

From Rule-Taker to Rule-Shaper? China's Changing Global Role and its Implications for the Western Balkans

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A first in the last 30 years: the EU sanctioned 4 Chinese Communist Party officials over their alleged involvement in systemic violations of human rights against Muslims in Xinjiang province. A first in history: China retaliated almost immediately by sanctioning 10 EU citizens - their families and related companies, including 5 Members of the European Parliament, 3 Members of national parliaments and 2 China scholars, as well as 4 entities – the European Parliament's Subcommittee on human rights, EU's Political and Security Committee and 2 think tanks (the Berlin-based MERICS – Mercator Institute on China Studies and the Danish Alliance for Democracies Foundation)¹. With the USA, Canada, and the UK joining the EU, the gap between the Western liberal democracies and the People's Republic of China as the main contender of the established world order seems to be deepening. The Western Balkan (WB) region is not only at a geographic crossroad between the East and the West, but it may soon be asked to pick a side.

WB's multi-faceted engagement with China

WB countries have traditionally good relations with China, partly because of the historic ties and socialist legacy and partly as a result of their attempts to establish and maintain cooperation with China as the rising power of the 21st century. China's increased focus on the WB region in the past two decades falls within the scope of China's "Going Out" strategy (走出去战略 Zōuchūqū Zhànlüè), launched in 1999 and aimed to diversify the placement of China's foreign reserves, to support Chinese banks and companies to export, invest and do more business abroad, to obtain access to new technologies, gain experience in overseas affairs and become globally more competitive.

At the same time, the main rationale behind the WB's eagerness to cooperate with China is also economic and includes the potential increase in exports to the Chinese market, attracting Chinese FDI, tourists, and funding for infrastructure projects. In that respect, China, like other non-European countries, namely Russia, Turkey, and the Gulf States, is often seen as an opportunity to fill in a gap or complement the cooperation between the EU and Western countries

in these areas². One potential outlier where political and diplomatic concerns are equally important is Serbia, which sees China as a staunch supporter of its position on the Kosovo issue³. In that context, the good bilateral cooperation between China and Serbia has been elevated to the level of strategic partnership since August 2009 and further on to a comprehensive strategic partnership in 2016.

In addition to the bilateral cooperation, the 5 WB countries are members of the multilateral cooperation platform between China and Central and Eastern Europe (CEE), informally known as the 17+1 cooperation⁴. All 5 of them have also signed Memoranda of Understanding with China on its landmark Belt and Road Initiative (BRI). Not all of them, however, can boast about active participation in or tangible benefits from China-led multilateral cooperation fora.

One of the biggest disenchantments is probably related to the fact that, unlike some other CEE countries, neither country in the WB region, with the potential exception of Serbia, received the much-coveted Chinese direct investments. The WB region has instead become the main destination

for Chinese infrastructure investments with 79% of the total funding to CEE countries⁵. While at the global scale infrastructure connectivity falls within the BRI objectives, at the regional scale WB countries have been offered access to Chinese funding in the context of the 17+1 cooperation platform (through a USD 10 billion credit line) and at the bilateral level through China's development cooperation. All the WB countries, except for Albania, have already implemented Chinese-funded projects, whether it is through concessional loans or grants.

The outcome and reactions have been mixed. Some projects considered of utmost importance by national authorities, such as the highways in Montenegro and North Macedonia, or the thermal power plants in Bosnia and Herzegovina, would probably not have seen the light of day without Chinese funding. On the other hand, they are often quoted as examples of China's so-called "corrosive capital" or "debt-trap diplomacy" due to their excessive cost concerning the country's debt levels, related corruption affairs, or as proof of China's environmentally irresponsible attitude⁶. In that context, the new government in Montenegro has asked for the EU's help to repay and replace the

