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China's Influence on the Western Balkans' EU Accession Process: Synergies and Obstacles

Ana Krstinovska, Bledar Feta,
Aleksandra Stankovic, Senada Selo Sabic,
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Authors

Ana Krstinovska PhD

Bledar Feta

Aleksandra Stankovic

Senada Selo Sabic

Aleksandra Davitkovska-Spasovska

Momcilo Radulovic

Coordination

Daniel Braun

Daniela Popovska

Proofreading

Harry Adams

Design and print

Vinsent Grafika

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Table of content

1. Summary	7
2. Introduction	9
2.1. Rationale	9
2.2. Research Design and Methodology	10
3. Fundamentals First: Rule of Law, Democracy, Good Governance and Human Rights	12
4. Internal Market: Economic Benefits and Potential Risks	17
5. Competitiveness and Inclusive Growth	22
5.1. Potential Risks Associated with Chinese Companies and Banks	22
5.2. Areas under the Exclusive Purview of Acceding Countries	23
6. Green Agenda and Sustainable Connectivity	27
7. Resources, Agriculture and Cohesion	30
8. External Relations	32
9. Conclusions	34
10. Policy Recommendations	41
11. Endnotes	43

Summary

This study examines the influence of China's presence and activities on the European Union (EU) integration process of the Western Balkans. Since the Thessaloniki Summit of 2003, only Croatia managed to join the EU, while the other countries in the region remain candidates for membership, with little prospects to join by 2030. The research investigates how China's approach impacts specific outcomes, both supporting and undermining the EU accession process, chapter by chapter. It also explores the reasons behind these outcomes, including China's approach, domestic agency, and geopolitical factors. The goal is to provide a comprehensive and cross-country analysis of China's impact in the region and identify areas where the Western Balkan countries can eliminate or minimise negative consequences, or leverage potential synergies, ultimately aiming to understand the interplay between China's involvement and the EU integration process in the Western Balkans.

In the Fundamentals cluster, which includes internal rule of law, democracy, good governance, security and human rights, China's approach often contradicts the EU's accession requirements. Infrastructure projects funded by Chinese banks sometimes bypass national laws on public procurements, favouring Chinese companies. In Chapter 23 (Judiciary and fundamental rights), inspection services and judicial authorities fail to properly investigate and sanction non-compliance by Chinese companies. In Chapter 24 (Justice, freedom and security), cooperation with China in security is limited in most countries, except for Serbia, where joint police patrols have been organised with Chinese law enforcement. The potential economic opportunities from Chinese tourists and investors have influenced visa policies, leading to backsliding in alignment with the EU. Overall, China's presence in the Western Balkans poses challenges to the region's efforts

to adhere to the EU values and standards in this area.

The section related to the Internal market explores the economic benefits and potential risks associated with the free movement of goods, workers, services and capital. The European single market, comprising two-thirds of the EU *acquis communautaire*, grants access to over 400 million consumers and a variety of goods and services at competitive prices. The cooperation with China in trade, investment, and infrastructure projects has its advantages, such as lower prices for consumers and opportunities for local companies. However, it also raises concerns about the quality and safety of Chinese imports, potential exploitation of workers, distortion of competition, and circumventing state aid regulations. While some countries, namely Serbia, offer special benefits to Chinese companies, these practices will need to be aligned with EU standards if the country is to join the EU.

The cluster related to Competitiveness and inclusive growth includes a variety of sectors, some of which fall in areas of exclusive purview of national institutions and are not directly related to the EU *acquis* and its requirements. It discusses potential risks associated with the operation of Chinese entities, notably in critical sectors like technology, media and telecommunications. Huawei, once a preferred partner for telecommunications projects in the region, faced challenges and restrictions due to security and geopolitical concerns. Chinese loans for large infrastructure projects have contributed to soaring public debt levels in some countries, with Montenegro being a notable example. Concerns about debt sustainability and the ensuing potential for Chinese leverage over countries' foreign policy decisions have been raised as well.

Regarding scientific cooperation, prior to the pandemic there was intensive collaboration across most of the Western Balkan countries, with China providing funding for joint research projects, equipment, and mobility. Similarly, cooperation in education and culture reflects China's ambition to further its soft power. China Scholarship Council (CSC) provides funding for students from the region to study in China, and Confucius Institutes are present in all the countries, promoting Chinese language and culture. China has also engaged in supporting friendship associations and civil society organisations to promote bilateral cooperation, China's development model and the Belt and Road Initiative. However, the dependence on Chinese funding and lack of domestic research activity in Chinese studies raise concerns about the independence and sustainability of these initiatives. In the domain of media, China has used various strategies to influence narratives, including the presence of Chinese state media outlets, cooperation with local media, and co-opting local journalists. While media freedom is not at risk, concerns have been raised about the rise of Chinese propaganda shaping public perceptions in the region.

In the area of Green Agenda and Sustainable Connectivity, the study highlights Chinese companies' engagement in road and rail infrastructure projects in the region, with Serbia being the key recipient. While Chinese capital has the potential to boost infrastructure development and economic convergence with the EU, and also align to a certain extent with the EU's priorities for the region and the Transnational European Networks, concerns remain about the implementation modalities of Chinese-funded projects and adherence to environmental standards. In the energy sector, China has shown interest in both coal-based and renewable energy projects. A number of infrastructure projects and direct investments in the region have been flagged for environmental negligence and non-adherence to environmental standards.

The section related to Resources, Agriculture and Cohesion discusses the region's efforts to increase agricultural exports to China, as well

as related challenges such as bureaucracy, non-tariff barriers and production capacity, which have hindered significant breakthroughs. The agricultural exports from all the countries to China remain limited, with a notable trade imbalance where the countries mostly import Chinese goods. Additionally, Albania has faced concerns over the import of Chinese fish products, related to their origin sometimes being presented in a way to mislead consumers, as well as safety and quality standards, due to the lack of internal regulations in this area. The implementation of development cooperation follows Chinese rules, but domestic priorities play a significant role in decision-making, with national authorities driving the allocation of development assistance and investments.

Regarding the External Relations cluster, the Western Balkan countries' policies towards China vary based on factors such as NATO membership and the Kosovo issue. Serbia has a comprehensive strategic partnership with China, defending its interests internationally and benefiting economically. Albania, a NATO member with strategic ties to the USA, has a more cautious approach towards China and limited strategic cooperation. The other countries, Bosnia and Herzegovina, Montenegro, and North Macedonia, fall in between these two ends of the continuum. NATO countries are fully aligned with the EU Common Foreign and Security Policy. While all the countries have Bilateral Investment Treaties with China and Serbia is negotiating a free trade agreement, it has become necessary to align with EU foreign policy, trade and investment regulations, particularly in light of the EU's changing relationship with China and the war in Ukraine.

Unlike other European countries, the Western Balkans (with the exception of Kosovo) have refrained from developing closer ties with Taiwan and respect the One-China Policy. In terms of the military and defence sector, NATO allies have refrained from any cooperation with China in recent years, while Bosnia and Herzegovina and Serbia have engaged in some military ties, including donations and acquisitions of Chinese military equipment.

Introduction

Rationale

Joining the EU has been the ultimate foreign policy goal of all the countries in the Western Balkans since the break-up of Yugoslavia and the fall of communism in Albania. Twenty years since the historic Thessaloniki Summit¹ of 2003 that enshrined the EU perspective for the region in both public policies and people's minds, only Croatia managed to join the EU, while the rest of the countries seem to be stuck in the waiting room as candidates for membership. The progress for all of them in moving from one to the next phase in the accession process has been incremental and lagging behind the expectations of the Western Balkan citizens. Back in 2015, almost half of them believed that their respective countries would join the EU by 2025,² a target that is clearly no longer achievable.

The current state of play in the EU integration of the Western Balkans leaves as much room for pessimism as for optimism. On the one

*EU - Western Balkans Summit
(Photo credit: Adnan Beci)*



hand, Montenegro and Serbia have been in the negotiation process for a decade, which exceeds the average time the countries admitted in previous enlargement rounds spent to complete the accession process. However, they remain far from receiving a target date to join the bloc: Montenegro opened all the chapters but closed only three, and Serbia opened twenty-two out of the thirty-five chapters and closed only two.³ Albania is on track to finish the bilateral screening and formally open chapters 23 and 24 by the end of the year (2023). Whether North Macedonia will advance in the same manner or not depends on the constitutional amendments that it has to make, which were requested by Bulgaria and became a part of the negotiation framework, as well as any further developments in their bilateral dispute. Finally, Bosnia and Herzegovina applied for membership in 2016 and received candidate status only at the end of 2022.⁴

The main reasons behind the current standstill, namely, those related to the "enlargement" fatigue on the EU side, and the "reform" fatigue on the Western Balkans side, have been amply discussed elsewhere and will not be addressed in this paper. This study examines one particular influence on the region's EU integration process: China's presence and activities in each of the five aforementioned countries. This topic is particularly relevant both at the domestic (Western Balkan) level, and at the global level for a number of reasons.

First, China's presence in the region has intensified in the past decade as all the Western Balkan countries joined both the China – CEE cooperation platform in 2012 and the Belt and Road Initiative (BRI). The results of the cooperation turned out to be quite different in different countries: while Serbia forged an "iron-clad friendship" with China,⁵ visible through a

number of tangible projects, investments and positive public perceptions, Albanian leaders express their utmost scepticism regarding the economic benefits for their country.⁶ The situation and positions of the other three countries are somewhere between these two extremes.

Second, the China-CEE cooperation was seen as a "Trojan horse" in Europe, an attempt to undermine the EU's strategy on China and its ability to speak in one voice.⁷ Applied to the Western Balkans case, the sub-region in the China-CEE cooperation composed of non-EU countries, this meant that closer cooperation with China could make them less compliant with the EU's joint positions and restrictive measures towards China. This hypothesis was tested in March 2021, when the EU introduced sanctions against four Chinese officials over human rights violations in Xinjiang, the first such move since the Tiananmen Square crackdown in 1989.⁸

Third, a number of scholarly articles have addressed concerns regarding different ways in which China's presence in the Western Balkans could potentially undermine the region's commitment to uphold European values, such as rule of law, good governance, environment, free media etc. Fourth, the global polarization driven by the deteriorating relations between China and the USA, EU and other developed countries, and exacerbated by the Russian aggression in Ukraine, has further complicated the positions of the Western Balkan countries. While some of them, notably the NATO members such as Albania, North Macedonia and Montenegro seem to make a difficult, but obvious choice to side with their Western partners, Bosnia and Herzegovina (especially Republika Srpska) and Serbia continue to value highly their relationship with China (and Russia).⁹ The real-life polarization tendencies have found a reflection in the scholarly literature, with an emerging European version of the "China threat theory" appearing alongside calls for further engagement with China.¹⁰

Local politicians have also played the China-card to convince the EU that it is time to take more decisive actions to spearhead enlargement and

not allow Chinese (and Russian) influence to expand in the Western Balkans.¹¹ On the other hand, for its part, China has been wary not to fuel the claims that it seeks to distance the Western Balkans from the EU. The EU was invited as observer in the China-CEE cooperation platform and Chinese embassies in the region constantly express their support for the Western Balkan countries bid to join the EU.¹²

Research Design and Methodology

In light of the above-mentioned, this study represents an attempt to provide a cross-country, comprehensive and in-depth assessment of the interplay between China's presence and activities in the Western Balkans and the region's obligations and commitments in the EU accession process, chapter by chapter. It aims to examine the Chinese approach, which sometimes undermines the EU integration process, the accession chapters where the Western Balkans need to be more vigilant to avoid potential pitfalls as a result of their cooperation with China, but also the chapters where Chinese presence is in line with or has the potential to support the countries' efforts to join the EU.

