

FROM OPPORTUNITY TO THREAT

The Pernicious Effects of China's Belt and Road Initiative on Western Balkan-EU Integration

Austin Doehler
September 2019



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Center for European Policy Analysis
1275 Pennsylvania Ave NW, Suite 400
Washington, DC 20004
E-mail: info@cepa.org
www.cepa.org

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2019 Title VIII CEE Area Studies Fellow

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The Issue

From the Editor: *Under the leadership of President Xi Jinping, China has pursued an increasingly nationalist and assertive foreign policy, The centerpiece of that drive has been the Belt and Road Initiative (BRI), an international development strategy involving more than 150 countries which critics view as a push for Beijing's dominance in global affairs. In this paper, CEPA Title VIII Area Studies Fellow Austin Doehler explores the impact of the BRI on the Western Balkans, where several states have long sought European Union membership and where traditional outside players in the region, Moscow and Brussels, now have a new rival.*

Will China succeed in dividing Europe? To develop a unified Western strategy on China and to avoid this outcome, Europe and the United States should turn to the Western Balkans, where over the last decade China has filled the vacuum of recent Western disengagement with initiatives such as the Belt and Road Initiative (BRI), largely to the detriment of the Western Balkan-EU integration process.

INTRODUCTION

In September 2017, German Foreign Minister Sigmar Gabriel provocatively stated that: “If we [the European Union] do not succeed...in developing a single strategy towards China, then China will succeed in dividing Europe.”¹ This quote marks a significant shift in the European Union’s (EU) views on China, from viewing China almost exclusively as a potential partner to now viewing it as a geostrategic competitor.² This shifting dynamic is manifested nowhere more clearly than in the Western Balkans—specifically Albania, Bosnia and Herzegovina (hereafter Bosnia), Montenegro, North Macedonia, and Serbia—where, over the course of less than a decade, China has evolved from being a relative non-factor in the region to becoming one of the region’s most prominent foreign actors.³ This report examines the impacts of Chinese economic influence in the Western Balkans via the Belt and Road Initiative on the Western Balkan-EU integration process, which are largely negative.

THE STATE OF THE WESTERN BALKANS

For centuries, Western Balkan political elites have maintained power by playing rivaling foreign powers off of each other – extracting concessions from all of them without fully committing to any of them.⁴ This tradition provides a helpful framework when examining the way certain Western Balkan leaders frame their country’s relationship with China vis-à-vis the West, such as when Serbia’s President Boris Tadić declared China to be the “fourth pillar” of Serbian foreign policy along with the United States, EU, and Russia.⁵ Serbia is also the Western Balkan state that has gained the most from the BRI, having reaped €5.5

billion in loans from China as of 2017.⁶ China’s attempts at winning hearts and minds in Serbia through the BRI has apparently borne fruit, as a 2018 opinion poll found that Serbia has the most pro-China citizenry amongst all of the countries in Central and Eastern Europe, while the same opinion poll also found that pro-China sentiment has increased in every Western Balkan country as BRI investment has increased.⁷ Anxieties over Serbia’s relatively recent pro-China orientation are compounded by the fact that polls show that it is the least pro-EU country in the region.⁸

While China gains ground in the Western Balkans, the EU is experiencing a crisis of legitimacy in the region as a whole, as many

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citizens in the Western Balkans have become disillusioned with it.⁹ Support for democracy in the Western Balkans has been declining for over a decade, and China is the first foreign

actor that seemingly has the ability to appeal to vast swaths of the region's populations that are actively seeking alternatives.¹⁰ The Chinese model of state-driven economic development is also one that naturally aligns with the political memories and mindsets of many in the Western Balkans who lived through Yugoslav communism under Josip Broz Tito – the destruction of which a majority of citizens in Bosnia, Montenegro, North Macedonia, and Serbia believe harmed their countries.¹¹ As China continues to gain ground in the region while the EU continues to lose it, those who worry about the geopolitical ramifications of the BRI and the potential promotion of the Chinese system in the region may be vindicated.

