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**Five European Union members: Spain, Slovakia, Cyprus, Romania, and Greece do not recognise Kosovo as an independent state.*

A Dragon's Quest in the Balkans.

How Beijing is using Long Term Investments to Pursue its Interests/Strategy into Europe

The Scope

The Balkan region is located in the South-East of the European continent, a mountainous peninsula stretching from Slovenia in the West to the Black Sea shores in the East and from Romania in the North to Greece in the South. With its geographical positioning, at the confluence of so many trade routes and rich in natural resources, the region was always a theatre of operations for great powers.

The region serves as a peculiar example of history's twisted ways. Before the 20th century, whether it was the Ottomans, the Austro-Hungarians or the Russians, the region experienced brief periods of true autonomy. After the World War II ended, nation states in the region's East – Romania, Bulgaria and Greece have consolidated their status. Instead, the rugged terrain of the Western Balkans was dominated by the Yugoslav Republic, an experiment that kept together the region's ethnicities and cultures until the end of the Cold War, eventually coming to an end during the 90s. This history explains, in part, the current differences between Eastern Balkans countries' strategies and those of the Western Balkans states.

However, the contest for influence in the Balkans remains the constant for the wider region. At the beginning of the 21st century, even if all countries in the region have aspired to become members of the European Union (EU), only some of them were able to go through necessary reforms and secure EU membership. At the same time, the economic benefits brought along through the EU accession process didn't necessarily translate into stability and security for all. EU membership didn't guarantee development and, as seen during the 2010 economic crisis, it brought along new responsibilities.

At the same time, each of the Balkans countries have a specific relationship to NATO – some are members, some are aspirants to membership and some, like Serbia, are still having an uneasy relationship with NATO. These countries relations to the United States (U.S.) are no similar – they differ from country to country, depending on their primary security interest. All this makes for good terrain for non-Western powers to seek influence. Russia is the usual contender to the Transatlantic push into the Balkans. But, as China is emerging as a global power, it also becomes more assertive in places that the U.S. has an interest to maintain influence.

This report looks to establish a framework for understanding the way China is establishing its presence in the Balkans. Any great power's influence over any given state is exercised through multidimensional linkages, hence the need for a holistic and cross-sectoral analysis looking at political, economic and security ties. In this report we are approaching the topic from a country-by-country perspective, due to the region's troubled past and highly complex contemporary landscape. The report focuses on examining the Chinese investment into the region, considering that as a way to portray long term commitment and lasting relationships between Beijing and the capitals in the Balkans.

To this goal, we are taking a country-by-country overview of Chinese involvement. The report first discusses the case of the Balkans' EU member states and their relationship to China, considering Beijing strategic interest with regards to the EU. The report then examines China's investment and influence strategies in the non-EU countries. Lastly, the report provides a brief analytical account of the relevance of Chinese involvement and what it means for the future of the region, considering the current global state of play.

Introduction

The 2008 financial crisis has signaled the beginning of a new reality in global affairs. While the entire world understood the fragility and the vulnerabilities of globalization, everything started to shrink. Populism and protectionism have slowly resurrected and reshaped national strategies. While all eyes turned to Europe and the United States – together making for the largest democratic market of the world, China's emergence as a global power was, at the time, questioned. Beijing had no option but the way out: as it was reinventing its export-oriented growth model, coupled with its cheap labour placing it in a unique position to fill in many of the gaps left by the Western economic downturn, it saw itself hit by the sudden shrinking of its markets. Not to mention that the crisis that only began in 2008 has affected the global trade and the flow of foreign direct investments altogether. That, for China, translated into an urgent call for renewed strategy.

That was the background for Xi's ascension to power and the launch of Belt and Road Initiative in 2013. He had to shift from Deng Xiaoping's policy line in order to offer hope to the Chinese people and the Chinese industrial machine. The launch was seen as China's assertiveness gathering a global dimension. It clearly wasn't (and isn't) perceived as a technique that unifies a country divided by geography through a strategic goal which is supposed to not only make China a global power but also reform and restructure the Chinese economic system. The original definition widened with the inclusion of the '21st century maritime Silk Road,' the 'polar Silk Road,' the 'digital Silk Road' and the 'space information corridor.' These developments indicate that the country's strategy is flexible and can expand, fueled by the weakening of the American hegemony and the subsequent cracks appearing in the post-war order. In a sense, China seeks replacing the U.S. and its hegemony.

While it has advanced and invested in building its military, China can't replace the US for securing the global trade routes. At the same time, China can't offer a political model for the world to adhere to, in a similar way that the U.S. has used

its own and the values of liberal democracies. What it can do, however, is building up economic influence, hoping that in time such bridges will help the construction of unbreakable political and security ties.

With regards to Europe, China's strategic interest is to keep trading with the EU, which is one of its main global markets and most integrated common market, considering the block's economic integration. This means that China will make it all possible to limit any adverse (re) actions to its trade coming from Brussels – which is, in effect, making sure that the EU member states don't unite against Chinese economic interests. At the same time, building influence in those areas where EU is interest to maintain its own ties helps it shape the diplomatic dialogue with Brussels. Considering some of these areas are also geographies where the U.S. or Russia have a vested interest as well, Beijing sees its presence as mandatory, considering the competitive manner of its global strategy.

The way China pursues its national interest in Europe differs therefore depending on the status of the country it deals with: an EU member state or a non-EU member state. This is particularly important for the Balkans, as some countries are yet to become EU member states while others have a long history of EU membership. At the same time, geography matters: in pursuing the Belt and Road Initiative, China will prefer building closer ties with those countries that make more sense from the (trade) infrastructure point of view. Another feature for the Chinese strategy regards the use of investment for establishing good relations with a country - trade is sustained, but not of primary importance when it comes to supporting long term interests.

A quick glance around the world shows a rather puzzling pattern when it comes to Chinese outflow of FDI. The investment orthodoxy which dominated recent history was anchored in an economic rationale which was risk averse. Countries which thrived, did so by offering a low-risk, predictable environment where a fair yet thorough rule of law created a fertile ground for long-term investment yielding satisfactory returns. Organisations such as the IMF were

founded with this sole purpose in mind, ensuring that economic and political stability precedes any serious pretention of attracting foreign funds. Recent history is littered with efforts, with often mixed results, aimed at tying the flow of money to good governance. Yet it seems that the impressive amount of investment outflow stemming from China's rise found another gravitational pull made out of an intricate web of corruption, poor rule of law or/and problematic business conditions on the ground.

States which have long been at the back of the queue when it comes to financial flows suddenly found themselves highly sought after, lured by promises of rapid development in an apparently 'win-win' situation, China's recent mantra in the portrayal of its economic expansion as selfless and emancipatory. In its near periphery, South-East and Central Asia were flooded with benevolent mega projects, seeking to overturn the development gap and usher a new era of economic growth. Freed from the rigorous demands of international financing, those countries rushed into signing contracts promising what few dared to dream of: pipelines, roads, railways and harbours which would finally connect them to the global supply chain, enabling small and big producers alike to export the products of their labour to markets which until soon seemed out of reach. Chinese SEOs would use their might in collaboration with local forces to erect those megaprojects, financed by cheap credit spanning over decades with interest rates as low as 2%. Jobs would be created, with a spillover effect into the wider economy which would act as a systemic lubricant, stimulating economic activity in all corners of the country.

What followed painted a gloomier picture. The ambition surrounding the projects was only matched by the encountered delays and spiraling costs. With little to no public oversight and

secretive negotiations, the economic predictions proved overly optimistic, trapping countries in an unpayable amount of debt. The Colombo port in Sri Lanka is the starkest example of a win-win situation with a clear 'senior' winner. In 2021, the Sri Lankan government effectively turned the 600 acres port into Chinese sovereign territory¹, drawing comparisons to the initial incursions of colonial powers back in the 17th and 18th century. All around the region, Chinese funds brought along a deep strategic dimension. The longstanding Sino-Pakistani relationship brought China the friendly privilege of establishing its only second military base abroad in the vicinity of Gwadar².

China's corrosive capital expanded eastwards as well, rerouting energy routes in Russia's backyard. Central Asian states, from Turkmenistan to Kazakhstan found a new market in the energy thirsty industrial giant, which was quick to use its productive overcapacity to build the necessary infrastructure for the extraction and transportation of fossil fuels³. Steel and cement industries that have thrived on the country's building boom increasingly have to look for opportunities abroad as the internal market is slowly becoming saturated. The inroads into Sub-Saharan Africa were more straightforward due to a relative power void in the region, providing access to prime materials headed for Chinese factories as well as the first military base located outside the mainland⁴. Latin America was approached with a more mercantile outlook, as not to upset whatever was left out of the Monroe doctrine. A varied array of countries, ranging from Western-oriented Chile to Venezuela were happy to accommodate Chinese investment initiatives.

Strategic harbors and incursions into its Eastern periphery refers to China's strategy with regards to the U.S., aiming at keeping it engaged in

1 Deb, S. 2021. „China'S Sri Lankan Port Grab Adds A Pearl To Its String". Mint. <https://www.livemint.com/opinion/columns/chinas-sri-lankan-port-grab-adds-a-pearl-to-its-string-11622393656645.html>.

2 „ZeeNews. 2020. „China builds military base in Pakistan's Gwadar, sparks discontent in Balochistan". <https://zeenews.india.com/world/china-building-military-base-in-gwadar-fencing-around-gwadar-ignites-discontent-in-balochistan-2332610.html>

3 Reuters. 2021. China's CNPC Secures More Turkmen Gas In New Deal - Source". <https://www.reuters.com/world/middle-east/chinas-cnpc-secures-51-bcm-turkmen-gas-new-deal-says-source-2021-08-23/>.

4 Cheraghlou, A. 2021. „China And Sub-Saharan Africa Trade: A Case Of Growing Interdependence". Atlantic Council. <https://www.atlanticcouncil.org/blogs/china-and-sub-saharan-africa-trade-a-case-of-growing-interdependence/>

a dialogue that offers access to the American market while Beijing is able keep a good posture in the Pacific and South Asia. On the European peninsula, The European Union, with its single market and high standard of living are any merchant's dream target, and the Chinese are no different. The Balkans provide not only the perfect entryway, with their heterogeneous mix

of EU and non-EU countries, but also the best region to meet the US and other regional powers and understand their relations with third countries.