The main research questions that this study answers are the following: In which negotiation chapters can Chinese presence be felt and associated with the EU accession? In which chapters do Chinese activities exert influence that goes against the alignment with the EU *acquis communautaire* or the practical implementation of the harmonized (national) legislation? What are the main reasons for that outcome – is it due to China's approach, domestic agency or geopolitical factors? How can the negative consequences of China's presence be eliminated or at least minimised? What are the chapters where Chinese influence could be beneficial to the countries' EU accession?

In order to respond to these questions in a manner that would allow for cross-country analysis and comparison, we developed a

matrix based on the chapters and areas (sub-chapters), and the key aspects of the EU *acquis communautaire* in each chapter and area. The matrix included a description of the topics and objectives addressed in each chapter, key questions that should be answered in order to have an overview of China's impact, specific examples, references and a concluding assessment of China's impact in each chapter (positive, negative, mixed – positive and negative, neutral or 'no link with Chinese presence').

Local researchers who consulted both primary and secondary data then completed the matrix. Namely, they used existing statistical databases, official statements and documents, media articles, as well as data and analyses from previous scholarly literature. In some cases where there was not publicly available data, researchers resorted to freedom of information requests, unofficial communication and interviews with relevant stakeholders which have been anonymised and coded for the purposes of personal data protection. Once the matrix was completed, we analysed the collected data to produce a comparative, cross-country and cross-sectoral report, drawing general conclusions whenever possible, identifying patterns and tendencies and pinpointing salient exceptions.

The analysis follows the classification and structure into clusters of the new enlargement methodology adopted in 2020, grouping the chapters into six clusters: Fundamentals; Internal market; Competitiveness and inclusive growth; Green agenda and sustainable connectivity; Resources, agriculture and cohesion; and External relations.¹³ In some cases, minor reshuffling, splitting or synthesising has been made across clusters and chapters to avoid redundancies or link related aspects to ensure clarity and coherence.

Fundamentals First: Rule of Law, Democracy, Good Governance and Human Rights

The cluster Fundamentals includes the chapters that represent the backbone of the EU accession, or the core values that underpin the functioning of democratic societies. Chapters 23 and 24, which are at the heart of this cluster, are the first to be opened and the last to be closed in the negotiation process. Readiness for membership in this area goes largely beyond the realm of technical transposition of the *acquis*, and draws on Article 2 of the Treaty on the European Union which states that: *"The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail."*

At the same time, this is the area with the most profound differences between the EU and the aspiring countries on the one hand, and China on the other, which are rooted in their inherently different conceptions about the foundations of political order and the role of the state. Different governance traditions, historical experiences and philosophical strands have contributed to different understandings of these fundamental concepts in China and in Europe, to a point where the activities of the EU and China in the Western Balkans sometimes lead to ultimately opposite outcomes. While the basic principle of China's foreign policy is non-interference in other countries' internal affairs, its business-driven activities and negligence of the core democratic values in its own approach often undermine the objectives of the Fundamentals cluster as defined by the requirements to join the EU. This is especially visible in Chapter 23 – Judiciary and fundamental rights, where many Chinese-funded

infrastructure projects and direct investments are implemented in disregard of the good governance and rule of law standards.

*Chapter 5: Legal obligations stemming from the national legislation on public procurements and its alignment with the EU *acquis* are sometimes circumvented, favouring Chinese companies*

One of the most visible aspects of China's presence in the Western Balkans is the implementation of large infrastructure projects constructed, and often financed, by Chinese entities. The total amount of projects funded through loans by the Chinese Export-Import Bank alone exceeds €14 billion in the period 2000-2021 and this amount is topped by grants and funding from the Chinese commercial banks.¹⁴ Projects that are merely built by Chinese contractors abide by the rules of the lender or donor, usually European banks such as the EIB or EBRD, in terms of tendering and implementation. Projects funded with Chinese loans follow the provisions of bilateral agreements in force, the guidelines of the Chinese lender and the contractual obligations signed between the government and the Chinese contractor. For the purpose of those projects, and even some projects funded from the national budgets and awarded to Chinese companies, the governments in the region have shown readiness to bend the national laws in the area of public procurement and make additional concessions to the benefit of the Chinese side.

Namely, the Government and Parliament of Serbia, the country with the lion's share (two-thirds) of both Chinese loans and contracts awarded to Chinese projects, introduced a series of legislative measures and procedures

to expedite Chinese projects and push through those with dubious environmental impact. While the exemptions applied to the cooperation with China in this regard go back to a bilateral agreement signed in 2009 (with its three annexes),¹⁵ two recent laws further expand the privileges: the Law on Public Procurement, enacted in 2019, and the Law on Special Procedures, enacted in 2020.

The Law on Public Procurement has been subject to scrutiny by international experts, who have highlighted its shortcomings compared to previous regulations. Concerns include diminished transparency, elevated cost thresholds for public procurement, increased discretion in contract awarding, and the potential for abuse of the negotiating procedure. Overall, this law is considered to have negative impact on regulations pertaining to environmental protection, access to public information, and fair competition.¹⁶

The Law on Special Procedures applies to the implementation of projects of special importance for the Republic of Serbia and its national interest. However, it lacks a clear definition of what constitutes "special importance" or "national interest" and enables the government to label infrastructure projects as urgent, thus bypassing the prescribed public procurement procedures.¹⁷ Instead, these projects are subject to special procedures and justified by the strategic partnerships of exceptional significance for the Republic of Serbia, as the one with China. It is under the purview of this law that the government commenced the construction process for the Belgrade-Zrenjanin highway without a public tender and awarded the contract to Shandong High Speed.

Similarly, in 2013 Montenegro and China signed a Framework Agreement on infrastructure cooperation, stipulating that the two sides shall put their mutual cooperation first in cases of open or restricted tenders or direct negotiations for infrastructure projects, subject to national legislation.¹⁸ The Agreement in its initial version referred only to concessions and was amended in

2014 to encompass the scope of the Bar – Boljare highway.¹⁹

In the cases of Montenegro and North Macedonia, two controversial contracts for the construction of highways were concluded following simplified procedures. In Montenegro, a public call for the expression of interest was launched, and in North Macedonia there was a call for offers sent to Chinese companies pre-selected by the Chinese government as potential contractors. The contracts and the sovereign guarantees for the loans were then approved by the national parliaments. There are additional important similarities in both projects: they were considered of strategic importance by the national governments, assessed as not economically and financially viable by international financial institutions and subsequently turned down for funding by Western financiers, leaving China as the only funding source. In both cases the construction was highly problematic, with cost overruns and significant delays due to poor planning and quality of the documentation. Finally, an important part of the contracts and project documentation never saw the light of day, despite recurrent demands of local CSOs and journalists, sowing doubts regarding potential irregularities, misuse and even abuse of funds.

The case of Bosnia and Herzegovina is similar, with a number of secretive contracts²⁰ signed between the authorities of Republika Srpska and Chinese companies for the highways Banja Luka-Prijedor Novi Grad, Banja Luka-Mlinista, Brcko-Bijelina and Vukosavlje-Brcko. Albania is the only country that has not implemented any infrastructure projects with Chinese loans in the framework of the BRI or China-CEE cooperation.

Chapter 23: Inspection services and judicial authorities often fail to properly investigate and sanction non-compliance by Chinese companies

In Albania, the biggest Chinese direct investment of GeoJade in Bankers' Petroleum has seen numerous controversies and disputes. The company has been accused by local farmers of

polluting the land around its area of operations (see Chapter 27); by employees of discrimination and corrupt practices among senior officials;²¹ by local refineries of violation of competition practices (see Chapter 8). Nevertheless, none of these cases has seen serious activities by the local authorities to hold Bankers Petroleum accountable. Most of the administrative and judicial procedures have ended favourably for Bankers and some of them have even been dismissed on procedural grounds without proper investigation, despite the gravity of the allegations.²² Out of two fines imposed, one (by the Customs Office) was suspended by the Ministry of Finance and one (by the Competition Authority) was considered too low in terms of amount to further deter unlawful behaviour. Similarly, in the case of Montenegro, the fine imposed on China Road and Bridge Corporation (CRBC), the Chinese company building the Bar-Boljare highway, on the grounds of environmental damage, assessed to be irreparable by local activists, amounts to only €20.000.²³

The situation is very similar in Serbia where, despite the absence of legal proceedings and conclusive court outcomes, the mere lack of transparency and disregard for proper procedures has created room for corruption and undermined rule of law. Competent authorities often do not bother to conduct field investigations and inspections, or provide only "cosmetic" solutions, despite having received 200 complaints on the grounds of environmental, labour or property rights violations against Chinese companies.²⁴ The most controversial activities include the over-exploitation of the copper mines in Bor by Zijin Mining, the dreadful conditions of Vietnamese workers hired to build the Linglong factory in Zrenjanin, or public health concerns in Smederevo due to the operations of the steel mill owned by Hesteel. In the rare cases accepted and processed by competent judicial authorities, infringements have been confirmed, such as the approval of environmental and social impact assessments or construction permits based on incomplete data or documentation.

In the case of North Macedonia, there have also been allegations that the biggest Chinese-funded

project to build two highway sections brought about violations in terms of the environmental norms, occupational health and safety standards, which went by, however, without a proper investigation.²⁵ Also, Chinese companies in Bosnia and Herzegovina are generally not controlled by inspections, despite the multi-million value of the contracts that they are implementing and inherent project risks.²⁶ Moreover, corruption concerns related to such major infrastructure projects have not been investigated by the prosecution authorities either, despite allegations by investigative journalists and activists.²⁷ The only exception is North Macedonia where there was an indictment against high-level government officials who allegedly received bribe for awarding the highway contract to Sinohydro. The case was dismissed, however, by the competent court in 2019 due to the statute of limitations.

In the case of the Bar-Boljare highway construction in Montenegro, two court proceedings against CRBC are still ongoing. In the first one, launched by the civil society organisation MANS on the grounds of illegal works and excavations on the Tara River, which caused environmental damage, a number of criminal charges have already been dropped by the first instance court in Kolashin.²⁸ In the second case, launched by the fishermen's association on the basis of loss of biodiversity and fishing revenues,

*Bar - Boljare highway in Montenegro
(Photo source: Balkan Insight)*



there was an initial ruling by the first instance court stating that CRBC should pay damages in the amount of €200.000, which was later overturned by the higher court.²⁹

Chapter 23: Clientelistic and patronage networks enable Chinese influence over policy and decision-making, fuelling corruption concerns

In a region like the Western Balkans where corruption is a widespread phenomenon and universally applied rule of law seems to be a distant objective, China has sought to develop good relationships with public officials across political lines that allow furthering of mutual interests. In the case of China, it is the business interests of Chinese companies and banks, and in the case of domestic actors, it is often the business interests of individuals and companies close to the ruling elites.

