

THE CHANGING FACE OF EUROPEAN REGIONAL GOVERNANCE: DEMYSTIFYING THE ROLE OF CHINA IN THE BALKANS

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Abstract

The rise of China and concerns over its foreign policy direction have fueled recent International Relations (IR) discourse about the changing global order. From the realists' perspective, China intends to challenge the architecture of the international order. Constructivists claim that China provides an alternative world order, while liberal internationalists believe that China has neither capacities nor incentives to establish a new parallel order. Given the ideological climate, the expansion of the Belt and Road Initiative (BRI) has further contributed to the confusion regarding China's intentions. The recent extension of the BRI toward the Western Balkans (WB) has rung the alarm bells in Brussels.

On the one hand, enhanced infrastructure and trade links may improve the region's specific developmental outcomes and ease the European Union (EU) accession process. On the other hand, China's reputation for "debt-book diplomacy" may easily undermine the reform agenda set by the EU for the WB countries. The EU's unease at Beijing's overtures to the region is palpable given that for the EU enlargement into this region could mean greater economic prosperity as well as a strengthened security policy concerning geopolitical tensions along the EU's eastern borders. However, whether China's involvement in the region will undermine the Balkans' links to the EU needs to be further examined. This paper traces the enlargement process back to the Thessaloniki Summit of 2003, delving into the progress of the five WB countries, Serbia, Albania, Montenegro, North Macedonia and Bosnia and Herzegovina. It examines the rise of China and its BRI, and it demonstrates its penetration into the WB. The paper continues by analyzing the response of the EU and the possible outcomes of China's involvement in the region. The paper concludes that regardless of increased Chinese investments, the WB remain firmly anchored politically and economically to the EU. Therefore, the European anchorage of the Balkans is incontrovertible, which also provides stability in the region, ensuring a safer investment environment for China. A common approach to China should be developed jointly by the EU and WB countries.

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List of Abbreviations

Belt and Road Initiative – BRI

European Bank for Reconstruction and Development – EBRD

European Commission – EC

European Union – EU

Gross Domestic Product – GDP

International Monetary Fund – IMF

International Relations –IR

Stabilisation and Association Agreement – SAA

United States - US

Western Balkans – WB

1. Introduction

China's BRI has taken a surprising turn toward the WB. The Balkans' geographical position as the gateway to Europe aligns with China's ambitions of recreating the famous Silk Road. Prominent infrastructure projects such as roads and railways are already underway in Serbia and Montenegro, while bilateral trade between China and the Balkans as a whole has increased significantly. This trend could be immensely beneficial for the region and provide it with the necessary economic boost. However, whether this newfound relationship with China will undermine the Balkans' links to the EU needs to be further examined.

On the one hand, enhanced infrastructure and trade links may improve the region's specific development outcomes and ease the EU accession process. Meanwhile, on the other hand, China's reputation for "debt-book diplomacy" may easily undermine the reform agenda set by the EU for the WB countries. It can also have a profound effect on the EU's neighbourhood policy and regional governance in Europe.

China maintained a neutral position during the Yugoslav Wars, obeying all resolutions of the U.N. Security Council. However, the destruction of the Chinese Embassy in Belgrade by the U.S. Air Force during the Kosovo War of 1999 strengthened Chinese sentiments about the post-Cold War international system and US-led unipolar order (Vuksanovic, 2017). Following the dissolution of Yugoslavia, the EU vowed to support the newly independent countries in the WB. The Thessaloniki Summit in 2003 formally acknowledged that Balkan accession would be prioritized in the EU enlargement agenda (EC, 2003). For the EU, enlargement into this region could connote greater economic prosperity as well as a strengthened security policy concerning geopolitical tensions in the EU's eastern borders.