The Three Seas Initiative and the 17+1

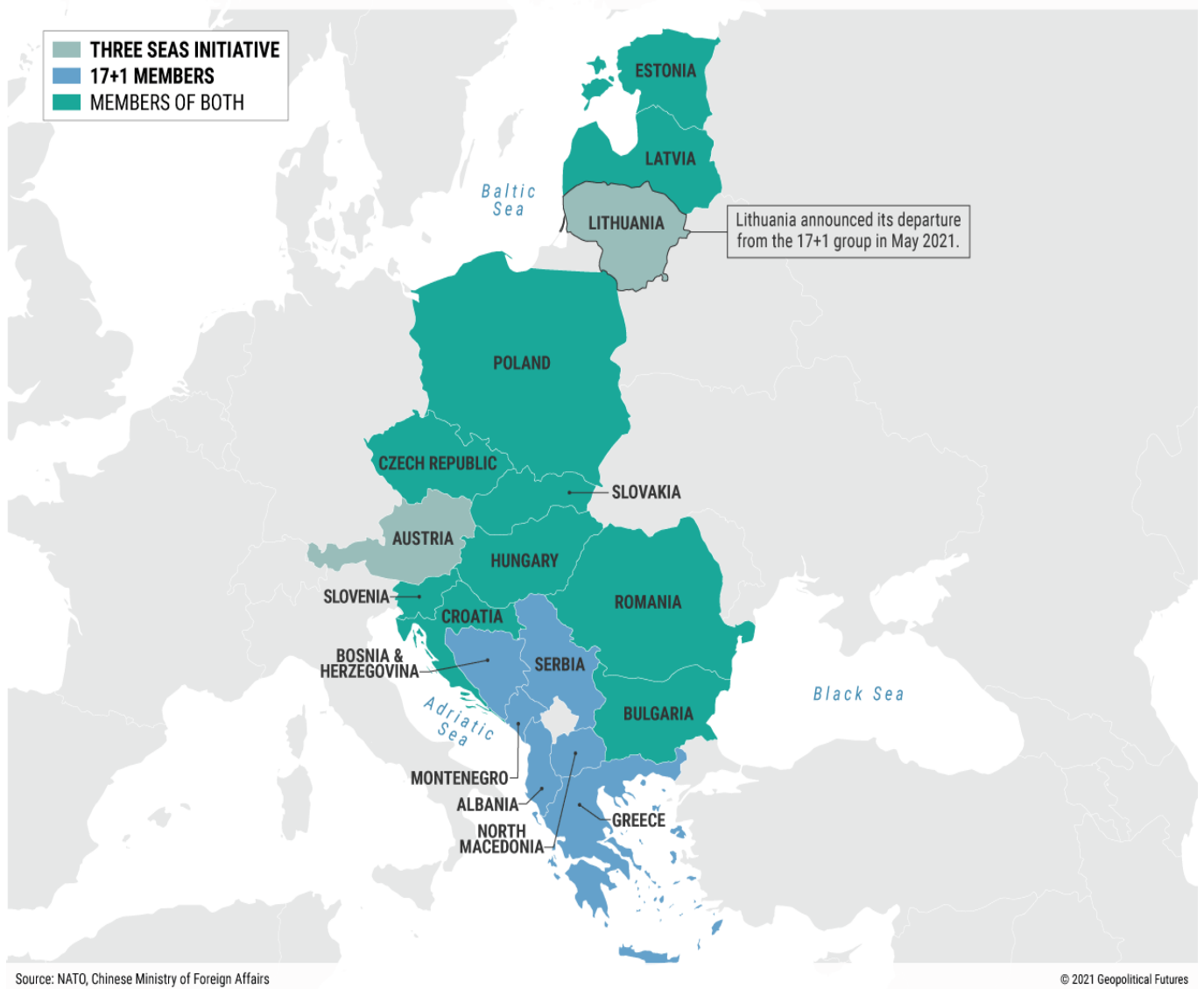
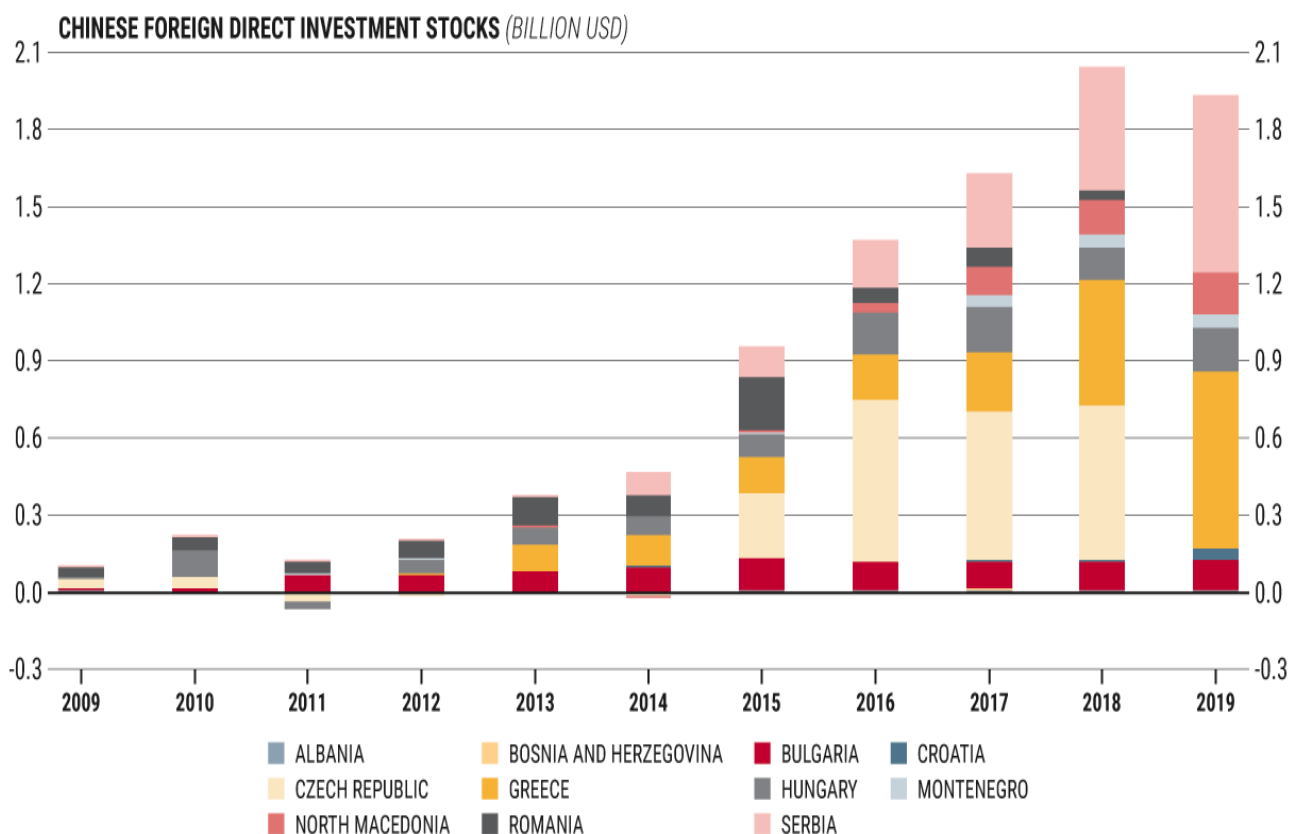


Figure 1. Source: Geopolitical Futures

In practical terms though, if containers could dock on European solid and then be efficiently unloaded and transported further into Central Europe, Chinese goods would have a seamless route straight into German, French and Scandinavian shopping carts. On the one hand, the 6 non-EU states (from hereafter referred to as Western Balkans 6 or WB6) presented the perfect cocktail of poor governance and a sizable development gap which act as a magnet for Chinese investment, used as a tool to establishing long-term ties and understanding the regional (geo)political landscape. On the other hand, the EU member states in the region

(EU5) compensate for their better governance with their EU membership and unfettered access to the continent's rich core. China's strategy to Europe is also framed around the so called 17+1 Initiative, a format established in 2012 (back then 16+1, until Greece joined) by Beijing to strengthen ties to selected countries of Central and Eastern Europe and the Balkans. This format was meant to support the Chinese Belt and Road Initiative and make sure that the good relations are backed by investments in infrastructure. The 17+1 also promised the European countries that they'd have better access to the Chinese market.

Chinese FDI in Central and Eastern Europe



Sources: Center for the Study of Democracy, National central banks

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Figure 2. Source: Geopolitical Futures

Since the Initiative was conceived, however, Beijing's involvement with the European countries hasn't been balanced across all the participants. As a result, not seeing much concluded on the idea of better bilateral ties, Lithuania has announced its leaving from the 17+1 in August this year. No country in the Balkans has made similar announcements, even if some countries in the region (Bulgaria, Romania, Slovenia) have cooled down the diplomatic ties and, on the occasion of the 2021 17+1 Summit

have elected to send ministers instead of their head of state or government.

This is yet another reason making us interested in assessing China's influence and its tools to maintain it in the Balkans. Ultimately, considering latest events and based on the assessment of China's power in the region, we look to establish the potential for increased aggressivity of Beijing's strategy towards the European 16+1 and beyond.

China's relations with the EU member states in the Balkans

China's strategic interest in Europe is to maintain access to the EU common market, considering its export oriented economic model. Considering the growing economic problems worldwide, most due to associated events to the pandemic crisis, it is likely that the EU increases protectionism, in an effort to sustain its own economic development and diminish dependencies on imports. To make sure that the EU doesn't take protection measures against the Chinese exports and considering that such measures would need to meet the EU consensus rule, Beijing has an interest in maintaining the EU member states divided on its policy towards China. One way to support this goal is to build and maintain good relations with some of the EU member states, in such a way that dependencies are created on the long term.

When using foreign direct investment to support its interest within the EU, China usually focuses on those EU member states that have a strategic position geographically and are also inclined to maintain balancing between the Western

and Eastern powers, taking into account those countries geopolitical interests. This is why Beijing strategy differs from country to country, even if in the same region.

We are first examining Chinese relations with the EU member states in the Balkans region in order to understand how Beijing sets priorities and how it operates when it comes to maintaining a presence within the European Union. We will discuss the Chinese relations to each of the EU member states, considering their different background. We have listed them geographically, starting with the most Northern country (Romania) and ending with the most Southern (Greece). Our listing doesn't refer to any importance levels – it is strictly a random geographical ordering that facilitates focusing the research on individual countries.

Romania

Romania is an EU and NATO member state. Considering its interest to maintain a close working relationship with the US, it has continued to enhance the bilateral strategic partnership while also working to secure its economic development. During 2012-2015, after the 2008 financial crisis and as the economic crisis was unfolding in Europe, Romania has tried to establish better ties with China, considering its need for investment and economic development.

Affinities and personal relations of the then Prime Minister Victor Ponta (2012-2015) of the Social Democratic Party (PSD) seemed to work for bettering the Sino-Romanian relations. More than half a dozen project proposals were developed, for which Memoranda of Understanding between Romania and Chinese companies were signed.⁵ Yet, as of now, all of them have been abandoned because of cited difficult negotiations, which were likely influenced by the development of the US policy of Chinese containment.

