

Between East and West. EU and China's competing spatial integration logics for the Western Balkan Region

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Between East and West. EU and China's competing spatial integration logics for the Western Balkan Region

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Abstract: The Western Balkan Region (WBR) is currently undergoing a complex process of integration into the European Union (EU) and its countries, although at different paces, are progressively nearing the moment of accession. This has several implications for the spatial integration of the region in the EU territory, with the EU that, since the 1990s, has been supporting the latter with a number of programmes and actions. In the last decade, however, a new, cumbersome actor entered the game: the launch of China's Belt and Road Initiative in 2013 has triggered a growing influx of foreign capitals into the region, potentially limiting the influence of the EU on ongoing transformations and reforms. The contribution aims at shedding light on this matter. It does so by exploring the logics of the Chinese interventions on the WBR, in terms of vision, approach, priorities, sectors and volume of investments and means of implementation, and by comparing it with the logics of the ongoing integration process. Overall, the contribution shows that, whereas the EU remains the most relevant player in the regions, the growing political and economic role played by China may in the slowdown the process of integration.

Keywords: Belt and Road Initiative, Western Balkan Region, European Union, China, conditionality.

1. Introduction

The paper addresses the question of whereas China is a credible alternative to or facilitating the integration of the Western Balkans Region (WBR)¹ into the European Union (EU). This question raises a series of considerations concerning the role of EU and China in the region and, in particular, the economic, political, social and environmental consequences they may bring up. As widely recognized, China is increasing its geopolitical and geo-economic influence globally. At the edge of the new millennium, the Chinese government launched the so-called *going-out strategy*, that had gained further concreteness with the development of the Belt and Road Initiative (BRI) in 2013. The latter represents the first global initiative in terms of economic investments, infrastructure connectivity and territorial development. Geographically speaking, the BRI partially retraces the ancient Silk Road; the corridor connected the European continent with the far East. As Sarker *et al.* (2018, 626) argue, the BRI 'has a great impact on global economy through integration of a large part of the world under an umbrella'. While, throughout the world, some branch of the BRI are already concluded or going through the final stages of their implementation, the consequences of this initiative for Europe has been partly underestimated, at least from the EU institutions. As far as the various countries'

¹ For the purpose of this article, the Western Balkan Region includes Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North-Macedonia and Serbia.

positions on the matter are concerned, the majority of EU Western states are lukewarm at best, while the Eastern states appear more open to engagement. As similar position also is taken by Balkans countries, which watch at Chinese resources as an alternative to the EU financial mechanisms.

Whereas a growing influence of China on the WBR is undeniable (Hake and Radzyner, 2019), no assessment has been attempted yet of the impact of this influence over the EU integration process the region is going through. This contribution builds on evidences collected in the recent literature and policy document, as well as on interviews with selected stakeholders to shed some light on this matter. After this brief introduction, the authors focus on the role of the EU in addressing political, social and economic challenges in the WBR, by acknowledging its strategic position and importance for the future of the EU integration project. It shows where WBR countries stand along the process of EU Integration and introduce the main funding actions put in place by the EU in the region. The third section of the paper illustrates the origin of the BRI's vision, its objectives, geopolitical ambitions as well as all political vicissitude the initiative is bringing along with it. The fourth section focuses on the WBR, exploring the implication of the BRI for the latter: the authors highlight the scheme and volume of investment, the main projects undertaken and foreseen as well as their mechanisms of implementation.. The fifth section then compares the EU and China's roles in the WBR through different lenses of interpretation: (i) the vision - which implies considerations in terms of geopolitical, economic and strategic decisions; (ii) the approach – that focuses on the type of agreements and conditionality (economic, political etc.); (iii) the main priorities – showing what priorities each player has (political, economic, social and environmental); (iv) the sectors of investment – illustrating who invest where in terms of infrastructure, energy and industry sectors as well as; (v) the mechanisms of implementation – exploring similarities and differences between the EU and China in terms of management, financial mechanisms, environmental and social standards. After the comparison, a final section rounds off the contribution, reflecting on the potential impact of the increasing role of China in the WBR for the integration of the latter into the EU, and paving the way for future research on the matter

2. The role of the EU in the Western Balkan Region

After the collapse of the Berlin wall and, in particular with the beginning of the 2000s, the EU has progressively invested in the geopolitical and economic stabilization of the WBR. By stipulating the Stabilisation and Association Agreements (SAA), which characterized the Stabilisation Agreement Process (SAP) launched 1999, the EU promoted a progressive integration process. Overall, the relation between the EU and the Balkans countries has not been linear, due to internal and external contingences. According to Rogelj (2015), there it is possible to distinguish between at least four different phases, that describe this relation (figure 1). Moreover, the integration process differs from one country to another. In fact, since the signature of the SAA, only Croatia had joined the EU in 2013, while the other countries are still dealing with the transposition of the *acquis communautaire* (table 1). At present, Serbia and Montenegro have already started the chapters' negotiation phase, and Albania and North Macedonia have been awarded the candidate status, in 2014 and 2005 respectively, and are now waiting to start negotiating the chapters. On the other hand, Bosnia and Herzegovina and Kosovo that are still going through the early stages of the Integration process, with the former that has only applied for the membership in 2016, while the latter did not apply yet.