The most notable example is the “iron-clad friendship” between China and Serbia that has advanced largely owing to the close relationship with China of President Vucic and his entourage. In Montenegro, the contract for a billion-dollar highway section was signed by a government led by the DPS party of former president Milo Djukanovic. The company of Djukanovic’s son, Bemaks, participated in a consortium led by the Chinese Dongfang Electric to conduct the ecological overhaul of the Pljevlja coal power plant.³⁰ In Bosnia and Herzegovina’s Republika Srpska, Chinese companies (in addition to Turkish) seem to be the preferred partner for almost all the major infrastructure projects, in contracts that are usually concluded without an open and competitive procedure and are not available to the public.³¹

There has not been evidence that China has attempted to influence elections in the Western Balkan countries, nor of an ideological motivation behind its cooperation with political actors. Instead, China seeks to maintain open and constructive relations with all political parties and the main motivation seems to be the willingness to accommodate business interests and advance

the bilateral cooperation. In North Macedonia, the centre-right government led by VMRO-DPMNE signed the controversial contract to build the so-called “Chinese highways” in 2013. Then, the centre-left government led by the SDSM, which came in power in 2017, had the justification and opportunity, but did not terminate the contract. Instead, they signed an additional annex worth almost €200 million to cover cost overruns and approved the extension of deadlines.³²

In Albania, some local activists consider the centre-left government of Prime Minister Edi Rama too supportive of the Chinese Everbright company, initially helping them to win the concession over Tirana International Airport by selectively disclosing information to the other bidders, then by “forgiving” the company a debt of €84 million to the national budget on the grounds of profit tax.³³ This is in line with China’s approach already documented in a number of countries across the world, where it courts current and former officials with trips, presents and other favours in exchange for access to policy and decision making.

Chapter 24: The balance between security and human rights leans towards the protection of human rights

The cooperation with China in the area of security has been quite limited in most of the countries in the region. There is a widespread awareness, especially among NATO members, that cooperation with China in this area could entail risks. The exception is Serbia, which organised joint police patrols with Chinese law enforcement reportedly to make Chinese tourists feel safer in Serbia. However, some scholars interpreted the choice of cities as an indication that the primary goal was providing protection for Chinese companies, especially in Smederevo and Novi Sad where the number of tourists is quite limited, but there are important Chinese investments.³⁴

Moreover, the Serbian government went a step further in its cooperation with Huawei in the area of information infrastructure, as it entrusted

the Chinese company to develop a smart city concept for the capital, Belgrade. With a stated aim to enhance public safety and security, in 2019 Serbian authorities purchased and installed over 8.000 Huawei street cameras that support facial recognition. The use of this feature has not been enabled yet, because of opposition by human rights and privacy advocates who put forward the human rights risks associated with the use of such intrusive technology, as well as the fact that its use is not regulated in Serbia, nor allowed under EU regulations with the exception of very limited circumstances.

From a formal point of view, most of the countries do not have extradition treaties with China in place, which could serve as a potential protection against China's arbitrary targeting with the purpose of extradition. The only exception is Bosnia and Herzegovina, which has an extradition treaty in place since 2013.³⁵

However, despite the lack of legal grounds, the Albanian authorities have already seen requests by their Chinese counterparts to extradite Chinese citizens. 16 years ago, Albania offered protection to five Uyghurs accused by China of terrorism, but "cleared" by the US.³⁶ In 2022, China requested the extradition of one citizen accused of a fraud worth €140 million, which was approved by the Tirana Municipal Court and the Appeal Court.³⁷ The verdict was then overruled by the Supreme Court, which examined the possibility that the person could be prosecuted for political reasons.

Chapter 24: Expected economic opportunities could drive visa policies in a wrong direction

The prospects of attracting more Chinese tourists, business people and potential investors have been the main drivers of the Western Balkans increasingly loose visa policies towards China, leading to backsliding in their alignment with the EU. Serbia was the first country to introduce a visa-free regime in 2016, followed by Bosnia and Herzegovina in 2018. Albania initially introduced a visa exemption for organised tourist groups during the holiday season in 2017 and gradually

expanded the visa liberalisation to other categories of travellers until January 2023, when it fully scrapped visas for Chinese nationals to stay in Albania up to 180 days. In addition, Albania had introduced a Golden Visa programme which provided Chinese citizens (as well as those from other countries) with an opportunity to obtain long-term residence permits when they purchased real estate. The programme was suspended after the EU raised a red flag in its 2021 country report and threatened to suspend Albania's visa free travel regime to the EU,³⁸ a move that was seen as unfair in the country as some EU member states have similar programmes in place.

As for Montenegro, its policies allow Chinese citizens to transit or stay in the country as part of organised tourist groups up to 30 days.³⁹ North Macedonia is for the time being the only country that is fully aligned with the EU's visa policy towards China, despite the fact that the visa issue has been put on the policymaking agenda several times and national authorities have pledged to reciprocally abolish visas.⁴⁰

Internal Market: Economic Benefits and Potential Risks

The *acquis* related to the internal market accounts for approximately two-thirds of the total *acquis communautaire*. It is also the initial reason behind the creation of the European Union and one of the most powerful drivers of the accession process. The European single market provides companies from the new entrants with unhindered access to more than 400 million consumers and their citizens access to a greater variety of goods and services at more competitive prices. At the same time, when the Western Balkans join the EU, the alignment in this area will ensure freedom of movement between the EU and the region, across four dimensions: goods, people, services and capital, providing citizens, residents and companies in the acceding countries with new possibilities to travel, reside, study, invest, do business etc. This chapter aims to examine whether the cooperation of the Western Balkan countries with China has the potential to influence in any way the alignment with or implementation of the EU *acquis* in this area.

Chapters 1 and 28: Doing business with the powerhouse of cheap goods comes at a cost

China is one of the most significant import partners for all the countries in the Western Balkans and imports have increased manifold across the region, especially since the launch of the China-CEE cooperation platform. The most traded commodities include consumables, such as textiles, footwear, home appliances, electronics, toys, but also machinery, construction materials and medical supplies. Given the price range of Chinese goods when compared at the global level, their imports are significant for Western Balkan consumers who have the lowest purchasing power in Europe. Chinese companies are also the main suppliers of machinery and production inputs in a range of industries, including iron and steel

products, construction, textile, food processing, etc.

All the Western Balkan countries have Stabilisation and Association Agreements with the EU in place, allowing them free trade or preferential export schemes to the EU, which serves as an incentive for Chinese companies to establish their presence in the region and export to the European single market. This is notably the case with the big investments in the steel production industries in North Macedonia (Makstil) and Serbia (Smederevo steel mill), but also in the oil fields and chromium mines in Albania, as well as other smaller investments.⁴¹

None of the countries have made any derogations for the import of Chinese products that would go against the EU standards and rules. While they do not enjoy a positive perception and are considered of inferior quality, cheap Chinese products are welcome in the region due to their low prices. However, they have also been the reason behind the woes of domestic manufacturers whose products have become less competitive.⁴² The quality of the products has not always been up to the expectations of consumers, and there have been instances when Chinese goods were withdrawn from the market due to safety reasons. In the case of Montenegro and North Macedonia it was Chinese toys,⁴³ whereas in Bosnia and Herzegovina cosmetics, electronics and protective gear.⁴⁴

In 2019, an audit by the High State Control of Albania revealed that in 2017 and 2018, pesticides and other plant protection products, poisons and dangerous chemicals from China were allowed to enter Albania even though these products were prohibited in the EU.⁴⁵ In the same year, Dutch authorities in the port of Rotterdam blocked a container with Chinese pesticides bought by

an Albanian company. Moreover, there have been cases when Chinese products have been presented as Made in Albania, aiming to misguide consumers and authorities.⁴⁶ In the context of these safety and quality concerns, China has taken some steps in order to reassure consumers. The General Directorate of Standardisation of the Republic of Albania and the Standardisations' Administration of the People's Republic of China have signed an agreement with the aim to develop closer cooperation in standardisation.⁴⁷

Serbia is the only country in the region which started talks for a free trade agreement with China, which is expected to be concluded by the end of 2023. While the Serbian government is very enthusiastic about the agreement and expects great economic benefits, the expert community is more sceptical given the huge trade asymmetry between the two countries.⁴⁸ They even fear that the biggest benefit of such an agreement would be the scraping of tariffs on copper products, which represent the most significant export to China and a critical raw material that China needs to import to sustain a number of its industries, including electronics. The agreement would be in violation of the EU's trade policy, as trade is an exclusive competence of the EU and the European institutions are the ones to negotiate and sign free trade agreements with third countries. Such an agreement with China is not on the EU's agenda, hence Serbia would need to align its policy and renounce on free trade with China before it joins the EU.

Chapters 2, 19 and 23: Free movement of Chinese workers to compensate for local shortages, but different treatment based on the origin of workers

The biggest group of Chinese residents in the Western Balkans consists of Chinese workers temporarily hired by the Chinese companies. Most of them have established local presence, implement large infrastructure projects, acquired local assets or invested in local companies. The logic behind the "import" of Chinese workforce is to speed up project implementation or support investments and related operations, especially at a time when the region faces serious brain

drain and emigration of skilled workers. The percentage of Chinese workers to be hired on large infrastructure projects is laid down in the contracts and varies between 30% and 50%. For instance, Chinese immigrants in Bosnia and Herzegovina are usually workers hired by the Chinese companies present in the region and account for approximately 20% of the foreign residents.⁴⁹ A smaller number of Chinese residents is attributed to Chinese students or entrepreneurs and their families who tend to stay in the region on a more long-term basis.

The number of residence permits issued to Chinese citizens in 2022 ranges around a couple of hundred per country, everywhere except for Serbia, which is estimated to be the home of around 4.000 Chinese,⁵⁰ and the destination of an even higher number of temporary Chinese workers.⁵¹ Serbia is also the exception when it comes to regulating the stay of Chinese workers, as it offers companies the possibility to establish work relations under the Chinese, and not the Serbian law on the employment of foreigners and deprives them of national social insurance. The exception in the form of a bilateral agreement was approved by the Serbian Parliament in 2018 and implies that Chinese workers enjoy less protection against their employers, as the jurisdiction of the Serbian inspection services is curtailed.⁵²

In the cases of Zijin Mining and Linglong's investments in Serbia, there is evidence of severe exploitation, with excessively long working hours, absence of rest days, confinement within living quarters without the freedom to leave the premises, inadequate healthcare provisions, overcrowded dormitories lacking minimum acceptable living standards and hygiene, irregular or non-payment of wages, signing blank contracts, and handing over passports to the employer, all of which verges human trafficking.⁵³ In addition to enjoying special regulations, Chinese investors, namely Hesteel, have also engaged in lobbying to introduce general amendments to the Labour law aimed to allow for greater discretion for employers in layoff procedures.⁵⁴ In Albania, there have been accusations of discrimination against local staff by Chinese

companies when it comes to salaries, social contributions and working conditions. Chinese companies tend to hire the Chinese workers under a foreign employment contract, which provides Chinese workers with higher salaries and lesser deductions of taxes or social contributions, which is legal under local laws, but goes against the non-discrimination principle in employment and social policies of the EU.⁵⁵ One other common policy of Chinese companies is to provide local staff with short term service contracts in order to circumvent collective agreements.⁵⁶

Chapters 4 and 9: Financial and banking operations are usually unproblematic, the “devil’s in the purpose”

All of the Western Balkan countries have implemented relatively loose rules when it comes to the free movement of capital, allowing foreigners, including Chinese citizens to purchase land, business assets, real estate, securities etc. While the objective of such measures was to spur domestic economic development and encourage foreign investments, the results when it comes to the presence of Chinese capital have thus far been limited, primarily due to the low interest on the Chinese side. In recent years, however, there have been changes as the region has become more attractive for Chinese entrepreneurs and business people in specific sectors. For instance, in order to circumvent the ban on the exports of raw wood from Bosnia and Herzegovina, Chinese entrepreneurs have already purchased three wood processing plants in the country.⁵⁷ In Serbia, following the investment of Zijin Mining in the copper and gold mines in Bor, the company started to actively buy land and property in the region from local residents in order to expand the mine, sometimes in violation of the expropriation procedures.⁵⁸

In most cases, such transactions are made in the local currencies, USD or EUR as the widely used currencies in the region. While the RMB is available as a currency traded in the local exchange markets, Albania and Serbia are the two countries that have made RMB more available in an attempt to boost trade, tourism and inward

investments. Namely, in 2014, the Albanian and Chinese central banks signed a currency SWAP agreement in the amount of €250 million, which were made available to the commercial banks for transactions. The agreement was renewed in 2018 for additional three years.⁵⁹ In the case of Serbia, the agreement was signed in 2016 for an amount of approximately €200 million.⁶⁰

The only country with registered operations of a Chinese bank is Serbia, where the Bank of China established a branch in 2017. Its initial presence in Serbia aimed to provide financing for joint ventures between Chinese and Serbian companies in third markets. Over time, however, the bank expanded its operations to include services for the general population.