THE EU AND THE UNITED STATES IN THE WESTERN BALKANS

The Western Balkan nations of Albania, Bosnia, Montenegro, North Macedonia, and Serbia are all prospective EU member states

but to varying degrees. The countries that are furthest along in the EU membership process are Serbia and Montenegro, both of which are official candidate countries and have started the negotiation process. The European Commission has previously stated that Montenegro and Serbia could join the EU as early as 2025, although this is being increasingly viewed as unlikely.¹² Both Albania and North Macedonia are also official candidate countries but have yet to be invited to begin the negotiation process.¹³ Bosnia is a potential candidate country but is prevented from being granted official candidate status largely due to the sclerotic nature of its governmental system.¹⁴

For over a decade, the EU and the United States have adopted a policy of passive disengagement towards the Western Balkans. For the EU, this has manifested in weakening its commitment to Western Balkan-EU integration. French President Emmanuel Macron has explicitly opposed further EU enlargement, claiming that these thoughts of further



“President Tusk meets Dragan Čović, member of Presidency of Bosnia and Herzegovina” by the European Council President under CC BY-NC-ND 2.0.

enlargement have “weakened Europe.”¹⁵ This sentiment is just the latest manifestation of the so-called “enlargement fatigue” that has plagued European political leaders, which was compounded by the global recession that was particularly damaging to the economies of the Western Balkans.¹⁶ The accession of any new member states requires unanimous support from all current member states, so if Macron maintains his anti-enlargement stance then any proposals of integrating the Western Balkans are dead on arrival.

The state of recent U.S. engagement in the region was aptly summarized by General Curtis Scaparrotti, former head of U.S. European Command and Supreme Allied Commander of the North Atlantic Treaty Organization (NATO) forces in Europe, when he said that the United States has “taken our eye off the area.”¹⁷ The United States’ last significant diplomatic achievement in the Western Balkans was when it, along with the EU, helped broker the Ohrid Framework Agreement, which ended the fighting between Albanian guerilla fighters and the government of North Macedonia in 2001.¹⁸ In the years following this agreement, the United States had shown disinterest in the region and has pivoted its foreign policy priorities to other areas and strategic objectives. The West’s disengagement from the Western Balkans has left a power vacuum that China is both willing and able to exploit.

CHINA’S INTERESTS IN THE WESTERN BALKANS

China presents a completely different model of projecting influence in the Western Balkans from other foreign actors. Historically, Russia and Turkey have been the two primary non-Western powers that vie for influence in the region. Presently, both of these countries

pursue a myriad of political and economic interests, and often do so by appealing to ethno-national narratives drawn from their respective centuries of historical, cultural, and religious connections to the region’s populations. This generally amounts to Russia having a certain amount of sway with the region’s Orthodox Christian populations and Turkey having similar pull with the region’s Muslim populations. However, China is the first notable foreign power in the region to project its influence without appealing to such

“For over a decade, the EU and United States have adopted a *policy of passive disengagement* towards the Western Balkans.”

ethno-national narratives because it does not have similar historical ties. While this means that China does not innately appeal to any population of the Western Balkans, it also means that it can credibly present itself as a “neutral” actor that is willing and able to work with everyone.

The Western Balkans have emerged as a significant component of China's BRI, an ambitious project of gargantuan proportions that seeks to invest hundreds of billions of dollars into building a "new Silk Road" that would better connect China to the rest of the world.¹⁹ This project was first announced in 2013 and has become a vital, if not the foundational, aspect of Chinese foreign policy. It was enshrined in the Chinese Constitution by China's President Xi Jinping in 2017.²⁰ China's primary mechanism for increasing its economic ties to the Western Balkans via the BRI has been the 17+1 format, a summit that was established by China in 2012 in cooperation with most nations of Central and Eastern Europe. This summit has met on an annual basis since its founding, excluding 2018, and includes twelve EU member states and five of the Western Balkan nations.^{21,22,23} This format under the BRI is a potential boon for the region in terms of funding for infrastructure projects, with more than €8 billion in committed or announced loans from 2013-2018.²⁴ However, fundamental to understanding China's ever-expanding economic influence in the Western Balkans is

that its investments almost exclusively come in the form of loans that must eventually be repaid by borrowing countries and are not gifts with "no strings attached." These strings not only entail conditionality that borrowing countries must meet but also political leverage that China gains.

