

# More than Business as Usual

## Türkiye and the Three Main States of the Western Balkans

*Maxime Gauin*

The visit of the President of Türkiye, Recep Tayyip Erdoğan, to Bosnia and Herzegovina, Croatia, and Serbia in September 2022 was explicitly devoted to deepening economic relations with these three Western Balkan states. It came in the wake of a visit by Serbian President Aleksandar Vučić to Türkiye in January 2022 during which he extended an invitation to his Turkish counterpart to come to Belgrade and, presumably, other regional capitals. This IDD analytic policy brief takes a look back into history, assesses the political state of play, examines trade and investment trends, and concludes with a suggestion or two on how the European Union and Türkiye can work together to advance shared priorities.

### *Historical and Political Overview*

Centuries of Ottoman domination of the Western Balkans gradually came to an end through a combination of military victories and diplomatic gains that began in the nineteenth century and culminated in Ottoman losses during the two Balkan Wars—conflicts that were particularly violent, with the worst cases mostly perpetrated by Bulgarian and Greek forces. This was reaffirmed in the various treaties that ended World War I and in a series of bilateral accords between the various regional players. One consequence of this was a series of agreed population transfers and waves of emigration involving Muslim populations departing the Balkans for Atatürk's Türkiye.

During the interwar period, two newly-established states—namely, Türkiye and Yugoslavia—also signed several treaties that put a definitive end to historical grievances and amounted to a fully-fledged reconciliation. In 1934, this culminated in a regional treaty known as the Balkan Pact or the Balkan Entente, which also included Greece and

*Maxime Gauin is a Research Fellow at the Institute for Development and Diplomacy (IDD) of ADA University. He previously served as Scholar-in-Residence at the Center for Eurasian Studies (AVİM) in Ankara. The views and opinions expressed herein are solely those of the author.*

Romania, and was intended to serve as bulwark against the irredentist aspirations of Albania, Bulgaria, Germany, Hungary, and Italy, as well as the revolutionary expansionist ambitions of the Soviet Union.

Türkiye famously stayed out of World War II whilst many of the nations of the Western Balkans can be classified as having been among its chief victims. One of its outcomes was the “percentages agreement” between Churchill and Stalin, which was reached in Moscow in October 1944 and more or less observed by both sides during the Cold War. This literal back-of-the-napkin understanding carved up East-Central Europe, including the Western Balkans, into spheres of interest. According to its terms, the communist-held Yugoslavia, led by Josip Broz Tito, was to be divided 50-50 between the West and the Soviet Union, with neither block having “predominance.” This informal arrangement was solidified in the wake of Tito’s break with Stalin in 1948, as Yugoslavia began to pursue an independent foreign policy that became fully manifest by its role in the establishment of the Non-Aligned Movement in 1961. For decades, relations between Belgrade and Ankara operated within this geopolitical framework, becoming at times more pragmatic notwithstanding Türkiye’s 1952 membership in NATO, which shifted Westwards its original Kemalist posture of equilibrium if not necessarily equidistance towards foreign powers.

The breakup of Yugoslavia in the 1990s caused a sea-change in the Turkish approach to the Western Balkans, with Ankara becoming much more actively engaged overall. Most obviously, Türkiye supported the Sarajevo-based government of Alija Izetbegović in the Bosnian civil war and then the separatist Kosovo Liberation Army in its ethno-territorial struggle against the dictatorial regime of Slobodan Milošević. As a member of NATO, Turkish forces then participated in the bombing of rump-Yugoslavia.

Still, Ankara never broke fully with Belgrade and was able to reach a pragmatic division of labor between the pursuit of its newly-defined political interests in the region and economic opportunities in Serbia. For instance, even the MÜSIAD (a union of company bosses representing the religiously conservative wing of Turkish big business) took an active role in promoting bilateral trade relations with Serbia after the Dayton Peace Accords were signed in 1995. The emphasis on shared economic opportunities has remained a hallmark in the Turkish approach to that country. Bilateral political relations took a turn for the better after the democratic overthrow of the Milošević regime in October 2000, but then suffered a setback in the wake of Ankara’s decision to recognize Kosovo’s unilateral declaration of independence in February 2008 (something that Azerbaijan did not and still has not done). Thanks in part to frequent contacts by the countries’ foreign ministers at the time (Ahmet Davutoğlu and Vuk Jeremić, respectively), Türkiye and Serbia soon found ways to limit the damage to the overall bilateral relationship, with some analysts claiming that Ankara (as well as Baku) has served in various ways as a factor of stabilization in the unresolved conflict between Serbia and the Kosovo Albanians separatists.

