



**THE EU, CHINA AND THE WESTERN BALKANS:
THE CHALLENGES AND PROSPECTS OF FURTHER INTEGRATION**

ONLINE PAPER 1



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Abstract

The context of EU enlargement has changed fundamentally since the Eastern enlargement rounds of the early 2000s. On the one hand, enlargement has become politicized domestically. While Eastern enlargement was a broadly technocratic and meritocratic process based on a permissive public consensus, it is now constrained and contested by adverse public opinion, populist mobilization, cultural framing and bilateral disputes. On the other hand, enlargement has turned into a matter of geopolitical competition. Currently, we can observe a wave of autocratization and heightened competition between the EU, Russia, Turkey and China in Southeast Europe, as well as a deep crisis of EU governance, both internally and externally.

In the meantime, China has become the most prominent third actor in the Western Balkans, being much more present than Russia or Turkey, the traditional partners for the region. China's relations with the Western Balkan countries should be viewed in 3 dimensions. The first dimension is its bilateral relations, through which China has dedicated itself to developing friendly relationship with the Western Balkan countries. The second dimension is evident in China-CEEC relations, that is the so-called 17+1 framework which can serve as a complimentary mechanism alongside bilateral relations. The third dimension is the Belt and Road Initiative (BRI), where the BRI focuses on trade, investment, connectivity and people-to-people exchange. After Chinese President Xi Jinping put forward the Belt and Road Initiative at the end of 2013, the 17+1 has been integrated into the BRI and this move raised significant concern in Brussels.

China's approach with loans and construction work on infrastructural projects in the Western Balkans has been widely welcomed and its acceptance both by the regional leaders and by citizens has surprised everybody. That is why China's active policy in this region has, to some degree, made the EU suspicious of Beijing's intentions, which may undermine the EU's coherence in policymaking on China. There are two groups of reasons for concern: the political and the technical. The political concerns are connected with the Common Foreign and Security Policy (CFSP) and the obligation of candidates for EU membership to progressively align with common decisions regarding their geostrategic relationship with China, and new developments with the US. Technically, the obligation to accept and implement the EU *acquis* will need to bring more transparency in public procurement, more stringent environmental rules, and respect for Intellectual property rights (IPR), which might put those countries that are on the path to the EU on a collision course with China.

Since the launch of the ambitious Belt and Road initiative, China has been constantly called out for its so-called "debt trap diplomacy" schemes, referring to Chinese involvement in costly infrastructure financing throughout the weak economic systems of the developing world. The situation around public debt in Montenegro has become an extremely debatable topic, as recent infrastructure project financed by the Chinese Exim Bank have led to mounting debt. On the other hand, underinvestment in the infrastructure sector is a chronic problem in the West Balkans, and thus China's entry in the region may partially contribute to finding solutions to the problem. In this regard, China's involvement could be seen as compatible with the interests of the Western Balkan countries, and even perhaps with the interests of the European Union.

Key words: EU, China, Western Balkan, geopolitics, enlargement, infrastructure.

Introduction

Since the Thessaloniki Summit of 2003, Western Balkan countries have been closely integrated with EU economically and politically. This was the summit at which unequivocal support was expressed for the European perspective of the Western Balkan countries' and the declaration made that 'the future of the Balkans is within the European Union' (EU 2003). Croatia joined the European Union in 2013, AND Montenegro, Serbia, North Macedonia, and Albania are all official candidates for membership, while Bosnia-Herzegovina and Kosovo are potential candidate countries.

As such, the Western Balkan countries have become increasingly intertwined with the EU over the last two decades. The EU is the dominant economic partner for the Western Balkan countries and their monetary and financial systems are deeply dependent on the euro. Over time, the EU has developed several frameworks for deeper economic and political cooperation, first through the Stabilization and Association Agreements (SAA) between the EU and individual Western Balkan countries¹, then the Central European Free Trade agreement of 2006, which currently involves all the Western Balkan countries and Moldova. Financial assistance has been channeled through the Instrument for Pre-accession Assistance (IPA), along with the European Investment Bank (EIB) since 2007. Moreover, their crucial role in the economic development of the region has been highlighted through the concession financing of the Council of Europe Development Bank and the European Bank for Reconstruction and Development (EBRD), which began in 2009. (Panagiotou, 2020)

Since the EU has been facing and prioritising its own domestic challenges over recent years, there has been a delay in the accession process in the Western Balkans. At the same time Russia, China and Turkey have filled the gap and strengthened their roles in the region. All together, these developments have made the process of enlargement very slow and uncertain.