When China initially began to expand its economic footprint in the Western Balkans, the EU seemingly viewed this phenomenon as largely benign and perhaps even beneficial to its interests as it would allow these countries to improve their infrastructures without relying on EU funds, thus potentially growing their economies and furthering them along on the path to EU integration. The logic for this initial perception was sound – after all, the Western Balkan nations are desperately in need of funding to improve their tattered infrastructures. The Western Balkans is a region with significant potential for "catch up growth" but are hampered by a lack of adequate infrastructure from meeting this potential, especially in the realms of transportation and energy.²⁵ While candidates and potential



"The Mala Rijeka Viaduct seen from the train" by Marcin Konsek via Wikimedia Commons under CC BY-SA 4.0.

candidates for EU membership, such as the Western Balkan nations, are eligible to receive funds for infrastructure development via the EU's Instrument for Pre-Accession Assistance (IPA), these funds are woefully inadequate compared to the countries' current levels of need. From 2007-2018, the Western Balkans did receive roughly €10 billion from the IPA, but these funds were spread out amongst nine different sectors, thus leaving only a fraction of these funds dedicated solely to infrastructure development.^{26,27} It becomes evident why the Western Balkans are eager to accept Chinese loans when comparing the amount of funds that the region has received from the EU over the course of more than a decade, only part of which go towards infrastructure, to the pledged funds from China exclusively for infrastructure over the past five years.

From China's perspective, the Western Balkans is a strategic place for investment as well. One of China's initial forays into southeastern Europe entailed purchasing the Greek port of Piraeus in 2008 for €368.5 million. Since this purchase, China has transformed Piraeus into the second largest port in the Mediterranean.²⁸ Due to the Western Balkans' geographic proximity to Piraeus, China has a vested economic interest in seeing the region's infrastructure improve, so it can transport goods shipped in from Piraeus through the region and into the EU's market of over half a billion consumers. In terms of accessibility to the EU common market, investment in the Western Balkans also gives China footholds in countries that are supposed to eventually become EU member states themselves, while avoiding any EU public tender processes that it may deem overly burdensome.²⁹ If China's primary interest in the Western Balkans is its own economic gain, then that begs the question

of why Gabriel expressed fear of China dividing Europe, and why some leaders in Europe have grown from viewing China as an opportunity for enhancing the potential European future of the Western Balkans to viewing China as a potential threat on its very own periphery. This threat can be seen in three aspects: debt-trap diplomacy, lowering environmental standards, and perpetuating corruption.

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There is a stark disconnect between China's public position toward EU integration of the Western Balkans and its behavior in the region. During a 2016 state visit to Serbia, President Xi reaffirmed China's support for Serbia's desire

to join the EU, which has been China's long-standing public position.³⁰ Ostensibly, one would think that China's support for Western Balkan-EU integration should be unequivocal, as these nations joining the EU would not only give China greater access to the EU common market but also provide greater stability for its investments.³¹ Within this assumption, however, lies the paradox of Chinese economic influence in the Western Balkans. On the one hand, China publicly encourages the Western Balkan nations who are on their paths toward EU integration and seemingly has a vested interest in them accomplishing this task. On the other hand, Chinese investments in the region under the auspices of the BRI have negative effects on the prospects for these nations' potential EU memberships. The specific methods by which the BRI hinders Western Balkan-EU integration vary to some extent by individual countries, but most notably include so-called "debt-trap diplomacy," promoting environmental policies that are incongruent with EU standards, and perpetuating and exploiting corruption within individual governments.

DEBT-TRAP DIPLOMACY

The term "debt-trap diplomacy" first appears in a 2017 analysis that concludes that China offers funding to fiscally unsound infrastructure projects so as to make the borrowing countries "ensnared in a debt trap that leaves them vulnerable to Chinese influence."³² China uses these debt traps to gain greater access to the markets and resources of borrowing countries while also making these countries more dependent on it, both economically and politically. Additionally, if a borrowing country defaults on its loans, then the Chinese state owned enterprises (SOE), and by extension the Chinese government, can seize ownership

of the asset that it originally constructed. The most infamous case of this phenomenon occurred in Sri Lanka, when the local government defaulted on a loan that it took out for the construction of the Hambantota Port Development Project, and, as a result, the port was seized and is now owned by the Chinese government.³³ This dynamic constitutes triple-dipping for China. First, its SOEs receive money from the contracts to build assets. Second, it takes ownership of said assets in the case of default. And third, many of these contracts require that the assets are built largely with Chinese labor.³⁴

