal which Serbia's Foreign Minister, Ivica Dačić, has put up. He received a lot of kickback within Serbia from hard-line nationalists who are not willing to make any

concessions whatever, but perceptions can change once people start to pursue these options a bit more seriously. It is certainly the case that both Belgrade and Pristina want to resolve this issue, because it is clear that neither can have everything they want in this dispute. In the meantime, the unresolved status of Kosovo is hurting them both: it is paralysing Serbia's journey towards the EU and paralysing the whole development of Kosovo.

The Chairman: We will come back to these issues again. Our experts are getting a bit internal but I want to move on while they are all here. Could we look now at the NATO angle, with a question from Baroness Helic?

Q39 **Baroness Helic:** Thank you. I will try to be very brief because I am sure a lot of people will want to comment. There are different feelings towards NATO in the different countries of what used to be Yugoslavia. Do you, as experts in this area, feel that NATO is a stabilising factor for the region or would further NATO expansion bear a negative impact upon it?

The Chairman: Just to reinforce that, we have already heard that Turkey is in flux over the EU. Is Turkey in flux over NATO as well?

Dr Timothy Less: It is different because Turkey is already a member of NATO and there is no suggestion that it will leave. But if you look at actual political relations, Turkey's relationship with America are very strained at the moment. It is the same with a number of NATO members, most obviously Germany.

Dr Michael Taylor: The purchase of the S-400 ground-to-air missile system from Russia looks very strange. We would have a NATO member using a Russian defence system, which interferes with the identification of friend or foe that airplanes carry on them.

Dr Timothy Less: Indeed, plus Turkey is in strategic alliance with Russia; that is very strange for a NATO member.

Dr Michael Taylor: It looks a bit short-termist because the issue, in the end, came down to whether there was any kind of co-production going on with whichever country Turkey went to for this new system, and what sort of deal it would get. Turkey has its own ambitions to become a major arms producer, so it wants to up its own access to technology. But it looks rather odd. I am seeing from people such as Stoltenberg, the NATO Secretary-General, a kind of desire to brush this under the carpet and not worry about it too much. They are trying to work around this but I would have thought that from a technical point of view, it goes against interoperability within NATO.

It also helps Turkey in the sense of ploughing its own furrow: "We are not so dependent on the West as you think we are". Relations have obviously improved considerably since the shooting down of the Su-24 a couple of years ago. There are all sorts of tactical issues on which Turkey and Russia can co-operate to their advantage but in the end, if we are looking at some sort of zero-sum game in the old Cold War style, it does not

work for Turkey in this case. We are not looking at Turkey saying, “We are no longer friends with the West and are now going to be friends with Russia”. Turkey wants to go its own way—that is Erdoğan’s vision of Turkey as a major Middle Eastern power, beholden to neither the West nor Russia.

The Chairman: I want to move on because we have only a few minutes. The other pathway is of course the EU itself. Baroness Smith?

Q40 **Baroness Smith of Newnham:** Thank you, Lord Chairman. We have already heard discussions about Turkey and the EU. Leaving Turkey aside for a moment, to what extent have either China or Russia expressed concerns about possible western Balkan accession to the European Union? We have seen particular problems in Ukraine’s relations with the EU—that is, from a Russian perspective. Are there similar concerns about the western Balkans or do they not really perceive that membership is likely to happen any time soon?

Dr Timothy Less: In the case of China, the answer is very simple: it wants them to join the EU because it sees EU membership as absolutely critical to the stability of the region. Given that China is pouring a huge amount of money into the Balkans, it does not want conflict there. It is probably also hoping that one day there will be six more friendly pro-Chinese countries represented in the EU institutions, which will lobby for Chinese political interests.

Dr Jarosław Wiśniewski: Just to respond to the Russia question, for years the Russian approach to the region was that they were obviously against NATO enlargement there, but there were signals that Russia would support enlargement of the European Union. The Ukrainian crisis might have changed these calculations because the Russian rhetoric started to be more antagonistic towards the European Union. I have not seen clear signals from Moscow in the region saying that Russia opposes enlargement of the EU there, but the context has definitely changed and the situation might have. For Russia it is more of a priority to maintain the status quo in the region and muddy the waters—to take advantage of the current situation, rather than actively pursuing or promoting European enlargement.

