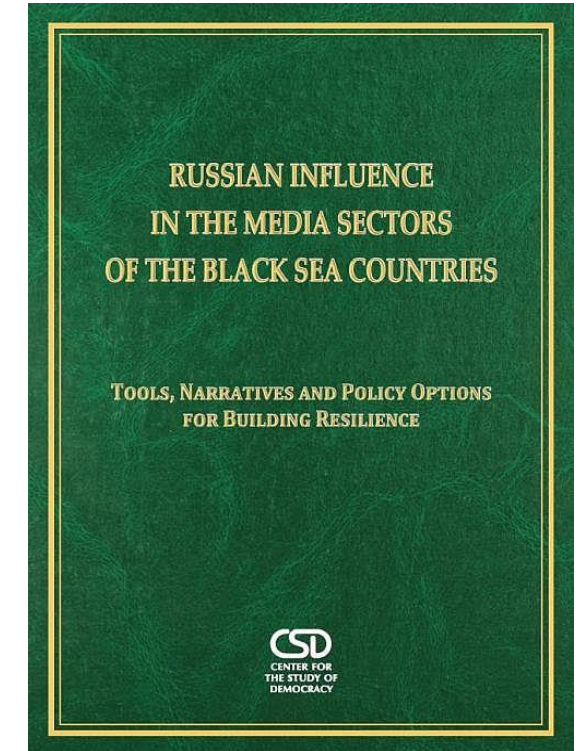
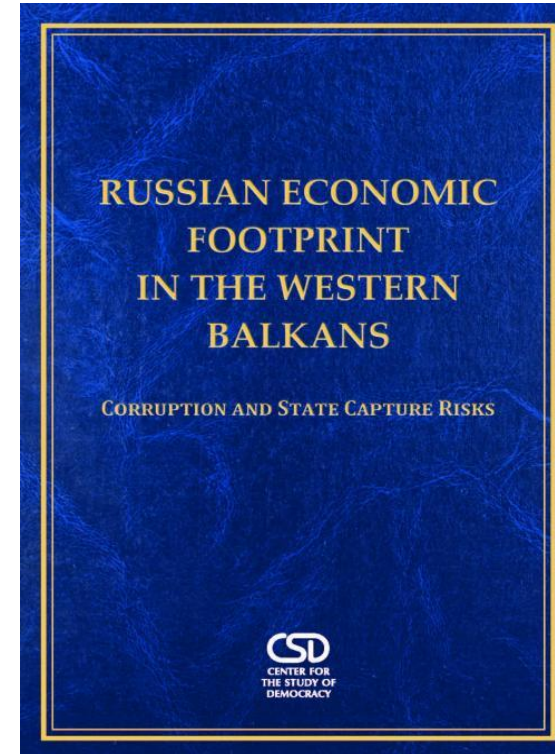
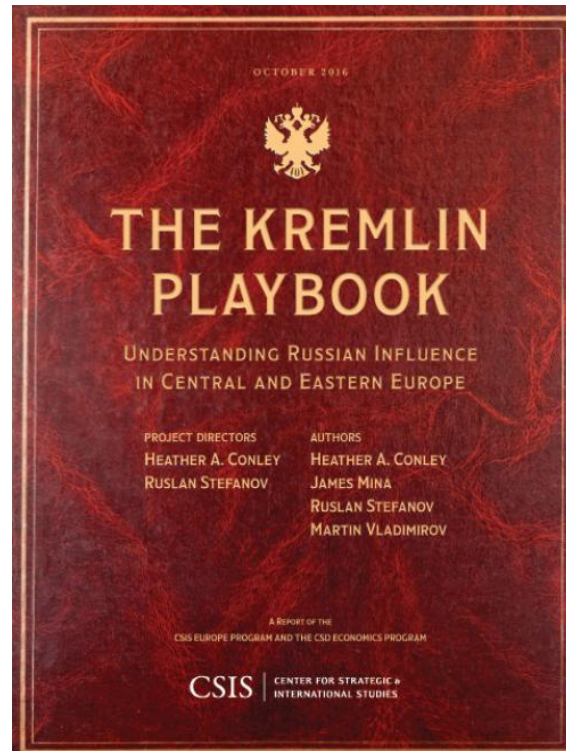
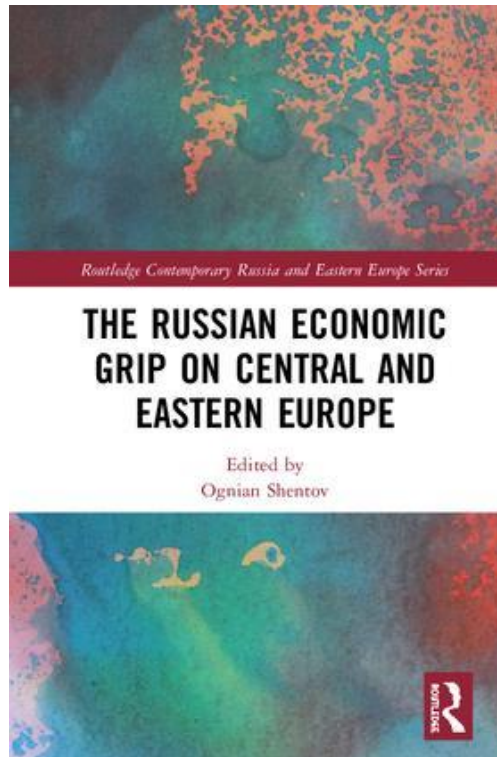