It appears that enlargement to include the Western Balkan countries has begun to operate quite differently from the process as experienced in Central and Eastern Europe, where geopolitics consistently played an important role in their convergence. Russia has had traditionally strong historical, cultural and religious ties with the Western Balkans. Furthermore, the presence of China has become increasingly visible through their investment in infrastructure, notably in transport, energy and industrial production, as well as the development of the Balkan Silk Road, especially after the financial crisis of 2008. For each step forward in the integration process in the Western Balkans, there have been powerful pull and push factors, of almost equal strength, that have created the feeling that that the path to the EU is a two-steps forward and one step back process.

The opening strategy supported by the Chinese government, the low level of labour costs and their undervalued currency, has made China not only the outstanding global exporter but also the biggest foreign investor in the region over recent years. China has moved from being the biggest FDI recipient, to the one of the biggest FDI investors globally since 2000.

¹ The SAA with North Macedonia entered into force in 2004, with Albania in 2009, with Montenegro in 2010, with Serbia in 2013, with Bosnia-Herzegovina in 2015 and with Kosovo in 2016.

The EU, as a large and developed market, was always interesting for Chinese businesses, firstly as an export market and more recently as a market for Chinese investments. With EU enlargement, the new EU Member States have themselves become interesting markets for Chinese investors, as this market has become China's gateway to the wider EU market as a whole. The Western Balkan countries represent a growing area of interest for Chinese investors, due to their increasing integration perspectives towards the EU (Jacimovic et al., 2016).

The EU and the US have spent billions encouraging both democratisation and economic recovery of the Western Balkan region, where the EU is the largest partner in relation to trade, investment, and financial and technical assistance. Russia's economic presence is not significant and far below that of the EU, while China is increasingly present, especially following the financial crisis of 2008. The international system is changing, and it is increasingly evident that China is establishing a new balance of power in the world. China is willing and able to support countries seeking financial assistance in order to achieve its own strategic goals, and as such the role of China could be very dominant in the post-COVID era.

There is growing literature on the presence of the global powers and their influence in the Balkan region. While some have emphasised that this influence should not be underestimated, and that the region may be considered a 'playground for power games' (Erler 2019) or 'a geopolitical chessboard where the big power games could be played' (Galeotti 2018), other researchers believe that the perception of the threat is overrated and exaggerated.

However, in the eyes of the general public, these powers have been very successful in building their soft power, meaning that there is a perception that they care more about the region's interests than the EU does. If we recall the experience of the region when the pandemic arrived in the region in March 2020, the first countries that offered medical equipment and advice were Russia, China, Turkey and the UAE. Fortunately, in May, the EU responded with a significant 3.3 billion euros of COVID-19 emergency relief for the region.

All of this has raised concerns about the potential impact on European Union enlargement in the region, a view expressed by both researchers and policymakers. While there is growing literature and a certain level of experience related to the relationships with Russia and Turkey in the wider region, China is a newcomer in this game. This online paper seminar will seek to explore the balance of power between China and the European Union in relation to the region. The aim is to consider whether and to what extent the presence of China could have an effect on the Western Balkans' relationship with the European Union and the potential impact on the accession prospects of nations in the region.

Online paper 1 addresses some important questions:

- The role of the geopolitics and geoeconomics of the power players in the region and their possible impact on the Western Balkans accession process.
- What is the rationale for Western Balkan leaders "playing the China geopolitical card" to gain leverage with the EU?
- Is a "win-win-win" situation possible for the EU-China-Western Balkan relationship?

Enlargement: Between domestic politicization and geopolitical competition

Frank Schimmelfennig

As the countries of the “Eastern Partnership” are currently far from obtaining the status of potential candidates for EU membership and Turkey’s candidacy is in deep freeze in spite of the formally ongoing accession negotiations, the countries of the Western Balkans are now the focus of the EU’s current enlargement policy. Since the Thessaloniki Summit of 2003, the EU has held out a formal promise of membership to the Western Balkans. In the meantime, Croatia joined the EU in 2013, while Montenegro and Serbia have started accession negotiations, Albania and North Macedonia were recognized as official candidate countries with a perspective to start negotiations soon, and Bosnia-Herzegovina and Kosovo are linked to the EU through Stabilisation and Association Agreements. In spite of several revisions of the EU’s enlargement strategy and considerable fine-tuning of the EU’s instrument and requirements, the formal stages, processes and conditions of EU accession have remained remarkably stable since the start of Eastern enlargement process in the 1990s. Yet, the domestic and geopolitical context of EU enlargement has changed fundamentally.

