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BULLETIN

The Importance of the Western Balkans in China's Foreign Policy

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China's cooperation with the Western Balkans through the "17+1" format and Belt and Road Initiative (BRI), among others, is primarily political. In the economic sphere, Chinese investments are to a large extent only declarations, and trade is marginal in comparison to cooperation with the EU or others. China's goals are to gain political influence in future EU countries and limit their cooperation with the U.S. Competition with China in the region requires more intense EU-U.S. cooperation, made more difficult by the pandemic.

The countries of the Western Balkans—apart from Kosovo, whose independence China does not recognise, in part because of the latter's relations with Serbia—are members of the China-Central Europe cooperation format, or "17+1". Even in Pristina, though, there is a Chinese representation focused on the promotion of bilateral cooperation. The region is important for the BRI, and all the countries except Kosovo have signed cooperation agreements with China connected to this initiative. The relations of China with the countries of the region are mainly calculated to increase its influence on the EU and reduce the importance of the U.S.

EU Context. China in the Western Balkans focuses on creating a counterweight to the EU by deepening cooperation with EU candidate countries, making less use of economic cooperation (trade and investment) and more public diplomacy.

China's economic activity in the region is low. The share of imports from China in 2019 was 10% (compared to over 60% from the EU), and exports to just 2% (nearly 70% to the EU). China emphasizes its growing level of investment, but a large portion of it remains conceptual. In 2012, of $500 million worth of contracts, just 40% were completed. In 2019, about $2 billion worth had been signed but only 24% completed. Despite the low volume, China is trying to exploit implemented projects for its purposes. For example, it is increasingly using regulations in concluded contracts to force additional concessions on a given country. An example is China's promise to launch international connections to Kukes in exchange for a two-year extension (until 2027) of the license to manage the airport in Tirana—considered critical infrastructure in Albania—including for military purposes. At the same time, China is trying to invest in projects (e.g., coal-fired power plants in Bosnia and Herzegovina) that in the future may result in procurement of raw materials and other needed resources.

China is also trying to take advantage of investment needs in the Western Balkans. The countries of the region are willing not only to accept EU funds and Member State assets, for example, Italian aid (which is subject to restrictive tender procedures), but also Chinese assistance. In the latter case, the huge needs in the region lead states to agree to a model that combines taking out long-term loans and accepting a majority share for Chinese companies in the implementation of the investments, which increases the debt of these countries and does not create jobs on the ground. This kind of cooperation scheme applies to more than 90% of the projects implemented in the Western Balkans, and often exploits the corruption mechanisms existing there, particularly in tenders. This was the case with a highway project in North Macedonia, where the cost of the investment increased after signing annexes to the contract with a Chinese partner and later, the prime minister at the time was accused of corruption. The PM of the Federation of Bosnia and Herzegovina was put in a similar situation in May, accused of corruption concerning the purchase of medical equipment from China.

China's political cooperation initiatives in the Western Balkans are usually backed by a positive response from Serbia. China's support for the country serves not only as an element of pressure on the EU but also a key component of foreign policy, for example, regarding Kosovo and recognition. Recently, the president of Serbia emphasized that cooperation with China on COVID-19 had been good and criticised the EU response.

Chinese leader Xi Jinping is planning a visit to Serbia in the second half of this year. The rhetoric about Serbia's strong links with China is also propagated (in Serbian) by many social media accounts originating in China.

This connection intensified during the pandemic, with the Chinese offering medical equipment. Serbia was the largest recipient in the region, but compared to total EU assistance (about €800 million), the Chinese support was less, and mainly included doctors and the construction of laboratories for testing. Also North Macedonia, Albania, and Montenegro received single deliveries from China of tests or medical equipment, compared to about €38 million in EU aid to their health sectors.

The pandemic has also been an excuse for China to strengthen cooperation through what it calls the "Health Silk Road", branding for Chinese crisis-management solutions that include surveillance of citizens. Prime Minister Li Keqiang described them as comprising an important part of the BRI and 17+1 during the May session of the Chinese National People's Congress. China's ambassador to North Macedonia also emphasized cooperation in this sector in April.

U.S. Context. An additional element of the Chinese presence in the Western Balkans is the attempt to limit cooperation of the countries of the region with the U.S., especially in the construction of the 5G network and in NATO.

U.S. Secretary of State Mike Pompeo expressed reservations about Chinese firm Huawei in the context of 5G during a visit to Montenegro and North Macedonia in 2019. Albania and Montenegro decided to choose European competitors—Ericsson and Nokia, respectively. Despite the American pressure, Macedonia, Bosnia and Herzegovina, Serbia, and Kosovo not only have not excluded Chinese companies from the development of 5G infrastructure but some of them (e.g., Serbia) have accepted Huawei as their main partner.

Montenegro, North Macedonia, and Albania's membership of NATO and the desire of Bosnia and Herzegovina to join the Alliance influence the decisions of these countries regarding cooperation with China. On one hand, they are reserved about plans to strengthen the Alliance's actions against China, as evidenced by the desire to cooperate with Huawei. On the other hand, NATO membership and U.S. pressure to limit cooperation with China prevents some countries from choosing the Chinese companies to implement certain projects. An example is Montenegro, which has not agreed to a Chinese investment in the Adriatic port.

Russia. Another country is active in the Western Balkans—Russia. Its main purpose is to undermine the importance of the EU and hamper the functioning of NATO in this area. It treats China's presence in the region as additional support in achieving its goals. Both China and Russia have conducted similar disinformation campaigns in the Balkans and the EU during the COVID-19 pandemic, arguing that the Union had taken an insufficient role in helping the region. In the short term, the Russian activities in the area are in alignment with Chinese interests. In the long run, however, China wants to increase its impact on EU policy (also as a counterweight to the U.S.), and not, for example, to stop EU enlargement, which is Russia's goal. This may lead to Chinese-Russian tensions in the future.

Perspectives and Conclusions. Chinese diplomacy and political cooperation prevail in the Chinese activities in the Balkans, and economic involvement is not as significant as China and some countries in the region are trying to present it. The selective and limited Chinese assistance during COVID-19 is another attempt to present its presence as growing in the region. However, the situation may change after the pandemic abates. Chinese companies may be more interested in participating in projects in the Balkans, including those financed by EU funds, as part of the quest to improve the Chinese economic situation after the pandemic. The economic crisis in the EU and the possibility that European investments will weaken could increase the Balkan countries' need to curry favour with China.

In view of China's growing interest in the Balkans, the EU must increase its presence there. The European Commission is supporting the region with additional funding to fight COVID-19. During the EU-Western Balkans summit in May, the EU's readiness to expand cooperation, including the fight against Chinese disinformation, was emphasized. Increasing EU involvement in the region requires accelerating membership negotiations and facilitating access to pre-accession funds. EU-U.S. cooperation in financing modernisation projects, such as defining environmental standards, is also important. It is in the EU's interest to exploit the differences in the Chinese and Russian objectives. It is also worth it for the Union to cooperate with China in projects implemented in accordance with EU standards and serving the development of the Balkans.

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