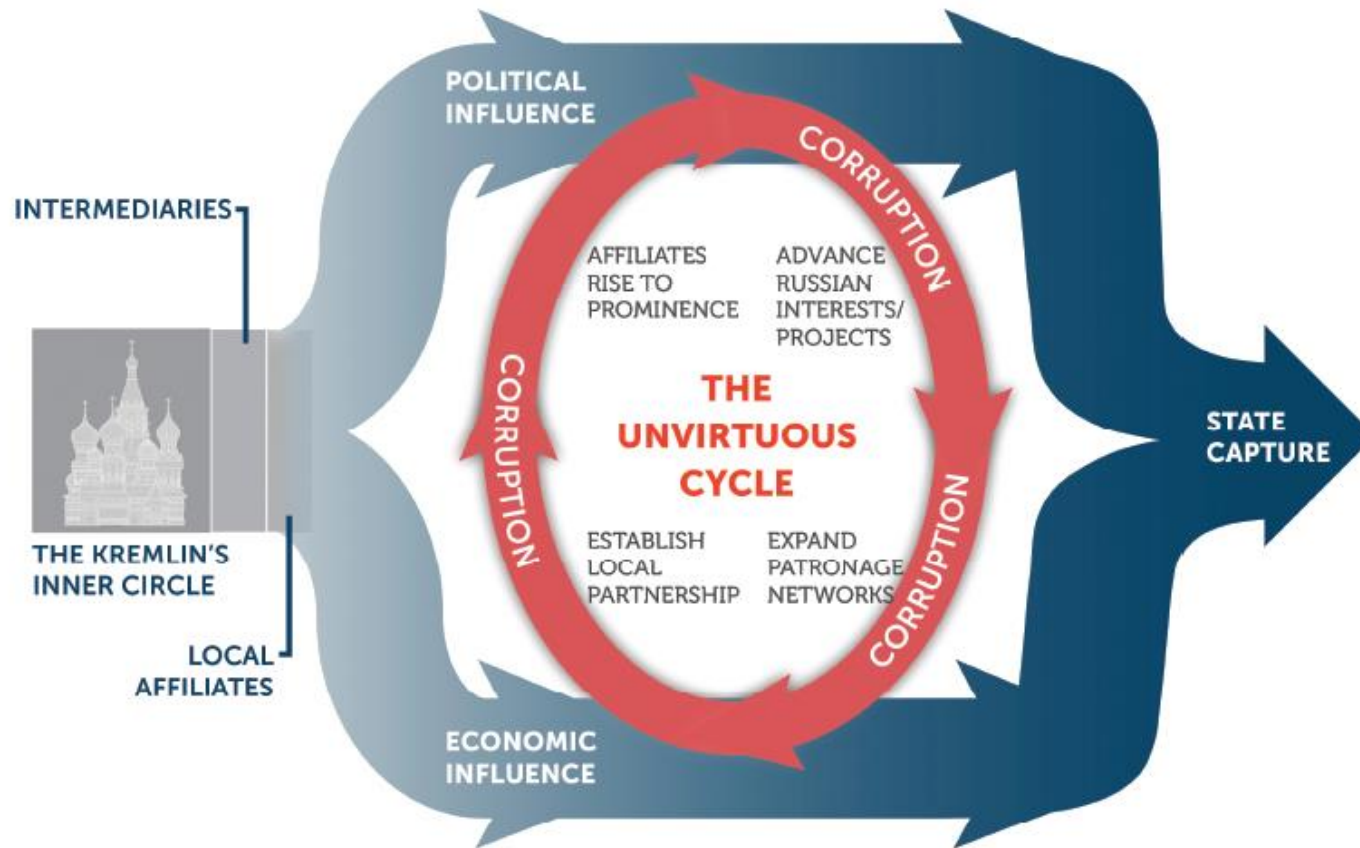
# Russian (Economic) Influence in Europe: Implications for the Balkans