Chapter 6: The interest of Chinese entities to acquire assets and do business in the region is limited, but on the rise

Most of the Western Balkan countries offer generally favourable conditions for starting a business, which is helpful for Chinese companies and entrepreneurs who do not benefit from any derogations. Nevertheless, in some countries a number of irregularities have been noticed indicating that Chinese companies (and not only them) are abusing the lax approach. For instance, in Bosnia and Herzegovina there have been cases of: several Chinese companies registered on the same address; the address not being really the place of activity for that company; companies which are awarded multi-million contracts but operate without a single employee; or Chinese companies exchanging between them the same employees in order to show that they do have workforce when it is required by legal procedures.⁶¹

In terms of company registration, operational processes, audits and financial reporting, in Serbia there are claims that competent authorities overseeing the accuracy of the related documents adopt a less stringent approach when dealing with Chinese companies.⁶² It is often suggested that either inspections do not scrutinise Chinese companies, or if they do, they provide

prior notice, implying a more lenient approach compared to other entities. A similar situation has been noted in Albania, where the 200 registered Chinese companies are said to navigate well the environment dominated by corrupt and clientelist practices and to circumvent the transparency requirements in their auditing, accounting and financial reporting.⁶³

Chapter 7: Intellectual Property Rights (IPR) are to be protected

Both in the framework of the BRI and on a bilateral basis, China has shown willingness to work with the Western Balkan countries on the protection of IPR. To that effect, the State Intellectual Property Office of the People's Republic of China and the General Directorate of Patents and Trademarks of the Republic of Albania signed a Memorandum of Cooperation in 2016, which was renewed in 2021.⁶⁴ Through this agreement, the two offices agreed to cooperate in the development and the expansion of their respective industrial property systems. The cooperation activities cover the field of automation, patent information processing, and services provided to the public. The Chinese government also offers scholarships for Albanians to obtain a Master's degree in Intellectual Property Law.⁶⁵ According to the annual report of Albania's General Directorate of Patents and Trademarks, Chinese entities accounted for 1% of all the applications in 2021 and 24% in 2022.⁶⁶ In April 2023, the Foreign Trade Chamber of Bosnia and Herzegovina organised a webinar on intellectual property protection inviting companies that consider outsourcing their production to China or seeking a local Chinese partner to apply.⁶⁷

Chapters 8 and 16: Special benefits for Chinese companies in some of the countries distort competition, discriminate against domestic and other foreign economic operators and violate national legislation and EU acquis

Chinese companies hold a dominant position in different market segments across the Western

Balkans: in Albania they have a quasi-monopoly in oil, chromium and copper extraction and in Serbia they have a dominant position in the production of copper. There have also been some incidents related to a breach of the national competition regulations. Namely, in 2018, the Albanian Competition Authority started an investigation against Bankers Petroleum to establish whether it has abused its dominance of oil production and trading after complaints from local refineries. They decided that the company had abused its dominant position and failed to apply equal trading conditions for same commercial actions towards the companies with which it had contractual relations.

In its 2020 decision, the Albanian Competition Authority imposed specific obligations to Bankers Petroleum to supply the companies in the domestic market in compliance with contractual relations based on the provisions of the Civil Code, to submit quarterly reports on oil costs, oil production and hydrocarbon operations, as well as a draft of every contract that it plans to sign with different refineries in order for the Authority to check if there is compliance with the requirements of the Law for the Protection of Competition.⁶⁸ The Chinese company did not comply with the obligations and the Competition Authority ordered it to pay a fine of €200.000.⁶⁹ In addition, Chinese companies are important recipients of state aid in some of the countries, namely Serbia and Bosnia and Herzegovina.

Zijin Mining Cukaru Peki copper and gold mine in Serbia (Photo source: Zijin Mining website)



Significant favouritism towards Chinese companies by Serbian authorities in this domain is evident through two discernible practices. First, public procurement processes have been tailored to favour only a select few or a single bidder (mainly a Chinese company), using practices which include unreasonably short application deadlines. This contradicts EU standards that stipulate a minimum public procurement announcement period of 30 days.⁷⁰ Second, there have been multiple cases of unlawful state aid to Chinese companies, which threatens the rules of fair competition in the market.

There are indications that the State Aid Control Commission (SACC) allowed unlawful state aid to Shandong Linglong Tire Co. Ltd. in 2020, amounting to €83.5 million for the construction of a tire factory in Zrenjanin.⁷¹ The investor and the Ministry of Economy failed to report to the SACC the full extent of the provided state aid. Furthermore, the SACC did not take into account the indirect aid received by the company in the form of infrastructure construction financed by public funds. Under the Law on State Aid Control, state aid should not be granted until the SACC issues a decision verifying compliance with state aid control regulations. It remains unclear how this issue was brought before the SACC only over a year after the contract was signed. The SACC's approval of this state aid was justified by arguing that Linglong's investment contributes to public interest and has a stimulating economic effect. However, such conclusions were based solely on the investor's statements, without a proper evaluation of concrete material evidence.⁷²

Moreover, Chinese companies, such as Zijin and Linglong, are also considered to benefit from tax exemptions and lax approach by the tax authorities, which can also be considered a form of indirect state aid. Data regarding these allegations is not available as the authorities do not provide responses to the requests for public information submitted by journalists or civil society organisations.⁷³

Another telling example is the construction of an additional block to the Kostolac thermal power plant, following on an agreement signed in 2015.

Serbia secured a loan of 608 million USD from the Chinese Export-Import Bank for this project. The process of approving the Chinese loan was criticised by the European Commission, and the financing of the power plant was found to violate the Energy Community rules on state aid.⁷⁴

In North Macedonia and Montenegro, state aid controversies are not exclusively related to Chinese companies, as they benefit from the same privileges available to other foreign companies. In North Macedonia, they are related to subsidies and tax exemptions to establish and operate production plants in the Technological and Industrial Development Zones. In Montenegro they are related to exemptions of VAT, excise and other public duties on imports related to the implementation of infrastructure projects. In the case of Albania, Bankers Petroleum is said to have used every possible legal loophole to avoid paying profit taxes. They have put forward different taxation concepts, namely the difference between accounting and fiscal profit, claiming that their capital expenditures and other charges (sometimes artificially inflated) constantly lead them to fiscal losses, hence they have never had fiscal profit that can be taxed.⁷⁵

Competitiveness and Inclusive Growth

Potential Risks Associated with Chinese Companies and Banks

This section elaborates on the cluster Competitiveness and growth, which is associated with the presence and impact of Chinese entities in some critical or strategic sectors, namely technology, telecommunications and infrastructure. While the EU has developed norms and good practices in the related areas (ex. 5G Toolkit, rules related to the sound public finance management or to the implementation of large infrastructure projects), acceding countries have a lot of room for manoeuvre to choose with whom and how they want to do business. Hence, concerns related to geopolitics, security, good governance etc. are sometimes intertwined with the seemingly more favourable cost-benefit ratio of Chinese economic operators and banks.

Chapter 10: Huawei's regional monopoly was challenged over security and geopolitical concerns

Huawei was the preferred partner of all the governments in the region to establish and/or upgrade their telecommunications network until the fallout between China and the USA, which gradually led to an all-encompassing economic, technological, normative and ideological competition between the two global powers. All the Western Balkan countries have been affected by the rivalry that pushed them into choosing sides and influenced their preferences in the area of telecommunications.⁷⁶ Albania and North Macedonia, the two countries that have strategic partnerships with the USA, signed Memoranda of Understanding to join the Clean Network Initiative, a global partnership aimed at excluding unsecure vendors from the deployment of 5G technologies, tacitly implying Chinese companies such as ZTE and Huawei.⁷⁷ Subsequently, Huawei had to scale down its

operations in the area of supply to telecom operators, which accounted for the biggest part of its revenues in these countries, and maintained only the retail part, which was also affected by the global bans to use the applications and services of some Western companies, such as Google. In North Macedonia, Huawei was also the implementing company for an E-Education project funded with China's development assistance and aimed to connect all the schools and universities in the country and equip them with state-of-the-art networking equipment. While the first phase of the project, which covered the capital, Skopje, was completed in 2018, the second phase of the project, planned to cover the whole territory, has been stalled by the national authorities.

In the case of Bosnia and Herzegovina, although the country was lagging behind with the implementation of the 4G network, which further delayed its 5G rollout, in recent months there have been indications that it will opt for cooperation with some of the Western, not Chinese firms, similarly to Montenegro.⁷⁸ Huawei remains present in the region, though, through other initiatives such as research cooperation with universities, scholarship programs etc.⁷⁹

Most notably, it maintains a strong foothold in Serbia. The Washington Agreement signed in 2020 (on the economic normalisation between Serbia and Kosovo) aimed to curtail this collaboration by urging Serbia to prohibit the use of 5G networks acquired from 'unreliable sources'. However, this development did not significantly hinder the ongoing partnership, and the Huawei's Centre for Innovation and Digitalisation Development was inaugurated in Belgrade in the same year.⁸⁰

Chapter 17: Soaring public debt level in some of the countries has been a reason for concern

All of the Western Balkan countries, with the exception of Albania, have resorted to Chinese loans to implement large infrastructure projects under the BRI and China-CEE cooperation platform. This affected their national and public debt levels, and although real-time data is not available, drove some of them beyond debt sustainability levels. Montenegro has been the most often cited example, as it owes 17% of its total public debt to China (€702 million, as of 31 December 2022, although at the time of writing the Government was expected to pay back €60 million).⁸¹ In the case of North Macedonia, the loan from China's Export Import Bank for the highway construction drove the publicly guaranteed debt of state enterprises to 8% of the GDP in 2019.⁸² A 2019 Munich Security Conference study indicated that Bosnia and Herzegovina owed 14% of its total foreign debt to China,⁸³ although it is to be noted that in the meantime some of the projects were suspended, delayed or permanently abandoned and new ones were announced.

Based on data from the Public Debt Administration, Serbia currently carries a liability of €2.26 billion to the Export Import Bank of China. However, it is important to note that the amount of €2.26 billion is significantly less than the total contracted volume of loans with this bank which raises to approximately €14 billion, and other projects are in the pipeline to be financed with Chinese loans.⁸⁴ Additionally, there is a debt of €23.78 million owed to the Hungarian branch of the Bank of China. At the moment of writing, Serbia's overall foreign debt exceeds 24 billion euros.