Figure 1 - Three decades of EU and Balkans relations

1990-1995: humanitarian crises
<ul style="list-style-type: none"> • The Balkans were considered as «terra incognita»
1995-2000: first-stage of the regional approach
<ul style="list-style-type: none"> • Partial acknowledgment of the WBR as a whole and not as sum of countries • Shift from a bilateral to a multilateral approach
2000-2005 : second stage of the regional approach (SAA agreements)
<ul style="list-style-type: none"> • Institutionalisation of the regional approach by stipulating multilater agreements • Starting of the «Europeanisation» approach
2005-nowadays: carrots and stick
<ul style="list-style-type: none"> • Slowdown of the EU enlargement policy and progressive reduction of the integration possibilities • According to the EU Enlargement Strategy of 2017: (i) there is no possibility that Balkans Countries can access to the EU before 2025 (stick); (ii) the EU will have more than 27/28 countries (carrot)

Source – authors' own elaboration based on Rogelj (2015)

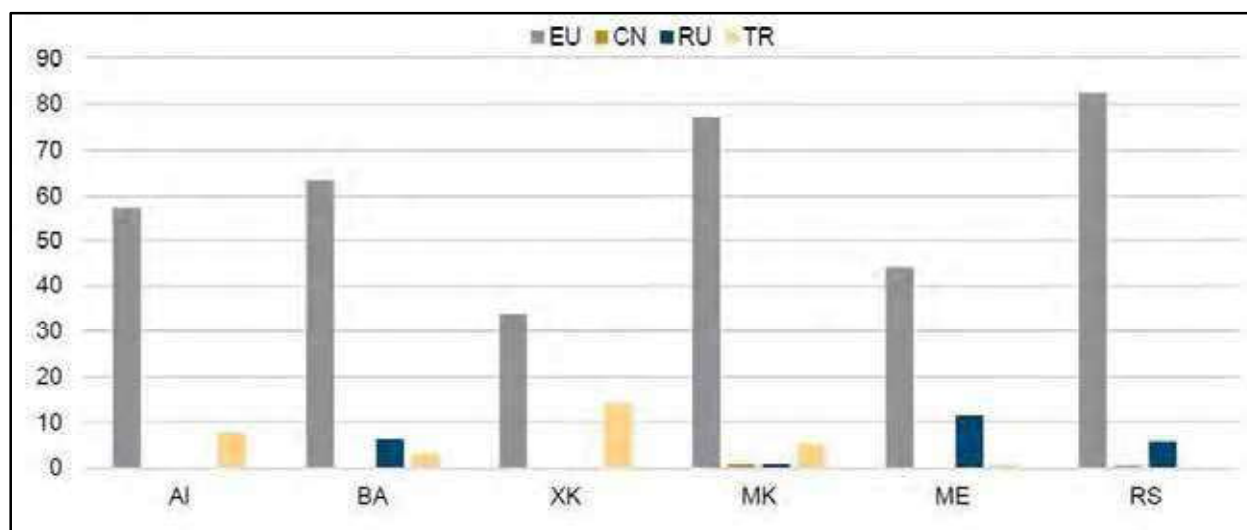
Table 1 - EU Integration steps for WB's countries

Steps	Agreements	AL	BA	HR	ME	MK	RS	XK
Pre-Adhesion Agreement	Potential Candidate	2000	2003	2000	2000	2000	2000	2000
	SAA	2006-2009	2008-2015	2001-2005	2008	2001	2008	2014-2016
	Application for EU membership	2009	2016	2003	2009	2004	2009	n.a
	Candidate Status	2014	n.a.	2004	2010	2005	2012	n.a.
Screening	Screening	n.a.	n.a.	2006	2011	n.a.	2013	n.a.
Negotiation	Chapters' Discussion Period	n.a.	n.a.	2006-2011	2012-	n.a.	2015-	n.a.
Adhesion	Adhesion Treaty	n.a.	n.a.	2012	n.a.	n.a.	n.a.	n.a.
Status	Member State	n.a.	n.a.	2013	n.a.	n.a	n.a.	n.a.

Source - authors' own elaboration.

Despite delays along the process of EU integration, in the last three decades it is possible to witness a progressive economic convergence between the EU area and the WBR. According to official data (EEAS 2017) there is a strong economic relationship between EU and Balkans countries: the share trade volume has reached the value of 49,5 billion in 2017 (EEAS, 2017), with the EU countries that represent the WBR best trading partner, with 73 per cent of the total trade volume. The leading role of the EU in the region is also confirmed when taking into account the inward Foreign Direct Investment (FDI) stock (figure 2).

Figure 2 - Inward FDI stock by source country, in % of total, 2016²



Source - wiiw FDI Database. EIB (2018)

These data confirm the EU has a strong influence on the WBR economy, trade and investment system, and this economic interdependency is expected to be consolidated further once the full integration of the region into the EU is achieved (EEAS, 2017). To this purpose, the EU has mobilized a set of funding mechanisms that target different economic sectors. Through a number of tailor-made instruments, these funds have contributed to strategic fields like transport infrastructure, energy production and efficiency, environmental protection and greenfield investment. For instance, during the period 2014-2017, the EU invested more than €330 millions for transport projects, in turn generating €930 millions³ of private investments and overall positive repercussions in terms of job-creation (EEAS, 2017)⁴.

Many of the introduced programmes and initiatives have had an explicit spatial and territorial dimension (Berisha, 2018). More in particular, despite being excluded from the structural funds' programming, Balkan countries are eligible for a series of other funding schemes altogether grouped under the Instrument of Pre-Accession (IPA). At the same time the region countries located in the WBR are involved in two EU macroregional strategies – i.e. the European Strategy for the Adriatic-Ionian Region (EUSAIR) and the European Strategy of Danube Region (EUSDR) – as well as in a number of other EU programmes – for instance Horizon2020, Creative Europe etc.

Since the introduction of the first (2017-2013) and second (2014-2020) generation of IPA, the EU invested more than 23 billion of euro on the WBR⁵ (table 2). Under the umbrella of IPA, numerous projects concerning regional cooperation and connectivity were developed. Importantly, a high share of funds has been dedicated to soften the distance between border communities by facilitating and implementing cross-border projects both among member-states and non member states as well as between two or more extra-EU countries. Beside the impact recorded by the IPA and the other initiatives on the territory, one should highlight that these tools similarly to the pre-accession tools implemented in the countries from central and eastern Europe throughout the 1990s and early 2000s, progressively contributed to channel in the region a number of EU priorities in terms of sustainable regional development, tourism, environmental protection and measure against social exclusion of minority and mitigation of climate change effects (Cotella, 2007, 2014; Cotella et al. 2012, Adams et al. 2011). This occurred through incremental logics of economic conditionality, with the EU that has developed an articulated set of conditions for the attribution and use of the established economic incentives.

