How Kosovo is Positioned in Geoeconomics as the New Global Paradigm of Power Politics – Relations with the EU, Russia, China and the US

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INTRODUCTION

For some years now, a new perspective of understanding international power disputes and power politics has emerged. Slowly but surely, traditional elements of power are not enough to exude influence anymore - but indeed more so relationships, connectivity, technology, and soft power. Geoeconomics, and not geopolitics, has arguably become the new global paradigm of power. As the nature of power has changed, so have new actors arose in this global stage of geoeconomic competition and priorities shifted.

The world is becoming more volatile in its threats and challenges, and more unpredictable in its opportunities and partnerships. While like-minded actors following a rules-based order stick together, they are also bound to cooperate with antagonists given unprecedented globalization and economic and financial linkages.

In this new paradigm, key international actors such as the European Union, Russia, the United States and China have strategic engagement and priorities and, in turn, less significant international actors are pawns in such geoeconomic competition and/or cooperation.

This Policy Analysis looks particularly at how Kosovo inserts itself in the new global paradigm of geoeconomics, and how key actors have engaged with the newborn country as a means to advance its strategic interests or increase their bargaining chip. We look into Kosovo’s ‘soft power’ relations with the EU, Russia, the US and China, and the linkages therein of regional and global significance. Finally, a concluding analysis is provided on how to most accurately analyze these linkages and power moves in the wider context of international relations and power dynamics existent today – in which the same global actor can be seen as a partner, competitor, or rival, depending on who you ask.

GEOECONOMIC COMPETITION: A CHANGE TO THE NATURE OF POWER

From hard politics to soft power, from military might to strategic partnership, from territory to trade - the current geopolitical landscape has shifted and strategic engagement must adapt. In a way, cooperation seems to have started to be replaced with competition - a structural change that implies changes in priorities and processes too.

In our interconnected and interdependent world, the use of economic tools to advance geopolitical objectives has been, undeniably, on the rise. Economic power is, more and more, a bargaining chip at the political table – while before territory and land were the golden resources, now also commodities are being flaunted for political ends, even if necessarily bringing out economic gains while at it. Indeed, the world has become more complex and more volatile.

Firstly, the number of global players has increased and diversified. While in a hard-politics world, only sovereign states had a say, now non-state actors, NGOs and even single influential individuals carry immense weight in how power disputes arise and are resolved. Let us look no further than the influence Elon Musk and Mark Zuckerberg carry, single-handedly. This means that the center of power is more fractured, and leaves way for more unpredictability, as well as an increased number of antagonists to the human rights-abiding international order.

Second, leading geoeconomic instruments are being increasingly proposed and used in political partnerships at a global level. For instance, foreign investments have become an integral
part of geoeconomics, since it manages to grant donors – such as the EU or the US - generous political favoring in the countries the money reverts to - EU-Western Balkans relations fall within this scope. Not only that, but sanctions have become another key foreign policy instrument, through which the EU and NATO-aligned countries have pressured Russia without directly engaged in open warfare, therein avoiding a nuclear escalation of the conflict in Ukraine.

Third, the globalization of trade links and financial markets has made geoeconomic tools more powerful, and with direct impact for states and citizens alike. While such connectivity often brews positive developments and progress, economic interdependence very much so also brings an increased risk.

Therefore, we find a growing convergence between economy and security, wherein economic security enables national security and the well-being of citizens. For this reason, exploring the linkages between geoeconomics and a country’s security is a growing point of analysis. In the forthcoming chapters this paper will look into how key international actors – the EU, Russia, the US and China – have been exerting their geoeconomic power plays with or in Kosovo.

I. The European Union

When talking about EU strategic priorities in the current geopolitical and geoeconomic landscape, we find combatting climate change, boosting digitalization, pushing for democracy, peace and stability, human rights, mainstreaming gender equality, and all priorities are per the Paris Agreement and UN 2023 Agenda (the SDGs). With the world becoming more fractured and multipolar, it is in the EU's strategic interest to ensure its partners remain harmonized with the EU’s own global priorities and aligned with a rules-based international order. For this reason, the EU has long given strategic importance to its relations with the Western Balkans. As is well known, the EU sees the Western Balkans-six as the next wave(s) of enlargement, and has been granting special types of pre-accession assistance to the countries on matters of fundamental reforms linked to rule of law, public administration reform, macro-economic efficiency and energy resilience. For example, “the EU is implementing two other home affairs projects in Kosovo, with total budget of €20 million, to enhance anti-corruption, money laundering and terrorism financing practices, and to strengthen migration, including border management” 1. This not only strengthens the capacities and performance of the benefitting Kosovar actors - such as the Kosovar Ministry of Internal Affairs, he Kosovo Police and the Special Prosecution’s Office – but it also strengthens the country’s international cooperation with EU Member States in the fight against organized crime which, certainly, is in the EU and its Member States’ interest too.