There has been no public evidence of China leveraging Serbia's debt to advance its own interests. However, given the high level of dependence, it could play a significant role in obtaining favourable conditions for Chinese businesses, circumventing domestic legal regulations, and mandating the involvement of Chinese companies in major projects. The "debt trap" assumption which has been put forward initially in the case of Montenegro and extended

to a "theory" that China seeks to confiscate Montenegrin sovereign land, has been often generalised as a risk for all the countries receiving Chinese loans. While this theory has been debunked,⁸⁵ the fact that China holds in some cases a significant percentage of the debt and the asymmetry in the signed loan agreements (arbitration in Beijing, applicable law is Chinese law) make those countries potentially more vulnerable to Chinese pressure, especially on foreign policy issues.⁸⁶

There are allegations that Serbia has requested debt rescheduling from China, but China declined the request.⁸⁷ At the same time, China has demonstrated tolerance towards Montenegro when the country was unable to service its debt for the purchase of two commercial ships and rescheduled the payments.⁸⁸ Albania is the only country that has not used Chinese funding for infrastructure projects in recent years, although in the past, during Communist times, it received a total of \$10 billion in grants and \$7.5 billion in interest-free loans,⁸⁹ and more recently it borrowed \$126 million under a bilateral financial agreement, to be repaid over 12 years with a 3.5% interest rate.⁹⁰

Areas under the Exclusive Purview of Acceding Countries

This section covers the remaining areas that are not directly related to the *acquis* and its implementation, but relate to cooperation mechanisms and "soft" measures, including people-to-people exchanges, science, education, culture, media and civil society. Hence, this section provides a more general overview of the Western Balkan countries' cooperation with China in this area and does not aim to establish compliance or the lack thereof with the requirements stemming from the accession process. It is only tangentially related to the EU integration and aims to examine the concerns voiced in relation to China's soft power and influence operations that aim to promote China's ideology, values and political ideas, which in many instances are fundamentally different from those of the EU.

Chapters 23 and 10: Media freedom is not at risk, but Chinese propaganda is on the rise across the region

China has used a diversity of tools and tactics to influence media narratives on China and international issues of major interest for the Chinese Communist Party (CCP). The most prominent strategies include the presence of Chinese state media outlets in local languages, cooperation between public broadcasters, using local outlets as proxies and co-opting local journalists. While these strategies do not represent a major threat for freedom of speech or the press, they are still aimed to stymie the diversity of views and opinions on China's domestic affairs and global footprint, to mitigate and when possible, eliminate criticism and to present an over-embellished and skewed portrayal of China, ultimately shaping public perceptions.

The most established CCP propaganda tool is China Radio International (CRI), which operates in Albanian, Serbian and Croatian, languages that are widely spoken across borders in the Western Balkans. More than a radio frequency, it includes websites and social media profiles that offer detailed analyses related to China's domestic, local and international developments from China's perspective, usually aimed to counter Western arguments and positions. China Global Television Network (CGTN) is also present in most of the countries through the cable and digital operators, as well as on social media with profiles in the local languages.

While there are no local media with Chinese ownership or acknowledged pro-China editorial policy, there are private outlets in some of the countries that can be singled out for their pro-China content. In the case of Albania it is Radio Ejani which broadcasts in the two major cities of Tirana and Durrës providing information about China. In Serbia, it is Welcome to Fun Radio (WTF), owned by a person with close ties to the ruling SNS party, which republishes CRI content. The magazines *Nedeljnik* and *Politika*, Serbia's oldest daily newspapers (50% state-owned), also have sections dedicated to promoting China and its presence in the country.

Public broadcasters seem to be the front-runners when it comes to direct cooperation with their Chinese counterparts. Serbia's RTS has a special slot dedicated to the promotion of Chinese culture and public, state-owned and pro-governmental media in Serbia in general have more positive coverage of China-related news. In Bosnia and Herzegovina, Republika Srpska News Agency and Federal News Agency have cooperation agreements with Xinhua.⁹¹ The Albanian Telegraphic Agency and Albanian Radio Television have signed cooperation and content sharing agreements with sister agencies in China, allowing them to present films, documentaries, children's films and other content which emphasises the historical bonds between the two countries or portrays China in an exclusively "rosy" manner.⁹²

In the case of North Macedonia, most of the promotional content is put forward through the Chinese Embassy and its links with local media outlets, including the Media Information Agency (MIA) and the National Broadcaster, MRT. There are also op-eds on regular basis published in both prominent media outlets, such as *Nova Makedonija*, and marginal internet portals, putting forward China's positions, as well as a TV show on *Telma*, a national television, sponsored by the Chinese Embassy and aimed to promote Chinese traditional and modern culture.

Finally, bilateral cooperation agreements in place in all the countries in the region open the possibility for local journalists, editors and media professionals to visit China, attend various training programmes and travel to regions such as Xinjiang or Tibet. The trips aim to show them the side of China that the Chinese government wants them to see, in order to encourage them to write and "debunk" the Western arguments on these sensitive issues.

Chapter 25: Scientific cooperation seems to develop at mutual satisfaction

Science and research is one of the areas with the most intensive cooperation between China and the region. While some Central and Western

European countries have noted concerns regarding the cooperation with China in this area, in the Western Balkans there is no public debate about the potential risks or any controversies in the cooperation. Many universities across the region have cooperation with Chinese counterparts and local stakeholders see it as beneficial for the Western Balkan countries, especially in a situation when China supplies funding for joint research projects, equipment and mobility, which is not readily available for the higher education and scientific institutions from domestic sources.

In North Macedonia, there is a Joint Commission for Scientific and Technological Cooperation and the total number of jointly implemented scientific and university projects in the five year period – 2016-2021, was 40. In the last call in 2021, there were 38 applications in the areas of biology, veterinary medicine, fishing, IT and automation, engineering, quality control, new technologies, medicine and telecommunications. The Ministry of Education and Science signed a Memorandum of Understanding for joint financing of research and development projects with the People's Republic of China, which is part of the Ministry's strategic plan for the period 2022-2025.

In Albania, there is an intensive research cooperation in the area of mineral extraction which mirrors the economic activity. The Chinese company Sinomine Resource Exploration established a daughter company in Albania, which works on the construction of mines and geological tests in cooperation with the Albanian Geological Institute. One of the main partners of the Albanian Geological Institute in the area of geology and mining is the Chinese Academy of Geological Sciences. The two institutions are cooperating in the estimation of geological resources, including gold and diamonds. China has significant presence in this sector in Albania through a cooperation agreement signed in 2014 between Arian Resources and the Chinese-owned company Sinomine Resource Exploration, which won the licence for the development and exploitation of the Perlat high-grade copper-gold project in Albania.⁹³ However, the inclusion of foreign companies and institutions (not only from China) in sectors related to the wealth of natural

resources in Albania is not seen positively by the public.

There is also an intensive cooperation in the area of agriculture and public health. Namely, in 2018, the Agricultural University of Tirana inaugurated the Albanian-Chinese Centre for Innovation, Science and Agricultural Technology. In 2019, the Albanian Institute of Public Health and the Chinese Centre for Disease Control and Prevention signed a Memorandum of Understanding, encouraging the two institutions to cooperate on disease monitoring, biosafety, occupational health, etc.⁹⁴ The past five years have also witnessed a noticeable intensification of the scientific cooperation between Serbia and China, a prominent example of which is the establishment of the Chinese-Serbian joint laboratory for natural products and the discovery of new medicines, known as *Materia Medica* in 2021.

Chapter 26: Cooperation in education and culture is multi-faceted and reflects China's ambition to further its soft power

The Chinese government through the China Scholarship Council (CSC) provides funding for various types of studies at universities in China, including undergraduate and postgraduate studies, as well as Chinese language studies. There is no publicly available information on the number of students from the Western Balkans studying in China, while the number of Chinese students in the region remains very small and far below the European trends.

While there are bilateral agreements in place and increasing opportunities to study Chinese language and culture,⁹⁵ both at universities and in the non-formal education, they are all set up and/or funded by Chinese entities. The Western Balkan countries do not have autochthonous Chinese studies nor developed awareness that such research activity should be developed and supported by domestic funds in order to ensure independence and sustainability. Currently, almost all research projects are implemented with foreign partners and financing, which makes it impossible to develop a genuinely regional perspective on the cooperation with China.

North Macedonia hosts the China-CEE Coordination Centre for Cultural Cooperation opened in 2018, which has largely become an “empty shell” with the demise of the multilateral platform. A Chinese culture corner was at display in early 2022 in Sarajevo on the occasion of the Chinese New Year and the opening of the winter Olympic Games.⁹⁶ In 2021, a first Chinese cultural centre was opened in Trebinje in Republika Srpska.⁹⁷ Additionally, China has allocated €45 million for the construction of a cultural centre on the site of the Chinese Embassy building in Belgrade that was destroyed during the NATO air campaign in 1999.⁹⁸

When it comes to Confucius Institutes, the landmark institution of Chinese public diplomacy, they are present in all the countries in the region: one in North Macedonia and Montenegro each since 2013 and 2015 respectively; two in Serbia, in Belgrade and Novi Sad; three in Bosnia and Herzegovina - one in Sarajevo in the Federation and two in Republika Srpska, in Banja Luka and in East Sarajevo. While they have been mostly active in the area of language and culture, in some countries, such as Albania, the Confucius Institute has engaged in cooperation in scientific research in areas like artificial intelligence and information technology.⁹⁹ However, in the Western Balkan countries, unlike other parts of the world, the Confucius Institutes have not become the subject of political controversy.

In Albania, one of the priority areas for cultural cooperation has been the protection, preservation, identification, documentation, and digitisation of cultural heritage, an area where arguably China has a lot of experience and expertise to offer.¹⁰⁰ China has also engaged in supporting friendship associations, such as the Sino-Albanian Youth Friendship Association, the Albania-China Cultural Association and Albania China Friendship Association. Similarly, in Bosnia and Herzegovina, a friendship association was established in 2014 and tasked with the dissemination of news and the promotion of Chinese culture. Later it transformed into a Centre for promotion and development of the Belt and Road Initiative. In 2021, the Centre started publishing a magazine *Glas Kine* (The Voice of China), in four issues per year.¹⁰¹ In North Macedonia, Chinese literature has become more

present in recent years. Namely, 50 out of the 90 Chinese titles that have ever been translated into Macedonian, have been published since the beginning of 2018.¹⁰²

China has also attempted to penetrate civil society and the think tank community, but in line with its preferences to work with state actors. Namely, Bosnia and Herzegovina signed a bilateral agreement with China at the level of state institutions to promote the cooperation in the area of media and think tanks. The agreement seems to be in contradiction with the fact that most media and think tanks in the Western Balkans (unlike in China) are not state-owned and base their credibility on the attempt to remain objective and independent from all types of influence, including state authorities.¹⁰³ In North Macedonia, the Chinese Academy of Social Sciences signed Memoranda of Understanding with MANU - the Academy of Arts and Sciences in 2018 and the Institute for Geostrategic Studies in the Ministry for Foreign Affairs in 2017.¹⁰⁴ In recent years, however, Chinese entities have started to support non-state institutions – NGOs, on the basis of smaller projects that promote the respective countries cooperation with China or the BRI.

Magazine Glas Kine (The Voice of China)
(Photo source: Glas Srpske)



Green Agenda and Sustainable Connectivity

This cluster includes the chapters related to connectivity, infrastructure, energy and environment, areas of special interest or particular impact for China's activities in the Western Balkans. Hence, the following section will examine China's presence in these areas, whether – and to which extent its various economic activities – investments, loans, concessions and other types of public and private contracts support or undermine the countries' efforts to uphold the EU acquis, principles and best practices.

Chapters 14 and 21: Great potential for cooperation in the area of transport, provided that the EU and national rules are followed

Chinese companies work on road, and to a lesser extent, rail infrastructure has been one of the most visible aspects of China's presence in the Western Balkans. In Serbia, it started as early as 2009 with the construction of Pupin's Bridge and continued with a number of highways, including sections of the Milos Veliki highway (so-called Corridor 11), Novi Sad – Ruma, Belgrade ring road, and the modernisation of the Belgrade-Budapest railway (Corridor 10). In Montenegro, Chinese loans were used to buy two commercial ships and to build the Smokovac-Matasevo section of the Bar-Boljare highway (Corridor 11), while the Budva – Tivat road, to be funded from the national budget, was also awarded to a Chinese company in a competitive procedure.¹⁰⁵ In the area of rail, a Chinese company completed the rehabilitation of the Kolasin-Kos railway, using EBRD funds.