Sofia, 14 November, 2019  
Ruslan Stefanov  
Director, Economic Program  
Center for the Study of Democracy

## Why Heed the Kremlin Playbook?



# The Unvirtuous Cycle of Kremlin's Influence





## Factors Enabling Russia's Economic Influence in Europe

Deep financial and trade penetration of Russian companies in the European market

Business assets in strategic sectors such as energy, banking and telecommunications

Widespread money-laundering transactions due to complacency and bad governance

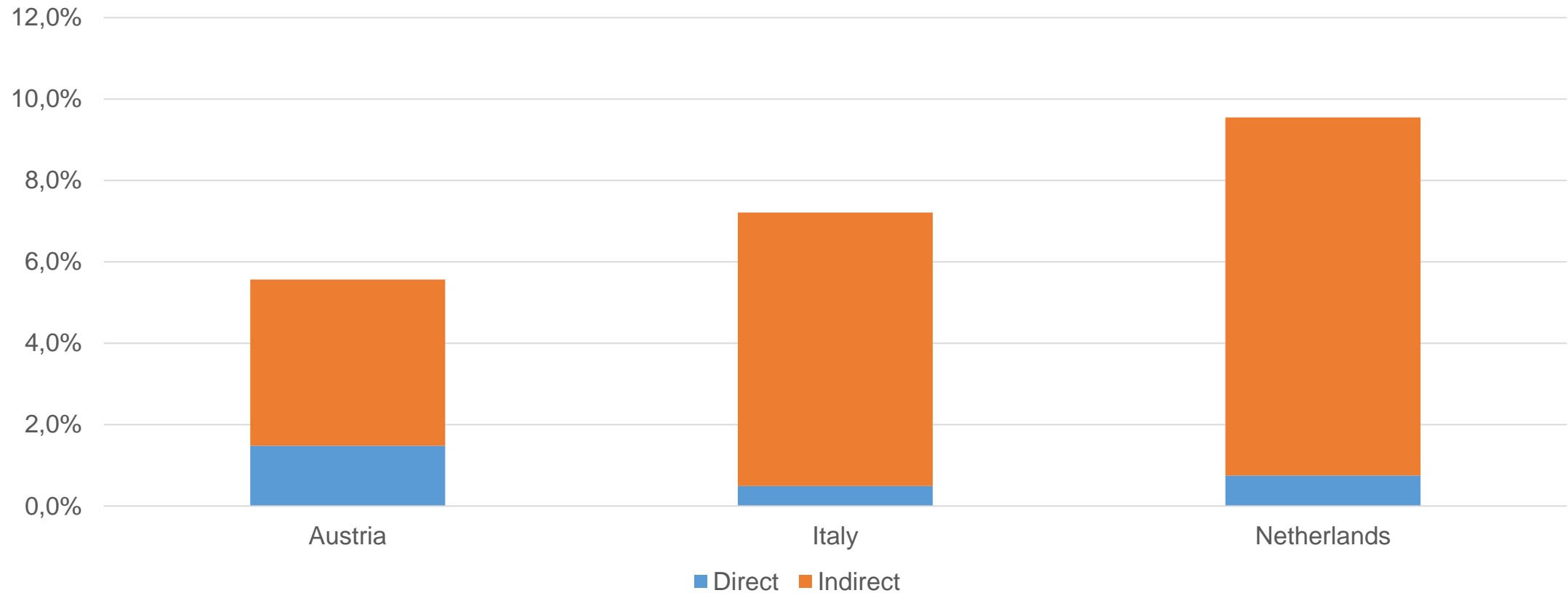
Utilizing European financial hubs to reallocate, store and conceal corporate profits from economic activities in Russia and CEE