On the one hand, enlargement has become politicized domestically. While Eastern enlargement was a broadly technocratic and meritocratic process based on a permissive public consensus, it is now constrained and contested by adverse public opinion, populist mobilization, and bilateral disputes. Public support for EU enlargement in the member states has eroded over time – especially in France and Germany, the largest member states, and in the EU’s north. In part, enlargement scepticism is related to perceptions of the politics and the economy of the Western Balkans, which are considered to be an additional burden on an EU that is already struggling with an economic crisis and with democratic backsliding in several recent accession countries.

However, scepticism towards enlargement is also a correlate of the general increase in Euroscepticism and the politicization of European integration. In the aftermath of the 2004/2007 enlargement rounds and with the start of EU-Turkey accession negotiations, enlargement has become a profitable issue of populist mobilization. In contrast with earlier enlargement rounds, the accession of the Western Balkans countries may become the subject of referendums in various member states. Moreover, EU member states neighbouring the Western Balkans have regularly used the accession process to advance their own nationalist agendas and win concessions in their bilateral territorial and cultural disputes with the candidate countries. Most national governments in the EU have little to win but potentially much to lose by advocating EU enlargement.

On the other hand, enlargement has turned into a matter of geopolitical competition. Eastern enlargement took place in a context of uncontested democratization, a friendly geopolitical environment and ascending EU external governance. In the 1990s and early 2000s, the entire Eastern European region seemed to be on a secure path towards democratization, with the Western Balkans as hopeful latecomers delayed by the post-Yugoslav conflicts. Moreover, the EU – supported by the US and NATO – appeared to be the ‘only in game in town’ for the future geopolitical and economic orientation of the region. Most Western Balkan states joined NATO’s Membership Action Plan, and the region’s trade was directed overwhelmingly towards the EU.

The happy marriage between internal and external Europeanization/Westernization is unravelling. The EU’s dwindling commitment to enlargement, its minor economic interest in the region and its weakening financial capacity after the financial and Euro crises, have created room for other

external actors. This is true in particular for an economically ascending China offering the Western Balkans credit for large infrastructure projects and a geopolitically assertive Russia trying to undermine the Western integration of the Balkans. To a considerable extent, the heightened international competition in the region also played in the hands of authoritarian and rent-seeking political elites who welcomed the opportunity to receive economic and political support from external powers that were not overly concerned about democracy, the rule of law and state capture.

In this context, NATO has moved forward in admitting the most Western- and reform-oriented states of the region: Albania and Croatia in 2009, Montenegro in 2017 and North Macedonia in 2020. However, the EU cannot use membership as a foreign policy tool in the same way as NATO. The depth of EU integration requires a far-reaching transformation of domestic policies and institutions and involves financial and economic commitments that NATO membership does not. The comparatively weak administrative and financial capacity of Western Balkan states make this domestic transformation a formidable task, even for political elites committed to liberal transformation. Moreover, the sequence of EU crises from the Euro crisis via the Migration crisis to the Covid-19 pandemic have highlighted both the depth of interdependence and the limits of solidarity among the member states. The upgrade of the EU's financial resources for supporting its members – from the European Stability Mechanism to the NextGenerationEU Recovery Fund – may well have the consequence of reducing the willingness of the EU to share them with additional members in need. It is thus unlikely that geopolitics will give a decisive boost to the accession of the Western Balkans.

In sum, the Western Balkans region appears caught in an association equilibrium produced by the interplay of domestic politicization and geopolitical competition. On the one hand, the EU has a geopolitical interest in stabilizing and integrating a region that is geographically close, economically interconnected and a potential gateway for competing international actors. On the other hand, domestic scepticism in the EU, weak business interest and concerns about state capacity and democratic backsliding keep the EU from making the region's membership a priority. By pursuing flexible association without membership and conducting open-ended and potentially never-ending accession negotiations, the EU strikes a balance between the risks of full membership and the risks of 'losing' the Western Balkans. The association equilibrium carries its own risks by keeping the region in a political limbo, in which authoritarianism, state capture and nationalism thrive, and through which the EU may lose the popularity it still largely enjoys.