In North Macedonia, Sinohydro is the Chinese company that is building the highway section along Corridor 8 and completed a branch of Corridor 10, from Miladinovci to Shtip, both funded with Chinese loans. The same company

also won the open and competitive bids to build the regional roads Kocani-Krupiste in 2019 and Faris-Drenovo in 2020, both funded by the EBRD. Another EBRD loan was used to purchase six electric trains and locomotives in 2017.

Chinese companies are also building a number of highways in Bosnia and Herzegovina (see chapter 5), including a section of Corridor 5c which is funded by the EBRD and EIB.¹⁰⁶ One of them is also involved in the reconstruction of the Sarajevo tram.¹⁰⁷ At the same time, Albania is the only country where Chinese companies failed to secure contracts in the area of transport, despite several attempts, namely in the context of the Arber Highway, Adriatic-Ionian highway and Shengjin Port. The only initially successful deal related to the concession of Tirana Airport ended four years later when the investor, Everbright, sold the concession to a local company and left.

China's involvement in transport infrastructure includes many projects of interest to the EU and the construction of road and railway sections along both the key trans-European corridors (TEN-T) and the comprehensive network.¹⁰⁸ More synergy in funding, priorities and projects between China, the EU and national authorities to speed up the region's infrastructure development would arguably be of great benefit both for the Western Balkan citizens and companies, as well as for the accession process. It will help the countries achieve the benchmarks in the related chapters and accelerate their economic convergence with the EU average. However, profound concerns remain regarding the implementation modalities of Chinese-funded transport infrastructure projects, which have been present, but less pronounced when Chinese companies are only contractors of projects funded by other donors and lenders and need to abide by their stringent rules.

Chapters 15 and 27: Energy and environment – a mixed bag of potential and controversies

The energy sector has been one of the areas of major interest for China in the Western Balkans. This has been largely driven and enabled by the demand of domestic governments and their desire to increase the countries' energy sufficiency, and is bound to gain in importance with the war in Ukraine and the Western Balkan's commitments under the Green Agenda.¹⁰⁹ Oftentimes, however, China's plans included the construction or modernisation of fossil (coal) plants in projects that did not meet the environmental sustainability criteria of Western donors and lenders. This is the case of a number of built or contracted thermal power plants (TPPs), including Stanari and Tuzla in Bosnia and Herzegovina, as well as Kostolac in Serbia. A few additional TPPs have been announced or pledged, but the construction plans were abandoned, probably because of a mix of EU conditionality, national environmental commitments, negative public opinion and China's pledge to stop investing in fossil fuel projects abroad. This is the case namely of Banovici, Gacko and Kamengrad TPPs in Bosnia and Herzegovina, as well as Kolubara in Serbia, while the construction of a new block in the Tuzla TPP was started and then halted for similar reasons.¹¹⁰ Conversely, a Chinese consortium won the tender for the reconstruction of TPP Pljevlja in Montenegro in an attempt to introduce the highest EU standards in environmental protection.

At the same time, China has also sought opportunities to engage in the production of renewable energy, an area where arguably it has extensive experience, expertise and a comparative advantage given that it is the biggest world producer of related equipment. Its presence in renewables in the Western Balkan region started with the construction of the hydropower plant (HPP) Kozjak in North Macedonia, completed in 2004. Following the successful completion of this project, China showed interest in the Vardar Valley, a mega-project which includes the construction of 12 hydro power plants along the river Vardar up to the Greek border, valued at €1.5

billion.¹¹¹ Despite the fact that the Government signed a Memorandum of Understanding with the company China Water Electric (CWE), the project never saw the light of day.

During the same period, China lent Albania US\$100 million to finance the construction of the Bushat Hydropower Station.¹¹² The station was built by CWE between 2001 and 2008. The loan ballooned to US\$150 million and was to be paid off over 12 years at 3.5 percent interest, adding more than US\$60 million to the cost.¹¹³

The Chinese company Gezhouba was awarded the contract to build HPP Dabar in Bosnia and Herzegovina, part of Gornji Horizonti project.¹¹⁴ However, the project may encounter challenges as Croatia announced that it would report Bosnia and Herzegovina to the EU institutions because of the projected negative environmental impact of the construction which is likely to be felt in Croatia.¹¹⁵ China has also engaged in wind projects. Namely, Chinese companies invested in the construction of the Ivovik wind farm in Tomislavgrad, Herzegovina region and Mozura wind park in Montenegro.¹¹⁶

Moreover, the presence of Chinese companies and entrepreneurs in Bosnia and Herzegovina has been associated with environmental negligence, by the nature of the economic activities, but also because of unlawful or irrational exploitation of natural resources. Namely, raw wood exports

*Mozura wind farm in Montenegro
(Photo source: China Daily)*



from Bosnia and Herzegovina to China are encouraging illegal logging, which is a cause for environmental degradation.¹¹⁷ There are also reports of illegal stone extraction at the location of Vaganj in Livno municipality.¹¹⁸

In Albania, the activities of Bankers Petroleum are associated with air, water and soil pollution, a phenomenon which had started even before it was acquired by the Chinese. In 2022, the Albanian National Inspectorate for Territorial Protection fined the company and suspended its activity for contaminating the area in which it operates. The Inspectorate found that the company did not respect its environmental obligations for the removal of hazardous waste and as a result contaminated the area. So, it imposed an administrative penalty in the amount of €100.000 to the company and suspended its activities for 6 months.¹¹⁹ The residents of the area where the extraction and processing of hydrocarbons is carried out complain on a regular basis about the pollution and its impact on their agricultural activities. Many of them have initiated civil lawsuits against the company, asking for compensation. In the context of this reality, the company has taken some measures in order to change the negative image, announcing a US\$ 7 million investment plan for the hydrocarbon waste treatment and a sludge treatment facility for reducing oil related waste in the Patos-Marinza oilfield.¹²⁰

In January 2021, a group of 26 members of the European Parliament expressed their concern about the adverse environmental impact caused by Chinese investments in Serbia, echoing the concerns voiced by local activists over the past few years.¹²¹ According to a report published in December 2019 by the Global Alliance for Health and Pollution, Serbia ranks ninth in the world in terms of deaths attributed to air pollution, making it the highest-ranking European nation in this regard.¹²² China's involvement in this issue is multifaceted.

In addition to the Kostolac TPP, Chinese investments have been regularly accused by local communities and NGOs of non-adhering

to environmental standards. Notably, this is the case of Smederevo steel plant acquired by the Hesteel Group, Bor copper and gold mines owned by the Zijin Mining, and the construction of a car tire factory in Zrenjanin by Shangdong Linglong. Local activists contend that the new leadership of these companies failed to undertake necessary measures to ensure safe production while complying with environmental standards, harming local ecosystems and adversely affecting not only the health of workers, but also the well-being of the broader population residing in those regions.¹²³

They also put forward the fact that the Government did not impose such obligations on the Chinese investors and thus failed to protect the citizens, leading to an alarming situation in terms of public health.¹²⁴ Smederevo, whose wider region has 100,000 inhabitants, reported 6,866 cases of cancer in 2019, compared to 1,738 in 2011. The carcinogenic arsenic in the city of Bor has already reduced life expectancy by ten years, with 25 percent of Bor's population suffering from some form of malignancy, including leukaemia and autoimmune diseases.¹²⁵

Resources, Agriculture and Cohesion

This cluster is related to ensuring sufficient supply of quality food at reasonable prices for consumers, and in line with the best practices related to traceability of its origin and food safety. It also includes regional and cohesion policy, aimed to improve the development of least developed regions and reduce the gaps between the centre and the periphery, including through redistributive policies in the form of aid to development.

Chapters 11, 12 and 13: Governments strive to export more foodstuffs to china, but instead end up importing more

Given the structure of the economy in the Western Balkans and the importance of agriculture therein, all the countries have nourished hopes and expectations for increased exports on the Chinese market and made this topic one of the priorities in the bilateral relationship.¹²⁶ China has shown a great interest in the development of the agricultural sector in Albania and in 2017 granted €1.5 million to the Albanian government for sectoral modernisation, purchase of excavators for opening and cleaning of the main drainage channels and improvement of irrigation systems.¹²⁷ An Albanian-Chinese Centre for Innovation and Agriculture Technology is in place since 2018 and both sides are actively seeking to deepen the cooperation by signing bilateral trade facilitation agreements. Albania already exports to China peppermint, tea and frozen fruit, and hopes to start exporting dairy products and honey, products that Albania is not allowed to export in the EU.¹²⁸ While this is an area under discussion with the Chinese side, Albania is also working on aligning with the instructions of the European Commission in order to upgrade its production standards and be able to export them to the EU market.

Despite the fact that there are already a number of bilateral agreements in place, in the case of North Macedonia agricultural exports did not make a breakthrough on the Chinese market. In 2021, exports in these categories amounted to 1% of the total (mostly wine).¹²⁹ The main challenges include non-tariff barriers in the form of different standards, requirements and documents in the area of veterinary and phytosanitary controls, the distance and transportation, especially given that these are easily perishable goods, as well as the production capacity of the Western Balkan countries which does not suffice to permanently satisfy even a small fragment of the Chinese market.¹³⁰

In Serbia, the situation is similar. The Ministry of Agriculture has highlighted a significant rise in the exchange in this sector, with trade value increasing from \$14.2 million in 2014 to \$55.5 million in 2022. However, the bigger part represents imports of Chinese goods, while the export of Serbian goods to China amounted to slightly over \$17 million. This trade imbalance raises concerns, particularly in light of the potential implications of the negotiations for a free-trade agreement.

When it comes to imports from China, Albania has a case of banning Chinese dairy in 2008.¹³¹ The situation is also worrisome in terms of fish, as Albania imported over 1 thousand tons of fish from China in 2017. Even though it is presented by the Albanian government as a success story, this type of commercial exchange has been misleading Albanian consumers, as imported fish is sometimes presented as fresh local produce which Albanians are buying for high prices.¹³² Local producers claim that the Chinese fish is neither safe nor of high quality, especially the fish that comes frozen, but in Albania there is no legislation for the inspection or control of fish products and the sector is under-regulated.

Chapters 22 and 28: Development cooperation is implemented according to Chinese rules, but guided by domestic priorities

In line with the philosophy underpinning China's foreign policy and approach to international cooperation, national authorities bear the sole responsibility for a country's development and subsequently, have the prerogative to decide how that will be achieved.¹³³ Translated in policy terms, when allocating its development assistance and channelling its investments, China asks the national authorities what their priorities are and acts accordingly, taking into account their preferences in terms of geographic regions and sectors. In practice, while Chinese priorities and interests also play an important role, the procedure as implemented in all the countries in the region puts the national (and to a certain extent local) authorities in the driving seat.

During the period 2020-2022, China provided the region with a total of almost €125 million in grants, to be spent in line with the priorities and purposes defined in bilateral Technical and Economic Cooperation Agreements (TECAs).¹³⁴ TECAs are approved by national governments and include their preferences on how the funds should be spent, for instance in the area of healthcare and education in North Macedonia; agriculture, machinery and equipment in Albania; information technology, defence and healthcare in Serbia, education and small infrastructure in Montenegro; agriculture, healthcare and education in Bosnia and Herzegovina.

Albania is the only country where China has been provided with an opportunity to actively contribute to the development of less prosperous regions through its inclusion in the Albania's government "100 villages project" and through its two major investments which are located in some of the least developed parts of the country (Bankers Petroleum and Jiangxi Copper). In both cases, however, there is no evidence of any significant contribution that Chinese entities have made for a more balanced regional development. To the contrary, the companies are often accused of making huge profits from Albania's national

resources and returning to the communities only a tiny share, largely insufficient to improve their overall living conditions.