In the context of the BRI in the Western Balkans, the greatest concern over a potential debt trap is a highway that the Montenegrin government contracted the Chinese SOE Chinese Road and Bridge Corporation to build in order to connect the port city of Bar with Belgrade, the capital of Serbia and largest city in the Western Balkans. While the Chinese government has chosen to not make the terms of this or any other BRI contract in the region public, the terms that have been revealed thus far do not alleviate BRI skeptics from their debt trap concerns. The total cost of the first phase of the highway is roughly €1.3 billion, which is equivalent to a quarter of Montenegro's 2018 gross domestic product (GDP). To cover the cost, Montenegro has taken out a loan with the Export-Import Bank of China for 85 percent of the cost, and this loan has caused Montenegro's debt-to-GDP ratio to increase significantly, from 63 percent in 2012 to just over 80 percent in 2018.^{35,36} This figure is also greater than the level of debt that the EU is comfortable with prospective member states having, which is 70 percent.³⁷ In light of this increase, the Center for Global Development, an international development think tank, has called Montenegro's debt problem "enormous"

and labeled Montenegro as one of the eight BRI countries most susceptible to severe debt distress and loan default.³⁸

The Montenegrin government's justification for taking on this debt, as it is for any debtor, is that it will be able to pay back this loan

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through the revenue that will be generated by the investment, which in this case means that the highway, via increased traffic resulting from greater levels of tourism, commerce, and toll fees, will produce revenues for the government that will exceed the amount of the

loan. However, there are very good reasons to doubt that this will actually happen. Initially, two separate feasibility studies were conducted for this project: one that was performed by the French firm Louis Berger on behalf of the Montenegrin government and another by the American firm URS on behalf of the European Investment Bank.³⁹ Both studies concluded that the highway was not economically feasible.⁴⁰ The Louis Berger report concluded that tolls would be a counterproductive method of revenue raising, as attracting any outside investors under this model would require anywhere from €35 to €77 million in annual government subsidies.⁴¹ Ivan Keković, an engineer who initially worked on the project but then wrote a letter to the Montenegrin Parliament strongly arguing against it, said that the highway would require 22,000 to 25,000 vehicles of traffic per day to be feasible, but even the busiest stretch of the highway would generate less than 6,000 per day.⁴² The URS report summarized the situation succinctly, stating that “the low current traffic volumes and the weak economic forecasts mean that the economic benefits of the proposed route do not provide adequate return on the investment.”⁴³ When China was initially exploring this project, the Export-Import Bank of China contracted economics professors at the University of Podgorica to conduct another feasibility study, and this one, supposedly, found the project to be economically viable. However, both the Chinese and Montenegrin governments have denied all attempts by outside sources to see the report.⁴⁴

From the perspective of the West, another worrying aspect of this situation, in addition to the likely unsustainable levels of Montenegrin debt and the ambiguous motivations for China's participation in the project in the first place, is the overall level of Montenegro's external debt



“Li Keqiang. China-CEEC 2017 Budapest, Hungary. Central Europe.” by Elekes Andor under CC BY-SA 4.0.

that is now owned by the Chinese government as a result of this project. The latest available data from 2017 shows that China owns 39 percent of Montenegro’s external debt.⁴⁵ The holding of such a large amount of one country’s debt by a single creditor gives the creditor the ability to wield a significant amount of influence. China has demonstrated that it has been unafraid to wield such leverage. China has previously targeted countries similar to Montenegro, those with smaller economies that have a relatively large amount of their debt owned by China, by pressuring them to adopt foreign policy stances that China deems to be in its own interests, such as a policy of non-recognition toward Taiwan.^{46,47} As China continues to rise in global stature, it will likely use its influence to pressure countries into adopting pro-China positions on a host of other issues. Some of these potential issues include: the human rights situation with its Uyghur population in Xinjiang, the increase

of pro-democracy protests in Hong Kong, territorial disputes in the South China Sea, and its market economy status in the World Trade Organization.

The EU is undoubtedly fully aware of the leverage that the current status of Montenegro’s exorbitant debt creates for China and the precarious situation it could very well find itself in once it finally welcomes Montenegro into the Union. China’s use of debt-trap diplomacy in Montenegro has forced Montenegro to incur a prohibitive amount of debt of which it now owns a significant amount and can use for political leverage in a variety of contexts for strategically ambiguous reasons. Such a situation is untenable if Montenegro is to eventually accede to the EU, as the EU will be disinclined to take on a member state that has both strong incentives to attempt to shape EU foreign policy in a pro-China direction and an ever-worsening debt situation.