Academic literature pays scant attention to China's involvement in WB. Although 16+1² was established in 2012, it is just recently that Chinese investments in the region have increased tremendously. According to the Center for Strategic and International Studies, more than half of the \$9.4bn invested in all 16 countries in 2016/17 went to the WB countries. As Chinese state-led projects are known to have a political price

² 16+1 is an initiative by the People's Republic of China aimed at expanding cooperation with 11 EU Member States and 5 Balkan countries

attached, Beijing's penetration in the region rang alarm bells in Brussels. On 6th of March 2017, Federica Mogherini, the EU's foreign policy chief, cautioned that "The Balkans can easily become one of the chessboards where the big power game can be played".³

Similarly, European Commissioner for European Neighbourhood Policy and Enlargement Negotiations, Johannes Hahn warned that Beijing could turn WB countries into Trojan horses.⁴ In his most recent interview, the Commissioner said that the EU has underestimated China in responding to rival foreign influence in the region while overestimating Russia.⁵ The WB Summit of 2017 has inflamed the EU's unease at Beijing's overtures to the region. WB countries criticized the EU for prolonging the accession process and stressed other alternatives for the region, such as Chinese development aid (Arcidiacono, 2017).

As per recent history, the Balkan Peninsula has remained a vulnerable region where governance has continuously been a challenge. EU accession provides a key incentive for these countries to improve their national conditions and implement the required reforms. However, China's presence is to some extent unanticipated, and it is difficult to determine the outcome of its involvement without further scrutiny. Academic research into China's activities in Balkans is currently scarce, and therefore this paper will be contributing significantly to understanding China's BRI and its effects on the EU's reform agenda.

First, the paper starts by analyzing the EU's regional integration and enlargement process in the Balkans. Based on the EC's country reports, it assesses the progress of five Balkan countries; Serbia, Albania, Montenegro, North Macedonia and Bosnia and Herzegovina, by highlighting the areas where these countries need further improvement. Second, it continues by looking at different notions of the rise of China and BRI within international relations discourse; whether China is challenging the orthodoxy of the global

³ See Remarks by High Representative/Vice-President Federica Mogherini following the Foreign Affairs Council, Available here: https://eeas.europa.eu/headquarters/headquarters-homepage/22056/remarks-high-representativevice-president-federica-mogherini-following-foreign-affairs-council_ru

⁴ See Commissioner's Hanh interview for Politico, Available here: <https://www.politico.eu/article/johannes-hahn-beware-chinese-trojan-horses-in-the-balkans-eu-warns-enlargement-politico-podcast/>

⁵ See Commissioner's Hanh interview for Financial Times, Available here: <https://www.ft.com/content/4ba18efa-377b-11e9-b72b-2c7f526ca5d0?fbclid=IwAR3VDDDBsBZ5zLFNfVqz1doANLefl9MsuxISl32BVmHFYiU4XYYMuMdOJiGo>

governance architecture, providing an alternative world order or strengthening the current liberal capitalist one. It delves into the BRI penetration in WB, focusing on infrastructure projects in each country. Third, it examines the EU response to Beijing's economic outreach in the WB by focusing on the interviews and speeches of various European politicians. Fourth, European-Sino relations are analyzed, and possible outcomes of China's involvement in the region are discussed.

2. EU Reform Agenda for the Balkans

Regional integration has been central to EU policy since its establishment, built upon theories of *neofunctionalism* and *intergovernmentalism*. EU membership has promoted economic growth and strengthened democratic forces in former communist countries from Central and Eastern Europe, which joined the Union between 2004 and 2007. Since then, the focus of the enlargement process shifted towards WB. However, according to Warleigh-Lack and Van Langenhove (2010), the process by which regions are formed varies, therefore, the extent to which 'regional integration' can be used as a catch-all term is quite debatable - both by new *regionalists* and *neofunctionalists*. Different regionalist theories have emerged throughout the years to describe EU integration, yet, they have been not successful when applied to non-Western regions. This laid the foundations for the advent of *comparative regional integration studies* (also called *comparative regionalism*), an approach of studying non-Western regions (Genna and De Lombaerde, 2010; Acharya, 2012).