During the COVID-19 pandemic, the entire region's priority for the development cooperation shifted to the provision of medical supplies and vaccines. China was the first and major supplier, both through donations and purchases, of personal protective and hospital equipment, and later on vaccines, as the region initially struggled to secure supplies from Western manufacturers.

External Relations

Chapters 30 and 31: NATO membership seems to be the dividing line when it comes to foreign and security policies towards China

China occupies a significantly different place and importance in the foreign policies of the Western Balkan countries. It has a comprehensive strategic partnership with Serbia, the country in the Western Balkans that seems to defend most vocally China's interests in international fora and provides it with significant economic opportunities domestically. In turn, following Russia's aggression of Ukraine and its arguably reduced diplomatic capital, China has become Serbia's staunchest supporter in its dispute with Kosovo, which is the most important domestic and foreign policy issue for Serbia.

The Kosovo issue is also an important reason for Albania's distrust towards China. Albania is a country with long-standing friendly relations with China dating back to its communist era, which firmly upholds the One China policy and does not engage with Taiwan. At the same time, it fails to convince China to recognize Kosovo, its kin state. In combination with its strategic partnership with the USA and NATO membership, Albania is increasingly resorting to ceremonial relations with China or cooperation in areas that are not considered strategic or sensitive. This also is visible in the area of investments, as Albania is the only country in the region with cases of Chinese companies disinvesting and leaving, and there have been no new investments since 2016.

The remaining three countries could be classified in the middle of this continuum. In Bosnia and Herzegovina, Republika Srpska is the entity with more visible pro-China positions, although the Federation has also had its share of China projects. The country seeks to emulate Serbia and its relations with China, but fails to draw the same

benefits due to its domestic situation, namely complex political and administrative governance, economic offer and widespread corruption. Montenegro and North Macedonia, as NATO allies, have become more wary of the cooperation with China in recent years, although they still hope to receive some benefits in the form of investments or market access.

All the countries have in place Bilateral Investment Treaties (BITs) with China, most of which have been signed in the 1990s and follow the older model of treaties. In any case, upon membership, the Western Balkans will need to align with the EU, as the Lisbon Treaty confers some competences of investment policy to the EU institutions. They will need to establish investment screening mechanisms which will scrutinize Chinese investments in sensitive sectors, and will also fall under the jurisdiction of the EU screening mechanism for investments with cross-border implications. They will also need to replace their BITs and accept the coverage by an EU-wide investment agreement. The EU and China concluded a Comprehensive Agreement on Investment, but the European Parliament refused to ratify it after China imposed sanctions on a number of European entities and individuals, including Members of the European Parliament and scholars.¹³⁵

The sanctions come as a response to the EU sanctions against four individuals over their alleged involvement in the repression against the Uyghur minority in Xinjiang, the first such measures adopted by the EU since the Tiananmen massacre in 1989. Although all the Western Balkan countries have the obligation to align with the EU's repressive measures against third parties, only three of them – Albania, Montenegro and North Macedonia aligned, while Serbia and Bosnia and Herzegovina did not.¹³⁶ The NATO allies boast

100% alignment,¹³⁷ while in the case of Serbia it is only 48%.¹³⁸ All the countries officially abide by the One-China policy and refrain from establishing closer ties with Taiwan. Nevertheless, in recent years, Taiwan's increased presence in Europe is also felt in the region through investments and people-to-people ties (conferences, travel etc.)

The same line of division applies to the cooperation in the military and defence sector. While NATO allies in recent years have refrained from all forms of military cooperation with China, Bosnia and Herzegovina and Serbia have participated in activities to establish closer ties with China in this area, including through purchases and donations of Chinese military equipment and announcements of joint drills.¹³⁹

While there is very little publicly available data regarding the Western Balkan countries exports of weapons and dual-use goods to China, there is not an official ban on any type of export (unlike the EU's arms embargo introduced after the Tiananmen Massacre), but decisions on licensing are made on a case-by-case basis by the competent authorities, usually taking into account the EU's decisions and list of technology.¹⁴⁰ Since the Russian aggression against Ukraine, however, some countries, such as North Macedonia have further tightened their rules and started to refuse the issuance of licenses to China for certain types of goods.

Conclusions

China's presence in the Western Balkans has an impact on the countries' EU agenda in a number of chapters. In most of them, the influence is negative, as some of the governments tend to circumvent the EU values, rules or procedures to enable the cooperation and please their Chinese partners. This is mostly visible in Serbia and Bosnia and Herzegovina, especially Republika Srpska, where the seamless cooperation with Chinese partners seems to trump over concerns related to good governance, rule of law and human rights. National authorities are willing to make exceptions to accommodate China's requests and Chinese companies often receive "privileged" treatment by inspection services and other oversight bodies.

On the other hand, the cooperation with China has the potential to provide the countries with economic benefits. This is mostly visible in the area of infrastructure, where priorities of the national authorities, the EU and China overlap, namely in terms of the TEN-T network or green energy projects. Nevertheless, at the level of procedure and good governance safeguards – transparency, accountability, competitiveness and fight against corruption, some of these projects also have dubious track records. Environment is an area with both positive and negative influence: on one hand, it is a reason for concern in many projects and investments, on the other hand Chinese companies have shown increased interest to support green energy production.

In spite of several problematic cases in Serbia and Albania, Chinese investments are also generally welcome, as they have the potential to support the Western Balkan countries' economic growth. Chinese products, namely consumables, are considered a necessity, given their low prices, although doubts about their safety and quality persist. On the other hand, exports to China seem

to be more difficult, due to different regulations, non-tariff barriers and production capacity, and raw materials dominate the export structure. There is a widespread cooperation in research, education, media and culture, areas where China advances its "soft power".

The table below presents an assessment per chapter as to whether and to which extent the cooperation with China undermines the alignment with or the implementation of the EU acquis:

Chapter:	Chapter description:	Chapter assessment:
1. Free movement of goods	Free movement of goods is one of the four fundamental freedoms of the EU single market, ensuring efficient functioning of the EU internal market. Free movement of goods implies the removal of all technical barriers in the trade between the EU Member States (MS), thus creating conditions for free movement of goods throughout the EU, by also ensuring an equal level of protection of public health, consumers and environment.	Negative
2. Free movement for workers	The <i>acquis</i> under this chapter enables EU citizens of one MS to work in another MS. The so-called EU migrant workers must be treated in the same way as national workers when it comes to working conditions, social and tax advantages. Certain rights are also extended to family members of the worker.	Negative
3. Right of establishment and freedom to provide services	The freedom to provide services enables the EU's internal market to function and covers the right of establishment in any EU MS. Establishment of an enterprise means the right to start and pursue an economic activity in any MS. The service provider will be able to provide cross-border services using their professional title without further recognition of qualifications in that MS.	Neutral
4. Free movement of capital	The EU <i>acquis</i> in the field of free movement of capital refers to direct investments, real estate investments, securities transactions, investment fund transactions, credit transactions, deposit operations, payments based on insurance contracts, unilateral transfer of assets. Current payments refer to current transactions, i.e. transactions concluded between residents and non-residents whose intention is not the transfer of capital. This negotiating chapter lays down the rules for free movement of capital between the MS. They include the prohibition of all restrictions on capital movements and payments, both within the MS of the EU and between MS and third countries.	Neutral
5. Public procurement	Public procurement in the European Union includes a set of activities of contracting authorities from the EU MS for the purpose of procuring goods, providing services or performing works. The public procurement system also consists of public-private partnerships (PPP) and concessions. PPPs are projects that aim to meet a public need, i.e. to provide a public service within the competence of a public authority. Contracting authorities are public authorities, such as state institutions, regions, municipalities and sectoral contracting authorities that perform the activities of water supply, energy supply, transport, postal services etc.	Negative
6. Company law	Company law refers to the establishment and functioning of companies in the EU MS. It is composed of two parts: company law in a narrow sense and accounting and auditing. Company law in a narrow sense refers to regulations on establishment, registration, domestic and cross-border mergers and division of joint stock companies. When it comes to accounting and auditing, the <i>acquis</i> includes the establishment of the system for quality control of the auditing profession, as well as the system for publishing annual financial reports.	Negative

7. Intellectual property law	The <i>acquis communautaire</i> in the field of Intellectual Property Law covers copyright and related rights, industrial property rights and provisions for their implementation. Copyright and related rights protect works in the fields of literature, science and arts, while industrial property means rights to a patent, trademark, industrial design, designations of geographical origin and geographical indications and topographies of semiconductors.	Neutral to Positive
8. Competition law	Competition policy is the basis on which the market economy of a country is formed and rests. By adhering to competition policy, participants have the opportunity to operate on a same level in the market, so the only measure of their success is quality. It is divided into two subchapters: competition policy and state aid. In the area of competition protection, three segments can be distinguished: concentrations, restrictive agreements (cartel agreements) and dominant position on the market i.e. abuse of dominant position. State aid policy ensures that interventions by national governments do not distort competition on the market. In this sense, state aid is defined as an advantage in any form granted on a selective basis to any company or entrepreneur by national governments.	Negative
9. Financial services	This chapter includes regulations in the fields of banking, insurance, infrastructure, financial markets, securities markets and investment services. It envisages rules for operating and supervising the operations of financial institutions and regulated markets. The issues related to the protection of consumers of financial services are also regulated.	Neutral
10. Information society and media	Chapter 10 contributes to the development of information society services, establishes pre-conditions for reducing the digital divide, enables efficient functioning of the market in accordance with technological progress, ensures broadband access, access to electronic services (e-government, e-health, e-signature, e-commerce...) and standards for information safety. The aim is to ensure services (phone, internet access, etc) on favourable conditions to the users, to stimulate the market and reduce the monopoly which still exists for some services. With the development and availability of the internet, in addition to traditional media, there is a trend of producing and providing audio-visual media (AVM) services online and establishing new digital and electronic publications and platforms. Hence, chapter 10 covers the rules and standards related to the AVM services, common values, cultural diversity, media literacy, plurality, protection of vulnerable categories from inappropriate contents, as well as the standards of free, objective and professional electronic media.	Negative
11. Agriculture and rural development	The main goals include: to ensure a stable supply of quality, safe food for the population at affordable prices and adequate incomes for farmers, thus encouraging the modernisation and development of agricultural production; to support agricultural holdings and to ensure market stability with uniform conditions for placing agricultural products on the EU market; to improve the quality of life in rural areas, both economically and socially; to support organic production and quality policy.	Neutral to positive