LOWER ENVIRONMENTAL STANDARDS

As part of the EU integration process, every nation in the Western Balkans was obliged to join an environmental compact with every EU member state called the Energy Community, which is governed by legally-binding directives under the Energy Community Treaty (ECT).⁴⁸ The aim of this treaty is to bring the energy policies and pollution standards of the Western Balkans in line with those of the EU as a whole. Achieving this is a precondition for EU membership. Under this treaty, the Western Balkan nations are expected to wean themselves off of fossil fuels and any other non-renewable energy resource. The treaty explicitly states that one of the goals of the Energy Community is “to improve energy efficiency and the environmental situation related to network energy and develop renewable energy sources.”⁴⁹ In November 2017, EU regulators set out a blueprint to have half of Europe powered by renewable energies by 2030.⁵⁰

While the EU has clear standards for what the Western Balkan nations must achieve in order to become members, China has emerged as an investor that is willing to enable alternative climate agendas. One clear example of this is the recent approval of the coal-fired power unit at a plant in Tuzla, Bosnia. In March 2017, the House of Representatives in the Federation of Bosnia and Herzegovina adopted a resolution that formally approved the construction of this unit, the terms of which include a loan taken out by the Bosnian power company Elektroprivreda BiH with the Export-Import Bank of China for roughly €700 million and a total cost of €870 million.^{51,52,53}

Proponents of this deal within the Bosnian government contend that this new coal power unit is necessary as it maintains Bosnia’s energy independence and replaces three older and less efficient units.⁵⁴ However, in terms of EU integration, this logic is potentially fatal, as any coal power plant unit that is recently

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constructed will be unable to be phased out in the time that the EU has allotted for the Western Balkan countries to become compliant with the ECT. As one EU-funded report states, “[...] even the newest and most advanced coal plants are unacceptable from a climate point of view, and

existing plants will need to be phased out in the coming years. For this reason, no new coal plants should be built.”⁵⁵

The fact that Bosnia has willfully ignored these directives has been noticed by prominent EU officials. Following the vote of approval of the new coal power unit in Tuzla, the EU Commissioner for European Neighbourhood Policy and Enlargement Negotiations, Johannes Hahn, stated that it raised serious questions about Bosnia’s “commitment to international treaties and European rules,” that it raised questions “about the choice of the energy technology as well about a sound cost-benefit analysis in a responsible and transparent manner,” and that it would “certainly be closely looked at during the opinion process (one of the main steps of EU accession).”^{56,57} In addition to Hahn’s warnings, the Secretariat of the Energy Community initiated the dispute settlement procedure against Bosnia over the possibility that the loan from China violates the organization’s rules regarding state aid.⁵⁸

It is unambiguously clear that by investing in coal power plants, China’s BRI is having a negative impact on Bosnia’s prospects for EU membership. However, this is not to say that China is responsible for the decisions of the Bosnian government. After all, it was Bosnia’s choice to pursue an energy policy that it knew full well was incongruent with the one that it is supposed to be adopting to keep pace with its EU aspirations. While China has constructed a significant number of coal-fired power plants as part of the BRI, it has also constructed multiple large-scale renewable energy plants, including the Kayan River Cascade Hydropower Project in Indonesia (the single largest BRI energy project to date) and the Quaid-e-Azam Solar Park in Pakistan.⁵⁹ China did not force Bosnia

to choose a coal power plant, and if Bosnia had approached China about building a hydro or solar power plant instead, China would have been able, and almost certainly willing, to oblige. However, while China cannot be held responsible for the Bosnian government’s

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choice to pursue an energy policy that is incongruent with its EU commitments, it nonetheless knowingly enabled such a policy. This is especially important when placed in the context of the above posed question of why, if



“The EU will always have a stable partner in Montenegro, says President Đukanović” by European Parliament under CC BY-NC-ND 2.0.

one of China’s primary interest in the Western Balkans is to reap the gains of these countries’ eventual EU memberships, it would choose to enable policies that put the prospects for said memberships in jeopardy.