The prospect of EU membership has determined the future policy orientation of many of the Balkans countries. For the EU, enlargement into this region could mean greater economic prosperity as well as a strengthened security policy concerning geopolitical tensions in the EU's eastern borders.

However, due to the merit-based membership ideology of the EU, the WB countries must meet the criteria set out in Article 49⁶ of the Treaty on EU. While none of the countries in the region has met the standards set out in the membership criteria, they have all made significant strides in creating functioning market economies. In 2014, the Berlin Process was launched to fast-track the European integration of the WB into the EU. This intergovernmental initiative included only the following EU member states – Germany, Austria, France, Italy, Croatia, Slovenia, and the UK. The main impetus of the Berlin Process was to push the EU’s reform agenda on the countries seeking EU accession in the WB. This agenda had three main reform areas – i) economic growth and better connectivity; ii) improved bilateral relations and regional integration and; iii) development of respective civil society. As an intergovernmental agreement, the Berlin Process was more flexible and could circumvent the bureaucratic hurdles in the integration process, but also remained very closely aligned with the EU’s broader enlargement policy.

In February 2018, the EC adopted the WB Strategy, which asserts that the Balkan countries must focus on reforms in six main areas and show improved results before further integration. The so-called flagship initiatives are as follows – the rule of law, security and migration, socioeconomic development, transport and energy connectivity, digital agenda, reconciliation and good neighbourly relations (EC, 2018).

According to the EC, the WB needs to focus on reforms that strengthen the rule of law, ensure fundamental rights, and move toward good governance. These reforms are a critical part of the EU values which will require both social and institutional transformation in the region. Judiciary reform is a pressing issue for these countries as the EU requires an independent and efficient justice

⁶ See Article 49, Available here: https://webgate.ec.europa.eu/fpfis/mwikis/thinktank/index.php/Article_49_TEU

system in each of its member states. Corruption in the WB is also a pressing issue, and special steps are expected if the corruption in both the private and public sectors are to be tackled in the region. Mismanagement and lack of transparency in the oversight of public funds are particularly disconcerting in the region. Public procurement contracts are still regularly handed out without public tendering of bids. The EC has been working toward streamlining public procurement and making it more transparent, but the Balkan states have struggled considerably in this area. Another area of concern is the tight hold of organized crime in the region making it vulnerable to human and drug trafficking. The EC wants law enforcement to tackle the problem of organized crime more effectively whereby money laundering and corruption will be reduced. The WB is still fighting severe ethnic tensions in the region which brings into question whether fundamental rights are being meaningfully implemented. Efforts are required to protect minorities and promote social inclusion for all. The democratic institutions of these countries need to strengthen so that elections can be held in a reliable and fair manner while promoting healthy dialogue between competing political groups. Finally, public administration reform is imminent at this point to achieve better structures of governance for the WB countries. This means efforts to create effective communication and balance between the local, regional, and central state governments.

A second cluster of reforms is required to strengthen the respective economies of the WB countries. The region's economic growth rate is higher than that of the EU average indicating that there is immense untapped economic potential in these countries. Economic integration between the WB and the EU is also deep as a result of preceding SAA. However, the high unemployment rates in the WB economies shows that further improvements should be made, including efforts to modernize the economies to encourage investment and create more job opportunities. Thus, there must be significant fiscal and economic policies implemented, coupled with structural reforms in

the economies. Much of the troubles plaguing the Balkan economies stem from the weak property rights implementation and onerous regulatory environment which is harmful to business.

Furthermore, the markets are still quite rigid, and businesses find it very difficult to attain financing. The WB also have a sizeable grey economy which is not under the regulation of the state. At the same time, the states themselves are notorious for interfering in the economy with a very strong political agenda. Therefore, structural reforms need to address these issues, and transparent privatization of the economy is expected to be pursued. The EU has also focused heavily on improving connectivity as the WB is yet to meet many of the obligations from past regional agreements. These countries need to fully implement the EU energy and transport acquis before any further proceedings toward accession. Furthermore, existing commitments need to be enforced, such as that of the Multiannual Action Plan agreed by the WB in 2017. This should help the region integrate into both the European and global value chains and spur innovation-based growth and development.