Bilateral ties have deepened in the decade since Alexander Vučić took power in Serbia. For instance, after several bilateral agreements were signed between the two sides in Belgrade in September 2022, the Serbian president stated: “We deeply respect Erdoğan’s constructive role. We are a small nation, but he has always shown great interest in this region. We are grateful for that.” Vučić employed similar laudatory rhetoric during President Ilham Aliyev’s visit to Belgrade in November 2022.

Overall, Turkish relations with Croatia have less historical baggage attached to them. Although many areas of present-day Croatia were part of the Ottoman empire from the sixteenth to the end of the seventeenth century, over time the Ottoman advance was pushed back by Croat and other Hapsburg forces. The Battle of Sisak in 1593 was decisive in this regard and was followed in later centuries by the establishment of a Military Frontier on the European side that largely stabilized the border between the two empires until the Congress of Berlin brought Bosnia and Herzegovina under Hapsburg administration before later being annexed outright.

By and large, however, Croats do not have a history of national rebellion against the Ottoman empire and for the most part did not participate in the various uprisings in neighboring Bosnia and Herzegovina in the nineteenth century. Perhaps this was due to the influence of an important figure in the development of Croatian nationalism during this period, Ante Starčević, whose views of the Ottoman empire and Islam were considered progressive for his era (at the same time, he reportedly held the view that “Bosnian Muslims are a part of the Croatian people and of the purest Croatian blood”). The inauguration by Erdoğan of a massive Islamic Cultural Center in Sisak (it is named after the Turkish president) in the presence of his Croatian counterpart, Zoran Milanović, is seen as indicative of the commitment of both leaders to transform the symbolism of this city from one of historical division to one of multiculturalism and tolerance. “In our hearts, we do not distinguish the city of Sisak from Amasya, Petrinja from Bursa, Zagreb from Ankara, Sarajevo from Istanbul, and Mostar from Rize,” Erdoğan stated on that occasion.

Turkish relations with the Bosnian Muslims or Bosniaks (according to the latest census, they represent a slim majority of the population of Bosnia and Herzegovina) are, of course, special and privileged. No historical era or event involving the two peoples has required a contemporary act of contrition or a process of reconciliation. In fact, it is said that there are more Bosniaks living in Türkiye than in Bosnia and Herzegovina itself (the first large-scale wave of immigration took place in the last several decades of the Ottoman empire’s existence; the second during and immediately following the Bosnian civil war). Moreover, Turkish aid and assistance to the country has been a hallmark of Bosnia’s entire post-independence period. Since 1995, the Turkish Cooperation and Coordination Agency (TIKA) has implemented more than 800 projects in that country, including the reconstruction of numerous Ottoman-era monuments like the Emperor’s mosque, the Ferhadija mosque, and the Bašćaršija bazaar district in Sarajevo, the Karadjozbeg mosque

and madrasa complex in Mostar, and the Bridge on the Drina in Višegrad. TIKA has also contributed to the country's development by providing assistance to hospitals, libraries, various agricultural projects, special needs educational facilities, and the reconstruction of public buildings damaged less than a decade ago as a result of socio-economic protests.

Acute inter-ethnic tensions within the country, which characterized the immediate post-war period, affected the perceptions of both Bosnian Serb and Bosnian Croat communities towards Turkish engagement, which tended to overwhelmingly privilege relations with the Bosnian Muslims. More recently, ties with the non-Bosniak leadership have improved, with relations characterized by a higher degree of pragmatism. Undoubtedly, this more even-handed approach has been influenced by decisions taken in Belgrade and Zagreb in the context of the evolution of their respective bilateral relationships with Ankara.