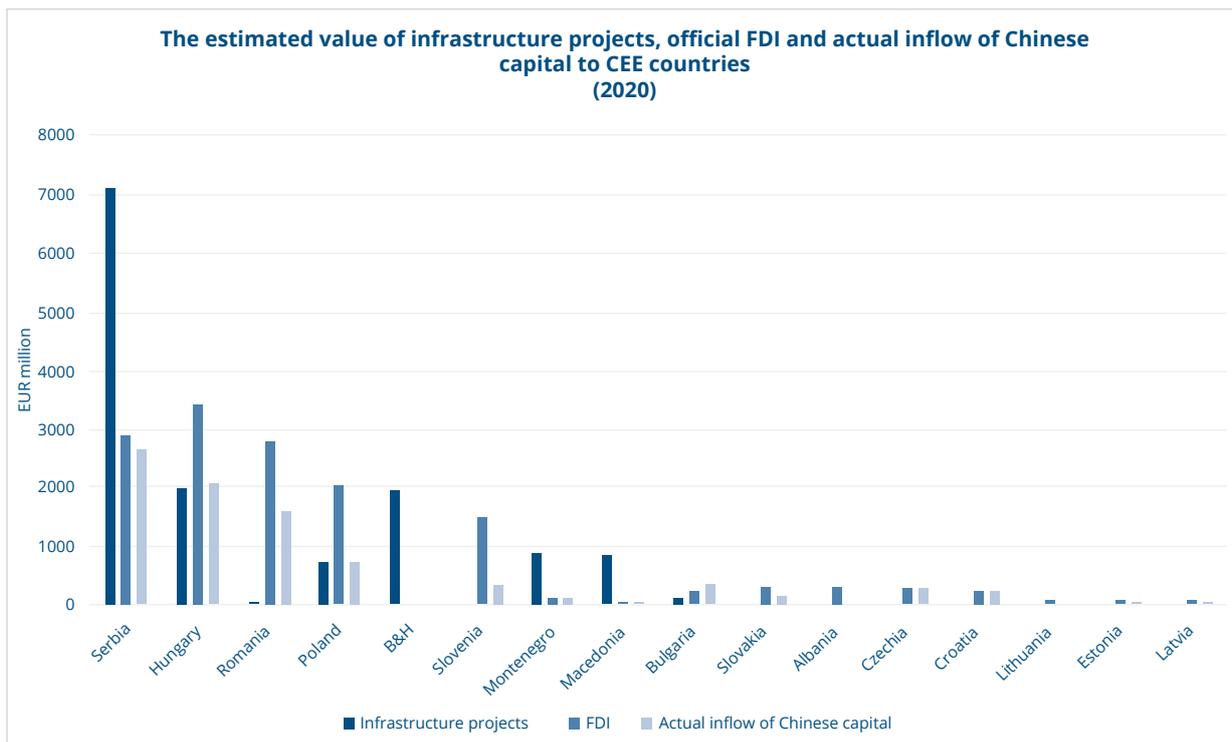
Chinese loan with funding under more favorable terms⁷ and has also launched an investigation into the potentially harmful environmental impact of the highway construction project⁸.

Image source: english.republika.mk



The dynamics in bilateral trade relations have certainly accelerated in the past decade and all 5 countries have started to export more, but also to import more Chinese goods. Subsequently, the trade deficit doubled for all WB countries. Despite