² Acronyms stand for: EU – European Union; Ch – China; Ru – Russia and; Tr-Turkey

³ For more info see: <https://www.consilium.europa.eu/en/infographics/western-balkans-connectivity/>

⁴ A similar attention has been dedicated to greenfield investments, a sector in which the EU has contributed to create more than two hundred thousands jobs since 2003.

⁵ According to the European Commission, IPA I had funded with 11,5 billion while IPA II with 11,7 billion.

Whereas the landing into the region of a growing number of Chinese investments had progressively slow down these logic, and with it the integration of the region into the EU, is not clear yet, and will be reflected upon in the following sections.

Table 2 - Allocation of EU funds by sector in the WBR countries (programming period 2007-2013)

	Tot. Funds million	Justice	PA Reform	Transport	Env. and Climate	Social Development	Agr. and Rural development	others
AL	512	18%	13%	16%	18%	10%	22%	3%
BA	554	18%	13%	8%	16%	14%	5%	26%
HR	802	9%	9%	12%	15%	34%	21%	0%
ME	191	17%	23%	13%	8%	8%	18%	13%
MK	508	12%	13%	20%	18%	12%	17%	8%
RS	1.213	16%	22%	10%	19%	22%	6%	5%
XK	679	-	-	-	-	-	-	-

Source: authors' own elaboration based on EU data (European Commission, 2015)

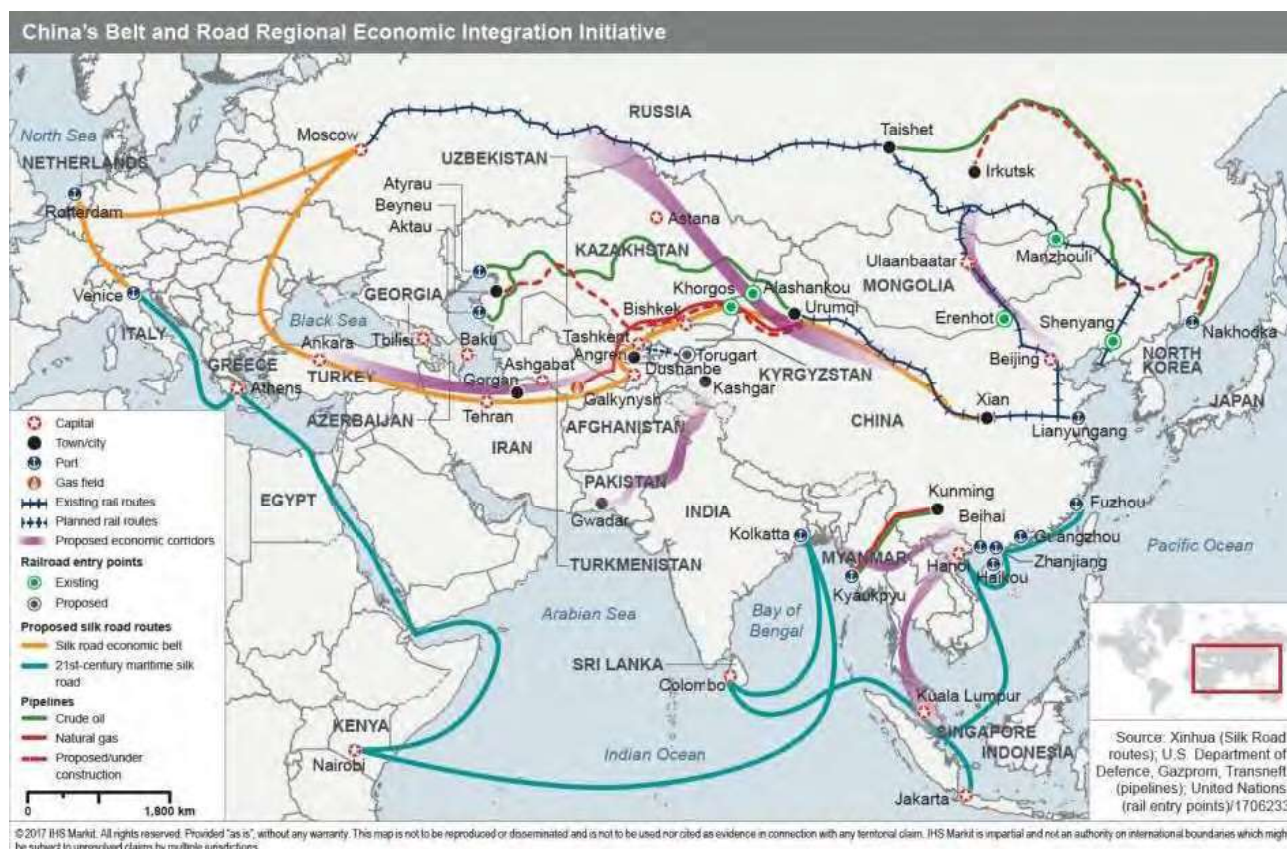
3. The Belt and Road Initiative: objective and geopolitical ambitions

Since the edge of the new millennium, China has been attempting at expanding its geopolitical, economic and strategic influence (Pu, 2016). One of the ways pursued to achieve this end consisted in a revitalization of the ancient Silk Road, which for centuries constituted the only corridor connecting the Western and the Easter side of the Eurasian continent. The first step of relocating China in this modern corridor has been undertaken in 2013, when Xi Jinping launched the proposal for developing the so-called Belt and Road Initiative (BRI), that is a combination of the Silk Road Economic Belt and 21st-century Maritime Silk Road (figure 3). Whereas the Silk Road Economic Belt aims at connecting China with its international partners by investing in roads, motorway and railway, the 21st-century Maritime Silk Road, focuses more on maritime investments such as docks, logistic infrastructure etc. Both aim to promote the connectivity and the economic cooperation between China and the countries included by the initiative⁶. In this sense, the BRI is certainly one of the most ambitions and economically relevant initiative ever experienced, comparable only with the Marshal Plan⁷ launched by the United State after WWII and to the activities of the Council for Mutual Economic Assistance instituted by the Soviet Union shortly after.