PERPETUATING CORRUPTION

The EU has long held fighting corruption as one of the fundamental prerequisites for Western Balkan-EU integration. As one European Parliament report states, “[Corruption] is a phenomenon that poses a threat to the EU’s core values, such as democracy, the rule of law and respect for human rights, and undermines good governance and economic development. For these reasons, anti-corruption reform

is among the key requirements for EU accession.”⁶⁰ One of the hallmark traits of the BRI in the Western Balkans, as it is globally, is the lack of a transparent bidding process through which Chinese firms are awarded contracts for the construction of various projects. As one World Bank report states, “Little is known about the processes through which firms are selected to execute projects, e.g. to which there is international competitive bidding on BRI projects.”⁶¹ The lack of such a process poses a challenge especially for developing countries as they typically lack the administrative infrastructure necessary to ensure compliance with international norms and to avoid being exploited.⁶² In the context of the Western Balkans, the opaque nature of the BRI’s public procurement process has resulted in the exploitation of pre-existing

patronage networks controlled by the political and economic elites of the region.⁶³ Corruption in the Western Balkans is a well-documented reality: Transparency International, in its 2018 Corruption Perceptions Index ranking, gave Western Balkan countries an average score of 38.66 out of 100, with 100 being the least corrupt.⁶⁴

There are several BRI projects in the Western Balkans where Chinese investments have exploited, and thus perpetuated, the corrupt state of affairs of the region's governments. One of the most infamous examples of this is the case of the contract that was awarded for the construction of the Kičevo-Ohrid and Skopje-Štip highways in North Macedonia. In late 2013, the government of North Macedonia signed a contract with the Chinese SOE Sinohydro Corporation LTD for the construction of these two highways, the former for a sum of €373 million and the latter for €206 million, to be paid off largely by a loan taken out with the Export-Import of China worth 85 percent of the total combined value of these projects.⁶⁵ The awarding of this contract to Sinohydro for the construction of these highways would not have been problematic if China and North Macedonia's governments had been transparent about the process and allowed for open and competitive bidding. However, it was not until 2015 that knowledge of this contract even became public, and this only happened as a result of the largest political scandal in North Macedonia's young history.

In March 2015, it was revealed that the government of North Macedonia, led by then-Prime Minister Nikola Gruevski and his conservative nationalist political party VMRO, had ordered the country's intelligence services to conduct an illegal wiretapping

program that included tapping of the phones of roughly 20,000 people, including a hundred journalists.^{66,67} The opposition Social Democrats, led by current Prime Minister Zoran Zaev, released tapes that they had in their possession to verify these claims. Amongst these tapes was one that revealed Gruevski, along with the former Minister of Transportation Mile Janakieski, discussing closing off the public bidding process to any firm other than Sinohydro, even though there were other firms that submitted lower bids for the projects.⁶⁸ The tapes go on to indicate that part of the reason behind this decision was that they believed that Sinohydro would be willing to pay a bribe worth €25 million.⁶⁹ The EU has taken particular notice to this case in its more recent strategic documents regarding its relationship with China, especially with contracts awarded to Sinohydro, as its pattern of corrupt behavior has already led it to be blacklisted by the African Development Bank.⁷⁰

In the same way that China cannot be held responsible for the energy policy decisions of the Bosnian government, it can also not be held responsible for the pervasive corruption within the previous government of North Macedonia. However, also like the Bosnian case, China's role in enabling and perpetuating the problems within North Macedonia should be acknowledged, even if it is not responsible for the existence of the problems themselves. The North Macedonian highways case is indicative of a larger phenomenon—that the BRI's *modus operandi* is to partner with national governments in a way that has little to no public oversight and to work within the corrupt patronage networks of said governments. It is apparent when examining not just this case but most BRI projects that such corrupt practices are not aberrations but rather are norms and

features of how China prefers to conduct business in developing countries. Corruption and governance issues are major roadblocks to Western Balkan-EU integration and Chinese manipulation of these vulnerabilities will only continue to adversely impact the prospects for Western Balkan-EU integration until serious reforms are made.

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GEOPOLITICAL IMPLICATIONS

The above cases are merely some examples of how China's BRI clearly has negative

ramifications for the Western Balkan-EU integration process. In light of this reality, the question remains whether or not these consequences of the BRI on Western Balkan-EU integration are intentional or unintentional on China's part. If these consequences are intended features of the BRI, then that would indicate that the BRI is not solely an economic project but also a geostrategic tool that China is using to rival and undermine the EU in its own backyard. There is certainly some evidence to support this view, such as the fact that China chose to pursue the highway project in Montenegro despite the fact that it was found to be economically non-viable, and that is not the only project of this kind.