As an example, the thermal power plants of Rovinari and Mintia were some the biggest projects on the list of Chinese investments into Romania which were later stalled or contracted to different companies.⁶ Another point of

interest was the modernization of the Cernavodă Nuclear power plant, a vital piece of Romanian critical infrastructure. In 2020, after blacklisting China, the General Nuclear Group on grounds of technology theft, the United States and Romania sealed a landmark deal that will involve the US and a consortium of Western companies in the extension of the Cernavodă nuclear power plant.⁷

Unlike the agreement with China's CGN, things move swifter, with a US nuclear delegation visiting the power plant in July 2021.⁸ Moreover, in December 2020 EximBank US Chairman Kimberly Reed visited the power plant together with then US ambassador Adrian Zuckerman. Chairman Reed underlined the importance of the Cernavodă power plant, stating that its "success comes in the aftermath of the rejection of a plan for a nuclear power entity in the People's Republic of China to undertake this project".⁹ The US Exim Bank has the intention to support strategic investments in Romania, ensuring financial support of around \$7 billion for the construction of Reactors 3 and 4 and the refurbishment of Reactor 1.¹⁰

5 Romanian Government. 2013. "PM Victor Ponta: I Want Romania To Be China's Best Friend In The European Union, A Political, Economic, Trade, Cultural And Artistic Gateway". <https://www.gov.ro/en/news/pm-victor-ponta-i-want-romania-to-be-china-s-best-friend-in-the-Europeanunion-a-political-economic-tradecultural-and-artistic-gateway>.

6 Necsutu, M. 2020. 'Romania Cancels Deal With China To Build Nuclear Reactors'. 2020. Balkan Insight. <https://balkaninsight.com/2020/05/27/romania-cancels-deal-with-china-to-build-nuclear-reactors/>

7 Barbera, M. G. 2020. 'US To Finance Nuclear Plant Extension In Romania'. 2020. Balkan Insight. <https://balkaninsight.com/2020/10/09/us-to-finance-nuclear-plant-extension-in-romania/>.

8 Nuclear Newswire. 2021. 'Romania Receives U.S. Nuclear Delegation -- ANS / Nuclear Newswire'. Ans.Org. <https://www.ans.org/news/article-3142/romania-receives-us-nuclear-delegation/>.

9 EXIM. 2020. „EXIM Chairman Kimberly Reed Meets with Romania's New Interim Prime Minister Nicolae Ciuică to Strengthen U.S. - Romania Economic Partnership and U.S. Energy and Infrastructure Export”. <https://www.exim.gov/news/exim-chairman-kimberly-reed-meets-romania%E2%80%99s-new-interim-prime-minister-nicolae-ionel-ciuic%C4%83>

10 Lupitu, R. 2020. "Ambasadorul Adrian Zuckerman și președintele EximBank SUA, în vizită la Cernavodă: Finanțarea de 7 miliarde de euro va asigura securitatea energetică a României în următoarele decenii", Calea Europeana. <https://www.caleaeuropeana.ro/ambasadorul-adrian-zuckerman-si-presedintele-eximbank-sua-invizita-la-cernavoda-finantarea-de-7-miliarde-de-euro-va-asigura-securitatea-energetica-a-romaniei-in-urmatoareledecenii/>; US Embassy. 2020. "Ambassador Adrian Zuckerman at the EXIM Cernavoda Press Conference".

<https://ro.usembassy.gov/adrian-zuckerman-at-the-exim-cernavoda/>; Deacu, E. 2020. "Președintele Exim Bank US vine în România. Vizită la Cernavodă, unde SUA au promis finanțare de miliarde de dolari". Adevarul. https://adevarul.ro/economie/stiri-economice/presedintele-exim-bank-us-vine-romania-vizitala-cernavoda-sua-promisfinantare-miliarde-dolari-1_5fcaob2e5163ec42718a09do/index.html



Figure 3. Romanian Minister of Energy Virgil Popescu with US Secretary of Energy Jennifer Granholm at the Partnership for Transatlantic Energy and Climate Cooperation (P-TECC) Business Forum, 22-23 September 2021, in Warsaw, Poland. Source: Ministry of Energy, Romania

The Constanța port, the largest port at the Black Sea,¹¹ was a natural target for Chinese investment, met with harsh geopolitical realities. Constanța can never replicate what happened in Piraeus due to the port being located just 30 kilometers from a US military base. Mihail Kogălniceanu military will play an increasingly important role in US's posture on the European Eastern Flank, with a \$2.5 billion planned investment of Romania for the next decade which will enable it to host up to 10.000 military personnel,¹² rendering the possibility of Chinese control over the largest port on the Black Sea impossible to envisage. Nevertheless, COFCO owns a cereal terminal in the Port of Constanța and three grain storage facilities in southern Romania. However, COFCO's presence came about only after acquiring Nidera, a Dutch company and former owner of these facilities, again highlighting a lack of greenfield investments.¹³

After Romania's decision to ban Huawei from its 5G and nuclear infrastructure, the cooling

of the relationship has been apparent at a political level as well. In 2020, at a 17+1 meeting attended by Xi Jinping, Romania chose to send a minister, despite the invitation being address to its head of state.¹⁴ In the military field, Romania has a robust cooperation with the US, hosting American military infrastructure, as well as anti-missile defence shield. With an ever-increasing role that the country plays in preserving stability in South-Eastern Europe and its very strong attachment to the Euro-Atlantic world, Chinese initiatives in Romania are likely to have reached a dead end.

¹¹ Portstrategy 2021. 'Infrastructure Investment Ongoing In Black Sea'. <https://www.portstrategy.com/news101/world/europe/infrastructure-investment-ongoing-in-black-sea>.

¹² Romania Insider. 2021. 'Romania Plans To Spend EUR 2.5 Bln To Rebuild Military Base At NATO Standards'. <https://www.romania-insider.com/romania-rebuild-mihail-kogalniceanu-military-base>.

¹³ Bernovic, A. 2014. 'Nidera Acquires USA/USC Terminal In The Port Of Constanta'. The Romania Journal. <https://www.romaniajournal.ro/business/nidera-acquires-usausc-terminal-in-the-port-of-constant/>.

¹⁴ Standish, R. 2021. 'Chinese Summit Gets Chilly Reception From Central, Eastern European Countries'. Radiofreeeurope/Radioliberty. <https://www.rferl.org/a/chinese-summit-gets-chilly-reception-from-central-eastern-european-countries/31094507.html>.

Slovenia

Cooperation between Ljubljana and Beijing has thus been rather limited, economically pragmatic and obscured by the Slovenian government's focus primarily on satisfying Transatlantic relations.¹⁵ Slovenia is by far the most developed out of all countries studied in this report, thus less prone to being lured by Chinese investment due to virtually no infrastructure gap to fill.

Chinese FDI into Slovenia peaked in 2017, while exports to Slovenia kept their ascending trend, widening the trade deficit between the two nations.¹⁶ In 2018, Chinese company Hisense acquired a 95 percent stake in the formerly state owned Gorence appliances company. The investment had a strong strategic facet, confirming China's investment tactics: the facility currently is Hisense's R&D centre in Europe.¹⁷ Chinese involvement did not go unnoticed, Slovenia being part of the six EU members which ratified an agreement with Washington on 5G implementation, banning high risk suppliers.¹⁸

At the end of 2019, the Chinese minister of foreign affairs Wang Yi has included Slovenia on his tour to Europe, signaling there is remaining Chinese interest to develop bilateral relations between the countries. However, it remains to be seen if anything will come of that, considering that Slovenia joined, in 2020, the American 'coalition of the willing' regarding sensitive technologies.¹⁹ More, Slovenia has chosen to

send only its minister of foreign affairs to the 17+1 Summit this summer, in a sign of increased skepticism with regards to China's interests and intentions in Europe.

Croatia

Croatia has been another focal point of Chinese investment in the region, due to the country's EU membership and long coastline. Despite being a much less ambitious project than the Pelješac Bridge, the Pašman bridge is another project under negotiation, as of 2020. Its aim would be to connect the island of Pašman, near Zadar, with mainland Croatia. Consequentially, the endeavor would also connect the island of Ugljan, linked with Pašman via a short bridge – to the mainland.

The Chinese firm negotiating the project is the China Road and Bridge Corporation (CRBC), whose main target is to remain engaged in the region. The cost of the project will vary greatly on the results of the study, as announced by the Croatian Ministry of Sea, Traffic, and Infrastructure, Oleg Butković. Currently, there are two variants for the bridge, with an estimated cost of €53 million and €82 million respectively.²⁰ The project is part of the regional development projects that can benefit from EU funds.²¹

¹⁵ Vengust, V. 2020. 'Slovenia'S Dance With The Superpowers'. Merics. <https://merics.org/en/opinion/slovenias-dance-superpowers>.

¹⁶ S. Kitajsko. 2021. 'Poslovno Sodelovanje Slovenije | Izvozno Okno.' Izvoznookno.Si. <https://www.izvoznookno.si/drzave/kitajska/poslovno-sodelovanje-s-slovenijo/>.

¹⁷ Slovenia Times. 2018. 'Hisense Increases Stake In Gorence To 95% In Takeover Bid' <https://sloveniatimes.com/hisense-increases-stake-in-gorence-to-95-in-takeover-bid/>.

¹⁸ Slovenia Ministry of Foreign Affairs. 2020.'Slovenia And The US Sign A Joint Declaration On 5G Security' <https://www.gov.si/en/news/2020-08-13-slovenia-and-the-us-sign-a-joint-declaration-on-5g-security/>.

¹⁹ Cerulus, L. 2020. 'US Adds Slovenia To Its Anti-Huawei Coalition Of The Willing.' POLITICO. <https://www.politico.eu/article/us-adds-slovenia-to-its-anti-huawei-friendship-group/>.