Source: Chinese Investments in CEE project, CEECAS Budapest



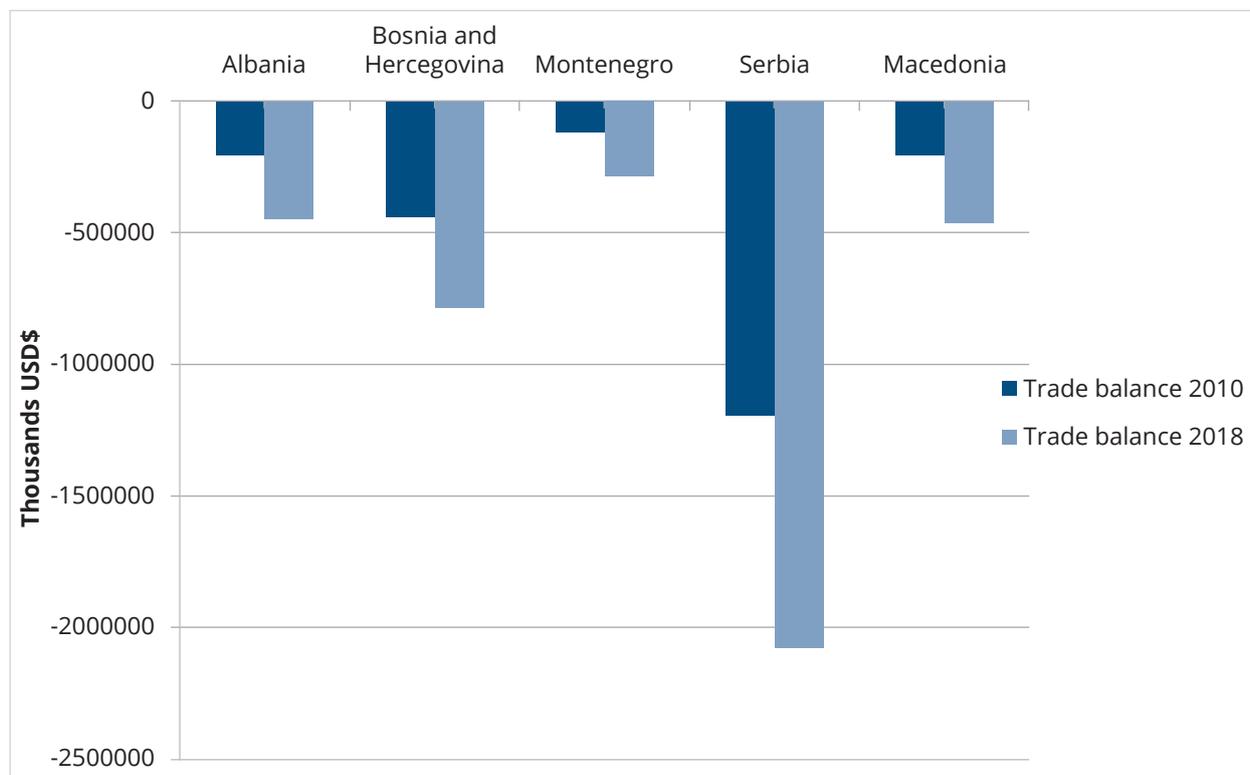
China's commitment in the framework of the 17+1 platform to help CEE countries and their companies penetrate the Chinese market and connect with Chinese counterparts, there have been few tangible results and important trade barriers exist in the form of different standards and bureaucratic procedures.⁹ The Global Partnership Center, an organization launched at the behest of the Chinese and Bulgarian Prime Ministers at the Sofia Summit in 2018 and tasked with helping CEE companies to gain a better understanding of the market, regulations, and policies in China (and vice-versa), has been invisible ever since its creation.

or government¹¹. Lithuania even took a step further by putting forward the idea of leaving the 17+1 format due to the lack of economic benefits, but also because of the perceived threat that China poses to the international rules-based order, liberal values, democracy, and human rights¹².

China's projects in the WB through China's lens

China's engagement strategy is based on the principle of "mutual benefit" and aims to support the

Source: Author's representation based on World Bank WITS statistics



The disenchantment of the economic cooperation with China is not exclusive to the WB region. Other CEE participants in the 17+1 have also voiced their discontent from the unfulfilled promises to obtain more economic benefits¹⁰. Some countries have even gone as far as downgrading their participation at the last 17+1 summit in 2021 which, for the first time was chaired by the Chinese President, Xi Jinping, instead of the Prime Minister Li Keqiang, signaling its increasing importance in China's foreign policy. The 3 Baltic countries – Lithuania, Latvia, and Estonia, as well as Bulgaria, Romania, and Slovenia opted to send ministers instead of heads of state

development and growth of its cooperation partners. Nevertheless, there are profound differences in comparison to the Western notion of development which promotes the idea that political and economic development should go hand in hand and links the support to the economic development with the implementation of certain reforms. According to the traditional Chinese philosophy of non-interference in other states' internal affairs and its state-centric approach, the national authorities of a country bear the sole responsibility for its development, entirely shape the cooperation, and have a sovereign right to decide how the Chinese funds will be spent.¹³