⁶ The BRI includes 68 countries over the world and, in particular, countries located in the Eurasia region. In so doing, it concerns the 65% of the world's population and over 40% of the GDP produced in the world.

⁷ To allow a comparison, whereas the Marshall Plan envisioned an investment of \$130 billion (in 2015 value) dedicated to the post-war reconstruction of Europe., the BRI strategy is expected to mobilize more than \$4 trillion.

Figure 3 – The geographical scope of the BRI.



Source: Xinhua (Silk Road routes); U.S. Department of Defence

What the future economic and geopolitical consequences of the BRI, and more in general, of China's trans-continental ambitions, is however still subject of debate. As it is widely recognized in the literature (Liu, 2015, Griger 2016, Djankov, 2016, Tonchev, 2017, Cai, 2017) the reasons beyond the launching of the BRI can be divided into three main, intertwined spheres domestic-driven, external-driven and diplomatic.

The first group of reasons focuses on China's domestic and contextual needs and priorities. According to various authors, China seems to have reached its internal market expansion limits while overcapacity is becoming a serious problem (Pu, 2016). This is confirmed also by Grieger (2016), which states that the fast economic growth model implemented in the last decades is losing its impetuous, by causing an economic slowdown, which could derail into social instability and rising unemployment rate. To avoid that, China is constrained to find new open markets for its goods, services, investments and labour forces. Secondly, one of the BRI's objective is to rebalance regional development between the more advanced coastal regions and the under-developed western Chinese's regions (Pu, 2016, Cai, 2017). In this perspective, BRI will be an instrument of Chinese territorial and social cohesion helping those provinces to fill the development gap with the most advanced East coast.

On the other side, externally, China is taking advantages from a set of positive global geopolitical contingencies, among which the recent EU economic, political and social crises. Adopting a *divide et impera* approach, the influence of China is growing over the world and in particular on the Europe continent. In this respect, Chinese investments in the EU area have been increasing exponentially since 2008⁸. At the same time, the progressive retreatment of USA from an increasing number of multilateral agreement, and the consequent decreasing of its international investments package contributed to leave free room to China's international initiatives. It is under this geopolitical condition that, China's going-out strategy has developed and

⁸ China's annual foreign direct investment in Europe grew from \$840 millions in 2008, to \$42 billions in 2017..

consolidated, aiming at reducing the transport cost of goods, to diminish the economy dependence of internal infrastructure development and to secure China's energy supply⁹.

Finally, yet importantly, China seeks to build a new geopolitical order, as explicitly argued by Xi Jinping during the Peripheral Diplomacy Work Conference in 2013. The objective is to turn China into the pivotal center of the world economy, by connecting the existing markets in the Eurasia continent and consolidating an increasing number of economic interdependency between the main economies in the World beside the United States. In the European continent, the Chinese investment capacity is positively seen by those countries that are struggling to recover from the recent global economic crises and/or presents level of development that lags behind the EU average. As it will be further detailed in the following section, this is the case of Eastern and South Eastern European countries (CEECs) and, in particular, of the countries located in the WBR.

4. The role of Chinese initiatives in the Western Balkan region

After having briefly delineated the geo-economic and geopolitical characteristics of the BRI, this section retraces the main historical and diplomatic relations developed between China and the countries of the WBR during the last decade. According to Liu (2015), the attitude of the Balkan countries towards the BRI has been rather positive since the beginning, if compared to the suspicious approach that characterized most Western European countries. Indeed, the first summit between China and Central and Eastern European Countries (CEECs) was took place in Warsaw in 2012, aiming at improving cooperation among countries and giving birth to a number of bilateral agreements. Heavily impacted by the global economic crises that manifested in 2008, CEECs and Balkan countries chose to *look to the east*, in so doing further legitimating the role of China in the international, and in particular in the European geopolitical framework. On the other side, China considers the CEECs as an opportunity to get access to the EU market, which remains the biggest in the world. The mutual interests were confirmed a year later, in 2013, during the Bucharest Summit, where the new cooperation between China and CEECs was seen as opportunity to bring China and the EU closer and to facilitate the EU integration process. This established the bases of the so-called "16+1 initiative", a cooperation platform between China, CEECs and South Eastern EU countries¹⁰. A year later, during the Belgrade Summit, the BRI was presented as a new economic driving force for both China and the mentioned countries (Liu, 2015). In this sense, President Xi Jinping recognized the importance of creating strategic and economic synergies between BRI and the 16+1 platform. The idea is to facilitate investments for increasing infrastructure connectivity within those regions and simultaneously helping the implementation of the BRI economic and spatial visions.