²⁰ Jukic, L.I. 2021. "After Pelješac, China and Croatia Eye a New Bridge Project," China Observers. <https://chinaobservers.eu/after-peljesac-china-and-croatia-eye-a-new-bridge-project/>

²¹ Zadarski. 2021. "Ministar prometa Butković: 'Nakon Pelješkog, slijedi most za Pašman. Za 700.000 kuna radi se studija izvodljivosti. Bit će gotova do kraja godine." <https://zadarski.slobodnadalmacija.hr/zadar/kalelarga/ministar-prometa-butkovic-nakon-peljeskog-slijedi-most-za-pasman-za-700-000-kuna-radi-se-studija-izvodljivosti-bit-ce-gotova-do-kraja-godine-115291>

Investment attempts into the Rijeka port, in line with its regional policy were brought to a halt due to intense EU and US pressure,²² as well as Beijing's attempt to acquire a major media group and numerous radio stations.²³ With lots of noise but little achievements on the ground, the only project with palpable chances of bearing fruit is the Camel Group \$36 million investment in Croatia's Rimac supercar maker, based in the Dalmatia region.²⁴ The future of Sino-Croatian relations has been discussed between Croatian Prime Minister Andrej Plenković and Yang Jiechi, director of China's Central Foreign Affairs Commission Office, in May 2021. The meeting outlined the importance of the continuation of big projects in Croatia, while also mentioning the possibility of future investments in the field of renewable energy²⁵. This meeting took place right after Lithuania's decision to leave the 16+1 format, which emphasizes China's search for reliable partners in order to keep the format alive.²⁶

Bulgaria

Bulgaria is a NATO and EU member state. Sino-Bulgarian relations have been traditionally friendly, considering Bulgaria is known to be the second country in the world to recognize and establish diplomatic ties with the People's Republic of China. Bulgaria is also one of the first EU countries to sign up to BIR in 2015.²⁷ Its rationale was simple: considering its relatively weak economy, Sofia saw the Belt and Road Initiative as a pathway to improve its infrastructure, foster industrialization and promote regional development. China envisaged a stronger political relationship, considering the economic ties were expected to be limited, as Bulgaria was an EU member state and therefore had to obey (at least) some transparency and environmental regulations imposed by the EU. As a result, Bulgaria signed a strategic partnership with China in 2018.²⁸



Figure 4. Pelješac bridge under construction. Source:Ponor / Wikimedia Commons (CC BY-SA 4.0)

²² Simmonds, L. 2021. 'Rijeka Port Chinese Investment Stopped Owing to EU, US Pressure'. Total Croatia News. <https://www.total-croatia-news.com/business/49331-rijeka-port-chinese-investment> <https://www.total-croatia-news.com/business/49331-rijeka-port-chinese-investment>

²³ Zweers, W. et al. 2020. China and the EU in the Western Balkans. A zero-sum game? Clingendael Report. Netherlands Institute of International Relations.

²⁴ Xinhua. 2017. „Croatian Electric Car Market Gets 30 Mln Euros From Chinese Investor - Cooperation Between China and Central and Eastern European Countries”. China CEEC. http://www.china-ceec.org/eng/hzjl_1/glyhz/jm1/t1495652.htm

²⁵ Government of the Republic of Croatia. 2021. „Plenković Receives Yang: Croatia Continuing to Strengthen Ties with China” <https://vlada.gov.hr/news/plenkovic-receives-yang-croatia-continuing-to-strengthen-ties-with-china/32201>

²⁶ Idem.

²⁷ “Bulgaria, China Agree On Joint Economic Projects On Silk Road”. 2015. <https://balkan.eu.com/bulgaria-china-agree-joint-economic-projects-silk-road/>.

²⁸ Harper, J. 2021. „Bulgaria Toes Line As US Plays Huawei Card”. Deutsche Welle <https://www.dw.com/en/bulgaria-toes-line-as-us-plays-huawei-card/a-55443786>

In Bulgaria, Chinese firms are engaged in the Black Sea Ports of Varna and Burgas. In 2016, reports showed that Chinese firms planned to invest as much as €20 million to create a logistics facility and trading pavilion in the Port of Burgas. A year later, the CHEC (China Harbor Engineering Company) was eager to invest in an industrial zone for grain exports in both ports²⁹. The modernization of the Port of Varna was overtaken by China Machinery Engineering Corporation, that signed a €120 million contract in 2019.³⁰ The project is expected to be completed in three years, and is aimed at boosting the capacity for cargo handling.³¹

In terms of transport infrastructure, Chinese investments were expected to repair and modernize the airport in Plovdiv, Bulgaria's second largest city. In 2018, Bulgaria awarded HNA Airport Group – a group that operates 16 airports in China with a total passenger traffic of 47.9 million – a 35-year concession to run the airport with the concessionaire obliged to make investments of around 79 million euros over that period.³² This project never concretized though, as China's HNA Group withdrew from the concession agreement.³³ A new tender for awarding a concession contract for the operation of Plovdiv Airport was launched in February 2020, but it still has not managed to attract any offers.³⁴

By 2020, the main target for Chinese capital in Bulgaria was the Belene Nuclear Power Plant, Bulgaria's second nuclear facility. A total of five companies from China, Russia, France, the United States and South Korea have submitted binding

offers. Despite the outbreak of the Covid-19 Pandemic, the procedure for the construction of the plant did not stop, as announced by Bulgarian Minister of Energy Temenuzhka Petkova³⁵. A deal was struck in June 2020: Russia's Rosatom, French company Framatom and US General Electric Steam Power have signed a joint Memorandum of Understanding concerning the construction of the Power Plant. As a result, the Chinese company China National Nuclear Corporation (CNNC) has been outbid³⁶.

Greece

Greece is also a NATO and an EU member state. Greece was a late newcomer in the 16+1 Initiative, turning it into a 17+1 format in 2019 following Xi's visit to Athens. Its accession and the bettered relations with China came as Greece was hit hard by the 2008-2010 economic crisis of the last decade. Having to address structural economic problems, Greece needed to get investment from abroad. While the EU was sustaining its financial balance, there was little interest that EU or EU member states had, at the time, to invest into the Greek economy. All in Europe were dealing with their own economic hurdles – all while China seemed willing to help.

In the past two decades, Chinese exports to Greece have risen sharply, from 694 million in 2001 to \$7 bn in 2020. Greek exports to China rose from \$59 million in 2001 to \$773 million in 2020.

29 O'Hanlon, M., Safranchuk, I., Denisov, I. et. al. 2020. „A Sea of Change?: China's Role In the Black Sea”. Middle East Institute. <https://www.mei.edu/publications/sea-change-chinas-role-black-sea>

30 PortSEurope. 2019. „China Machinery Engineering Corporation signs contract for port of Varna enlargement”. <https://www.portseurope.com/china-machinery-engineering-corporation-signs-contract-for-port-of-varna-enlargement/>

31 Radio Bulgaria. 2019. “Chinese construction company to expand Varna port”. <https://bnr.bg/en/post/10110733/chinese-construction-company-to-expand-varna-port>

32 Krasimirov, A. 2018. “China's HNA to double investment in Bulgaria's Plovdiv airport”, Reuters. <https://www.reuters.com/article/us-bulgaria-airport-hna-group-idUSKCN1J1KW>

33 Inframation Group. 2018. “APAC: China's HNA consortium pulls out of Bulgaria airport deal”. <https://www.inframationgroup.com/apac-chinas-hna-consortium-pulls-out-bulgaria-airport-deal/>; O'Hanlon et al., 2020.

34 Mario Tanev, “Bulgaria's Plovdiv Airport concession tender attracts no offers”, *SeeNews*, March 26, 2021, <https://seeneews.com/news/bulgarias-plovdiv-airport-concession-tender-attracts-no-offers-735922>

35 SEE Energy News. 2020a. „Bulgaria: NPP Belene Project Remains Unaffected by the Pandemic”. <https://serbia-energy.eu/bulgaria-npp-belene-project-remains-unaffected-by-the-pandemic/>

36 SEE Energy News. 2020b. „Bulgaria NPP Belene Project”. <https://serbia-energy.eu/bulgaria-npp-belene-project/>

The first notable Chinese move into the Hellenic realm in 2008, with the concession of Piraeus to COSCO for € 280 million, with the further acquisition of 51 percent of shares in 2016 that COSCO invests € 350 million over the next five years. Piraeus became the largest port in the Mediterranean, acting both literally and metaphorically as a docking point for Chinese products on the European continent. It also plays an important role in the flow of tourists, being upgraded to host 14 cruise ships simultaneously. Evidently, it is also the main reason the Chinese infrastructural incursion up North into the Western Balkans.³⁷ The investment received substantial public backlash over working conditions, fuelled by the fact that a similar venture in Valencia included collective bargaining arrangements. A report from 2020 found that COSCO overestimated the commercial viability of a new cruise terminal, committing to financing only a fraction of it- the bulk coming from the European Union-, it did not deliberate with the local community, and it followed poor licensing practices. The investment is part of a wider COSCO global offensive, which pumped \$4.3 billion in harbour facilities worldwide.³⁸ Although investments are running late, in July 2021, Greece's privatization fund approved revisions to the concession agreement with COSCO, which would allow the company to increase its stake and earn a few more years to complete pending works, while providing some form of guarantee, with severe opposition from SYRIZA claiming that it overlooks public interest. The sheer fact that SYRIZA was in government when the port was transferred to COSCO proves that the Sinocentric gravitational pull is often more powerful than political actors are willing to admit.

In accordance with BRI's four pillars, China's state-owned power corporation made significant investments in the Greek power grid operator, China State Grid acquiring a 24% stake in Independent Power Transmission Operator.

Moreover, Shenhua Renewables bought a 75 percent stake in four wind parks on Greek territory.³⁹ Relations between the two countries go beyond Piraeus port, BRI making notable inroads in Greece. The ever-increasing flow of Chinese money brought the giant Chinese bank onto the Greek market including the world's biggest bank which holds assets of over \$4 billion dollars (Industrial and Commercial Bank of China). Chinese efforts in the telecommunications efforts were met with fierce US resistance according to the 'Clean Network' initiative, forcing the Greek's government hand into refusing Huawei access to its future 5G network.⁴⁰

The Eurozone crisis and the European imposed austerity measures aimed at stabilizing the country opened the door for Chinese investment. However, Greece's security interest is aligned with that of the EU, considering the evolutions in the Eastern Mediterranean and the increasingly worrying actions of Turkey. At the same time, Greece is trapped in its problematic economy – which makes way to dealing with China.

37 Bloom, A. 2021. 'Dissecting The 'Win-Win' Of Chinese Investment In Greece'. Global Voices. <https://globalvoices.org/2021/08/16/dissecting-the-win-win-of-chinese-investment-in-greece/>.

38 *Idem*

39 Tzortzinis, A. 2017. 'Chastised By E.U., A Resentful Greece Embraces China'S Cash and Interests'. New York Times <https://www.nytimes.com/2017/08/26/world/europe/greece-china-piraeus-alexis-tsipras.html>.

40 Seferiadis, G. 2020. "Greece Joins "Anti-Huawei Camp" As US Seals Stronger Ties". Nikkei Asia. <https://asia.nikkei.com/Spotlight/Huawei-crackdown/Greece-joins-anti-Huawei-camp-as-US-seals-stronger-ties>.

China's relations with the Western Balkans: the Non-EU member states in the region

With its geographical positioning, at the confluence of so many trade routes and rich in natural resources, the Western Balkans was always a theatre of operations for great powers. Whether it was the Ottomans or the Russians, the regions experienced only brief periods of true autonomy. The Yugoslav experiment came to an abrupt end, its disintegration obliterating much of the progress made in the latter half of the twentieth century. At the turn of the millennium, the situation on the ground situation was rather gloomy. The fracturing of society and the quest to control strategic points as the fighting raged on left an infrastructure system in disarray, separated from the European project by administrative boundaries and an ever-widening technological gap.