This principle “exonerates” China from the obligation to control whether the money is spent in a transparent and effective manner, whether it contributes to positive or negative development and whether it undermines a country's economic, fiscal or environmental sustainability. In a region like the WB with a very poor track record in the fight against corruption and political clientelism, removal or disregard for the established norms of good governance and public finance management could entail a potential risk of misuse and abuse of the funds, thus leading to a perpetuation of the intrinsic vulnerabilities and backsliding in the reforms. Moreover, applying the principle of non-interference in reciprocity implies that the beneficiary country should unequivocally support China's official government positions, including on sensitive issues such as Xinjiang, Hong Kong, Taiwan, etc.

From the *Washington* to the *Beijing Consensus*

Recent developments in China's relations, both with the EU and the US, indicate that China is no longer willing to be a rule-taker but a rule-shaper. Faced with the Western dominance in the existing multilateral institutions, it has sought to influence and recreate to the extent possible the existing system, so that it can suit better China's own needs and interests. The increasing mismatch between its rhetoric of “*peaceful rise*” and the more assertive foreign policy in a number of diplomatic fronts leaves little space to question China's determination to fulfill its ideal of a multipolar – as opposed to multilateral rules-based world order. The White book on China's *International Development Cooperation in the New Era* published in January 2021 for the first time explicitly mentions the idea to “*establish a new model of international relations based on mutual respect, equity, justice, and win-win cooperation*” and puts forward the ambition to make other countries learn from the Chinese governance model.¹⁴

Confronted with those ambitions, an increasing number of European states have become wary of China's activities as a potential hybrid security threat. Some of them have documented cases of espionage and industrial spying but stopped short of labeling China a security threat (Poland, Finland, France, Germany). Others have been more vocal and unambiguous putting forward arguments

from national intelligence agency reports (the Netherlands, Norway, the Czech Republic, the Baltic states). For example, according to the Czech Intelligence Service, China's objective is to create a “*sinocentric global community' whose members afford Beijing the respect it deserves and recognise the legitimacy of Chinese interests*”.¹⁵ China already tops the list of security threats for the USA and Canada and becomes an increasingly prominent element in NATO's 2030 agenda. According to NATO's Secretary-General, while there are great opportunities in engaging with China economically, the differences in terms of values teamed with its economic, political and military rise do represent a challenge¹⁶.

Caught in “crossfire”?

In such a geopolitical landscape, the WB will need to carefully weigh their foreign policy choices. While all 5 of them aspire to join the EU, they all find themselves at different stages in the accession process, with Montenegro and Serbia already negotiating, Albania and North Macedonia waiting to start the official negotiations, and Bosnia and Herzegovina still waiting for the candidate status. Three of them - Albania, Montenegro, and North Macedonia are NATO allies, and 2 of them - Bosnia and Herzegovina and Serbia participate in NATO's Partnership for Peace. Two of them, North Macedonia and Albania, have a strategic partnership with the USA.

A litmus test for the WB's allegiance to the West was the Clean Network Initiative launched by the USA and aimed to “*address the long-term threat to data privacy, security, human rights, and principled collaboration posed to the free world from authoritarian malign actors*”¹⁷, including China's Huawei (and ZTE) as a key candidate to build a number of 5G networks around the globe. While Albania and North Macedonia have adhered to the initiative, Bosnia and Herzegovina and Montenegro have not made any public pledges¹⁸. As for Serbia, it signed up for the initiative as a part of the comprehensive deal on the economic normalization with Kosovo brokered by the Trump administration. Nevertheless, it remains to be seen how all three countries will implement the political commitment in practice and whether they will take any legally binding decisions to exclude Chinese vendors from the 5G network.