Differently from the BRI, the 16+1 cooperation is restricted to countries located in CEE and in the WBR. One of its priorities is to increase the inflow of China's foreign direct investment to the region by financing projects dealing with: construction of transport infrastructure (motorways), development of railway network, development of logistics such as airports and seaports, renewable sources of energy and the food production sector (Jakóbowski, 2015). In this sense, the 16+1 cooperation is more focused on economic and infrastructural objectives, if compared to the broader geopolitical perspective brought forward by the BRI. The objective of the 16+1 cooperation is to facilitate trade investments and acquisition ability of Chinese companies (both public and private). In this sense, the strategy of those companies is clear: diversification of investments. In less developed countries as those located in the WBR, transactions involves the mining industry, the wood processing industry and the production of foodstuffs. At the same time, in the more developed economies that characterise CEECs, that sectors interested by Chinese investments are those related to advanced technologies, ICT, automotive industry, electronics, biotechnology, nanotechnology, precision industry, R&D (Jakóbowski, 2015). Having a strategic geographical position between Western Europe and the East, Western Balkans are attracting the majority of the Chinese financed project within the framework of the 16+1 cooperation. In this sense, numerous projects are being implemented in several sectors like infrastructure, energy, electricity and logistic (Liu, 2015). Another particularity of the 16+1 is the proliferation of coordination platforms among

⁹ For example, 85% of China's imports and between 70-85% of its energy supplies passing mainly through the Strait of Malacca in Southeast Asia.

¹⁰ The European countries participating to the 16+1 initiative are: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, Czech Republic, Estonia, Lithuania, Latvia, Macedonia, Romania, Serbia, Slovakia, Slovenia and Hungary, Poland.

participating countries in very different sectors like tourism, agriculture, infrastructure, logistic, energy etc., aiming at facilitating cooperation among institutional and non-institutional actors.

Coming back to the BRI, its spatial configuration presents two Europe has two different paths: the north and the south line. Whereas the former refers to the Silk Road Economic Belt and mainly involves CEECs, the latter focuses on the China-Europe Land-Sea Express Passage located in South Eastern Europe, with particular attention to those countries in the Balkan Peninsula. According to experts and policy-makers, the synergic relation between these two paths will increase the cooperation and trade exchange, not only in the region, but also between the two major economies in the Eurasia continent: China and the (Western) EU¹¹. This is the main reason for China to invest time, resources and diplomatic efforts in ensuring cooperation (multilateral and/or bilateral) with the countries involved. Chinese policy-makers consider the implementation of these two paths as strategic for the enactment of the entire BRI strategy. In this light, they dedicate a high volume of economic and political efforts to investment in infrastructure development (ports, roads, railway, etc.), aiming at guaranteeing a good connection network within the region and outside of it. Connectivity (material and immaterial) is indeed implicitly or explicitly at the center of the BRI, as it has been confirmed by multiple Chinese authorities and in particular by President XI Jinping¹².

Differently from the EU approach to infrastructural development - which aims at regional balance and cohesion - China seems to be not interested to evaluate the social and environmental impacts. As recognized by Liu (2015), the implementation of the BRI may potentially rise a number of domestic and international challenges. By considering its transnational nature, indeed, the BRI is exposed to, thus weakened by, international contingencies. In the Balkan region, in particular, the initiative is dealing with path-dependent regional economic and political instability, as for instance the Greek crises, the Macedonia political impasse, the potential risk of terrorism. Despite that, the importance of the Balkan segment of the BRI has been unanimously recognized.

When it comes to the financial means adopted by China to support the implementation of the BRI in the WBR, it is interesting noticing the introduction of several financial institutions developed to this very purpose, such as the Silk Road Fund and Asian Infrastructure Investment Bank, or of targeted funds like the China CEE Investment Co-operation Fund. The way of how these institutions operate are very different. The recent literature on the matter identifies at least three line of investments:

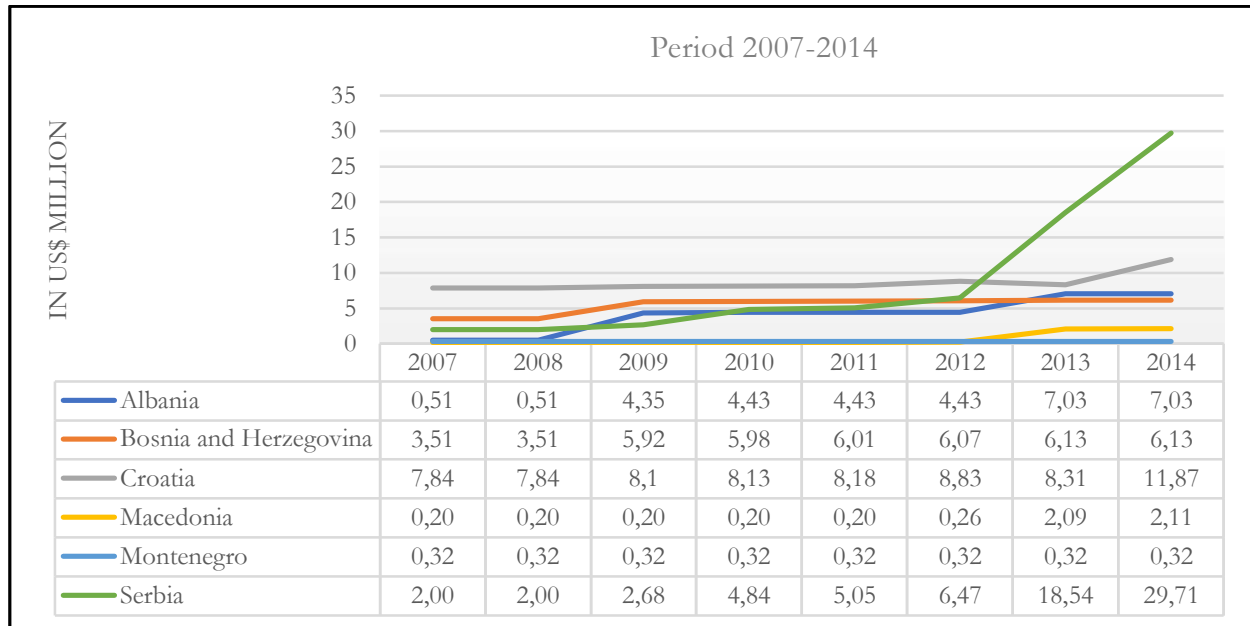
- (i) direct investments - through which Chinese private or state owned companies invest in acquisition of local companies;
- (ii) open credit line and loans - used for the development of strategic infrastructure and,
- (iii) acquisition of national debt shares.