Most of the countries in the region have been aspirant to become EU members, seeing in the EU the solution for stability and progress. EU welcomed their initiative and implemented a “carrot and stick” strategy that was meant to energize the region's efforts toward democratisation and good governance. However, progress has been slow and often stagnant. The EU has not seen the reforms it expected, while the Western Balkan states received less in terms of accession talks progress than they expected. What emerges is a region with great potential and a de facto entryway into the European single market, but with a regional governance bordering a power void.

At a national level, the most recent Freedom House report classifies all Western Balkan states as hybrid regimes, characterized by faulty application of democratic principles and riddled with corruption. At an international level, this translates into an unattractive investment environment and vulnerability in the face of great power games. Some of these countries have addressed its security vulnerabilities by becoming NATO members. Others have maintained a balancing act between the East and the West, hoping that they will manage to get the economic support needed to further

develop their socio-economics. In the latter half of 2021, Serbia, Albania, and North Macedonia formed the ‘Open Balkan’, essentially agreeing to scrap all border controls in a similar vein to the Schengen zone. This came as the pandemic has only deepened the existing economic problems and, with no foreseeable EU accession in sight, the countries in the region need to provide their citizens a sense of hope and cooperation, of stability.

Under such context, any outside help to provide funding for the countries precarious economies has been welcomed. And this is why China has started to play an increasing role into the region since 2014, the year that the EU was too preoccupied with its own economic problems to check what happens with the Western Balkans membership aspirant countries. During the 2014 summit of the 16+1, Chinese Premier Li Keqiang proposed the so-called China–Europe Land–Sea Express. The project envisioned a high-speed railway that would link Budapest, Hungary's capital, to the Chinese-run Port of Piraeus in Greece via North Macedonia and Serbia⁴¹.

Piraeus is currently the fourth-largest port in Europe and its majority owner, China Ocean Shipping Company (COSCO) plans further expansions. The emphasis placed on the Greek port is a means to an end, the end goal being access to Greece's richer neighbours. In order to get there, Chinese goods need to traverse the Western Balkans, which acts as a buffer zone for re-entering the European market once shipments leave Greece, hence China's economic rationale for investing in the region.

Chinese firms have committed US\$2.4 billion in net FDI to the ‘Western Balkan Six’ – Albania, Bosnia-Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia – according to their central banks, along with US\$6.8bn in infrastructure loan commitments, though this is less than the recipients initially envisioned.

⁴² It is hard to pinpoint FDI flow as it mostly ‘comes’ from Hong Kong and fiscal paradises,

⁴¹ 2020. „China's investments in the Western Balkans, Strategic Comments”. vol. 26, no. 10, 2020, pp. iv–vi. Taylor and Francis+NEJM. DOI: 10.1080/13567888.2020.1868206

⁴² Idem.



Figure 5. Map of the China-Europe Land-Sea Express route

not directly from China: AidData tallied unreported debt amounting to \$385 billion⁴³. Moreover, in any research endeavour targeting China's presence abroad, it becomes increasingly difficult to distinguish between propaganda and facts. Beijing supports an incredibly sophisticated network of academics, scholars, sinology departments, academic journals and mainstream publications which quite literally flooded the world wide web with information. This led to a self-reinforcing propaganda ecosystem, promoting BRI and China's efforts in the region and beyond.

The economic footprint brought along the strongest cultural relationship out all Western Balkan states. The Confucius Institute attached to the University of Podgorica is the most active in the region,⁴⁴ while festival celebrating Chinese culture have been held around multiple cities in the country.⁴⁵ The University of Donja Gorica in Montenegro, which hosts numerous lecturers from China, runs MA courses on subjects related to the country, and even has a Chinese-language

version of its website. The founders of the university are reportedly close to the president, Milo Dukanovic, who is widely known for his friendly approach to China. At the same time, there has been a recent shift proving that China is very concerned with its image abroad, some Confucius Institutes being replaced with cultural centers and sinology departments in universities, seeking to promote a more neutral perception on its cultural presence.⁴⁶

Another element of China's strategy in the region is its granularity, seen in Beijing's attempts to weave its influence into the fabric of institutional and social life. A highly intricate web made out of state-owned companies, ministries, agencies, regional and local governments, as well as academic institutions, exchange students, entrepreneurs, freelancers and private companies. China's involvement in the Western Balkans increasingly seems to have an increasingly self-reinforcing dynamic and approach with an ever-growing degree of complexity.

43 BBC News. 2021. „China: Big Spender Or Loan Shark?“. <https://www.bbc.com/news/world-asia-china-58679039>

44 Idem.

45 Shopov, V. 2021. 'Decade of Patience: How China Became a Power in The Balkans'. European Council on Foreign Relations. <https://ecfr.eu/publication/decade-of-patience-how-china-became-a-power-in-the-western-balkans/>

46 Tonchev, P. 2020. 'China's Soft Power in Southeast Europe'. Friedrich Erbert Stiftung. <http://library.fes.de/pdf-files/bueros/sarajevo/16005.pdf>



★ Confucius Institute * Confucius Institute and Chinese Cultural Centre

Figure 6. Chinese cultural centres and Confucius Institutes in the Western Balkans.

While the EU has been intent on legal and institutional harmonisation with these countries in relation to the accession process, China has focused on practical cooperation with ministries, state agencies, and companies involved in infrastructure, energy, and finance. Such Chinese engagement involves exchanges of state visits, signings of memorandums of understanding, study trips, and Chinese companies' initiatives in the region. Moreover, Beijing officials in the region are always alert to PR possibilities, local embassies being involved in various donations with a strong symbolic value, such as rebuilding the North Macedonian news agency. Such acts of "kindness" help create pro-Beijing media content which can then be rolled and amplified through a matrix of publications with often opaque funding. It remains to be seen if China's economic prowess will translate into societal influence and to which extent.

To address this question, we are examining the Chinese relationship to every country in the Western Balkans that is not an EU member. Similar to the research regarding the Chinese

relations to EU members in the region, we are focusing on Beijing investment positioning and comment on the specific country background, in an attempt to understand both interests and strategic priorities. We will be commenting on these countries ties to NATO as well as to other global and regional powers, such as the U.S. and Russia. We are listing the countries in the region in a random geographical manner, going from North (Serbia) to South (Albania), establishing no particular order of importance.

Serbia

Serbia is an aspirant member to the EU. Its relations with NATO remain severed, considering its recent history. However, during recent years, the rapprochement with the US also translated into better ties with NATO, even if Belgrade maintains close strategic relations with Russia. As most stable economy in the region in the last decade, Serbia has maintained a balancing act between major powers while welcoming investments from pretty much everyone willing to enter its market. As the largest country in the region, it has enjoyed Chinese focus and, to an extent, better relations with Beijing than the rest of the surrounding countries.

The Sino-Serbian relationship which started in the late 1990s with China's support for Serbian territorial integrity. The reportedly accidental bombing of the Chinese embassy in Belgrade by NATO forces allowed for good diplomatic relationship between China and the new state of Serbia from the very beginning. In time, the relation morphed into a cross-sectoral partnership with an important economic dimension. As a result, Serbia has become the most vocal advocate for China's interests in the region.

For example, it was among 50 countries that signed a letter to the United Nation Human Rights Council in 2019 condemning Western countries for criticising China's human-rights

abuses in Xinjiang.⁴⁷ Serbia may act this way in part because of its economic interest to China, but it also has a noneconomic rationale for preserving good bilateral relations. Beijing's heavy presence creates a powerful leverage against the EU, Russia and the US, enabling Serbia to thread a fine line between great powers. Serbian support for China on issues of territorial integrity and non-interference reflects its own rejection of Kosovo's independence. On the other hand, in its dealings with the US, Serbia publicly pledged not to use 5G equipment from 'untrusted vendors' in exchange for railway funding meant to link it with Kosovo, even if no formal agreement has been signed on the matter.⁴⁸

The Belgrade-Budapest high speed railway is by far the most ambitious Chinese project in Europe, financed by China's Exim Bank through a 20-year loan of \$1.8 billion to Hungary and \$1.3 billion to Serbia, covering 85% of the project's cost. Eight years after its announcement, the project is still at a standstill, not only because the EU's norms were not respected, but also because of numerous stakeholders' vacillations.⁴⁹ In 2016, EU opened an infringement procedure against Hungary, asking it to be more transparent and to organise a public tender for the railway contract, thus minimizing the risk of corruption.⁵⁰ On the Serbian side, the Belgrade-Stara Pazova section is being built by China's CRI while the Stara Pazova-Novi Sad section is being constructed by Russian company RDZ International.⁵¹ This serves for another example of Serbia's diplomatic game, splitting the project into smaller parts which can satisfy both of its senior partners.

In the energy sector, a Chinese SEO purchased Serbia's largest steel mill, Smederevo, now known as Hesteel for \$52 million in 2016.⁵² The RTB Bor copper factory, later renamed Zijin Bor Copper was bought in 2018 for € 279 million in 2018, a €1.3 million investment being announced in April 2020 aimed at expanding its capacity over the next six years.⁵³ In October 2020, the € 600 million project for the modernisation of Kostolac B coal-fired power plant was inaugurated, with the ability to produce 2.5 billion KwH of electricity annually.⁵⁴



'Thanks, brother Xi!' Fig 7. A billboard in Belgrade.

47 Putz, C, Catherine. 2021. „Which Countries Are For Or Against China'S Xinjiang Policies?“. The diplomat <https://thediplomat.com/2019/07/which-countries-are-for-or-against-chinas-xinjiang-policies/>.

48 Ruge, M., Vladislavljev, S. 2020. „Serbia'S 5G Deal With Washington: The Art Of Muddling Through“. ECFR. https://ecfr.eu/article/commentary_serbias_5g_deal_with_washington_the_art_of_muddling_through/.

49 Brinza, A. 2021. „China And The Budapest-Belgrade Railway Saga“. The Diplomat. <https://thediplomat.com/2020/04/china-and-the-budapest-belgrade-railway-saga/>.

50 Spike, J. 2016. „EC Launches Infringement Proceeding Concerning Budapest-Belgrade Railway Project“. The Budapest Beacon. <https://budapestbeacon.com/ec-launches-infringement-proceeding-concerning-budapest-belgrade-railway-project/>.

51 Railways Gazette International. 2021. „Stara Pazova – Novi Sad Funding Agreement“. <https://www.railwaygazette.com/infrastructure/stara-pazova-novi-sad-funding-agreement/45637.article>

52 Ralev, R. 2018. „China's HBIS To Invest 150 Mln Euro In Serbian Steel Mill By 2020“. SeeNews <https://seenews.com/news/chinas-hbis-to-invest-150-mln-euro-in-serbian-steel-mill-by-2020-618465>.