The EU has been one of the most longstanding actors in geoeconomic as the nature of power disputes and display, not only because it has no Army of its own, but mainly because it conducts itself as a sociopolitical and socioeconomic global player with a firm belief in dialogue over force. The EU is the world’s largest trading block, largest foreign investor and largest recipient of foreign investment - it is one of the most open economies in the world. It has been using its trade policy, investment policy, financial and monetary policy (i.e. export controls), and even sanctions for political ends for a long time. The Western Balkans are no exception. In fact, the pre-accession funds and objectives therein look to bring the Western Balkans closer to EU standards, and also closer to the EU Single Market. In a recent May 2023 speech for the occasion of GLOBSEC 2023 Bratislava Forum, European Commission President Ursula von der Leyen noted that “We extended to the Western Balkans the very same solidarity measures that

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we have taken inside our Union. We have supported vulnerable households against high energy costs. We are building new infrastructure to reduce the Western Balkans' dependency on Russian fossil fuels".2

Indeed, energy and gas as main commodities for economic security and, therein, national prosperity, have been the talk of the town since the Russian invasion of Ukraine. Due to this, the EU needed to step up – “In response to the global energy crisis, the EU mobilized an Energy Support Package of €75 million as Instrument for Pre-Accession 2023 Annual Action Plan. This includes subsidies for vulnerable households, incentives for energy savings and investment in energy efficiency for residential and SMEs”3. In fact, President Von der Leyen had noted Kosovo’s energy struggles during her visit last year to Prishtina, in highlighting that “we see that Russia is using energy very strategically as a weapon, manipulating the markets. And you also feel here in Kosovo, of course, the knock-on effects of this unbelievable behaviour – with the rising energy prices and the difficulties in security of supply”4. On the other side of this coin, such investment policy necessarily brings political favoring of the benefitting countries vis-à-vis the EU. Moreover, it contributes to the EU’s goal of asserting itself as a credible geoeconomic and geopolitical actor, in that these energy funds would signal an approximation of Kosovo’s energy sector to the EU’s priority on environment and green energy, as well as inclusive socioeconomic development5. The next chapter explores Russia’s destabilizing gas-game in the Western Balkans more detail.

Similarly, another geoeconomic policy which has become a foreign policy tool for the EU is its visa policy. The Republic of Kosovo knows far too well that garnering visa liberalization to the Schengen Area is both a huge diplomatic sign, as well as geoeconomic tool to exert influence. In finally approving the visa liberalization for Kosovar citizens earlier this year, in April 2023, the EU not only brought the Union closer to Kosovo, but also facilitated enhanced people-to-people ties between both. Skeptics may argue that the timing of the final, positive decision was quite strategic, given the war raging to the East of the Balkans and the Western Balkans themselves being such an easy target for Russian mis- and dis-information or influence. Regardless, the truth is that this decision did in a way revive EU-Kosovo relations and provided more credibility to the country’s EU path, at a time when Russia may come knocking – forcefully or invited. This type of relationship-refresher is very useful when global antagonist players such as Russia are repeatedly trying to tilt the Western Balkans’ political backing in their own favor.

The EU has been heavily investing the Western Balkans’ EU path as a means in itself, as well as a means to impede or temporarily distract them from falling into the Russian orb of influence. By keeping a strong engagement hand on the region, including Kosovo, the EU ensures the governments’ needs are met and that the EU has a role in the country’s social and economic resilience. As mentioned, while this is good in itself for the countries and that certainly is part of the reasoning, an important consideration is also that the EU increasingly needs reliable and solid partner countries in an increasingly volatile world. As Russia zones in on Eastern Europe, and the Western Balkans could be next, it is politically important for the EU to showcase having a

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5 Ibid.
steady economic portfolio in the region. President Von der Leyen said it herself last October 2022: "with Russia's war waging against Ukraine, our relations with our Western Balkan partners are more important than ever and have to be intensified". Economic collaboration has come to equal bargaining chips. It is why the EU is now desperately looking to diversify its gas supply far away from its former – and unfortunately still very much present – dependency on Russian gas and the dark ties that come with it.