Obfuscating real ownership structures to conceal economic and political activities

Capturing policy and economic elites through large-scale projects and strategic business partnerships

Leveraging the indirect dependence of European businesses on the Russian market to influence political decision-making

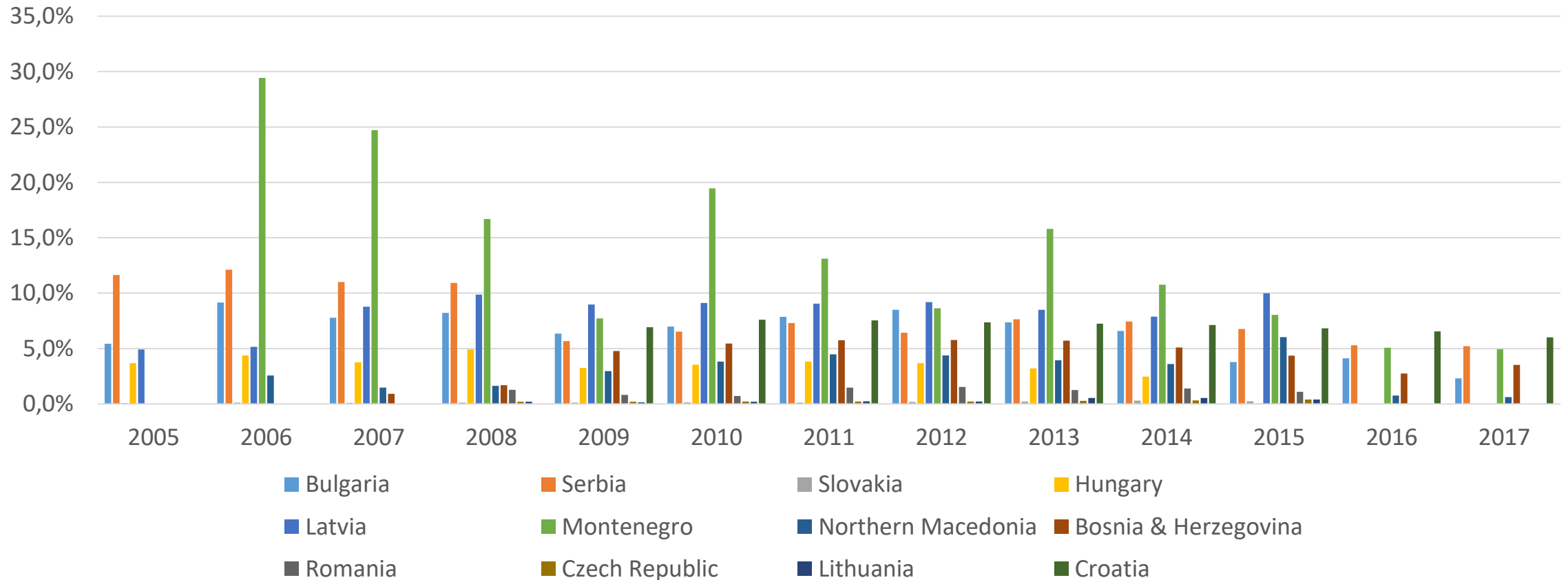
# Russian Direct and Indirect Corporate Footprint in Selected Western European Countries



Source: National statistical institutes, commercial registries and corporate databases