53 Rale, R. 2021. „Zijin Bor Copper To Invest \$1.9 Bln In Next Six Years“. SeeNews <https://seenews.com/news/zijin-bor-copper-to-invest-19-bln-in-next-six-years-747997>.

54 Ralev, R. 2021. „Serbia Urges China's CMEC To Speed Up Works On Kostolac B Power Plant“. SeeNews <https://seenews.com/news/serbia-urges-chinas-cmec-to-speed-up-works-on-kostolac-b-power-plant-735072>.

Chinese company Shandong Lingong seeks to become Europe's largest tire manufacturer, through a \$800 m investment in Zrenjanin, northern Serbia. The project was surrounded by an aura of scandal, mostly fueled by the shambolic environmental assessment and lack of public consultation, in spite of the planned factory being erected on land "gifted" by the Serbian authorities to the Dutch-based Chinese company.⁵⁵

There are strong links in the telecommunications sector, in which Huawei is heavily involved. In 2017, Huawei and the Serbian government signed an agreement to equip select Serbian cities with Huawei's 'Safe City' surveillance equipment.⁵⁶ This is a worrying development, serving to highlight how Beijing's economic presence comes attached with potentially dangerous ramifications for democracy. With China pioneering surveillance technologies at an alarming rate, there is the real danger that 'friendly' states will benefit out of it, further hindering a democratisation process which was already being reverted in some cases.

Vučić's administration has been showing signs of authoritarian encroachment, best exemplified by the 2020 summer crackdown on protests and his enlarged majority due to the opposition boycotting the elections. Considering he declared that Beijing is 'the only one who can help' after the EU was late in addressing the country's pandemic problems last year and China rushed to donate urgent help and vaccines to Serbia, he heightened China's profile into Serbia.⁵⁷

The relationship between the countries extends beyond institutional contacts, carrying an important personalistic dimension. Former Serbian president Tomislav Nikolic has been appointed as honorary president of the China-Serbia Economy Association suggesting that contacts perpetuate even after individuals leave their public positions.⁵⁸ Such contacts provide incalculable lobbying opportunities, leading to the ability to influence policy. A February 2020 law on special procedures benefitted China the most out of all trading partners,⁵⁹ showing instances of economic involvement leading to lobbying power strong enough to alter the legal system, and more broadly, undermining accession conditionality.

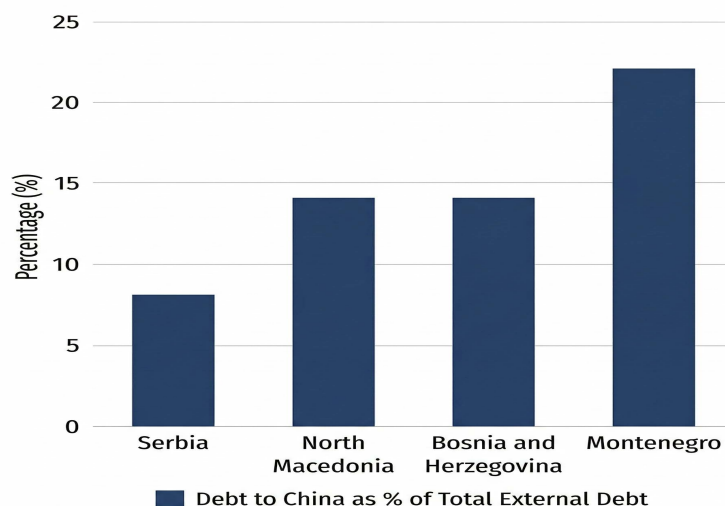


Figure 8. Debt to China as percentage of total foreign government debt

55 Ralev, R. 2020. 'Linglong To Increase Serbian Unit's Capital By \$174.1 Mln'. SeeNews <https://seenews.com/news/linglong-to-increase-serbian-units-capital-by-1741-mln-721277>.

56 Gomez, J. 2021. 'Should Citizens In Belgrade Be Concerned By Newly Installed Surveillance Cameras?'. Euronews. <https://www.euronews.com/2021/07/09/should-citizens-in-belgrade-be-concerned-by-newly-installed-surveillance-cameras>.

57 „China's investments in the Balkans”, 2021.

58 Shopov V. 2021. „Decade Of Patience: How China Became A Power In The Western Balkans”. ECFR. <https://ecfr.eu/publication/decade-of-patience-how-china-became-a-power-in-the-western-balkans/>.

59 European Commission. 2020. „Comission Staff Working Document: Serbia 2020 Report”. https://ec.europa.eu/neighbourhood-enlargement/system/files/2020-10/serbia_report_2020.pdf

Following the framework agreement signed by the China Road and Bridge Corporation (CRBC) with the Serbian Railways Infrastructure company for renovation of the Belgrade – Niš railway in 2019⁶⁰, the two parties continued to discuss financial issues: “When we talk about financing, we will see whether the construction will be financed via some kind of a preferential loan because there is such cooperation with the People’s Republic of China on infrastructure projects”, explained Zorana Mihajlović, Deputy Prime Minister of Serbia and, at the time, the Minister of Construction, Transport and Infrastructure⁶¹. President Vucic mentioned that initially, Serbia asked for EU funding, in the form of a grant covering 50% of the costs for the reconstruction of the Belgrade-Niš railway. According to President Vucic, in the case of no answer from the EU, Serbia would turn to China and the CRBC. The railway is planned to cover 204km and support a speed of 200 km/h; this means that the distance between Belgrade and Niš will be covered in one hour and 15 minutes, with an entire investment that amounts to €2 billion⁶².

In January 2020, a Chinese firm, Power China, has agreed to construct a metro in Belgrade, in a joint venture with France’s Alstom and Egis Group. While the French companies will provide all electrical systems and metro carriages, Power China is set to work on the construction. The entire project, with an estimated cost of around €5 billion, is expected to be finalized by 2028. Currently, only a deal regarding the first line of the metro has been struck, amounting to a total of €2 billion⁶³. The interest of Chinese firms in Serbia does not seem to end here: Serbia’s National Council for Coordination of Cooperation with Russia and China announced

in January 2021 that it held discussions with Chinese investors regarding the construction of an oil refinery in Smederevo, worth around 2.2 billion EUR. The construction is expected to have a duration of four years, and use equipment from German and US firms⁶⁴.

In September 2021, Zorana Mihajlović, as Minister of Energy, Development and Environmental Protection, announced that the Chinese firm Power China is ready to make its first investment in renewable energy in Europe, by investing in hydro, wind and solar energy in Serbia. In total, 17 billion EUR have been allocated to the new investment cycle related to renewable energy.⁶⁵ Last but not least, the Chinese have invested in the opening of a vaccine factory in Serbia, that would produce the Sinopharm vaccine; the work started in September 2021, and is expected to produce about 30 million doses per year. The Serbian president has also expressed the intention to provide regional support, as there would be enough doses “for Serbia, the region and everyone who is interested”. The venture is co-financed by the UAE.⁶⁶

60 RailTech. 2021. “China Signs Two Railway Agreements with Serbia” <https://www.railtech.com/infrastructure/2019/05/01/china-signs-two-railway-agreements-withserbia/>.

61 Zasiadko, M., 2020. “China Will Construct Another High-Speed Railway in Serbia”. RailTech. <https://www.railtech.com/infrastructure/2020/07/30/%d1%8ihina-will-construct-another-high-speed-railway-in-serbia/>.

62 Ralev, R. 2021. “China’s CRBC Submits Offer for Belgrade-Nis Railway Overhaul – Vucic”. SeeNews. www.seenews.com/news/chinas-crbc-submits-offer-for-belgrade-nis-railway-overhaul-vucic-716333.

63 Milenovic, A. 2021. “China and France agree \$5bn plan to build Belgrade metro”. CGTN. <https://newseu.cgtn.com/news/2021-01-27/China-and-France-agree-5bn-plan-to-build-Belgrade-metro-XnhUbT482Q/index.html>

64 Serbia Energy news. 2021. “Serbia: Oil Refinery in Smederevo – Chinese Investors Interested in the Construction”. <https://serbia-energy.eu/serbia-oil-refinery-in-smederevo-chinese-investors-interested-in-the-construction/>

65 Serbia Energy News. 2021. “Serbia, PowerChina Wants to Invest in RES Projects in Serbia,” <https://serbia-energy.eu/serbia-powerchina-wants-to-invest-in-res-projects-in-serbia/>.

66 Dragojlo, S. 2021. “Work Starts in Serbia on Chinese Sinopharm Vaccines Factory,” Balkan Insight. <https://balkaninsight.com/2021/09/09/work-starts-in-serbia-on-chinese-sinopharm-vaccines-factory/>.

Bosnia and Herzegovina

With a symbolic strip of coastline around Neum, fractured politics on ethnic lines and very distant EU ascension prospects, Bosnia and Herzegovina (BiH) has not been a massive recipient of Chinese funds. Since it is surrounded by countries which have received much more attention in terms of transport infrastructure spending, Beijing's focus on Bosnia was punctual at best. Efforts included a concession agreement for the 12km Banja Luka-Prijedor highway project and the construction of a small hydropower plant on the Bistrica River, as well as a hospital in Dobož.⁶⁷ The bulk of the investment resided in the erection of coal power plants, such as the 300 MW Stanari plant near Dobož and the 415 Tuzla 7 lignite plant.⁶⁸

The energy projects amounted to € 1.1 billion, raising serious questions on Bosnia's ability to kick off its coal habit, as they have been designed to operate for 50 years. Along with the environmental concerns, there are serious doubts about the economic sustainability of the projects. However, about 13% of BiH's external debt is owed to China, giving Beijing an important leverage mechanism with possible ramifications in the country's internal affairs, facilitated by a highly corrupt governmental structure. Bosnia represents a somewhat special case within the WB6, due to its highly intricate political system adopted in the aftermath of the Dayton Agreement in the attempt to quell ethnic unrest. The country's prospects for EU accession talks are distant at best, with a dire economic outlook. Its encroachment by countries much closer to Beijing translates into lower stakes for Bosnia Herzegovina, which translate into the relatively passive attitude by China towards the troubled state.

Montenegro

A NATO member and an aspiring EU member, Montenegro has a small, open economy that is susceptible to external shocks, as it relies heavily on capital inflows from abroad to stimulate growth. In 2020, China climbed to the very top of countries investing in Montenegro since, according to the Central Bank's data, it leads foreign direct investments in the first eight months, amounting to €70 million ahead of Italy's €43.4 million and Russia's €42.5 million.⁶⁹ China's investment in the country follows a similar pattern to other countries, only at a much higher pace. The highway linking the port of Bar to Boljare and then Belgrade is the main pillar of Chinese presence in the country, financed by Exim bank. and built by CRBC.