Thus, for example, a day before Erdoğan came to Bosnia and Herzegovina in September 2022, the leader of the Bosnian Serbs, Milorad Dodik, referred to Erdoğan as a “great statesman” and added: “I know that at the end of the day Erdoğan will always be on the side of Muslim-Bosniak interests, but he [...] respects everyone and as long as that remains his policy, I will respect him.” A day later, speaking at a Turko-Bosnian business forum in Sarajevo, Erdoğan stated: “As the Republic of Türkiye, we have always attached special importance to our relations with Bosnia and Herzegovina. We have always pursued a sincere, objective, embracing, *and unifying policy* [emphasis added] towards Bosnia and Herzegovina. Ethnic and religious divisions in this region, where different ethnic and religious communities have to live jointly, will lead to nothing but sufferings and tears. Incidents in different parts of the world make it clear that conflicts and tensions bring benefits to no party.”

On the basis of such recent pronouncements, one could conclude that this Western Balkans country is considered from Ankara as a whole—that, in other words, Türkiye no longer favors in an untoward manner ties with the Bosniak community at the expense of the two other main ethnic groups in Bosnia and Herzegovina. In fact, there are reports that the country played a constructive role in easing tensions allegedly provoked earlier this year by Moscow.

The foregoing aligns with Türkiye's contemporary interests. After all, Bosnia and Herzegovina, Croatia, and Serbia are on the road between Türkiye and Austria and Germany, home to millions of Turkish workers and immigrants. All three Western Balkan states enjoy a thriving trade relationship with Türkiye. And all three are interested in attracting additional Turkish investments.

However, important geopolitical differences have to be underlined, the implications of which Türkiye understands quite well. Croatia is an EU member, Bosnia is an

EU aspirant, and Serbia is an official candidate for membership; Croatia is a NATO member, in Bosnia there is no longer consensus on membership in the Alliance, and Serbia has an official policy of military neutrality (enshrined in a 2007 parliamentary resolution adopted under the shadow of the 1999 bombing and the threat of Kosovo Albanian secessionism).

These differences need to be put in the context of disappointment and frustration: in the Western Balkans, no territory that was part of the Ottoman empire at the beginning of the nineteenth century is today a member state of the European Union. The political commitment first made by the EU at a historic summit in June 2003 in Thessaloniki still remains unfulfilled two decades later (the key quote from the document: “The EU reiterates its unequivocal support to the European perspective of the Western Balkan countries. The future of the Balkans is within the European Union”).

A consequence of the intensification of the conflict over Ukraine in 2022 was the acceptance of both Ukraine and Moldova as official EU membership candidates (and the formal acknowledgment that Georgia enjoyed a membership perspective), which has both fed the perception that the Western Balkans are being relegated to the enlargement backburner but also given a certain hope that Russian aggression may ultimately result in a renewed, concrete commitment to fully integrate the Western Balkans into the European Union in the time ahead.

## *Trade Relations*

In 2020, Türkiye exported \$417 million worth of goods to Croatia, especially mechanic products: cars (\$20.7 million), buses (\$16.4 million), and electric motor parts (\$14.9 million), but the exports are much diversified. These exports to Croatia have increased at an annualized rate of 9.83 percent, from \$40 million in 1995 to \$417 million in 2020, a multiplication by more than ten—a feat accomplished despite the slowdown caused by the pandemic.

Meanwhile, in 2020, Croatia exported \$246 million to Türkiye, predominantly scrap iron (\$115 million) and, to a much lesser extent, refined petroleum (\$13.3 million). During the last 25 years, the exports of Croatia to Türkiye have increased at an annualized rate of 13.6 percent, from \$10.1 million in 1995 to \$246 million in 2020.

Total bilateral trade is expected to bypass \$1 billion in 2022.

The economic importance of Türkiye in Croatia is not as spectacular as in the case of, say, Bosnia and Herzegovina; but, as Ankara’s ambassador to Zagreb Mustafa Babür Hızlan emphasized in March 2022, “Croatia is an important country where we have excellent political relations at the bilateral level, and, as NATO allies, we continue our cooperation in strengthening regional peace and stability.” This statement could be

understood as having special importance in the context of the Alliance's support for Kyiv in the conflict over Ukraine.

Meanwhile, Croatia will adopt the euro as its official currency in 2023, relegating to the past its national currency. A beneficial trade balance with a eurozone country is by construction good for the Turkish economy, as one of its main problems at present is the spectacular diminution of the value of the Turkish lira on the international market and the inflation this has provoked.

