

## WESTERN BALKANS' EUROPEAN FUTURE IN THE CONTEXT OF CHINESE INCREASING PRESENCE

Presence of diverse international actors across the Western Balkans – such as EU, Russia, China, USA etc. – makes this region a new form of “chessboard” where the great powers overlaps. European Enlargement Commissar, Johannes Hahn, highlighted that the EU has underestimated Chinese influence within the Balkan countries.<sup>1</sup> Chinese presence in the region of the Western Balkans (WB) is growing since 2012 when the 16+1 Initiative was established. Within this format, China has invested quite a lot, primarily in infrastructure and energy facilities across WB countries.

With the goal of supporting Chinese business operations within WB countries, China established a credit line of 10 billion USD.<sup>2</sup> It was followed by the establishment of the China–CEE Investment Fund (1.5 billion USD) to support private investments and a further 2 billion USD support for financial institutions from Central and South East Europe to access China bond markets.<sup>3</sup> Chinese economic involvement in WB countries is often perceived as financing on favorable financial terms relative to most alternatives. In the most cases, financing comes in form of loans with long maturity period and low interest rates. This aspect of Chinese economic involvement is basically under the question because of its interpretation as debt trap, especially bearing in mind fragile economies of the Western Balkans' countries.<sup>4</sup>

When it comes to some comparable numbers, the EU accounts for more than 70 percent of overall direct investment in the WB region, far above the one percent contributed by China, according to European Commission figures.<sup>5</sup> But worth of notion is the fact that trade relations between China and WB countries have been increasing in the last few years, seriously showing that this trend is more likely to continue. For instance, China's export to WB countries more than doubled in period 2004-2014, while imports from these countries increased sevenfold in the same time frame.<sup>6</sup> Additionally, Chinese presence in this part of the European continent is positively presented via diverse media, while there are just a few examples of negative presentation of China in the public.<sup>7</sup>

---

<sup>1</sup> Han: EU potcenila uticaj Kine na Balkanu – Available at: <https://www.danas.rs/politika/han-eu-potcenila-uticaj-kine-na-balkanu/>

<sup>2</sup> Towards a Balkan gas hub: the interplay between pipeline gas, LNG and renewable energy in South East Europe – Available at: <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2017/02/Towards-a-Balkan-gas-hub-NG-115.pdf>

<sup>3</sup> Ibid.

<sup>4</sup> Kina na Balkanu: Motivi iza rastućeg uticaja – Available at: <https://www.euractiv.rs/eu-i-zapadni-balkan/13170-kina-na-balkanu-motivi-iza-rastueg-uticaja>

<sup>5</sup> As Balkans sit in EU's waiting room, China gets to work – Available at: <https://www.france24.com/en/20190410-balkans-sit-eus-waiting-room-china-gets-work>

<sup>6</sup> China's Inroads into Central, Eastern, and South Eastern Europe: Implications for Germany and the EU – Available at: [https://www.ssoar.info/ssoar/bitstream/handle/document/56045/ssoar-2017-pepe-Chinas\\_Inroads\\_into\\_Central\\_Eastern.pdf?sequence=1](https://www.ssoar.info/ssoar/bitstream/handle/document/56045/ssoar-2017-pepe-Chinas_Inroads_into_Central_Eastern.pdf?sequence=1)

<sup>7</sup> Istraživanje: Građani Srbije naklonjeniji Rusiji i Kini u odnosu na SAD i EU – Available at: <http://rs.n1info.com/Vesti/a456929/Istrazivanje-Gradjani-Srbije-naklonjeniji-Rusiji-i-Kini-u-odnosu-na-SAD-i-EU.html>

The Western Balkans is often seen as a place of transit (between East and the West) that allows Chinese companies with overcapacity to produce primarily in domains of construction of motorway and railway infrastructure and energy facilities likewise. As presented via some media, the Chinese are attracted by the loose regulation practices, lax public procurement rules and labor regulations which prevail in the Western Balkans.<sup>8</sup> This kind of state is a subject of increased Euro-Atlantic worries. As already said, what is primary Chinese interest in this region refers to flourishing infrastructure projects in domain of transport and energy. So far, Chinese direct investments are present in Croatia, Bosnia and Herzegovina and Serbia, primarily in the field of energy (and in form of greenfield investments). As one could notice, in percentage terms, Chinese FDI in the region is low and is concentrated in just a few countries. However, WB countries have enormous investment needs in many sectors that they cannot provide on their own and therefore make the atmosphere of Chinese welcomed presence.

Chinese investments in WB countries' energy facilities make to some extent the stumbling stone when it comes to their EU integration processes. Namely, in order to address Europe's three key objectives of ensuring affordable access to energy, sustainable development, and security-of-supply, Southeastern European countries committed themselves, through the European Energy Community (EEC), to build an adequate regulatory framework, liberalize their energy markets, and implement a set of energy security and efficiency in line with relevant EU legislation. In other words, the creation of the EEC amounted to a *de facto* partial integration of Southeastern Europe into the EU single market. Ratification of the Treaty establishing Energy Community presents WB countries' obligation to harmonize and implement EU *acquis communautaire* in domain of energy. What makes huge obstacle to Western Balkans' countries within their European path integration is directly concerned with area of environmental protection and Negotiation Chapters in relation to environmental security. Due to Chinese investments in WB countries' energy facilities that belong to heavy and dirty industry and considering their obligation to decrease its CO<sub>2</sub> emissions and take some steps in order to produce green energy, the problem with completing this obligation is obviously at the stake. This comes at the first plan with Serbia's steel plant (whose owner is Chinese company since 2016), where the sprawling steel mill is visible for miles around the city, disgorging plumes of thick black smoke into the Serbian sky.<sup>9</sup>

Beside of Chinese economic involvement, China achieved many significance cooperation with WB countries in area of culture, science and education (mainly through establishing Confucius institutes). What makes China as challenging factor of the European future of the WB region is combination of elements such as usage of WB region in order to get close to EU market, investing in domains of WB countries that do not allied with EU standards etc. However, there is no noted public debate about both the opportunities and risks related to Chinese presence in this region.

---

<sup>8</sup> China in the Balkans – Available at: <https://www.theglobalist.com/balkans-china-fdi-belt-and-road-eu/>

<sup>9</sup> China's clout is growing on the edge of the EU, and the US is worried – Available at: <https://edition.cnn.com/2019/09/14/europe/serbia-china-investment-intl/index.html>

It is obviously that the Western Balkans investment-hungry countries more than welcomed Chinese economic involvement within this region. However, those economic maneuver of China isn't quite transparent. The biggest problem present non-unique methodology of tracing Chinese economic presence alongside 17+1 Initiative and in the Western Balkans particular: while media in most cases present this presence as investments, at the most cases, they are present in forms of loans with long maturity period.