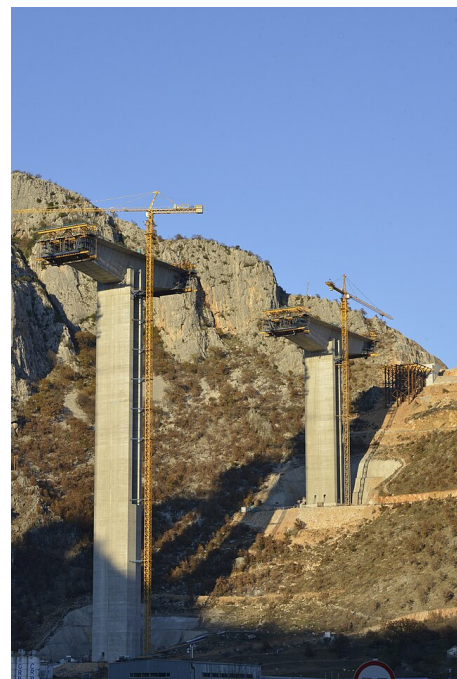


Figure 9

Bar to Boljare highway – in construction

Source: Miomir Magdevski / Wikimedia

Commons (CC BY-SA 4.0).

67 IISS. 2021. „China's Investments In the Western Balkans”. <https://www.iiss.org/publications/strategic-comments/2020/chinas-investments-in-the-western-balkans>

68 The Diplomat. 2021. „How China Challenges The EU In The Western Balkans”. <https://thediplomat.com/2019/09/how-china-challenges-the-eu-in-the-western-balkans/>.

69 Kajosevic, S. 2020. „China Replaces Russia As Largest Investor In Montenegro”. 2020. Balkan Insight. <https://balkaninsight.com/2020/10/20/china-replaces-russia-as-largest-investor-in-montenegro/>.

The project ran into many delays, with spiraling costs and severe environmental degradation. The highway which was supposed to link the country to Serbia and be part of the ambitious Belt and Road Initiative in the region, had devastating effects on the Montenegrin economy, plunging the country into an unsustainable amount of debt. Opaque bidding process, reflecting how weak rule of law and corruption can quite literally bury a country in debt: China owns most of Montenegrin debt which recently surpassed 100% of GDP⁷⁰. According to the contract, if Montenegro is not able to repay China's state-owned Export-Import Bank on time, the bank then has the right to seize land inside Montenegro, as long as it doesn't belong to the military or is used for diplomatic purposes.⁷¹ China had used similar terms in Sri Lanka where a Chinese SEO received a 99 year lease for a strategically located port that China financed but the country fell behind on repayment.

Other projects include a €45 million loan from Exim Bank for the acquisition of a shipyard, of two bulk cargo transportation ships. Two more ships have been ordered in order to develop maritime shipping and develop the port of Bar which is currently operating under capacity⁷², in which Beijing is perceived to be very interested. Harbour investments are yet to materialize.

According to the Belt and Road Initiative, such investments would be a logical fit in China's approach to the region. A revamped Bar harbour would act as a docking point for Chinese goods, which would then be transported via the Bar-Boljare highway into Serbia (which is yet to be built and paid for) and then transferred to the future high speed

rail linking Belgrade to Budapest and the EU market.

There have been several attempts on the side of Chinese firms to obtain important contracts with the government in Podgorica by 2020. However, several factors have prevented them from being signed. In the case of Wind farm Brajici, a Chinese firm was outbid by German company WPD Windmanager, who signed a contract with the Montenegrin government in August 2020⁷³.

A more controversial situation was the case of the Pljevlja Thermal Power Plant, which accounts for 40% of Montenegro's electricity production. The plant was supposed to be modernized by China's Dongfang Electric (DEC), for the sum of €54 million. However, the sum was deemed to be insufficient by the Chinese company, which urged the government of Montenegro to reassess the situation. It is now unclear whether the project will continue, especially when considering the current trends of decarbonization and the country's breach of the regulations with its decision to continue operating the Pljevlja power plant⁷⁴.

As of April 2021, Podgorica has allegedly decided to cancel the project and invest the money in renewable energy instead. It was only in August that Prime Minister Zdravko Krivokapic stated that the continuous operation of the TPP by 2030 in its current state was the most likely scenario.⁷⁵ However, the state power utility Elektroprivreda Crne Gore (EPCG) estimated that even within that timeframe, it will still be advantageous to invest in an overhaul of the facility – thus, the future of the power plant is still unclear.⁷⁶

⁷⁰ Jankovic. 2021. "Montenegro Getting European Help To Refinance Its Massive China Debt". Radiofreeeurope/Radioliberty. <https://www.rferl.org/a/montenegro-china-debt-eu-assistance-refinance-1-billion-motorway/31322151.html>.

⁷¹ *Idem*.

⁷² Sipman, A. 2018. 'China's Investment and Construction Activities in European Transport Infrastructure.' Erasmus School of Economics.

⁷³ Serbia Energy News. 2020. „Montenegro: Wind Farm Brajici, Construction Contract Signed”. <https://serbia-energy.eu/montenegro-wind-farm-brajici-construction-contract-signed/>

⁷⁴ Environment SEE. 2021. „If the Montenegrin TPP Pljevlja continues to operate, it will violate an international act”. <https://environmentsee.eu/if-the-montenegrin-tpp-pljevlja-continues-to-operate-it-will-violate-an-international-act/>

⁷⁵ Newbase. 2021. „BneGREEN: Montenegro Cancels €54mn Pljevlja TPP Reconstruction Plan, To Focus On Renewable Energy”. <https://newbase.com/story/bnegr-green-montenegro-cancels-54mn-pljevlja-tpp-reconstruction-plan-to-focus-on-renewable-energy-221406>

⁷⁶ Balkan Green Energy news. 2021. „Montenegro on the Fence about TPP Pljevlja Overhaul”. <https://balkangreenenergynews.com/montenegro-on-the-fence-about-tpp-pljevlja-overhaul/>

Kosovo*

Another regional outlier is Kosovo, mainly due to its volatile recent history and uncertain status at an international level. In line with its Taiwan policy, China does not recognize Kosovo's independence. Nevertheless, it took a more cautious stance, refraining from directly blocking Pristina's efforts, unlike Moscow. There have been some timid attempts aimed at establishing a Chinese presence. In 2019, China's Huawei offered a big loan in exchange for permission to build Kosovo's 5G network⁷⁷. Chinese SEOs also unsuccessfully bided to build a coal-fired power plant in Kosovo, this being apparently declined by the local authorities.⁷⁸ The background story to this development resides in a 2020 Agreement signed in Washington by both Serbia and Kosovo. It is mainly centered on infrastructure and implementation of the "Four Freedoms" of the European Union (free movement of good, services, capital, and workers) as a preparatory measure for future EU ascension.⁷⁹

The involvement of the United States in the efforts to establish a functional relationship between Kosovo and Serbia shows a certain degree of preoccupation in Washington in regard to China's involvement in the Western Balkans. The Agreement has a constructive tone, with palpable economic promises. Huawei is not specifically mentioned in the provision referring to the implementation of 5G technologies, a tactic used in its containment game with EU member states as well. Romania, Estonia, Poland, the Czechia and Slovenia all signed Memorandums of Understanding with United States, committing to exclude *high-risk* vendors from 5G implementation process. Although Kosovo and Serbia signed identical agreements, bar their respective commitments

regarding Israel, the geopolitical realities could not be different. While Serbia plays a delicate balancing game between Great Powers and hence has plenty of options on the table, Kosovo owes much of its fortunes to the 1999 NATO intervention, raising doubts about how and if this provision will be implemented by Belgrade.

North Macedonia

North Macedonia, also a NATO member and a long EU aspirant, was a vocal supporter of the Land-Sea Express Initiative when it was first announced by China. However, after Zoran Zaev was elected prime minister in 2017, in looking to gain steps toward EU membership (and NATO's – until 2019 when it signed its accession), he steered away from Chinese projects.

Prior to that, in 2013 North Macedonia borrowed €714 million from China's Exim Bank for the construction of two highways: Miladinovtsi–Stip and Kicevo–Ohrid. The first one was recently opened for traffic, while the latter is faced with massive delays, with no further progress recorded in recent years.⁸⁰ As a result, it momentarily leads to nowhere, only serving to heighten North Macedonia's burden of debt. The two highways required substantial borrowing, currently amounting to 14 percent of debt, standing at € 5.2 billion⁸¹. The Ohrid to Kicevo highway, although finished, failed to yield the expected economic benefits due to its infrastructural isolation from the rest of the national and regional road network.

The economic landscape is mostly characterized by a lack of greenfield investment. Contracts and cooperation with China in the field of

77 RadioFreeEurope. 2020. „Bulgaria, Kosovo, North Macedonia Join U.S. Initiative To Block Chinese Equipment In 5G Network”. <https://www.rferl.org/a/bulgaria-kosovo-north-macedonia-join-us-initiative-to-block-chinese-equipment-in-5g-network/30909512.html>

78 Global Energy Monitor. 2021. „Kosovo C Power Station”. https://www.gem.wiki/Kosovo_C_power_station

79 Muharremi, R. 2021. "The "Washington Agreement" Between Kosovo And Serbia". ASIL. <https://www.asil.org/insights/volume/25/issue/4/washington-agreement-between-kosovo-and-serbia>.

80 Charokopos, M. 2021. "Infrastructure Networks In The Western Balkans: A Tug-Of-War Between EU And China?". EU Ideas. <https://euideas.eui.eu/2021/05/19/infrastructure-networks-in-the-western-balkans-a-tug-of-war-between-eu-and-china/>.

81 Zeers, W. et al. 2020. 'China and the EU in the Western Balkans'. Clingendael Report.

*Five European Union members: Spain, Slovakia, Cyprus, Romania, and Greece do not recognise Kosovo as an independent state.

security and technology are also limited, placing North Macedonia in a peripheral position in the Chinese approach to the region. The relationship has mostly been characterized by symbolic gestures, such as the pledge made by the local Chinese embassy to renovate and refurbish the premises of the Skopje states news agency which was ravaged by fire.⁸²

Albania

Out of the entire WB6 regions, it is perhaps Albania that has the deepest historical ties with China, built on Tirana's decision to sever ties with the Soviet Union in 1961. Nowadays, the Chinese economic footprint in the country surged in the mid-2010s. In 2016, Chinese energy corporation GeoJade acquired Albania's largest gas producer, Bankers Petroleum, for US\$442 m. The company's main asset was an exclusive concession to produce oil at the Patos-Marinza oil field, the biggest onshore oil field in Europe⁸³.