In 2017, the Chinese SOE China Railway International Corporation was contracted to build a high-speed railway linking Belgrade with the Hungarian capital of Budapest, with the total project costing roughly \$3.7 billion.⁷¹ The stated aim of this project was to serve as a link in a supply chain that will connect goods shipped into the Port of Piraeus to Budapest, and therefore to the European common market.⁷² However, this idea makes no sense from a fiscal perspective. The simple fact is that there is little to no demand for this railway to be built. There is no significant commerce that takes place on this route as European trade routes generally go east-west rather than north-south. Additionally, the amount of passenger demand is even less significant. Even with generous calculations that account for optimistic increases in new trade opportunities, it would take around 2,500 years for the railway to turn a profit.⁷³ Clearly, there are at least some BRI projects that are being built based on something besides economic rationale, leaving a geopolitical one as the most probable alternative.

POTENTIAL SINO-RUSSIAN COOPERATION

The geopolitical implications of Chinese influence in the Western Balkans extend to not only the nations of the region and to the West but also to Russia. U.S. foreign policy under the Trump Administration has renewed its focus on “great power competition” between the United States, China, and Russia.⁷⁴ The Western Balkans has historically been a region in which larger foreign powers vie for influence, and now is no exception. Russia, as mentioned above, has deep and longstanding cultural and religious ties to the region, unlike China. Russia currently projects its influence in the region primarily through political disinformation campaigns and by working to ensure that the nations in the region do not drift further into the Western orbit.⁷⁵ However, Russia’s most recent attempts to achieve such foreign policy goals, specifically through preventing Montenegro’s accession into NATO and North Macedonia’s ratification of the Prespa Agreement, have been unsuccessful.⁷⁶

There is potential for a Sino-Russian partnership in the Western Balkans, as it is in both China and Russia’s interests to undermine liberal democracy in Europe, which would allow these countries to operate their authoritarian regimes with greater impunity. There is some evidence that Sino-Russian cooperation in the region has already been contemplated, as the Serbian government established an opaque “council of economic cooperation with Russia and China” in 2017.⁷⁷ However, evidence of any cooperation beyond this to date is scant. While these two powers have a broad shared interest in undermining liberal democratic values, Russia’s interests also have a distinct

security component. Russia holds preventing the proliferation of NATO member states to be one of its core interests in the region, while it is unclear if and why such a goal would benefit China. Additionally, these two countries’ economic interests are just as likely, if not more so, to facilitate confrontation rather than cooperation in the long-term. China’s economy is roughly six times the size of Russia’s, and China’s continues to grow while Russia’s stagnates.⁷⁸ If Chinese economic influence in the Western Balkans continues to grow at its current trajectory, this expansion will inevitably come at the expense of Russian economic interests in the region by crowding out Russian investments. While the possibility of future Sino-Russian cooperation in the Western Balkans cannot be dismissed, China’s superior economic might and growing political clout vis-à-vis Russia pose significant barriers.

CHINA’S VIABILITY AS AN ALTERNATIVE

In terms of overall investment in the Western Balkans, the amount of Chinese loans through the BRI is miniscule compared to the amount that the EU has invested in the region, which includes over €3 billion in 2017 alone.⁷⁹ While China’s investment levels have been gradually increasing in the region ever since it initiated the BRI, at its present investment levels it stands no real chance of providing a true alternative to the EU for the Western Balkan nations. However, the perception of China being able to provide such a model is prevalent and provides an attractive alternative for leaders in both the Western Balkans and the EU who are disillusioned with the EU’s model of liberal democracy. Viewing China as a financial alternative to the EU, whether wise or not, has become an explicit position of

some leaders within the EU itself. As Hungarian Prime Minister Viktor Orbán once said, “if the European Union cannot provide financial support, we will turn to China.”⁸⁰ Regardless of whether or not China intentionally undermines the EU through the BRI and is playing a greater geopolitical game in the Western Balkans, the fact remains that the EU is being undermined. The possibility of geopolitical motivations behind the BRI in the Western Balkans should still affect, at least to some extent, how the West responds.