While improving issues of the rule of law and economy are imminent, the EC further requires that the WB countries do so by adhering to the EU standards on all issues. Development platforms should be designed in a manner which aligns with the respective EU acquis pertaining to social policy, energy, single market rules, environment, and so on. The EU expects the WB to make use of EU assistance on these matters through the SAA as well as other specific agreements. Such technical assistance can be availed through the Technical Assistance and Information Exchange Instrument.

The EC also expects a strengthening of initiatives that promote good neighbourly relations and greater political cooperation within the WB. This step is essential for maintaining peace and

stability in the region, which is still fraught with ethnic tensions. Before accession into the EU, these countries are expected to reconcile past differences and settle all disputes. To this end, the EU believes that educating the younger generation can promote greater tolerance and understanding and thus expects these countries to invest in improving the cultural and educational institutions.

However, the EU's strategic commitment to enlargement has weakened throughout the years, especially after the eurozone crisis. WB countries have not been ensured that enlargement remains a high priority policy on the EU agenda. Consequently, the EU has lost its influence in the region, undermining the notion of "soft power" that characterises the EU self-identification (Vogel 2018, p. 3). This created space for China, whose BRI has surprisingly turned toward the WB, causing increased concern over geopolitical competition in the region recently.

2.1. European Commission Country Reports, Summarized

i. Serbia

In 2012, Serbia earned the status of a candidate country to the EU. In the following year, the SAA between the EU and Serbia entered into force, which was signed in 2008. As a result, Serbia's accession negotiations opened in January 2014. However, the outcomes of these negotiations mainly depend on Serbia's progress in reforms on the rule of law and in the normalization of its relations with Kosovo. According to the EC's report of 2018, transparency, inclusiveness, and quality of law-making need to be further enhanced, while the role of independent regulatory bodies has to be acknowledged.

Moreover, a few areas of constitutional reforms need to be aligned with EU standards. Political influence over the judiciary, corruption, organized crime and freedom of

expression are some of the key concerns highlighted by the report. In the economic realm, Serbia progressed in developing a functioning market economy. Macroeconomic stability was recorded, and its monetary policies supported growth (EC, 2018).

ii. Albania

In June 2006, the SAA between the EU and Albania was signed, which entered into force in April 2009. The Commission opened Albania's accession negotiations in November 2016. Since then, EC has been thoroughly monitoring the country's developments in Five Key Priority Areas⁷. According to the EC's country report of 2018, while overall progress has been recorded, there is a need for improvement in areas of fighting corruption and organized crime, especially money laundering. In economic terms, the country's economic growth increased while unemployment decreased. Also, public debt and deficit have been reduced (EC, 2018).

iii. Montenegro

In October 2007, Montenegro signed its SAA with the EU. The agreement entered into force in May 2010. Following the agreement, accession negotiations with Montenegro were opened in June 2012. The progressive overall path of Montenegro resulted in its membership of NATO in June 2007. However, the EC's report of 2018 finds fragmentation in the Montenegrin political scene, as well as a lack of political dialogue, especially in the democratic institutions. Transparency and stakeholders' participation

⁷ Reform the public administration, reinforce the independence, efficiency and accountability of judicial institutions, fight against corruption, fight against organized crime, reinforce the protection of human rights, including of Roma population.

are also identified as areas that need improvement. Economically, Montenegro continues to grow. However, public debt continues to be high (EC, 2018).

iv. North Macedonia

The SAA between the EU and North Macedonia entered into force on April 2004, three years after it was signed in April 2001. The country has been a candidate for EU membership since 2005, a process that was prolonged by a political crisis stemming from ethnic tensions. Still, the 2018 report notes substantial progress. According to the report, political interference and financial crimes continue to be issues of concern. The report also emphasizes the need for adequate staffing and budgeting of independent regulatory bodies (EC, 2018).