In spite of the fact that Serbia has a slightly lower GNP than Croatia (notwithstanding its nearly twice as high population), that Western Balkan country has a more intensive trading relationship with Türkiye. Indeed, in 2020, Türkiye exported \$1.39 billion worth of goods to Serbia, especially mechanical construction materials and textiles. Leading categories of products include insulated wires (\$52.9 million), light rubberized knitted fabric (\$52.1 million), and cars (\$37.2 million). Still, exports are much diversified. During the last 14 years, exports by Türkiye to Serbia have increased at an annualized rate of 10 percent, from \$366 million in 2006 to \$1.39 billion in 2020.

At the same time, Serbia exported \$384 million to Türkiye, especially rubber tires (\$66.1 million), gold (\$28.9 million), and liquid pumps (\$25.4 million). During the last 14 years the exports of Serbia to Türkiye have increased at an annualized rate of 17 percent, from \$42.5 million in 2006 to \$384 million in 2020.

Serbia also has a beneficiary balance of services with Türkiye (\$76.1 million), but this is far from covering the commercial deficit. Last but not least, the economic importance of Ankara for Belgrade is likely to increase in the years to come, driven in large part by Serbia's anticipated role as a transit country for Azerbaijani gas via a yet-to-be-built interconnector to Bulgaria that is supposed to connect to the Southern Gas Corridor in late 2023.

In 2020, Türkiye exported \$483 million to Bosnia and Herzegovina (especially textiles), while Bosnia and Herzegovina exported \$483 million (especially scrap iron, seed oil, and bovine meat) to Türkiye. In September 2022, the chairman of Türkiye's Foreign Economic Relations Board (DEİK), Hasan Topaloğlu, stated: "The Free Trade Agreement between the two countries [signed in 2003] was updated in 2019, with new topics. It has been enriched and entered into force, as of 2021. Our trade volume, which was at the level of \$70 million in 2003, has increased to \$845 million by 2021. The officials of both countries hope that this figure will be increased to \$1 billion as soon as possible."

Anyway, the level of trade is less spectacular than the level of Turkish investments in the country.

## Investment Relations

Turkish investments in these three Western Balkan countries are, for a large part, based on the same grounds than in other parts of the world (e.g., Central Asia), namely construction and Turkish Airlines flights and what derives from this. There are currently two Turkish Airlines daily flights from Istanbul to Sarajevo (more during Muslim pilgrimage periods), three to Belgrade, and one to Zagreb. This is all the more relevant since such flights are not only about traveling to Türkiye: the Istanbul airport is one of the largest global air transport hubs, with Turkish Airlines alone flying to 328 destinations in 128 countries—the largest flight network in the world. The recent extension of the Sarajevo airport and plans to continue in that direction are similarly viewed with interest in Türkiye.

Turkish investments are, proportionally, the most important in the case of Bosnia and Herzegovina. Although dating back to the 1990s, their expansive scope is of relatively recent dating. In March 2012, a senior Bosniak official stated: “We need Turkish economic and financial investments.” He was not disappointed. Direct Turkish investments reached about \$70 million in 2021 (\$19 million in annual average from 2009 to 2018), now putting Türkiye in second place, after (surprisingly) Switzerland. In October 2020, the Turkish Ambassador in Sarajevo Haldun Koç explained: “The main goal is to prevent brain drain and keep the young population in Bosnia and Herzegovina, and this could be through employment.”

Currently, the most important project is the Sarajevo-Belgrade highway—an idea that has been discussed for more than a decade. In March 2021, a construction agreement was finally signed with Türkiye. At the press conference marking the milestone, Dodik defined it as the “largest integrated infrastructure project in Bosnia, which will connect the two countries. I am convinced that President Erdoğan’s support for this project is crucial for its realization.” He also asked for the building of a branch of a gas pipeline to Bosnia along the route of this highway, and Erdoğan agreed. These words from 2021 obviously have a more important geopolitical dimension today, in the context of the war in Ukraine and the EU’s strategic quest to acquire and maintain non-Russia controlled gas transport routes and sources of supply. Greater Turkish (and possibly Azerbaijani) involvement is needed even more, as the main reason why the project was delayed for a year is a series of disagreements between the Bosnian Muslim-Croat component and the Bosnian Serb component. Being an interlocutor trusted by both sides is decisive in this regard.