Each of these credit line has been set according to a number of different objectives and together constitute the financial machine that is supporting the implementation of the BRI. Various authors (e.g. Stumvoll and Flessenkemper, 2018) are sceptic on the introduced measures and, in particular, concerning the acquisition of national debt shares by China State funds. According to the authors, this way of financing has negative effects in terms of states' debt accumulation and debt interests. The *debt-trap nightmare*, as experts call it, is one of the alarm launched by several global observers (among those Hurley *et al.*, 2018) which suggest to have a clear understanding of the potential consequences of Chinese acquisition of domestic debt and its real political implications (EIB, 2018). When looking Foreign Direct Investments (FDI) of China in the WBR, the period 2007-2014 show an increase of value almost everywhere, and in particular in Serbia and, to a lesser extent, in Croatia (see figure 4).

¹¹ In this sense, Liu (2015) affirms that more than 80% of Chinese products are exported to Europe through shipment while land transportation is still in its initial stage.

¹² In 2014, President Xi Jinping had the occasion to re-affirm the importance of the BRI and, in particular, of the Silk Road Economic Belt. He then repeated the message one year later during his visit to the headquarter of the EU.

Figure 4 - China's accumulated foreign direct investments in WBR



Source - Authors' own elaboration on data of MOFCOM, SAFE, NBS, 2015

According to Jakóbowski (2015), During the period 2011-2014, a credit line of 10 billion euro has been dedicated to the development of infrastructure and, in particular, for the construction of the Bar-Boljare motorway in Montenegro, the Mihajlo Pupin Bridge in Belgrade and of the Stanari thermal power plant in Bosnia and Herzegovina (Table 3). Whilst the last publication of the European Investment Bank affirms that, since 2013, China invested almost 7.8 billion in the region and in particular for the development of several initiatives in the field of transport, energy and technology projects. According to the report prepared by Bastian (2017) for the European Bank of Reconstruction and Development (EBRD), China dedicated to the development of the only Balkan Silk Road (from Piraeus to Budapest) almost 8 billion investing in four countries: Greece, North-Macedonia, Bosnia and Herzegovina and Serbia. Despite divergences regarding the total volume of investments, what is interesting to note is that, the majority of funds are loans which means that sooner or later countries should refund them.

When analysing China volume of investments in the WBR, it is also interesting to explore what sector do they target. According to Stumvoll and Flessenkemper (2018), the main Chinese investments are dedicated to the implementation of projects and programmes in sectors like transport, energy and industrial production (i.e. mainly by acquisition of local enterprises). This responds to the traditional delay in terms of infrastructure development suffered by the WBR, as a consequence of almost forty-five years of socialist and communist regimes, that have contributed to the spatial and economic isolation of the region¹³. Compared to the western countries, the level of infrastructure services scores among the lowest in Europe. This also concerns the energy production and distribution capacity, where Balkan countries score lower than their Western and CEE peers (EIB, 2018). Table 3 shows how pervasive the investments of China are becoming considering few aspects. In particular, it is interesting to note that awarded contractors of the projects are always Chinese companies, and so are the credit providers. This demonstrates that direct benefits from the realization of the projects mostly remain in the hands of Chinese companies, in so doing producing scarce spillover effects. This *only China-win scheme* is applied in all countries in the region, largely limiting the domestic economic and territorial impact of Chinese financial resources¹⁴.

¹³ Even after the downfall of the Berlin wall, the economic, political and social instability that followed did not facilitate the convergence of the region to the main western economic market. At present, Western Balkan countries have typically low or average levels of motorway density as well as railway infrastructure capacity (EIB, 2018).

¹⁴ Kosovo constitutes an exception as China did not recognize the declaration of independence of Kosovo. Due to this reason, no Chinese investment targets the country.

Table 3 –Main projects financed by China in the Western Balkan Region¹⁵

Projects	Where	Contractor	Costs – million € ¹⁶	Credit Provider	Loan	Transport	Energy	Industry and technology
Mihajlo Pupin Bridge, 2011	RS	China Road and Bridge Corporation	211	China's Exim Bank	85%	X		
High-speed rail link between Budapest and Belgrade	RS-HU	China Communications Construction Company and China Railways International	3.200	China's Exim Bank	85%	X		
Bar-Boljare motorway	ME	China Road and Bridge Corporation	1.000-1.500	China's Exim Bank	85%	X		
Skopje-Stip motorway	MK	Chinese SOE Sinohydro	574	China's Exim Bank	85%	X		
Kichevo-Ohrid motorway	MK	Chinese SOE Sinohydro	411 + 143	China's Exim Bank	85%	X		
Acquisition of Tirana International Airport SHPK	AL	China Everbright Limited	n.a.	n.a.	n.a.	X		
TP Kozjak - Hydro Power Plant	MK	China International Water and Electric Corp.	n.a.	n.a.	n.a.		X	
Kakanj coal-fired power plant	BA	China National Electric Engineering CO., Ltd	544	n.a.	n.a.		X	
Tuzla thermal power plant	BA	China National Electric Engineering CO., Ltd	840	China Exim Bank	n.a.		X	
Acquisition of Zelezara Smederevo steel plant	RS	China's Hesteel	120	n.a.	n.a.			X

Source - authors' own elaboration

¹⁵ The table does not take into account those projects that are currently under evaluation in the framework of the recent China-EU Connectivity platform, such as (i) the Rijeka-Zagreb-Budapest project; (ii) projects in the Orient/East-Med Corridor in the Western Balkans Region and (iii) the Corridor 5c Highway Project in Croatia and Bosnia and Herzegovina.