Legally binding obligations which may put the WB at odds with China do exist in the context of EU membership which is the strategic priority of all WB countries. To name but a few examples: (i) Bosnia and Herzegovina and Serbia have visa-free regimes with China which will need to be abolished in the alignment with EU's visa policy under chapter 24 when they become members. (ii) None of the countries has an investment screening mechanism to prevent potentially harmful investments by companies under the influence of foreign states in several critical sectors. In other words, under chapter 30, the transposition of the EU's directive on investment screening could make some Chinese investments "unwelcome" to the WB. (iii) An obligation stemming from the EU accession process under chapter 31 is to align with the EU's CFSP (Common Foreign and Security Policy) positions, including on sanctions against foreign nationals. Hence, all the WB countries will find themselves under pressure to align with the EU's decision to sanction the 4 Chinese officials on the grounds of human rights violations in Xinjiang (as well as any new measures that the EU could impose) and subsequently face China's potential retaliation.

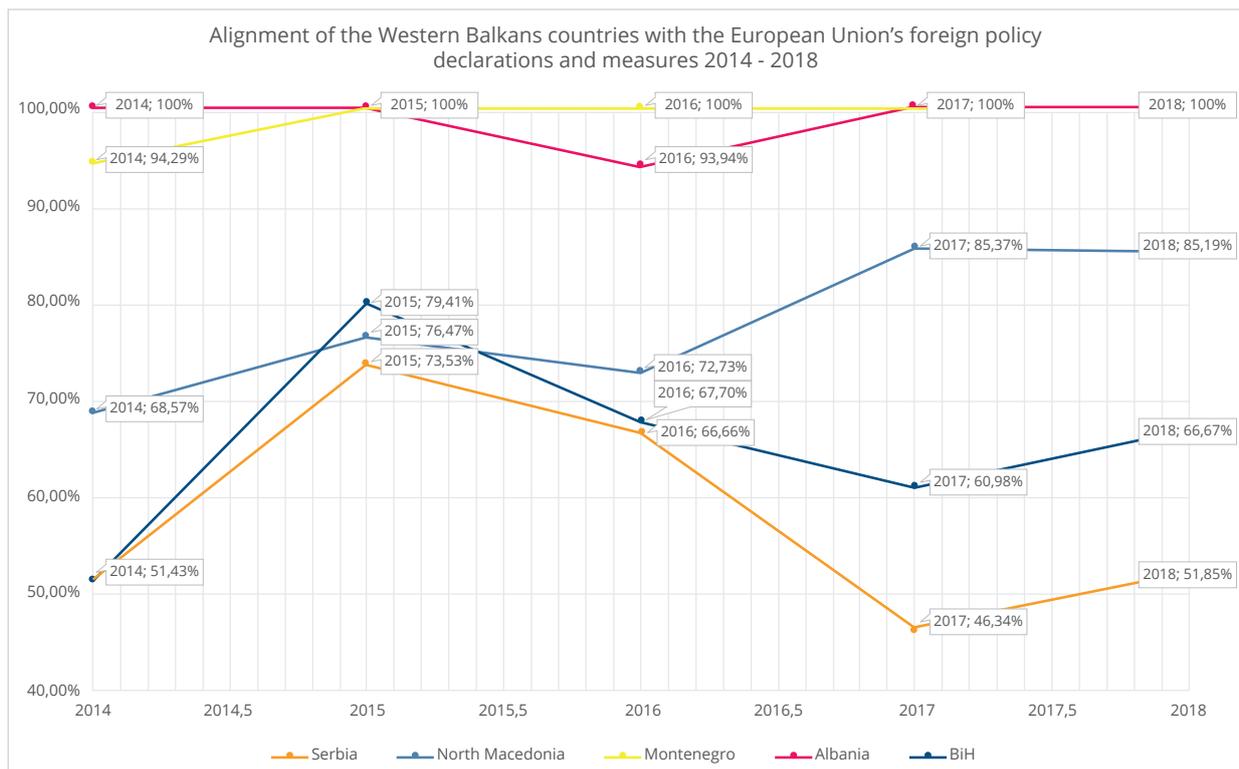
Image source: novamakedonija.com.mk



difficult to predict with certainty the response by the WB countries. However, given their previous track record, the uncertainty surrounding their accession process, the fact that China is a much more important global strategic player than most other countries hit by EU sanctions, as well as the dependence on China in terms of supply chains and exports, it can be assumed that some of them – if not all will most probably refuse to align. For the WB countries, it will only be a minor decrease in the alignment percentage – nothing they have not experienced before, while for China it will be another diplomatic victory.