II. Russia

Political scientists have argued that "the Western Balkans are often considered an easy target for Moscow. Close to the European Union and eternally unstable, the region also retains significant ties with Russia. This combination would seem to offer the Kremlin a convenient opportunity to stir trouble there in order to distract the West's attention and resources away from helping Ukraine". This thinking definitely sets the tone for how Russia has engaged with the region and how the EU has responded – in reaction or preemptively – to such engagement.

Russia has been playing with geopolitics and geoeconomics for quite some time. The country was a very active player in realpolitik games of power – most significantly in the annexation of Crimea in 2014. More recently, it has realized the useful power of maneuvering power through both traditional hard, security lines, as well as more nuanced forms of power through agreements and commodities. Here is where the global energy crisis comes up - Russia has very much projected power by means of its solid grip on other countries’ gas supply.

Russia may not be a close partner of the EU, but it is one its Member States are dependent on. Similarly, the Western Balkans are incredibly dependent on Russian energy – "most of the Western Balkan countries are highly dependent on natural gas and oil imported from Russia. Russia’s energy influence is highest in Serbia, North Macedonia and Bosnia and Herzegovina, where it supplies nearly 100% of gas needs and owns several important assets". Historically, this has been going on since the early 2000s, given that "after the Russian company Lukoil opened the first petrol stations in Serbia in 2005 – which is regarded as the beginning of Russia’s economic offensive in the region – Russian energy companies started expanding their network throughout the region”.

It is important to note that Russia’s influence in the region, especially in countries that are not Serbia, is quite limited to the energy sphere – "Russia remains a marginal trade partner (3.9% for imports and 2.7% for exports) and a modest foreign investor in the Western Balkans (4.6% of total foreign direct investments)". On the other hand, concerning the EU, “trade plays an important role in the EU's efforts to promote peace, stability, freedom and economic prosperity in the Western Balkans”. Quantitatively, “the EU is the leading trade partner, accounting for over two-thirds (67.6%) of the region's total trade”. So, the fact that Russia manages to exert influence despite being a trading partner in the single-digits

6 Ibid.
7 Carnegie Endowment for International Peace “‘Why Is All Quiet on Russia’s Western Balkan Front?’”, 5 December 2022, online via https://carnegieendowment.org/politika/88547
11 Ibid.
just goes to show how relevant economic instruments or tools have become in power displays or geoeconomic competition.

Another display of geoeconomic foreign tool the Kremlin has not been reluctant to take on is disinformation. Strategic communication has affirmed itself as an increasingly essential foreign policy tool. It is a means of hybrid warfare to discredit other actors and spread misinformation on their priorities and action. Disinformation is a tool used far and wide by the Kremlin, in that it hinders the wider public’s predisposition to sympathize with antagonistic actors, and discredits their actions. In turn, this may hinder local buy-in or support towards EU actions, for instance, and prevents the building of common ground between two partners. The EU has counter-reacted with targeted communication campaigns, pooling communication resources, support for independent media, and analyzing, detecting and exposing disinformation from foreign actors.

On the other side of the coin, Russia has also been on the receiving end of severe economic sanctions. It is actually, as expected, part of the reason why Energy became such a hot topic and crucial tool in geopolitics: because the international stage and Kremlin-West relations started to be marked more so by geoeconomic means. In other words, the West adopted sanctions, as opposed to staging military interventions, and therefore Russia hit back by cutting off key energy supply chains. International energy security became the topic to analyze when assessing international security. The Institute for International Political Studies of Milan said it best in affirming that the “Kosovo dispute remains unresolved and until energy supply is diversified, Moscow remains an important geopolitical player in the region”12. While Russia has a hand on energy supply of a given region, or country in this case, it can expect political favoring at, in the very least, being able to have a strong bargaining chip. Notwithstanding Kosovo’s clear alliance to Euro-Atlantic values, it remains tied to Russian interests and power plays in that it depends on the Eurasian superpower for key resources. Due to this, Kosovo’s like-minded key partners, such as the EU and the US, have started to look into ways to lessen the Western Balkans’ general dependency on Russian gas. This can include an increased and more urgent investment on renewable energy means and sources, as well as means to manage the supply of American LNG to Kosovo.