v. Bosnia and Herzegovina

Signed in June 2008, the SAA between the EU and Bosnia and Herzegovina entered into force in June 2015. The following year, the country applied for EU membership, a request that is still in the process of finalization. According to the country report, Bosnia has fallen behind other countries in the region in fulfilling EU membership criteria. Human and minority rights, freedom of expression and domestic violence continue to be very problematic in the country. Bosnia is still at an infant stage of establishing a functioning market economy (EC, 2018).

3. The rise of China and the Expansion of the BRI

The rise of China and concerns over its foreign policy direction have fueled IR discourse about the changing global order for some time. From the realists' perspective, China intends to challenge the Western-led international order, while constructivists claim that China provides an alternative world order (Jacques, 2009; Kang, 2007). Liberal internationalists believe that China has neither capacity nor incentive to establish a new parallel order and that this shift in the order strengthens the liberal capitalist paradigm (Ikenberry, 2012; Mearsheimer, 2014). Given the ideological climate, BRI has further contributed to the confusion in regard to China's intentions. On the one hand, BRI is described as a "grand strategy" of rewriting the current geopolitical landscape (Fallon, 2015), ensuring China's future as a great power (Arase, 2015) and creating Chinese-centered order to challenge the US-dominance of the current system (Bhattacharya, 2016).

On the other hand, BRI complies with existing international principles, such as with those established by the UN (Swaine, 2015) and it is not a tool for geopolitical advantage (Miller, 2017). China's BRI transcends the academic debate, and recently the surprising turn toward the WB rang alarm bells for EU officials in Brussels. While Beijing's involvement in the region needs further scrutiny, Jones (2019) argues that BRI does not pose an explicit, intentional challenge to the existing order, however, "BRI will nonetheless unintentionally generate violations of existing norms, due to its essential nature as a spatial fix of Chinese capitalism" (p.4).

Similarly, according to Bobic (2015), the debate over the great powers in the Balkan Peninsula is two-sided. On one hand, we see "the school of thought who believe great powers behaviour involves zero-sum clashes of interest" (p. 4), while on the other hand, there are those who believe that the relations of great powers are changing positively due to international norms and economic

interdependence (Bobic, 2015). From the perspective of realism, the instability of a region where nationalism has been the cause of many conflicts (Dannreuther, 2013) will likely lead to competition among rival great powers who seek domination and control of the region (Brzezinski 2008, 2012). Other scholars believe that economic prosperity and economic growth play a major role in maintaining stable relations among great powers in WB.

4. China's involvement in Western Balkans

Apart from Albania, Western Balkan countries do not have a long history of relations with China. Under the communist regime of Enver Hoxha, Albania; that time People's Socialist Republic of Albania, developed close ties with China from 1960. Sponsored by Albania, Resolution 2758 was passed by the UN General Assembly on October 25, 1971, to transfer China's seat at the UN from the Republic of China to the People's Republic of China, legitimizing PRC as the sole government of China. However, since 2016, the nature of China's involvement in the region metamorphosed. Aiming to reach European markets, China started to invest heavily in regional infrastructure projects. The best example is the construction of the Belgrade-Budapest high-speed railway which will provide access for Chinese goods to the European market.

On the one hand, WB countries are taking advantage of China's low-interest loans, as a result of their ineligibility to benefit from the EU structural funds or the preferential low-interest loans by the EBRD due to their non-membership status. Also, China provides a fast track to investments; no long procedures and no strict compliance requirements, unlike the available EU funds, such as The Western Balkans Investment Framework. On the other hand, the region's geographic position fulfils China's BRI aspirations. While for the EU, Balkans are characterized by instability, fragility

and underdevelopment, for China, the region is a channel to European markets and a playing field to exercise their soft power.