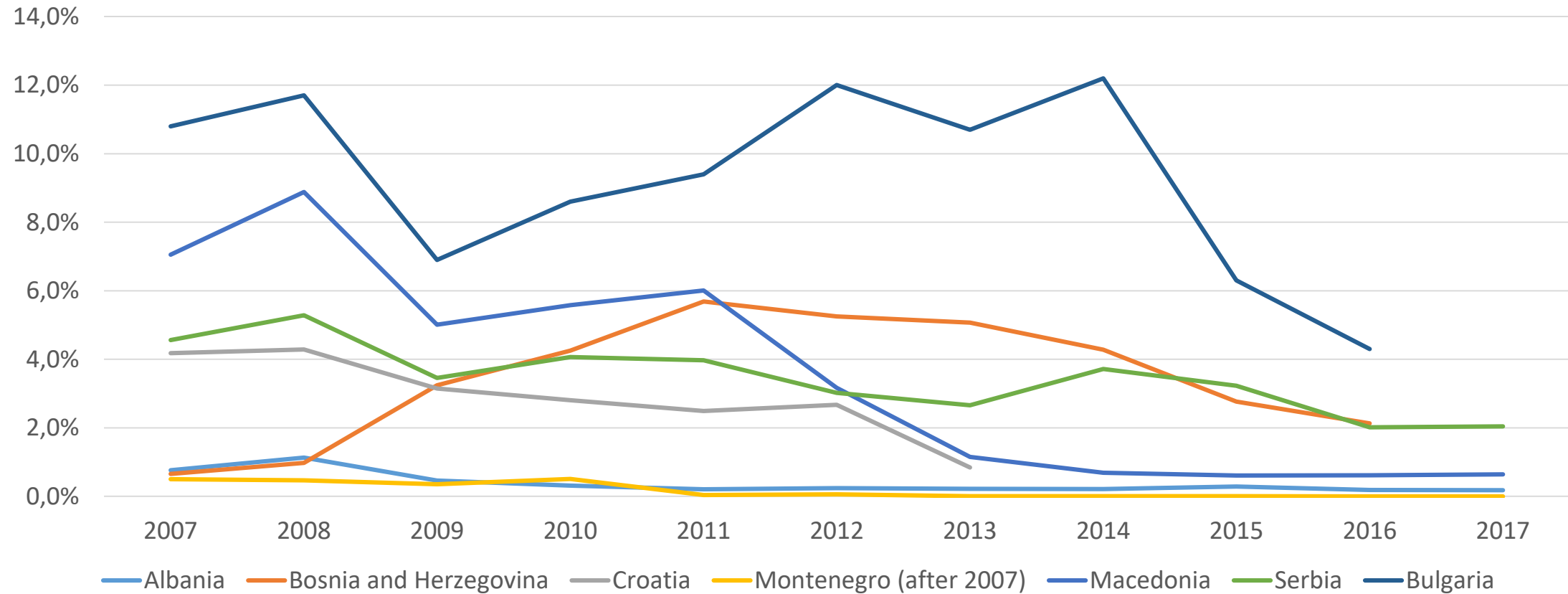
# Measuring Russian Corporate Footprint in Central and Eastern Europe

Operating Revenue of Russian Controlled Companies as a Share of Total Operating Revenue for the Economy %



Source: CSD based on statistics from national and international corporate databases