At present, due to the lack of prior EU sanctions against Chinese nationals under the CFSP, it is

Source: ISAC Fund¹⁹



From a “Battle of narratives” to a “battle of perceptions”

The COVID-19 pandemic strained the relations between the EU and the WB and made the 5 WB countries seek alternatives in the cooperation with China. The initial mishandling of the situation by the EU institutions, both within the EU and vis-à-vis the WB, provided China with a unique opportunity to present itself as a globally responsible power and credible partner. Through concerted action, various Chinese entities – state institutions, local authorities, and companies engaged in a wave of donations, providing their WB counterparts with the much-needed medical supplies and personal protective gear. “A friend in need is a friend indeed” and similar slogans emphasized the Chinese attitude to the WB, subtly alluding that these countries were left on their own by the EU²⁰. On the recipients’ side, there was a warm welcome which even meant kissing the Chinese flag and displaying billboards with the slogan “Thank you brother Xi” in Serbia.²¹

With the evolution of the response to the sanitary crisis, the so-called “mask diplomacy” soon transformed into “vaccine diplomacy”. Faced with the impossibility to obtain Western-manufactured vaccines on one hand and under immense public pressure on the other, most WB governments, although initially reluctant, had no other choice but to procure Chinese or Russian vaccines. Hence, even the most pro-Western leaders in the WB became increasingly critical of the EU’s approach to the region calling “its vaccine roll-out morally and politically unjustifiable”.²²

Still, when considering the facts and the numbers, the EU did not fail the WB. It provided the 5 countries with a total of EUR 3 billion worth of assistance

consisting of support to the health sector, macro-economic assistance, and preferential loans for the business community, which largely exceeds that of any other country or entity.²³ The perception is partly the result of the COVID-19 “infodemic” which made the WB more vulnerable to foreign influence operations, in some countries amplified by the agency of domestic factors²⁴. In line with China’s global campaign, the WB countries were targeted with misinformation and disinformation activities which presented China as the global leader in the fight against COVID-19, rejected any responsibility on China’s side, glorified its success, and underlined the failure of the Western world, implicitly presenting the Chinese authoritarian model as superior to liberal democracies²⁵. At the same time, the intentions behind China’s “politics of generosity”, the retroactive adjustment of narratives and censorship policies, as well as the details surrounding the independent WHO investigation, were almost absent from the public debate²⁶.

However, this situation fails to explain how Serbia, with its multi-vector diplomacy, occasional bashing of the EU, and constantly good relations both with Russia and China, managed to secure enough vaccines (including from Western manufacturers) and position itself among the leaders in the immunization process, not only in the region but in Europe as well²⁷. In only three days (25-28 March), a total of 22.000 foreign citizens from the neighboring countries (N. Macedonia, Montenegro, BiH, and even Croatia) were vaccinated in Serbia²⁸, opening a lot of questions among the public regarding the efficiency of national governments in the region and their foreign policy choices and strategic orientations.

Image source: news.cn



Full EU integration - the only guarantee for full allegiance

Should the Baltic countries and other EU member states decide to leave the 17+1 format, they could opt to engage with China through the established EU channels and mechanisms where they have a place at the table to advocate for their interests. Unlike them, the Western Balkans do not perceive the EU as a potential safety net in case China retaliates or as a potential replacement for the interests they pursue in the cooperation with China, as demonstrated during the pandemic. Their confidence in the EU has been eroding due to the lack of credible EU integration prospects stemming mostly from the

lack of support for enlargement policy among EU member states.