III. China

The rise of China has been accompanied by a rise in the use of economic tools to project power, globally. Examples in all corners of the world include the country’s aid to Africa, proposals to fund infrastructures in Latin America, and speedy shipment of its Covid-19 Sinovac vaccine as a means of the infamous “vaccine diplomacy”. In general, China’s relations with the West have deteriorated during Covid-19, and further following the 2021 adoption of disproportionate Chinese counter-measures against EU sanctions. The shaky balance of challenges and opportunities presented by China has shifted over time – yet no matter the reality the truth of the matter is that states must engage with China at a key actor in international geopolitics currently. For instance, the EU remains committed to engagement with the country given China’s crucial role in addressing common global and/or regional challenges, despite the country also being a competitor on the economic sphere and not necessarily like-minded in terms of fundamental right values.

When it comes to Kosovo, the two do not enjoy diplomatic relations since the government of China has yet to recognize Kosovo’s sovereignty and independence. China holds Serbia as its

12 Institute for International Political Studies, “'Europe and Russia on the Balkan Front Geopolitics and Diplomacy in the EU’s Backyard’” March 2023, pg.21.
main ally in the region and therefore relations with Kosovo are impeded, also very much linked to the fact that China would never dare recognize Kosovo should it in a way validate Taiwan’s own self-independence movement. However, and very much in tune with the topic of this paper, China has shown increasing interest in having a hand in the country – for example in making a public bid to build a new power plant near Prishtina, or sell Huawei equipment to the Kosovar telecommunications giant. Aware of possible negative string attached, as has been the case linked to Chinese aid or general investment across Africa, the Government of Kosovo has yet to approve a Chinese bid. Similarly, Kosovo is strict on its display of allegiance to Euro-Atlantic values and therefore would not risk jeopardizing that over a newfound closeness to China. The newborn country is keen to not have any formal owing to Chinese money – Kosovo’s Central Bank Foreign Debt Inventory shows that there are no loans from Chinese banks. Nonetheless, as has become almost impossible to avoid given the Asian superpower’s grip and influence, trade relations between the two have been on the rise. The ECFR reports that “there has been a rise in the number of visits made by Kosovan companies to trade fairs and other forums in China. One such example is Koshi Group, which is active in the automotive components sector and exports to China. However, Kosovan companies mainly import raw products from China, such as metal, plastic, and other products.” Moreover, of the total €100.6 million calculated as Kosovar exports in 2020, €3.796 million were to China.

Clearly, while diplomatic relations between the two countries are virtually non-existent, the geoeconomic angle has definitely been on the rise in terms of bilateral ties. Economic gains oftentimes speaks louder than political alliances.

IV. The United States

The United States has been a core supporter of Kosovo since the 1990s. A long time before it was the Republic of Kosovo, the 1999 NATO bombings were a fundamental element in stopping the Serbia-led genocide and, thereafter, the United States upkept its support by means of agreeing to setting up the United Nations Interim Administration Mission in Kosovo (UNMIK) to contribute to a peaceful life for all inhabitants of Kosovo and overall regional stability in the Western Balkans. The US has been consistent in providing support for the people of Kosovo “to strengthen institutions, human rights, rule of law, and more recently, reconciliation with Serbia and potential integration into the EU.” After all, it is in the US’ clear geostrategic interest to guarantee a solid partner in the complexity that is the Western Balkans in its East-West pendulum, and upkeep the country’s Euro-Atlantic ambitions.

Politically and diplomatically, US-Kosovo relations are strong. From hard politics of supporting independence and territorial integrity, the US has also come to diversify its relations with Kosovo more along geoeconomic lines. For instance, on matter of development aid, in 2020 “the United States Department of State and USAID combined provided $56.9 million in assistance funds.” To note, “USAID played a key role working with the justice sector over the past three years to facilitate and prepare authorities for the recent integration of Kosovo’s judicial system

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14 Ibid.
15 Ibid.
into the Serbian communities in northern Kosovo.”

