

Will the EU ultimately cede the Western Balkans to Beijing's influence?

In 2013, Chinese President Xi Jinping announced what we now know as the Belt and Road Initiative (BRI) as a \$900 billion global project that would seek to connect international trade routes in a modern day version on the Silk Road. As a result of this project, China has emerged as a relatively new yet significant actor in the Western Balkans.

The cornerstone of China's economic expansion into southeastern Europe has been its purchase of the Greek port of Piraeus, which China has transformed into the second largest port on the Mediterranean. This makes the Western Balkans a key strategic region for investment from China's perspective, as China has a vested interest in seeing infrastructure in the Western Balkans improve so it can transport goods shipped in from Piraeus through the Western Balkans and into the EU's common market of over half a billion consumers. Additionally, an assumed interest of China's is that its investments in the Western Balkans are also a way for it to gain economic footholds in countries that are supposed to eventually become EU member states, some potentially as early as 2025. Despite this assumed interest, rather than bolstering the EU membership prospects of the countries of the Western Balkans, China's BRI is detrimental to this process. The BRI hampers Western Balkan-EU integration in three primary ways: trapping countries into debt (so-called "debt trap diplomacy"), lowering environmental standards, and perpetuating corruption.

Debt trap diplomacy is a tool used by China in which it ensnares countries with small developing economies into taking out loans for large infrastructure projects that they can never realistically hope to repay. As a result of this, these countries then become economically dependent on China, which makes them vulnerable to Chinese political influence as well.

The clearest case of debt trap diplomacy in the Western Balkans is that of China's highway project in Montenegro. This highway is designed to connect the Montenegrin port city of Bar with Belgrade, the capital of Serbia and largest city in the Western Balkans. China agreed to build this highway for the Montenegrin government despite the fact that two separate feasibility studies both concluded that this project is in no way economically viable. The first of three phases of this project has cost Montenegro roughly 1.3 billion euro, which is equivalent to a quarter of its 2018 GDP. The loan that Montenegro took out with the Export-Import Bank of China has caused its GDP-to-debt ratio to increase to just over 80 percent. This increase has led the Center for Global Development to conclude that Montenegro's debt problem is "enormous" and that Montenegro is very susceptible to debt

distress and loan default. It is unclear what exactly will happen if Montenegro continues to fall further into China's debt trap. In the past, China has used its leverage to seize control of the asset it was initially contracted to construct, as it did in Sri Lanka, and it has also forced countries to adopt more pro-China foreign policy positions, as it did with Panama. Regardless of China's intentions for Montenegro, the EU will be hesitant to adopt a new member state that is both in a position to be exploited by China on a host of issues and has an ever-worsening debt situation.

As part of the EU integration process, the Western Balkan nations have joined the Energy Community Treaty (ECT), which is designed to bring the environmental policies and pollution standards of these countries in line with those of the EU. A component of this treaty is weening of fossil fuels – as one EU-funded reports states: “Even the newest and most advanced coal plants are unacceptable from a climate point of view, and existing plants will need to be phased out in the coming years. For this reason, no new coal plants should be built.”

This reality is even more pressing given the fact that EU regulators have laid out a blueprint for half of Europe to be powered by renewable energies by 2030. Despite the EU's standards, there are several cases of Western Balkan nations contracting Chinese state owned firms to build them coal power units. One example of this is a coal power plant unit in Tuzla, Bosnia and Herzegovina. While some Bosnian leaders have justified the decision to court Chinese investment for this unit as it would replace an older one and would cause less pollution, this logic, regardless of validity, is potentially detrimental to Bosnia's EU aspiration. Upon the approval of the loan that the Bosnian government took on to pay for most of the cost of this coal power unit, EU Commissioner for Neighborhood Policy and Enlargement Negotiations Johannes Hahn said that it, “raised serious questions about Bosnia's commitment to international treaties and EU rules” and that it “would certainly be closely looked at during the opinion process” (one of the stages of the EU accession process).

Additionally, the Energy Community Secretariat is investigating the Bosnian government on charges that this deal violated the ECT's provisions regarding state aid. While China cannot be held responsible for the fact that some Western Balkan nations do not wish to live up to their environmental commitments to the EU, the BRI nevertheless undermines the EU in the region by offering an alternative developmental path for political leaders who value short-term political gain over their country's long-term prosperity.

In the same way that China cannot be blamed for the environmental policies of some Western Balkan governments, it can also not be blamed for the pervasive public corruption

throughout the region. However, inherent to the BRI is the exploitation and perpetuation of corrupt political patronage networks in local governments. Corruption is one of the greatest obstacles to the EU aspirations of the Western Balkans. One European Parliament report states that corruption “is a phenomenon that poses a threat to the EU’s core values, such as democracy, the rule of law and respect for human rights, and undermines good governance and economic development. For these reasons, anti-corruption reform is among the key requirements for EU accession.”

One of the main ways that China perpetuates corruption in the Western Balkans is by not holding transparent bidding processes for BRI contracts. This has caused issues for several BRI projects in the region, but perhaps the most poignant example is the case in which Sinohydro, a Chinese state owned firm, was contracted to build two highways in North Macedonia. As part of a massive wiretapping scandal in 2015, it was revealed that North Macedonia’s former Prime Minister Nikola Gruevski and Transportation Minister Mile Janakieski were going to award the contract to Sinohydro at least in part because Sinohydro was willing to pay a bribe of around 25 million euro. This is not the only case of Sinohydro being linked to public corruption, as it was previously suspended by both the World Bank and the African Development Bank. This case illustrates that the BRI perpetuates the untenable status quo of rampant public corruption in the Western Balkans, and serious reforms must be made if the region’s European future is to be realized.

The increased presence of China in the Western Balkans was not an inevitability, but rather the direct result of a power vacuum that the EU itself created. Most recently, it is French President Emmanuel Macron who has been spearheading the charge against EU enlargement, but his position is just another symptom of the enlargement fatigue that has plagued many EU leaders for over a decade. This phenomenon has consumed many European leaders and citizens alike since 2007, when Bulgaria and Romania were both granted EU accession even though many believed that they were not prepared and still plagued by issues of corruption and organized crime. This sentiment was compounded by the 2008 financial crisis and its particularly harsh effects on the economies of the Western Balkans.

However, this does not change the fact that the integration of the Western Balkans is paramount to the EU’s core interests and values. German Chancellor Angela Merkel recently stated that, “there will only be a truly united Europe with the states of the Western Balkans.” If the EU is to heed these words, then it must take action, firstly by extending an invitation to begin the formal accession process to North Macedonia. Over the course of several years, China’s economic investments in the Western Balkans have

transformed it from a relative non-factor in the region to one of the its most important foreign actors, and there is no indication that this state of affairs will change anytime soon. The EU is at a crossroads and it must soon decide whether it is going to take the necessary actions to ensure that the Western Balkans remain squarely within its sphere of influence, or if it will cede the region to Beijing and allow China to shape the region's future.

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