Arguably, the state of play within the countries and their failure to sufficiently deliver both in the political and economic reforms required to join the EU do play an important role in convincing the reluctant countries to release the brake and allow for the process to move on. But the seemingly insurmountable obstacles come from member states which use the enlargement process to pursue their domestic political calculations and narrow bilateral interests, as is the recent case of Bulgaria's veto to North Macedonia opening accession negotiations. This vicious circle is detrimental both to the WB's welfare and future as well as to the EU's credibility and international actorness. It paves the way for China to build a stronger position in the WB, gain allies for its ambitions to reshape the world order, and further undermine the EU's image and strength in the region and beyond.

The EU countries in CEE could also easily do without Chinese funding since they are recipients of the EU's financial support in the form of structural funds which come in the form of grants. The WB countries on the other hand only have the Instrument for Pre-Accession (IPA) which roughly amounts to 1/10 of the funds that would be available for these countries under the structural funds once they join the EU. There is also the Western Balkans Investment Framework (WBIF) in the context of the Berlin Process which benefits are undeniable in terms of capacity building for the implementation of infrastructure projects and support to implement soft measures. However, the funding is mostly loan-based and given the fiscal space, especially after COVID-19, it will be difficult for the WB countries

to rely only on loans to satiate their infrastructure hunger.

Moreover, compared to the complex procedures stemming from all the safeguards in the management of EU funds (ie macroeconomic parameters, financial, environmental, and social sustainability), Chinese funds flow in more quickly, with fewer strings attached, and are sometimes a more attractive option for governments which desire quick results during an election cycle, despite all the potential risks and the fact that they may further alienate a country from its EU-sponsored reforms.

In that context, the WB countries have a lot to learn and gain from the EU accession and need ever more cooperation opportunities with European partners to spur their Europeanization process. However, they are often disgruntled by the EU's prescriptive attitude. Most of the EU-led initiatives and activities *target* the region, do not *engage* it in cooperation between equals. In contrast, China uses a language that sounds more appealing to the WB audience by insisting on the rhetoric of partnership, pointing to the fact that it is also a developing country, hence understands and even shares some of the same challenges.

At the same time, the WB countries generally lack a clear vision for their cooperation with China and the agenda is set by China and its interests in the region²⁹. Cultural differences as well as the lack of institutional capacity on the side of the WB in terms of China's motivation, interests, internal processes, and *modus operandi* in business and politics act as an additional impediment for the WB to achieve their objectives in the bilateral relations. In that context, they seem to be caught in the crossfire, obliged to take ad-hoc decisions instead of building long-term policies, and remain vulnerable to potentially harmful influence.

Image source: biepag.eu



Although China is becoming an increasingly prominent topic in research, policymaking, and public debates worldwide, the interest and scholarship in the WB lag behind the global trends. There is almost no public debate on China-related policies and very little original media reporting. Civil society organizations (CSOs) usually lack interest, expertise, and funding to play their role as watchdogs and contribute to better policymaking, while the media produce very few original reports on China-related issues.

While the EU has the means to redress the situation, it is questionable whether it can find the internal unity to help the WB anchor themselves more firmly in the “*alliance of liberal democracies*”. In that context, the most efficient step would be closer integration and full membership for all the WB countries which will oblige them to deal with China in the institutional and legal framework already set by the EU institutions. It is not realistic to expect that the WB countries will fully comply with the EU's requirements on sensitive topics such as China and that they will give up a part of their sovereignty in foreign policy until full membership is within hand's reach. In the meantime, they will be increasingly tempted to try and implement Serbia's foreign policy model.

While “waiting for Godot”...

Admittedly full EU membership for all the WB countries is the most difficult and least likely scenario in the mid to long term and there are a number of more pragmatic incremental steps which could be taken until that goal is reached.

The WB should be included in the reflections for a European, Western, or Trans-Atlantic broad China policy framework that are ongoing between the EU, the USA, and other Western allies. It will be much easier to obtain the WB countries' consent and support for any decision if they are present at the table, have the right to voice their concerns, and receive answers.