a. Infrastructure projects in each country

i. Serbia

The amount of China's investments in Serbia has reached \$1 billion (Tonchev, 2017). The 'Bridge of Friendship' in 2014, is one of the biggest projects representing the Sino-Serbian strategic partnership. Other projects include €46 million investments for a steel plant by Chinese Hesteel Group, an agreement to construct a Belgrade-Budapest high-speed railway, as well as improved agricultural machinery and assistance in the information technology sector. Moreover, this strategic partnership offers Chinese companies access to a free trade area of 800 million potential consumers through Serbia's trade agreements with the EU, the Central European Free Trade Agreement (CEFTA) and the European Free Trade Association (EFTA).⁸

In the political realm, the two countries signed a strategic partnership agreement in 2009, announcing China as "the fourth pillar of Serbian foreign policy" after the EU, the US, and Russia (Bancroft, 2009). A year later, Serbia caved into Chinese pressure and planned to boycott the Nobel Peace Prize ceremony, honouring Chinese human rights advocate Liu Xiaobo. The EU reprimanded the Serbian act.⁹ Lastly, in disaccord with the EU and the US, China demonstrates its political support of Serbia by refusing to recognize Kosovo.

ii. Albania

⁸ See Serbia's Market Profile, Available here: <http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/Serbia-Market-Profile/obor/en/1/1X000000/1X0A3HNY.htm>

⁹ See DW article, Available here: <https://www.dw.com/en/eu-pressure-on-serbia-forces-nobel-peace-prize-rethink/a-6316441>

Its key location along the Trans-Adriatic Pipeline makes Albania an attractive investment country for China. Caspian gas will be carried from Turkey, Greece and Albania to Italy and the rest of Western Europe. Geo-Jade Petroleum, a Shanghai Corporation spent \$442 million to buy the controlling rights of two Albanian oil fields (Tonchev, 2017). China's Exim Bank has further agreed to construct a motorway linking the Ionian Sea and the Bulgarian part of the Black Sea coast. Moreover, Everbright and Friedmann Pacific Asset Management, both Chinese companies, have announced the acquisition of Tirana International Airport, until 2025 (Tonchev, 2017).

iii. Montenegro

As with other countries in the region, infrastructure projects funded by Chinese companies are underway in Montenegro as well. Highways, railways and motorways linking the country with its neighbours are under construction. Loans from Exim Bank are supporting the Podgorica-Kolasin motorway and the construction of new ships. The amount of these two projects together reaches €745 million. Some of the Chinese companies working in Montenegro are the China Civil Engineering Construction Corporation, the China Pacific Construction Group, and the Chinese Poly Group Corporation (Tonchev, 2017).

iv. North Macedonia

According to Tonchev (2017), the country holds a strategic position linking the Greek port of Piraeus with the Hungarian capital, Budapest. For Chinese companies, this corridor is perceived as the gateway to Central and Western European markets. Two motorways, in both the eastern and western parts of the country, are already in the process of being constructed.

v. **Bosnia and Herzegovina**

Exim Bank loans can be found in Bosnia and Herzegovina too, making China the third-largest trading partner in the country. Two coal-fired thermal power plants are under construction in Stanari and Tuzla, as well as a motorway (Tonchev, 2017).

5. EU Response

Beijing's economic outreach in the WB triggered anxiety among the EU political elite. China's reputation for disregarding ethical and accountability considerations positions China as a political and normative threat to the EU. As its investments do not comply with the EU's standards, the BRI penetration in the Balkan Peninsula may easily undermine the reform agenda set by the EU for the countries in the region.

EC President Jean-Claude Juncker called for unity within the EU to shape the future of the Balkans before "others" will step in and do so (Luca, 2018). European Commissioner for European Neighbourhood Policy and Enlargement Negotiations, Johannes Hahn warned that Beijing could turn WB countries into Trojan horses. Hahn said that reacting adequately to China's involvement in the Balkans will be one of the great challenges for Europe. In his most recent interview, the Commissioner said that the EU had underestimated China in responding to rival foreign influence in the region while overestimating Russia. On 6th of March 2017, following the Foreign Affairs Council, Federica Mogherini, the EU's foreign policy chief, alerted that "The Balkans can easily become one of the chessboards where the big power game can be played".