This is also linked to boosting the country’s transparency and administrative accountability, as well as move forward in Kosovo’s European integration path and inherent hurdles. Another instance worth noting is the September 2017 $49 million agreement signed between the U.S. Government’s Millennium Challenge Corporation and the Government of Kosovo for a “threshold program” focused “on reforms to spur economic growth and private investment. The program is designed (...) help modernize the energy sector in order to foster more collaborative relationships among government, civil society, and the private sector. It will also encourage investments in energy efficiency and support the adoption of less expensive sources of heating.”

Generally, the US’ foreign policy to the Republic of Kosovo has three main pillars when it comes to their assistance: peace, justice and prosperity. This bypasses both support to Kosovo building a NATO-interoperable force, fortifying the country’s rule of law and combatting the core national challenge of widespread corruption, as well as enabling a competitive business environment in the country by means of a modernized energy and digital sectors. A strong security partnership has come to be provided also by means of strong and diversified bilateral economic relations.

Indeed, in a multipolar world of hybrid threats, challenges and opportunities, of volatility and uncertainty, guaranteeing an economic hand over a so-called weaker partner has become key to guaranteeing a hand on its political alignment too. Investment in energy, digital, greening, education, among other core societal sectors, has arguably become the new way of showcasing hard support, at a time when NATO bombings have come ‘out of style’. Especially since the Russian invasion of Ukraine, a key strategic priority of the US is to ensure a strong Eastern Europe that is free of, and resilient to, external influence or military aggressions. The US is overwhelmingly interested in guaranteeing that the Western Balkans become solid partner nations to such global antagonists, therein augmenting the US’ global reach and influence too. A strong Kosovo is indeed an extension of the US’ superpower-domin.

CONCLUDING REMARKS

Long are the days of realpolitik, where power and influence are intrinsically and almost exclusively linked to territory, agreements or alliances. Now, the link is growingly to politics and economics – in commodities, goods, interlinked supply chains. This paper sought to bring together hard geopolitics and geoeconomic analyses, converging both into a dive into strategic interests and international peace and stability power plays.

Geoeconomics can be played from many different angles. Russia’s take on geoeconomics is that of confrontation and aggression, and China uses such tools to advance its grip on less dominant-countries’ statehood. The EU’s angle appears as that of collaboration and closeness – after all, “European integration, embedded in economic cooperation, has brought a remarkable level of welfare and security. However, foreign policies of EU member states have been drifting towards “an-economy-first” approach for years.” The same applies to the US, in that they invest in countries with no hidden agenda but the very clear agenda of seeking political favoring.

This paper believes that geoeconomics is the new global paradigm of power, and that diplomatic relations will take a bit of a backstop to the oft-need to be engaged with our
competitors or rivals. This applies as much to big powerhouses, as to little ones – the EU has described its cooperation with China as engaging with a partner, competitor and rival, for when mutually-beneficial matters are concerned, there is engagement, and when otherwise it would simply seem like a Chinese tactic for influence, there is straight-up refusal. Also, Kosovo has been decidedly and formally against accepting Chinese loans or contracting, yet is engaged in matters of trade export-import trade relations, since it does amount to important revenue the newborn Balkan country needs as it continues its nation-building and resilience-seeking progress. Diplomatic relations are naturally still significant, but removing an ambassador from a country does not go as long a way as adopting economic sanctions against said country. Among superpowers – especially nuclear – a military intervention such as the one Russia is conduction in Ukraine is not met with countering military interventions from the West, otherwise escalation would be absolute, but with sanctions, UN resolutions, cutting ties, and the ongoing scramble for the West – EU and Western Balkan especially – to diversify its energy supply.
Policy Analysis

Policy Analysis in general is a policy advice paper which particularly aims to influence the key means through which policy decisions are made in both local and central levels of government. The purpose of Policy Analysis is to address, more in-depth, a particular problem, to examine the arguments related to a concerned policy, and to analyze the implementation of the policy. Through Policy Analysis, Group for Legal and Political studies seeks to stimulate wider comprehensive debate on the given issue via presenting informed policy-relevant choices and recommendations to the key stakeholders and parties of interest.