## Oil & Gas Imports as Share of GDP (%)



Source: Eurostat - COMEXT

## Main Economic Sectors Targeted

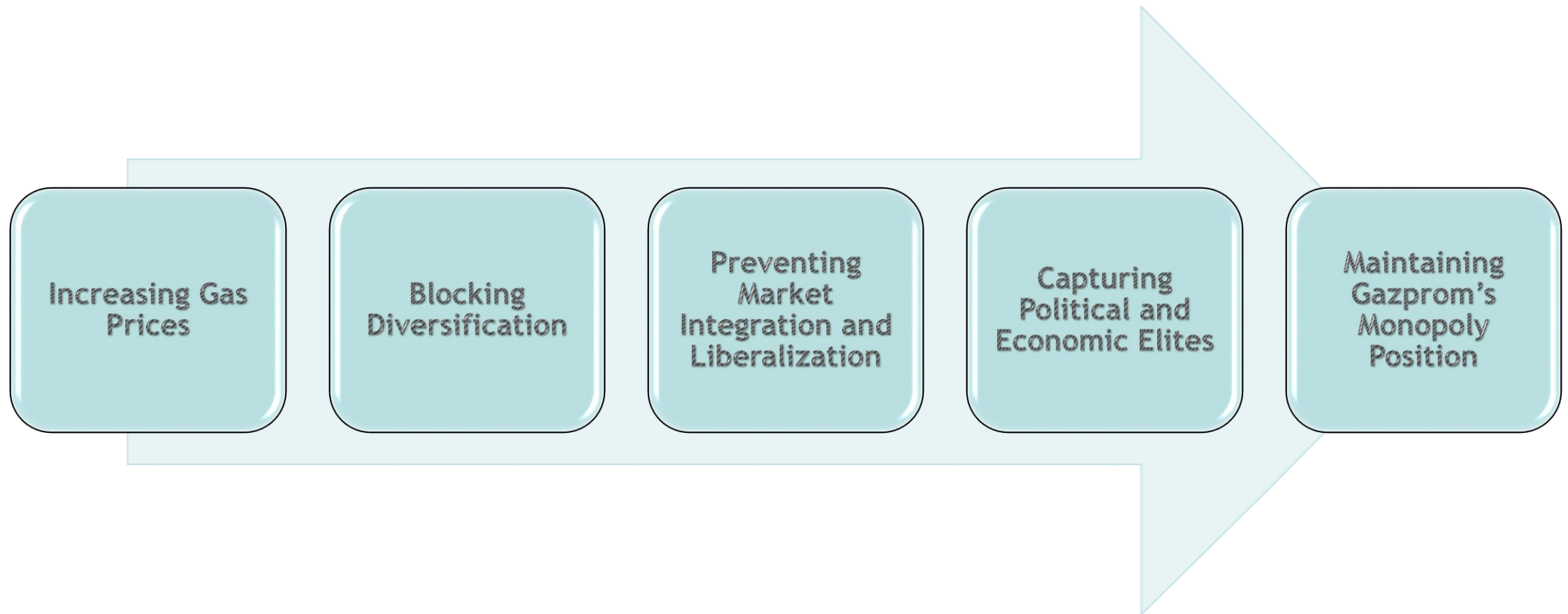
- Energy
- Energy - Related Industries
- Banking & Finance
- Retail
- Real Estate



## Exploited Governance Deficits

- Non-transparent and uncompetitive privatization procedures
- Corporate governance deficits of state-owned companies
- Limited capacity of the financial intelligence and the anti-money laundering institutions
- Weak anti-trust, energy and financial market regulatory authorities
- No preliminary cost/benefit assessment of large infrastructure projects

# TurkStream: Increasing Russian Economic Influence in Europe



## Sharp Power Amplifiers of the Russian Economic Influence in SEE



Offering support for pro-Russian parties and leaders in the region

Use of media to spread disinformation

Defense and security cooperation

Exploiting inter-ethnic national rifts to undermine EU/NATO integration

Leveraging sports and cultural ties to pressure governments on foreign and security policy

Pulling security services networks' strings to destabilize governments

## Key Policy Recommendations: It is ultimately about us

- Aligning U.S. and EU energy security policy
- EU should develop robust anticorruption infrastructure, including anti-money laundering
- Use aggressively instruments such as FCPA and Global Magnitsky Act
- Implement Defending American Security from Kremlin Aggression Act (DASKA) in cooperation with the EU
- Scrutiny of financial flows must be elevated as a top priority
- Strengthen EU reporting and implementation requirements for ultimate beneficial ownership (UBO)
- Strengthen the regulatory oversight for debt-driven acquisitions financed by extra-EU banks

## Key Policy Recommendations for the Balkans

- SEE governments should:
  - implement robust strategies to counter state capture
  - build their capacity to counter effectively the instruments of Russian influence in critical sectors of the economy, and in particular in energy
- The EU should
  - reinforce its economic and political engagement on the Balkans
  - expand its direct engagement with civil society in SEE
- Strengthen media independence and tackle media and civil society capture

Thank you

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