POLICY RECOMMENDATIONS

Despite China’s rapid economic growth and emergence as a major geopolitical power, its increased presence in the Western Balkans was not an inevitability but rather a direct result of the United States’ and EU’s disengagement from the region. The old adage that “nature abhors a vacuum” not only aptly summarizes the circumstances that enabled China to become a major player in the region in such a short amount of time but also indicates the path forward for the United States and EU as they seek to counter China’s pernicious effects on the Western Balkan-EU integration process and its other modes of influence. While the EU is ultimately responsible for furthering its integration process with the Western Balkans, the United States has a vested interest in seeing this process completed as well. The complete EU integration of the Western Balkans would bring greater stability and economic prosperity to the region and, in turn, place these countries squarely in the Western orbit once and for all, thereby countering the influence of not only China but other nefarious actors operating in the region, such as Russia. EU membership should not be treated as a

panacea for all of the problems in the Western Balkans, but it is the most viable path for it to become a region that is prosperous, secure, and free. To achieve this, it is a fundamental imperative that the United States and EU both adopt a policy of constructive reengagement in the Western Balkans.

Foremost, the United States must pursue renewed diplomatic engagement in the Western Balkans. This should entail a presidential visit in which the United States reaffirms its commitment to the European future of the region. President Obama never visited the region during his eight years in office, and President George W. Bush made three trips but only to as many countries.⁸¹ The United States has lost a significant amount of credibility in the region, but it should use whatever amount it has left to reaffirm the value of being a part of the West and its commitment to the inclusion of the Western Balkans in this grand vision. The recent appointment of Matthew Palmer as the U.S. Special Envoy to the Western Balkans is a promising step toward this end.⁸² However, it remains to be seen what exactly Palmer’s exact portfolio and scope of authority will be, both of which will be important factors if he is to have greater success than the United States’ previous special envoys to the region.

Similar to the United States, the EU must renew its diplomatic engagement with the Western Balkans, but this engagement should entail a paradigm shift from the way that the EU has approached the Western Balkans in recent years. For over a decade, the EU has reneged on its liberal democratic values in the Western Balkans for the sake of preserving what it defines as stability. The EU’s policy toward the Western Balkans during this time has been one of “stabilitocracy,” whereby it

verbally promotes liberal values of democracy and the rule of law while simultaneously tacitly supporting autocratic leaders.⁸³

Rather than having “stability” be its watchword in the Western Balkans, the EU should draw a stark contrast with China and restore its credibility in the region by supporting and partnering with true democratic reformers wherever it can find them. One key way that the EU can work toward restoring its credibility in the region in the short-term is by inviting North Macedonia to begin the accession process by the end of the European Commission’s term in October.⁸⁴ The EU had supported Prime Minister Zaev throughout his successful negotiations of the Prespa Agreement, an achievement that came at great political risk and was achieved largely due to the promise of eventual EU membership.^{85,86} To not reward these efforts with a formal membership invitation would not only all but ensure the political demise of perhaps the region’s most promising voice of democratic reform but to also deal its credibility in the region a potentially fatal blow. Additionally, following suit with the United States by appointing its own special envoy to the region would be a wise decision.⁸⁷ However, the EU is going to have to be very proactive if it is going to bring the Western Balkans back into its fold.

China’s single largest bargaining chip in the region is its ability to provide quick influxes of capital to countries that are economically depressed and stagnant. As discussed above, the main reason that Chinese loans are so attractive for Western Balkan nations is because the funds that they receive for infrastructure development through the EU’s IPA are woefully inadequate. In response to this, the EU should reconfigure its disbursement of funds to candidate and potential candidate

countries by granting them access to Structural and Cohesion Funds, which are currently only available to member states, in exchange for compliance with EU regulations on public procurement processes, which are currently only binding for member states.^{88,89} Additionally, the United States and EU should also explore helping the Western Balkan

“Foremost, the United States must pursue renewed diplomatic engagement in the Western Balkans.”

nations establish their own diaspora bond programs similar to the successful ones of India and Israel.⁹⁰ While it is difficult to estimate how many Western Balkan diaspora members currently live in the United States and EU, the region has experienced a significant amount of brain drain over the past several decades and these are by far the two most popular destinations.⁹¹ This means that Western Balkan diasporas in the United States and EU have untapped potential to assist in the region’s economic relief. Such programs would be particularly beneficial for countries that require

alleviation from their accrued debts to China. In the same vein, there have been proposals by some in the region, most notably Serbian President Vučić, for the creation of a Western Balkan regional common market.⁹² While the politics of the region render this idea currently infeasible, it would have the dual benefit of

enabling economic growth throughout the region and making it easier to negotiate on more favorable terms with China as one larger economic bloc rather than as several smaller economies. If such an idea were to eventually become politically viable, then both the United States and EU should fully support it.

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