This logically leads to examine the Turkish presence in Serbia, which is growing. In 2015, 130 Turkish companies were active in this country; by 2020, there were 800, employing about 10,000 citizens of Serbia. Turkish direct investments in the largest Western Balkans country reached €133.7 million in 2019. In 2022, 21 factories in Serbia are Turkish owned. These investments are not concentrated in Belgrade only, but are present in several other cities (Vranje and Leskovac in the south; Loznica in the west).

In September 2022, repeating what he had said one year earlier during a meeting with Turkish Minister of Foreign Affairs Mevlüt Çavuşoğlu, Vučić explained that his country would welcome with satisfaction additional Turkish investments. On the latter occasion, he emphasized the existence of opportunities not only in the implementation of infrastructure projects, but also in the areas of health, energy, the IT sector, and tourism.

Tourism is also one of the main sectors of Turkish investment in Croatia—particularly in hotels and the management of marinas on the Adriatic coast of Dalmatia. Just the Dogus Group has already invested €250 million up to 2016. During the last few years, Turkish companies, predominantly the Soyak Group, also invested in energy, especially geothermic—a renewable source of energy that is not intermittent, unlike solar or wind.

The personal factor should not be neglected, either. A typical example can be found in a statement made by Croatia’s prime minister Andrej Plenković in January 2020 to the Anadolu news agency: “We want to continue attracting Turkish investments in Croatia and continue imports and exports between the two countries. We have a very solid commercial partnership which can always benefit from further boosting.” Plenković also made the below remark, which is more political than strictly economic, but obviously welcomed in Türkiye, particularly from a politician of an EU member state that, as it happened, was presiding over the EU Council at that time: “I fully understand the very long road of Türkiye towards EU [membership], beginning from the Ankara Agreement in 1963.”

Even more remarkably, President Milanović told the Croatian-Turkish Business Forum held in September 2022, in Erdoğan’s presence: “In recent years, we have seen significant investments by Turkish companies in Croatia, mostly in the field of tourism, renewable energy sources and banking. I personally received a number of prominent Turkish businessmen, some of whom are here today. I welcomed each of them, and I wish to convey the same to all of you from this podium.” Considering the relatively small size of Croatia and the particular importance given by the Turkish president to personal trust and contacts, such a direct involvement is wise.

Statements by Vučić have been provided above and will not be repeated here. And it should go without saying that statements made by various Bosniak politicians have also been effusive.

## *The Big Picture*

Differences aside, the three Western Balkan countries examined in this IDD analytical policy brief indicate a common path of warm personal relations and shared interests with Türkiye. All concerned have taken a more pragmatic approach in recent years.



In such a context, it seems obviously to be the interest of the EU—whose member states collectively represent the main investor and the main trading partner for each of the three countries—to incorporate the increasingly prominent Turkish factor in its overall regional strategy. This evidently ought to involve finding ways to balance the reportedly growing Russian influence in Vučić’s Serbia and in the Serbian half of Bosnia and Herzegovina (Republika Srpska).

The exact contours of the future institutional relationship between Bosnia and Herzegovina and Serbia, on the one hand, and the European Union, on the other hand, are difficult to define precisely. It remains an open question whether the political promises and unequivocal commitments first made at the Thessaloniki Summit way back in 2004 will be fully honored in the generation to come. What is certain is that even the most optimistic scenario does not foresee EU membership happening quickly. Hence the welcome establishment of the European Political Community—not necessarily as an alternative, but as a more inclusive platform in which strides towards greater engagement can take place. It helps, of course, that Türkiye is a participant in the latter initiative. In any case, Ankara’s deeper engagement in the Western Balkans reinforces efforts by both the EU and NATO to counter reported Russian inroads in the region as well as push back against a growing (but potentially plateauing) Chinese presence.

It seems that both EU Council President Charles Michel and EU Commission President Ursula von der Leyen understand this without difficulties. But do their subordinates in the vast bureaucracy understand this, too? Are they committed to executing the geopolitical pragmatism of their leaders? And what about the EU Parliament?

All this is less than clear.

Perhaps EU member state Croatia, working more closely with Türkiye, could take the lead in countering disinformation and overcoming misunderstandings.

At the same time, the reinforced position of Azerbaijan and the climax reached in the bilateral relations of each of the three Western Balkan states with Türkiye opens the way to joint strategies of investments and, if necessary, a renewed political mediation role by Ankara in the region.