Mr Michal Makocki: I agree with the previous witness on China’s support for the European Union with respect to the countries in the region. They are investing heavily and aim to continue that, therefore the political stability of the region is key to them. However, as has been mentioned in different interventions here, the kind of engagement and investment model that China promotes has negative consequences, including on the EU perspective of those countries. We have to be very careful about China’s approach, where what China promotes has consequences in furthering corruption. This was the case, for example, in Macedonia. In the background of its political crisis we saw allegations, including towards the highest political officials of the former Gruevski Government, about direct dealings with Chinese companies amounting to the transfer of Chinese money directly to their bank accounts. We have

also seen the effects on indebtedness and transparency throughout the region, so we have to be careful about China's approach and the EU perspective.

If I may, I will also chip in on the previous question on the western Balkan summit and the UK's potential role there. The summit next year will happen in the context of two key facts, from the economic point of view. First, the World Bank's report on the economic perspective of the region has a positive view, for the first time in a number of years. It says that economic growth is returning to the region and in Serbia, after five years of pretty sluggish growth, it has seen a pick-up in economic growth. Secondly, the key trade and investment partner of the Balkans is and will remain the European Union, and we have also seen the eurozone returning to growth. For the first time in many years, it has grown faster than other Western economies. Next year's summit will happen in this context and the UK, together with European partners, can work on a crucial part of stability in the region, which is economic growth and, even more crucially, employment opportunities, especially for the youth population.

Engaging with all the other external investors in the region will also be very important. We may complain about China's different investment model and its negative consequences, but China is there to stay. We had better take that into account and make sure that our policies are informed by this reality. My advice would be to engage China but in a very specific way. We cannot really talk to China directly about the kind of investment model it has; we are not going to change that because of our diplomatic efforts. What we need is to agree, first, with the countries in the region that European partners, including the United Kingdom, are ready to step up their economic offer if they comply with our high standards. If those high standards are adhered to, we will step up our offer. But we will also have to agree that those same standards will be adhered to when those countries deal with external investors. That will not be easy especially when, as we have discussed, the European Union is losing a very important member, but I think the UK will still have a very important voice in this.

Mr Laza Kekic: World Bank and IMF publications tend to be out of date. When we talk about returning to growth, we should keep in mind that first- half growth this year in Serbia was the second worst in Europe at only 1%. The worst growth was in Macedonia, where it was negative. We should keep in perspective the expectation that they are on to a bright new path. I tend to think that their economic perspectives are rather limited, which is a great complicating factor for the region.

The Chairman: They are rather limited, certainly. We are nearly at the end. Although the United States was mentioned earlier, we have not discussed it and Mr Trump, but they have obviously played a major part in the area.

Q41 **Lord Jopling:** Can you guide us through the rather imponderable situation with regard to United States foreign policy? Perhaps you can tell

us—I realise how difficult this is—how you think it might evolve in the future. Do you see any softening in the United States’ position on Russian actions in the region? Finally, can you tell us how the United States is responding to the actions that we have discussed with regard to Turkey and China in the region?

The Chairman: This is a big question but we should polish it off. Who would like to start?

Dr Timothy Less: I will try to be succinct. The short answer is that there is no evolution in American policy and I do not anticipate any, unless the facts on the ground change so fundamentally that America has to rethink its approach. This Balkans is not a strategic priority for any senior official in the United States. There is reasonable confidence among the people leading the policy that the approach is correct and that, with a little more effort, the US can face down the various emerging challenges—Russia, China, Turkey and so on.

Mr Laza Kekic: The caveat here, though, is the perception that the US has lost interest and withdrawn from the region. On the contrary and quite interestingly, on Macedonia they showed the EU up. It was American intervention that resolved the crisis there. On Montenegro, in the end there was US assent for it to join NATO and Pence made a stirring visit to Podgorica to underline that. Even in Bosnia, the US has been in the forefront of slapping sanctions on Dodik. So the idea that the US is withdrawing from the region is probably not right.