12. Food safety, veterinary and phytosanitary policy	A high level of protection of human life and health is one of the main objectives of the EU policies. At the same time, it is necessary to ensure the efficient functioning of the EU internal market, which is only possible if standards related to food security and production are consistently applied throughout the EU, ensuring a high level of public health, animal health, animal welfare and plant health, all of that in order to provide the best quality products to its citizens. These objectives are achieved through the use of measures regarding the entire production chain, from the processing and distribution of food to consumers under the appropriate supervision of the competent authority throughout the entire process.	Neutral to negative
13. Fisheries	This chapter sets rules for the conservation of aquatic living resources, limitation of the ecological impact of fisheries, conditions for access to water and resources, managing the fleet capacity, controlling fishing activities, monitoring, enforcement and international cooperation in fisheries. It aims to ensure, at European level, the long-term sustainable use of living resources of the sea, but also takes into account the growing market need for healthy seafood products.	Neutral to negative
14. Transport policy	The aim of this chapter is to respond to the growing mobility of citizens, goods and services within the EU. The EU legislations in this area create conditions for safety, secure and efficient transport, improved quality of transport services, improvement of existing and construction of new transport infrastructure, standards for reducing the environmental impact of transport, as well as more effective protection of passengers' rights and the implementation of social legislation.	Both positive and negative aspects
15. Energy	This chapter regulates 5 areas: reduction of carbon emissions, energy efficiency, energy security, internal market and competition, research and development. Western Balkan countries work on their alignment through the membership in the Energy Community which covers 10 specific areas: electricity, gas, renewables, infrastructure, environment, climate, statistics and competition. The area of energy is of particular interest in light of the war in Ukraine and the overall economic impact of the energy policy.	Both positive and negative aspects
16. Taxation	Within the EU, there is no obligation to harmonise all types of taxes, and tax harmonization is achieved only through the coordination of tax systems of EU member states, with the aim of avoiding national tax measures that could negatively affect the functioning of the EU internal market. Each member state has the right to keep its own tax system, and even to introduce new forms of taxation, with the obligation to harmonise some of their parts (tax rate, base, etc.) with European regulations.	Neutral to negative
17. Economic and monetary policy	Completing the Economic and Monetary Union and introducing the EU is one of the EU's priorities. It is to be done by coordinating MS economic policies, defining and implementing rules on financial discipline (budget deficit and state/public debt), limiting inflation, stabilising long-term interest rates and maintaining the independence of central banks.	Negative

18. Statistics	Chapter 18 includes the alignment of legislation with the acquis in the field of official statistics, in order to achieve better quality, availability and credibility of statistics, as a basis for public policy making and a more dynamic social and economic development. This chapter covers five key areas: demographic and social statistics; macroeconomic statistics, national accounts and structural business statistics; business statistics; statistics on agriculture, forestry, fisheries, environment, registers and classifications and coordination of the official statistical system.	/
19. Social policy and employment	The EU acquis in the field of social policy and employment includes standards in the area of labour law; health and safety at work; equality of women and men in employment and social security; social dialogue and anti-discrimination on grounds of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. The most important ones include: unique and rightful access to the basic social services, improvement of the social protection system, high employment rate, good working conditions, high productivity, and social cohesion, with special care for those less present on the labour market.	Negative
20. Enterprise and industrial policy	The main objective of the EU industrial policy is to promote industrial strategies that seek to increase competitiveness, accelerate adaptation to structural changes and foster a favourable business environment across the EU. It also aims to increase national and foreign investments and improve the business environment for small and medium sized enterprises, thus encouraging entrepreneurship and innovations.	/
21. Trans-European Networks	The aim of establishing and developing trans-European networks and advancing the appropriate connectivity and interoperability of national networks is to fully utilise the internal market and contribute to economic growth and job creation in the EU. Without a modern infrastructure which would connect different regional and national networks, it is not possible to establish a free flow of goods, services, capital and workers, which is an important element for achieving economic and social cohesion. The EU acquis in this chapter consists of 2 complementary sub-areas: Trans-European Transport Network, aiming to connect major cities, economic centres, ports and airports with more remote areas, both in nation states and across the EU and the Trans-European Energy Network, as a network of energy systems across the EU with the aim of securing a secure energy supply and expanding the energy market.	Positive
22. Regional policy and coordination of structural instruments	The EU's regional policy covers financial support to countries and regions for their implementation of projects whose objective is to strengthen economic, social, and territorial cohesion, with a special emphasis on: (1) increasing economic and social cohesion by reducing gaps between the EU regions; (2) increasing regional competitiveness with a view to ensuring the Union's global competitiveness; and (3) European territorial cooperation aimed at promoting cooperation between the European regions.	Neutral to negative

23. Judiciary and fundamental rights	<p>Chapter 23 is divided into four main and interrelated areas: judiciary, fight against corruption, fundamental rights and the rights of EU citizens. EU policies in the field of judiciary and fundamental rights aim to maintain and further develop the Union as an area of freedom, security and justice. Establishing an independent and efficient judiciary is of immense importance. Impartiality, integrity and high standards of court judgment are essential to safeguard the rule of law, requiring a strong commitment to offset external influences over the judiciary.</p> <p>EU MS must also effectively combat corruption, which threatens the stability of democratic institutions and the rule of law. A strong legal framework and credible institutions are needed to support a coherent policy of prevention and deterrence of corruption. They must also ensure respect for the fundamental rights and rights of EU citizens, as guaranteed by the EU acquis, as well as the Charter of Fundamental Rights of the European Union.</p>	Negative
24. Justice freedom and security	<p>The goal of all activities in Chapter 24 is to enable the free movement of people, while guaranteeing their security. Such a broad framework includes a wide range of issues – starting from the EU external borders' management (Schengen), through judicial cooperation in civil and criminal matters, to the fight against organised crime and terrorism, police cooperation, visa, migration and asylum issues.</p>	Negative
25. Science and research	<p>The goal of these policies is to create a European Research Area where scientists will be able to freely move, do research and innovate, thus contributing to strengthen the European competitiveness and technological development. The 6 objectives include: more efficient national research systems, transnational cooperation to tackle the "big challenges", open labour market for scientists, gender mainstreaming, optimal circulation, transfer and access to scientific knowledge and international cooperation.</p>	Neutral to positive
26. Education and culture	<p>While education, culture, youth and sports are largely competences of MS, the EU provides recommendations and financial support in these areas in order to stimulate exchange, linguistic and cultural diversity, better educational policies and international cooperation.</p>	Neutral to positive
27. Environment	<p>The aim of the policies in the area of environment and climate change is sustainable development and protection of the environment. Environment protection policy is based on preventive action, the polluter pays principle, combating environmental damage at source, shared responsibility, and integrating environmental principles into other policies in order to maintain biological balance. The acquis consists of 10 areas: horizontal legislation, water quality, air quality, waste management, nature protection, control of industrial pollution and risk management, chemicals, noise, civil protection and climate change.</p>	Negative

28. Consumer protection and public health	<p>The aim of the consumer protection policy is the protection of the economic interest of consumers, product safety, providing complete information on goods and services, education of consumer on their rights, as well as legal remedy in case of violations. It aims to contribute to a safe market for all consumers and ensure quality of life for EU citizens.</p> <p>Protection of public health, as another area of chapter 28, refers to the alignment of public health policy approaches among the EU MS that maintain the competence over their own health systems. It is achieved by setting common health care goals, fight against communicable diseases, treatment of rare diseases and cancer, drugs, tobacco and alcohol addiction, diseases connected with environment pollution and the possibility of rapid and harmonised actions in cases of general health risks.</p>	Both positive and negative aspects
29. Customs union	<p>The internal market ensures free circulation of goods which enter the EU at one point throughout the entire territory, as well as uniform export rules. It is the responsibility of each MS to build the capacity to apply the specific rules in terms of both foreign and intra-EU trade.</p>	/
30. External relations	<p>The acquis for Chapter 30 is largely composed of directly applicable EU legislation, stemming mainly from the multilateral and bilateral commitments of the EU in the area of trade, as well as from a number of autonomous trade measures. Candidate countries are required to progressively align their policies on third countries and their positions in international organizations with EU policies and positions. From recipients of development aid (including from China), WB countries are supposed to assume an obligation to participate in development and humanitarian aid for developing and least developed countries.</p>	Neutral to negative
31. Foreign, Security and Defence Policy	<p>Chapter 31 covers the political and security dimension of EU's external relations. EU MS can formulate and implement their own policies as long as they do not undermine EU's ability to "speak in one voice". Western Balkans' obligation consists in aligning with the EU's agreements, statements and positions on various foreign policy measures, as well as its restrictive measures (sanctions- including weapons embargo, travel bans, economic and financial measures) towards third countries and their citizens.</p>	Neutral to negative
32. Financial control	<p>The acquis concerns the adoption of internationally accepted public internal financial control standards, the external audit standard and EU best practices and their implementation to the entire public sector. The system of internal financial controls contributes to improving discipline and transparency in the use of national and EU funds. In addition, this chapter regulates the protection of the EU's financial interests and the protection of the euro against counterfeiting.</p>	/
33. Financial and budgetary provisions	N/A	/
34. Institutions	N/A	/
35. Other issues	<p>For Serbia this chapter is related to the Kosovo issue. For other countries it is N/A.</p>	Negative

Policy Recommendations

The following recommendations target predominantly national authorities in the Western Balkans, although their implementation in some cases depends on the cooperation of the EU and/or Chinese authorities.

1. The bilateral cooperation with China should take into account the priorities in the framework of the Western Balkans' EU integration as stated in key documents (enlargement strategy, country reports, Stabilisation and Association Agreements, Economic Reform Programs, negotiation frameworks, national EU-related and foreign policy documents). National China policies should be devised and organised in a way to provide synergy to the accession process whenever possible, and avoid undermining the key EU values that the countries strive to uphold.
2. Cooperation with China should be channelled through the national institutions and existing procedures. Special laws and bilateral agreements providing derogations for Chinese entities that go against the national legislation and EU *acquis* should not be used nor allowed. Development assistance in terms both of grants and loans should not be targeted to support projects that are not in line with or undermine the country's EU accession.
3. Parliaments in the region should start exercising their oversight role, host public debates on China's presence in specific sectors and hold the executive accountable.
4. The implementation of large infrastructure projects should be conducted in line with national procedures and based on the Single Project Pipelines for mature and strategic projects developed by each country. Their selection and approval should not be done "in four eyes", but discussed in relevant fora, such as National Investment Committees, the Western Balkans Investment Framework (WBIF) bodies, Transport and Energy Community, in order to ensure coherence and synergy with projects funded by EU entities and International Financing Institutions (IFIs).
5. Civil society should be empowered in terms of expertise and funding to work on the development and monitoring of China-related policies.
6. The coordination between the central and local governments should be improved in order to mitigate the negative consequences of Chinese investments and infrastructure projects outside the capitals. Local inspection services should be enabled and empowered to do their job of exercising controls over various aspects, such as environment, labour law, occupational health and safety in Chinese companies and projects.
7. In their cooperation with China, national governments should prioritise projects and investments in environment and clean energy, as they seem to be less problematic and controversial, and in line with the Green Agenda for the Western Balkans.
8. National governments should aim to address the significant trade imbalance. Most European countries have trade deficit with China, so this does not imply that the Western Balkans can change this situation in absolute numbers. However, they need to create conditions for exporting higher value goods and reduce the share of raw materials in the exports.
9. The Western Balkan countries should negotiate jointly the export of foodstuffs and agricultural products to China by removing non-tariff barriers and streamlining bureaucratic procedures. This will be beneficial as it will

offset the asymmetry between the small Balkan countries and China, and has become possible as all the Western Balkan countries committed to the Common Regional Market initiative where they will need to align among themselves and with the EU, that is to use the same (EU-standard) documents and procedures for exports.

10. The governments and inspection services should ensure stricter controls on the import and market placement of Chinese goods and especially food products, in terms of verifying safety standards, reducing and sanctioning fraudulent practices and protecting consumers.

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This study examines the influence of China's presence and activities on the European Union (EU) integration process of the Western Balkans. Since the Thessaloniki Summit of 2003, only Croatia managed to join the EU, while the other countries in the region remain candidates for membership, with little prospects to join by 2030. The research investigates how China's approach impacts specific outcomes, both supporting and undermining the EU accession process, chapter by chapter. It also explores the reasons behind these outcomes, including China's approach, domestic agency, and geopolitical factors. The goal is to provide a comprehensive and cross-country analysis of China's impact in the region and identify areas where the Western Balkan countries can eliminate or minimise negative consequences, or leverage potential synergies, ultimately aiming to understand the interplay between China's involvement and the EU integration process in the Western Balkans.