China's massive infrastructure projects in the WB set off air-raid sirens in Berlin as well. German foreign minister Heiko Maas warned the Bundestag that China could replace the EU and urged the EU to react. The minister stressed the importance of providing the European perspective to these countries, as otherwise, they are turning to China (Rettman, 2018). German Chancellor Angela Merkel questioned China's political intentions in the WB, cautioning that its investments should not be linked to political demands (Agence France-Presse, 2018). Likewise, the 2019 Munich Security Report contends that Beijing may exploit its economic heft for political gains. The report underscores the indebtedness of WB countries to China,

accentuating the region's increased reliance on Chinese loans. According to the report, Montenegro leads in terms of the percentage of its external debt owed to China at 39 per cent, followed by North Macedonia at 14 per cent. Montenegrin debt accounts for 80 per cent of its GDP, indicating China's "debt-trap diplomacy", says the report.

The concerns over Montenegro's debt risk were voiced by the IMF also. Highway projects financed by China's Export-Import Bank created high levels of public sector debt in the country. According to the IMF, the Bar-Boljare highway project contributed to the increase of Montenegro's debt to 78 per cent of its GDP in 2019. In response, the government reduced its public welfare spending, cut wages for government employees and introduced tax increases on cigarettes, coal and ethyl alcohol (Elmer, 2018). As the region's debt continues to rise, the IMF blames China-led infrastructure development projects for this.

In February 2018, the EC, facing increased Euroscepticism internally, responded to China's forays into the region by adopting a specific enlargement strategy, titled "A credible enlargement perspective for and enhanced EU engagement with the Western Balkans". This document reaffirms the European future of the WB countries and outlines actions to be taken in consolidating the partnership between the two. Furthermore, the EU reaffirmed its unequivocal support to the region during summits in Sofia and London in the same year. The Sofia Summit focused on the theme of connectivity (transport links, energy security, digital economy, business climate), security (illegal migration, counter-terrorism, extremism, organized crime) and opportunities for youth, while the London Summit focused on increasing economic stability, strengthening regional security and facilitating political co-operation (EC, 2018).

6. Possible Outcomes

Sino-European relations were established in 1975. The EU and China are two of the three largest economies and traders in the world. The EU is China's largest trading partner, and China is the EU's second largest trade partner. The jointly-adopted the EU-China 2020 Strategic Agenda for Cooperation, signed in 2013, emphasizes shared responsibility of the two sides to promote peace, prosperity and sustainable development. The EU reaffirmed its respect for China's sovereignty and territorial integrity, while China

reaffirmed its support to EU integration.¹⁰ For the EU, the EU-China 2020 Strategic Agenda for Cooperation accomplishes a pivotal role as the highest-level joint document guiding the EU-China Comprehensive Strategic Partnership. However, the Union needed a strategy which would put its interests in the vanguard of the new partnership (EC, 2016). Therefore, aiming to set out a policy framework for its engagement with China, in 2016, the EU adopted the "Joint Communication on elements for a new EU strategy on China".

In addition to their strategic partnership, trade relations and harmonized agendas, China also pledged to support and respect EU integration as one of the key pillars of their relationship. Still, Beijing's recent involvement in WB has shaken the EU. For many European politicians and pundits, the penetration of Chinese model of state-owned enterprises into the Balkans, being allocated projects based on political bargaining jeopardizes the EU's reformist agenda for the region, undermining the progress achieved throughout recent years.