In the EU negotiation process and the new enlargement methodology, the cluster External relations should be given increased attention and addressed at an early phase. The candidate countries should engage in an early analysis of the “thorny” points in the alignment process to start developing successful strategies in time and should be assisted in the implementation (i.e., to reduce the trade, supply chain, or technological dependence on China, to introduce an investment screening procedure, etc.).

Given the current tendencies in the textile industry³⁰, in case of further deterioration in the EU-China relations and the potential need for EU companies to relocate, scale down their production capacities in China, or seek new suppliers, the WB could be prioritized as a viable alternative, using appropriate incentives if necessary.

The capacities of the national authorities to plan and implement large infrastructure projects should be strengthened to accelerate the process of improving connectivity and reducing the infrastructure gap. The WB governments should be encouraged to mainstream the EU procedures, principles, and best practices in terms of public procurements, project management, and public finance management to all investment and development assistance projects to avoid potential pitfalls and a race to the bottom.

Independent media and CSOs should be encouraged and supported to act on the “demand” side for more transparency and accountability in dealing with China by producing original reports, research, and analysis, monitoring and evaluation of the results and implications of the bilateral and multilateral cooperation with China.

According to the Chinese definition which differs from the definition adopted by the OECD's Development Assistance Committee, both concessional loans and grants are considered to be development aid, which makes China a donor to the WB. In that context, China should be included in the broader national donor coordination mechanisms in each country. That way, synergy could be created with the assistance of Western donors to support the region's development efforts. Moreover, sound management rules and practices could be extended and applied to China's aid to avoid potential misuse, maximize its positive impact and materialize the benefits for the WB recipient countries.

Finally, the WB could be included in other initiatives where infrastructure funding is available, such as the Three Seas Initiative where at present only the 12 EU member states from CEE take part.³¹

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SUMMARY

PR China's economic rise has been increasingly accompanied by attempts to exert political and diplomatic influence, as well as to promote its political model and values. Its novel foreign policy approach has put China at odds with the USA and other Western powers, including the EU and several member states, especially after China's retaliation following EU's sanctions against 4 Chinese officials. In such an increasingly polarized geopolitical landscape, the Western Balkans could be faced with difficult choices and decisions. While admittedly they are entitled to maintain and develop their cooperation with China, they will have to make sure that it is conducted in a way that does not hamper their EU accession process and does not alienate their Western partners. Hence, it will be imperative for them to build their strategic position on a balanced foundation of values and interests.

The article at hand aims to examine the current dilemmas that the Western Balkan countries may be facing in light of the recent EU-China developments, to weigh the potential benefits and risks of the cooperation with China, to contribute to a more nuanced understanding of China's presence in the Western Balkans and to provide recommendations that could help policymakers both in the region and in the EU to make informed choices regarding China-related issues.

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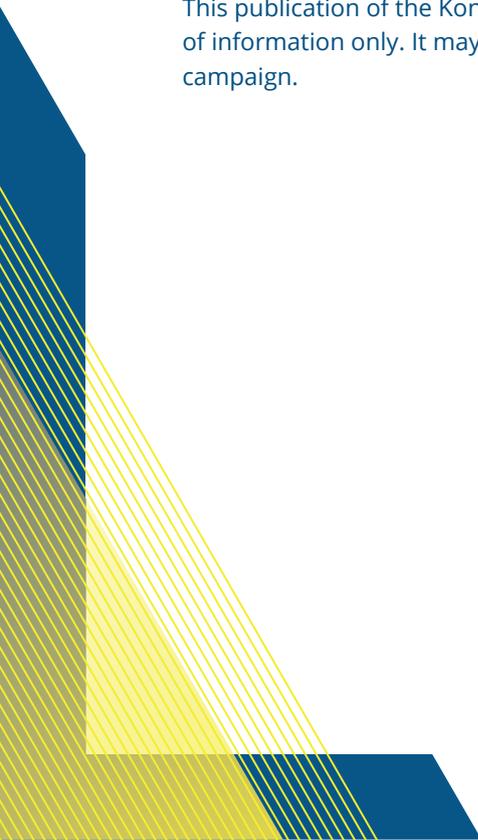
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