Later that year, Chinese state-owned China Everbright Group bought TIA, the operator of Albania's national airport. With the deal sealed behind closed doors, the take-over sum was never disclosed, although media reports suggest that it amounted to roughly € 81 million⁸⁴. This proved to be one of China's profitable investments, with the operating lease running up to 2027. Few instances of initial Chinese interest that have not materialised on the basis of insufficient protection

of Albanian interests, such as the number of local workers employed in the projects. One such proposal was for the construction and operation of Kalivac hydro-power plant in 2017, when the tender was won by a consortium of Turkish and Albanian companies⁸⁵

Due to its relatively isolated geographical location relative to the main existing and planned trade routes, Chinese investments did not have a significant terrestrial transportation dimension. In an already classic vein, Beijing tried to sell its 5G solutions to the Albanian government, which prompted a strong American reaction and renewed interest in Albania, having somehow neglected the region since the resolution of the Yugoslavia conflict. According to the Albanian Central Bank, 'American FDI surged at the end of the third quarter of 2020, rising 48 percent when compared to the same timeframe a year earlier.'⁸⁶Last year, the United States and Albania signed a memorandum of understanding which led to two major energy projects: the Skavica hydropower plant and Vlore natural gas power plant⁸⁷. Moreover, Albania joined the 'Clean Network', effectively banning Chinese involvement in its critical infrastructure⁸⁸.

As a result, Sino-Albanian relationships cooled down recently, Albania currently owing China the smallest amount of money in the region bar partially recognised Kosovo: € 1.6 m. Beijing tried to roll out its port grabbing strategy in Albania in the case of Durrës and Vlorë harbours, but with no success due to Albania's NATO membership⁸⁹. With timid results in its investment efforts, Chinese instances of

82 Conley, H. A. *et al.* 2020. 'China's "Hub-and-Spoke" Strategy in the Balkans. Center for Strategic & International Studies.

83 „China And The EU In The Western Balkans”. 2020. Clingendael. <https://www.clingendael.org/publication/china-and-eu-western-balkans>. p. 13

84 „China And The EU In The Western Balkans”. 2020. Clingendael. <https://www.clingendael.org/publication/china-and-eu-western-balkans>. p. 12

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86 Monitor. 2021. „Skavica Dhe Gazi Në Vlorë, Planet Për Investimet E Mëdha Amerikane Në Shqipëri -”. <https://www.monitor.al/skavica-dhe-gazi-ne-vlore-planet-per-investimet-e-medha-amerikane-ne-shqiperi-2/>.

87 U.S. Embassy in Albania. 2020. „Under Secretary For Economic Growth, Energy, And The Environment Keith Krach Visits Albania”. <https://al.usembassy.gov/under-secretary-for-economic-growth-energy-and-the-environmentkeith-krach-visits-albania/>.

88 Taylor, A. 2020. 'Albania Joins US 'The Clean Network', Pledges Not To Use Huawei 5G - Exit - Explaining Albania'. Exit - Explaining Albania. <https://exit.al/en/2020/08/13/albania-joins-us-the-clean-network-pledges-not-to-use-huawei-5g/>.

89 Papa, I. 2021. „The China Factor In U.S.-Albania Relations”. Lawfare. <https://www.lawfareblog.com/china-factor-us-albania-relations>.

involvement became much more discreet. For example, the Chinese embassy made a donation to the Albanian state film archive consisting of temperature and moisture control equipment.⁹⁰ In absence of hard economic achievements, Beijing attempted to project a strong cultural presence, Tirana hosting a two weeklong lantern festival in its main square which ended with the Chinese envoy announcing a new bus terminal ⁹¹.

A 2020 Gallup poll found that 67% of Albanians approve of US leadership, suggesting that China's efforts fell on deaf ears.⁹² In this new era of Great Power competition, Albania agreed to become an American pivot in the region, same as Serbia accepted Chinese patronage in exchange for various benefits.



Figure 10. Tirana Airport, Albania.

90 Tirana Times. 2020. „Chinese Embassy Saves 44,000 Film Reels At Central State Film Archive”. <https://www.tiranatimes.com/?p=147248>.

91 Xinhua. 2021. „Chinese Lantern Festival Opens In Albanian Capital”. http://www.xinhuanet.com/english/2019-02/02/c_137793306.htm

92 Rating World Leaders: The U.S. vs. Germany, China and Russia, 2020, Gallup International.

A note on the Chinese projects' environmental impact

Due to the geopolitical rationale of Chinese investments, most deals are signed to prop existing state-owned companies (such as steel factories and coal plants) which employ a significant amount of people. Western Balkan governments are complicit in this endeavour in their attempt to keep popular discontent at bay. As a result, environmental planning is plagued by short-term thinking and a complete regard for the future. In the past decade the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank sought to reduce their funding of coal projects, rebalancing towards green energy, while China granted loans worth of \$2.5 billion.⁹³

In September 2021, China pledged to cease the funding of coal plants abroad, although of course this decision cannot be retroactively applied to projects for which contracts have been signed. The move follows similar announcements by South Korea and Japan earlier this year. Together, the three countries were responsible for more than 95% of all foreign financing for coal fired power plants, with China making up the bulk.⁹⁴ Pollution from coal usage in the Western Balkans is spilling into EU neighbouring countries, causing grave environmental and health consequences.

The coal plants financed by China are designed to operate for an average of 50 years, meaning that the current EU5 will still be confronted with residual coal pollution well into the 2070s. To put things into perspective, Serbia has the highest rate of pollution-related deaths in Europe and 9th globally.⁹⁵ Even where environmental measures are included in the planning process, they are rarely implemented. Due to delays specific to Chinese funded projects, the installation of Kostolac's desulphurisation mechanism was not implemented, the emissions surpassing the global standard by 14 times.⁹⁶

⁹³ 'China'S Investments In The Western Balkans'. 2021. Strategic Comments. <https://www.tandfonline.com/doi/full/10.1080/13567888.2020.1868206>.

⁹⁴ Watts, J. 2021. "China Pledge to Stop Funding Coal Projects 'Buys Time For Emissions Target'". The Guardian. <https://www.theguardian.com/world/2021/sep/22/china-pledge-to-stop-funding-coal-projects-buys-time-for-emissions-target>.

⁹⁵ Giantin, S. 2020. „Serbia Ranks First In Europe For Pollution-Related Deaths - Analysis - Nuova Europa". ANSA.It. https://www.ansa.it/nuova_europa/en/news/sections/analysis/2020/01/10/serbia-ranks-first-in-europe-for-pollution-related-deaths_604d21f6-co16-4b83-9e0e-do8d34ea0bc2.html.

⁹⁶ *Idem*

Conclusions – The Way Forward

China's primary strategic goal in Europe is accessing the EU common market. The secondary interest Beijing pursues is making sure it understands the U.S. interests in Europe, so that its strategic positioning and negotiations with the American diplomacy are effective. This is secondary to its primary goal of keeping good relations with the EU and countering any risk of tension because of China's fragility: it is an exporting country and it depends on being able to trade with the world while it is also trying to restructure its economy in order to diminish its dependence on the exterior and increase its internal cohesion.

Beijing needs to make certain its export driven economy remains stable and considering the EU is the largest integrated market for China's goods, it is one of the key elements to China's stability. To support its goal, it focuses on two tactics. The first is making sure the EU member states are not in alignment on a common China's policy, making for a low confrontational risk with the bloc. The second tactic regards the buildup of good relations with countries in the European borderlands, notably in the Central and Eastern Europe, but also in the Western Balkans. In doing so, it intersects with global and regional powers, notably with the American and the Russian interests in the area. While it is building support infrastructure to reach the EU market from Asia, it is also learning the strategic game of its competitors in areas further away from its neighboring areas in Asia Pacific.

In implementing its strategy for Europe, which falls under the Belt and Road Initiative, it has established the 17+1 format to work with the borderland countries, a group that stretches geographically from the Baltic Sea to the Black Sea and into the Adriatic Sea. It is perhaps not by chance that it has a similar geographic coverage

as the U.S.-backed Three Seas Initiative. Its design is meant to tell the world that China is engaged (or wants to be engaged) in a similar way that the U.S. (and the EU) is involved in the region. However, the Chinese strategy lacks the military dimension that the U.S. employs and, to a certain extent, it also lacks the political dimension that the West is using for influencing the borderlands to keep democratizing.

The reality on the ground shows that China's promise is more successful in those places where the U.S. and the EU are less influential. At the same time, while China's 17+1 setting was meant to increase China's cooperation with all the member countries, Beijing has been selective in establishing good relations. The Balkans, the region that has historically been the place that ties everything together, including global powers interests seemed to have kept most of China's attention. Indeed, based on our findings, most of the Chinese investment was made in the region. However, China has preferred some countries to the detriment of others and has employed different tactics in this region, too.

While it is difficult to establish the value of Chinese capital flows into the countries, considering the web of institutions that China has established for its financial operations abroad, our research has looked at the major investment projects and analyzed both the amount of China's investment into a certain country and the rationale behind such investment. We can conclude, therefore, that most projects China pursued throughout the region are infrastructure projects. At the same time, China has preferred investing into established commercial hubs more than it has invested into other countries: Greece and Serbia have been preferred due to their geographical position and their economic potential.

While investment in the EU countries in the region have been minimal – with the exception of Greece, and such investment has pursued the goal of establishing a support-China coalition inside of the EU, investment in the Western Balkans is threatening to the EU as it undermines its position with regards to the region. China provides an alternative, albeit smaller source of funding for the Western Balkans economies, undermining the EU's financial aid provided under heavy conditionalities regarding the countries' reform and democratization process. Due to the Western Balkans countries' patchy judicial systems and weak rule of law, Chinese SEO's modus operandi within these countries is setting dangerous precedents on environmental norms, acquisition procedures and workers' rights, sometimes influencing the legislative process outright.

The European Union is faced with a tough reality. With the enlargement process is paused until the EU manages to solve its own socio-economic problems, it can only provide little incentives for the Western Balkans to keep their reform and restructuring process. The longer it seems to take

for these states to get into the EU, the weaker is their population's hope for a better life (something that is perceived to come with the package of the EU accession). That makes for China's attractiveness to these states to only grow.

Considering China is pressed by the need to show it has the resources and necessary force to act globally, it is unlikely that the economic problems brought by the pandemic hurdles will stop Beijing further engaging into the region. This poses a risk for the EU and NATO both, considering that the sustained Chinese investments in the infrastructure of the Balkan peninsula could not only challenge the states' socio-economic stability but it could also diminish the region's efficiency of the military mobility. In a crisis situation, especially with Russia, NATO will need to move its troops as quickly as possible from Greece to Romania or in other directions around the Balkans, which can be further complicated by Chinese involvement in the region and their ownership of some strategic points of infrastructure, even if most countries here are NATO members.

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