Concomitant with the EU's concerns, Euroscepticism is rising in the region. The Regional Cooperation Council's 2017 Balkan Barometer finds that 28 per cent of respondents believe that EU membership will never happen, demonstrating that skepticism regarding short to medium term accession prospects continues to be widespread in the region. According to Tcherneva (2017), the EU's legitimacy has decreased as well in Balkans as "only 39 per cent of the public in the region continue to see EU membership as a good thing for their economies", and Balkan leaders see the accession process cynically, as it has been taking too long. Additionally, during the WB Summit of 2017, countries criticized the EU for prolonging the accession process and urged Brussels to accelerate the enlargement process to avoid risks. The Albanian Prime Minister Edi Rama stressed other alternatives for the region, such as further cooperation with China and Russia.

¹⁰ EU-China 2020 Strategic Agenda for Cooperation

The current political climate opened new avenues for China to expand its BRI across the WB. Due to the uncertainty and pessimism which has arisen from the prolonged EU accession process, WB countries developed close economic ties with Beijing. Acknowledging fragile WB economies, China's short-term solutions to development problems outweigh the long-term political goals of the region regarding EU membership.

However, regardless of these recent trends, the EU upholds its influence in the region and still holds greater leverage than China. In an economic perspective, the EU remains the Balkan's largest trading partner, accounting for over 73 per cent of the region's total trade. According to the EC, the total trade between the EU and the WB exceeded EUR 49.5 billion in 2017. The EBRD commissioned an independent report on the development of the Balkan Silk Road in 2017. The report finds that in spite of heavy Chinese investments, the region "remains firmly anchored in Europe."

According to Cekov (2018), Balkan's geographical positions favour the EU, and the region has stronger cultural and social ties with the EU than with China. Vuksanovic (2017) claims that China's approach to the Balkans varies from other great powers. Unlike the EU's nation-building ambitions, the US' military presence or Russia's destabilizer role, China offers political friendship through bilateral relations. This way, through the expansion of the BRI in the region, Chinese products reach European markets and in return boosts the Chinese economy overall. Furthermore, the author states that China's intentions are entirely commercial, disentangling itself from local rivalries and disputes. Stability in the region means a safer investment environment for China. Therefore, Beijing supports Brussels' integration agenda for the region. Such support also enhances its ties with the Union.

While the EU's presence seems integral for China's development plan in the region, "the EU needs to behave less like a bureaucratic and technocratic player and more like a geopolitical and strategic actor" (Vuksanovic, 2017). The EU has policy levers to prevent any further destabilization of the region, which is currently undergoing a governance crisis, by re-asserting its governance model rather than leaving space for other external players (Makocki, 2017). As the EU's role is pivotal to Beijing' BRI expansion, the EU

and WB should develop a common approach to China, taking advantage of its funds by integrating Chinese investments into the existing enlargement policy.

7. Conclusion

As per recent history, WB has remained a vulnerable region where governance has continuously been a challenge. EU accession provides a key incentive for these countries to improve their national conditions and implement the required reforms. However, China's presence is to some extent unanticipated, and it is difficult to determine the outcome of its involvement without further scrutiny. While Chinese investments are increasing tremendously, and China's strategy for the WB remain equivocal, the region risks entering a chapter of greater volatility and turmoil due to geopolitical competition and power projections of great powers.

Some pundits believe that power projection capabilities of the EU in the region have been eroding vis-à-vis those of key adversaries, especially China. As a result of the prolonged accession process, Euroscepticism is rising in the region, opening space for China to expand its BRI across the WB. While, on the one hand, Beijing's BRI penetration in WB can be immensely beneficial for the region, providing it with a much-needed economic boost and easing the EU accession process, on the other hand, China's reputation for disregarding ethical and accountability considerations may easily undermine the reform agenda of the EU.

Regardless of increased Chinese investments, the EU upholds its influence in the region and still holds greater leverage than China. The WB remains firmly anchored politically and economically to the EU. Additionally, the EU presence in the WB means stability in the region which ensures a safer investment environment for China. Thus, the EU should be proactively engaged with the WB countries in developing a common approach to China, taking advantage of its funds by integrating Chinese investments into broader enlargement policies.

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