¹⁶ Data and volume of the investments builds on available secondary data.

5. Comparing of EU Initiatives and China's "going out" vision

According to the BRI spatial and territorial vision the WBR has a great opportunity to become the *trait d'union* between China and the EU. This why there is a growing attention on the region both by EU institutions and by China government. For that reason, it is worth to compare their approach to the region, in search for potential convergences and divergences between, in turn aiming at raising the attention of potential synergies as well as clashes. In this light, this section compares how the EU and China approach the WBR, respectively through the EU integration process and the implementation of the BRI. The results of this preliminary comparison are reported in table 4, and grouped around five main categories (each presenting a number of subcategories): vision, approach, priorities, investment sectors, implementation. For each of them, the approach of the EU and of China is proposed, and their convergence or divergence highlighted. Moreover, a preliminary inquiry of the risks and opportunities for the WBR is proposed.

The first category concerns the strategic vision and how the WBR is seen in term of geopolitical, geo-economic and geostrategic viewpoint. From this perspective, there is a substantial divergence between the EU and China approach in dealing with the future perspective of the Balkans. As emerged, the BRI, but also the entire China *going out strategy*, is profoundly characterised by a *top-down* approach where China establishes the main objectives as well as the rules of the game, while partners are rarely included in the process of vision making. In contrast to this China-centric global vision, the EU is promoting a more continental EU-centric perspective, putting at the centre a more open market system and the full integration of the WBR. For the latter, however, being at the centre of this international dispute can influence negatively the regional economic performance, turning it into a *transit region* for good and resources, with the risk to step away of the EU integration path.

The second category of analyses refers to the approach adopted and the types of influence and involved in the process. In this respect, the approach adopted by EU and China seems to be very different in terms of adopted agreements (multilateral vs bilateral), economic conditionality (co-financing vs loans), political conditionality (political stability vs *divide et impera*). In this respect, China pragmatism in international relation suggests to combine multilateral and (preferable) bilateral agreements in order to facilitate the implementation of the BRI. On the contrary, the EU institutions promotes multilateral approach to establish agreements between EU and other countries. In this sense, the main risk for the Balkans is to remain stuck within a number of international disputes that can slower the integration process.



The third category refers to the priorities of the players in the game (political, economic, social and environmental priorities), when it comes to the implementation of project and strategies in the region. Here China and EU show very different concerns in terms of political, economic, social and environmental consequences of projects. While the EU promotes a particular attention to environmental sustainability, due to the conditions and regulations specified in its Treaties, China has no particular attention on the preservation of the environmental quality and it does not award any priority to projects' impacts on local communities and/or on their social consequences. On the contrary, both players agree on the importance of the economic growth of the region and of its capacity of convey goods and resources towards EU richer regions.

The forth category focuses on understanding the differences in sectors investments in terms of infrastructure, energy as well as industry. Both players agree on the importance of infrastructure development in the Balkans. As table 5 shows, the Orient-East/Med corridor planned by the EU's TEN-T perfectly coincides with the BRI's Balkan Silk Road segment¹⁷. Indeed, there is no explicit conflict to what concerns the general ideal of the spatial transformation nor about the main develop trajectories of the main corridors in the region. In this sense, the recently signed "Memorandum of understanding on establishing a Connectivity Platform between EU and China" (2015) gives the opportunity to strengthen the synergies between BRI and TEN policy. Its action plan foresees a series of cooperation in terms of corridor

¹⁷ The TEN-T Corridor X presents the same path of the China-Europe Land-Sea Express Passage, running from Serbia to Greece via Macedonia

infrastructure development to improve the quality of infrastructure and services as well as developing green transport infrastructure.

Table 4 - Comparing TEN-T and BRI spatial strategy

EU Infrastructure Network (TEN-T)	Balkan Silk Road Corridor
	

Source – authors’ own elaboration

Divergences emerged, instead, concerning the energy development and industrial policies approach. While the EU is promoting a more eco-friendly and sustainable use of resources by financing renewable energy provisions, China is still funding coal-fired power plant, as with the Kakanj plant in Bosnia and Herzegovina. While the EU supports the development of innovation all over the region by contributing to research and capacity building, China focuses on the aquisition of the best and innovative industries. In terms of regional consequences, the Balkans can benefit of course by the volume of funds dedicate to the infrastructure network but on the other side, there is the risk to underestimate the social and environmental impacts of the investments. Similarly, le acquisition of companies by Chinese enterprises may have unintended consequences in terms of desertification of the domestic industrial environment.

Finally, the last category explores the implementation mechanisms. Here divergences can be distinguished concerning, management, financial mechanisms, environmental and social standards. A number of critiques concerned the implementation of the interventions, and in particular the fact that the majority of tenders have been entitled to Chinese companies (public or private), because of rather untransparent selection processes. For example, the lack of transparency in the selection process led to the momentary stop of the works for the completion of the Belgrade-Budapest railway. On the contrary, the EU procurement package clearly establishes how tenders should be conducted by respecting transparency and open-access principles, in so doing constituting a guarantee in this concern.

In sum, while the EU seeks a complete and systematic integration of social, economic, political and environmental components, China seems exclusively interested to guarantee infrastructure continuity along the BRI scheme. There is no ambition, indeed, to create a more proactive and inclusive economic development of the region, as it is instead among the aim of the process of EU integration. In this sense, the EU’ spatial development strategies promote a more coherent territorial and social cohesion, polycentric development and regional competitiveness. On the other side, China conversely uses the BRI to achieve exclusively its own regional development interests, as many experts confirmed. Differences emerged also regarding the modality and economic mechanism adopted in the process of plans implementation. In particular, China privileges loans instead of grants or other kind of investments while the EU promote a more coordinate funding system that guarantee a combination of EU and domestic funds (co-financing mechanisms). In the Balkans, the coexistence of such kind of different approaches can produce negative externalities in terms of countries credibility, increasing of national debt share and political and economic instability, among others.