Dr Michael Taylor: But in some cases there are still US embassy officials in post because they have not been replaced. The US Embassy in Skopje saw a continuation of the Obama policy on Macedonia. I would just mention the enormous problems with the US-Turkish relationship. Turkish hopes of Trump reversing Obama’s position on, say, extraditing Gülen have been dashed and the US is sticking to the idea that whether it extradites Gülen is purely a legal issue. There are two Turks on trial in America at the moment over busting sanctions on Iran. There is the question of whether Trump will unravel the Iranian deal, which could mean going back to having sanctions on Iran all over again and would hurt Turkey enormously. Turkey now imports most of its oil from Iran.

Dr Jarosław Wiśniewski: On the American question, it very much depends on the personnel. There was a sign when President Trump announced his intention to nominate Wess Mitchell to be the Assistant Secretary of State for European and Eurasian affairs. This post was vacant up until now—and it still is, because Mitchell was not nominated. But he was a co-founder of the Center for European Policy Analysis and is well-known throughout the regions of central and south-eastern Europe. He is considered a person who understands the dynamics of the region. To a large extent, I concur with what Dr Less said at the beginning. I would not expect any changes but the fact that a person may be nominated for their dealings with the region could increase the American President’s involvement there.

The Chairman: But there is no Richard Holbrooke who will come back on to the scene.

Dr Timothy Less: There might be. I am quite pessimistic about stability in the Balkans, primarily because the Bosnian Serbs are exploiting this new power vacuum to make a serious drive for independence. There is the potential for a shake-up in the region, perhaps at the end of this decade or the start of the next. In such circumstances, America would have to look hard at what it wanted from the Balkans and how to achieve it. It would also need some hard-hitting diplomats to get stuck into the question of how to promote stability in the long term.

Dr Jarosław Wiśniewski: If I may be a bit more optimistic—we will see whether this happens—it seems that there is a clear date of 2025 for the next EU enlargement. That was repeated by a number of EU officials including Juncker, Hahn and Mogherini. I believe that the President of France also mentioned 2025 as a potential date when Serbia and Montenegro might join the EU, so it may become more of a crisis situation but there may also be a more optimistic future.

Lord Jopling: To my knowledge, people have been saying for about 10 years that Dayton is out of date. But you, Dr Less, said that at the end of this decade there may be a move to having Dayton II. They seem to be struggling on, albeit at each other's throats, but Dayton is continuing. What events might cause a catalyst situation for Dayton II to be started?

Dr Timothy Less: I am not envisaging Dayton II because I do not believe that the Bosnian Serbs want that. Instead, they want to leave Bosnia and the leadership of the Bosnian Serbs is becoming increasingly explicit about the goal of independence. But there are preconditions because Republika Srpska is an inherently weak entity with only about 1.3 million people and an almost indefensible territory. So the Bosnian Serb leadership needs certain things in place before it makes a declaration of independence. These include support from Serbia and Russia, Western impotence and, ideally, some momentum for independence on the part of the Bosnian Croats, backed by Croatia. These elements are clearly not in place yet, which is why we see a mismatch between what the Bosnian Serb leadership is saying and what it is actually doing. I think Russia is dampening down some of its ambitions at the moment because it does not want a clash with Turkey in the Balkans, for as long as the Syrian issue is unresolved.

Mr Laza Kekic: That is correct, and there are worse things in life than frozen conflicts—look at the example of Cyprus. Okay, it is not the best solution but you can avoid a return to conflict and keep the lid on. I do not tend to support theories saying that, "Unless you resolve these issues, it holds you back from economic development". Look at South Korea and Taiwan, where there are unresolved territorial issues and they have prospered quite nicely. I do not think it is a necessary condition.

The Chairman: I wanted to end on an optimistic note and I am not having much success.

Mr Laza Kekic: I thought I was being optimistic.

The Chairman: The trouble is that you all know a great deal more than we have given you time to share with us. I therefore feel there is a great unexplored region in your minds. We should have spent a day together, rather than a couple of hours. But at this point we will have to call a halt and express our extreme gratitude to you for confirming and revealing, by casting beams of light, the incredibly complex and interwoven set of relations that we are dealing with in this area. It looks small and yet it is somehow very big, and it raises all the great issues of a world much in flux, with all the old alliances becoming fluid and under question. Thank you very much indeed for being with us and we really do appreciate it.