Table 5 – Similarities and differences of EU and China interventions in the Western Balkan Region

Factors	Convergent, Divergent or Neutral	European Union	China	Opportunities and risks for the WBR
Vision	Geo-political	Complete the EU Integration Process	Implementation of the “Going out strategy”	This geo-political dispute may slow down the EU integration process for the WBR
	Geo-economic	Pro open-market	State oriented market	Risk of increasing negative economic trade balance
	Geo-strategic	EU-centric Continental vision	China-centric Global vision	The risk for the WBR is to become the “land of transit” of resources
Approach	Nature of agreements	Preferable multilateral	Combination of unilateral/multilateral	Political ambiguity where emerged personal interests and corruption
	Economic conditionality	By promoting market continuity and EU investments	Loans and investments	Balkans countries may benefit from those external investments (attention of the debt trap)
	Political conditionality	The EU aims at guaranteeing political stability	“Divide et impera” strategy	Political representatives are being attracted by the China pragmatism in the field of investment by losing sight its political implications
Priorities	Political	Integration of the Balkans to the EU	To guarantee the BRI implementation	The Balkans may benefit from the opportunity offered by the BRI only if its implementation can facilitate the EU Integration process
	Economic	Improvement of market economy indicators in the region	China agrees on the development of WBR	Positive effects on the regional economic performance
	Social	Increasing of social well-being	No specific indication	The risk is to underestimated the social effects of China investments
	Environmental	Protection of natural resources	Overexploitation of natural resources	Serious environmental risks
Investment sectors	Infrastructure	Increasing connectivity in the WBR	Balkans Silk Road	WBR can benefit from the potential synergy of TEN-T and BRI
Implementation	Energy	Renewal energy	Carbon based energy	Increasing risk of overexploitation of natural resources and air pollution
	Industry	Creating positive innovation based industrial policies	Acquisition of the best innovative industries	Desertification of innovative industrial environment
	Management	Transparency and public procurement	Not transparency mechanism	Lack of market competition, limit spill over effects. Increasing corruption etc.
	Financial Mechanism	Co-financing mechanisms	Top-down financial instruments	Risk of increasing of state debt
	Environmental Standards	Stringent regulations and standards	Scarce attention to environmental issues	Risk of over exploration of natural resources
	Social Standards	Social cohesion	No particular importance has been given to this issue	Underestimate of the social potential impacts of project implementation due to the top-down approach adopted

Source - authors' own elaboration

6. Conclusive remarks and future research perspectives

Since the beginning of the 2000, all Balkans countries have been involved along in the EU Integration process. Despite the important progresses made, only Croatia managed to access the EU, with the other countries (i.e. Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North-Macedonia and Serbia) that are still struggling with the EU requirements and the transposition of the *acquis communautaire*. At present, there seems to be no chance for those countries to join the EU before 2025-2030, as indicated in the Enlargement strategy (European Commission, 2018). Despite the univocally recognised importance to join the EU, the countries of the WBR are progressively looking for alternative political alliances and economic opportunities, also as a consequence of a number of concomitant factors emerged in recent years, among which the growing instability that characterise the overall European project.

Doubtless, the increasing geopolitical action of China is attracting more and more interest all over the world as well as in the Balkans. In particular, the BRI place the WBR in high consideration, due to its location between Western EU and China. This ensures to the region important economic incentives and unprecedented infrastructure development, in so doing representing a tempting alternative to the EU sirens.

However, the EU and the WBR will also face with important regional challenges that should be addressed. As illustrated, China is demonstrating more and more interests for the Balkans Peninsula and in particular for the Western Balkans. Aside from unprecedented increasing of Chinese foreign direct investments in the region, Chinese private and state own companies are orienting their major efforts by investing in several sectors. The presence of China is not only an economic issue but is rather a political one. As recognized by Stumvoll and Flessenkemper (2018) China is moving into a structural development gap and is meeting real investment needs in the region, a dynamic the EU has been slow to acknowledge. Despite that, one should note there is no explicit intention of China to interfere with the process of EU Integration but conversely, China seems to be interested on a regional stability of Western Balkans as well. According to the authors, China will not be a game-changer in that respect, but it is expected to be a motivating factor for the EU to step up its engagement in the Western Balkans and embrace a constructive partnership with China. There is no explicit evidence showing interferences of China (whatever kind positive or negative as well) along the process of Balkans' EU Integration. As the provided evidence illustrates, the EU remains the biggest investor in the region despite the growing role of China as well as Chinese investments.

Overall, the answer of the question whereas China is facilitating or inhibiting the WBR's EU integration process seems to be negative. Based on this contribution, there are four elements that let us conclude that China is not facilitating, at least directly, the EU integration of the Balkans. First, the EU Integration process is not a priority for China, hence there is no explicit initiatives in this direction. Secondly, from a political point of view, no common EU-China agenda for the WBR has been developed, and China is seen as an alternative partner to the EU. Thirdly, from an economic perspective, China's investments are mostly oriented to the benefit of Chinese players, rather than facilitating the EU Integration process as the majority of the EU investments do. Finally, yet importantly, there is considerable distance between Chinese and European approaches in dealing with the development of the region (vision, approaches, priorities, investments and implementation mechanism).

On the contrary, it may be true the opposite since several divergences emerged. The highlighted ambiguity faces the countries of the WBR with some important choices. Should domestic authorities privilege the EU Integration path or let themselves be fascinated by China? Should they respect the requirement imposed by EU laws, norms and regulation in terms of transparency, standards and public procurement or follow the more pragmatic mechanisms attached to Chinese investments? At present and based on our analyses, the presence of China it seems to be a *slowdown factor* of the EU Integration process instead of facilitating it. In this view, China may potentially trigger *de-europeanisation* processes in the regions.

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