China's perception and its policy toward the Western Balkan Kong Tianping

China's relations with the Western Balkan countries should be viewed in 3 dimensions. The first dimension is its bilateral relations, through which China has dedicated itself to developing friendly relationships with the Western Balkan countries. The second dimension is the context of the China-CEEC relationship, that is the so-called 17+1 framework (formerly the 16+1 framework), with the Western Balkan countries as part of the 17+1 framework, which can compliment the existing bilateral relations. The Western Balkan countries can implement certain regional, cross-border projects, such as the Budapest-Belgrade railway. The third dimension is

the BRI (Belt and Road Initiative). China's BRI focuses on trade, investment, connectivity and people-to-people exchange. Some scholars have overexaggerated the negative effects of China's presence in the Western Balkans, considered China's presence as a hinderance to the European prospects of the West Balkan countries. However, China supports European integration. As underinvestment in the infrastructure sector is a chronic problem in the Western Balkans, China's entry into the region may partially contribute to providing solutions to the problem. In this regard, China's involvement is compatible with the interests of the Western Balkans countries, and even with the interests of the European Union in the region.

In recent years, China's engagement in the Western Balkans has attracted more attention at home and abroad. In the context of great power competition, China's engagement in the Western Balkan is observed more and more in geopolitical terms in the West. This paper seeks to examine China's perception of the Western Balkans, so as to clarify China's policy towards the region.

Although the European Union coined the term "the Western Balkans", the term itself is not used widely in China. China prefers to use expressions like "the Balkans", "the Balkans countries", "former Yugoslav countries" and "Southeastern countries". In fact, the term "the Western Balkans" has never entered the discourse of China's foreign policy decision-makers, being used only by some scholars sporadically in academic discussions.

In my opinion, China's perception of the Western Balkans is based on the following assumptions:

1. The Western Balkan region was a powder keg. Historically, the region was full of bloody conflict and cruel wars. In the last century, the region witnessed the First Balkan War, the Second Balkan War, the First World War, the Second World War and conflict and war in the wake of breakup of the Yugoslavia.
2. The Western Balkan region is a conflict-stricken area. Despite the episode of conflicts and wars in the 1990s now being history, the region still suffers from the trauma of conflicts and wars.
3. The Western Balkan region is an emerging market. As the Western Balkan countries moved towards market economies, transformed their economies, the region has become an important emerging market.
4. The Western Balkan region is a site of great power rivalry. Because of its importance as a geopolitical location, the Western Balkan region, this great power rivalry has reemerged. The United States, the European Union and Russia are all major players in the region.
5. The Western Balkans have a realistic European perspective. As the European Union has opened the way for the accession of the Western Balkan countries, the Western Balkans countries regard joining the EU as the top priority for their foreign policy.

China has formal diplomatic relations with all Western Balkan countries, except Kosovo. China has an embassy in Albania, Serbia, Montenegro, Northern Macedonia and Bosnia and Herzegovina. So far, China has not recognized Kosovo as an independent state, but China's embassy in Belgrade has opened an office in Pristina. Objectively speaking, China does not have a single strategy towards the Western Balkans.

China's relations with the Western Balkan countries should be viewed in 3 dimensions. The first dimension is bilateral relations, China dedicates to develop friendly relationship with the Western

Balkan countries. The second dimension is China-CEEC relations, that is the so-called 17+1 framework (formerly 16+1 framework), the Western Balkan countries are part of 17+1 framework, which can serve as the complimentary for the bilateral relations. The Western Balkan countries can implement some across-country project, such as Budapest-Belgrade railway. The third dimension is the BRI (Belt and Road Initiative). China's BRI focuses on trade, investment, connectivity and people-to-people exchanges, China signed MOU with most of the Western Balkan countries.

How can we characterize China's policy towards the Western Balkan countries?

1. China does not pursue geopolitical interests in the region. Based on its understanding of the turbulent history of the Balkans and the negative consequences of external intervention, China does not perceive itself as a geopolitical player. China as a newcomer in the region is thus keen to avoid positioning itself in terms of geopolitical interests.
2. China seeks pragmatic cooperation. China seeks economic cooperation for mutual benefit. As such, over recent years, China has increased its economic presence in the region, notably by financing certain infrastructure projects.
3. China has no interest in intervening in internal affairs. China is concerned with the political development in the Western Balkan countries, but China never intervenes in the domestic affairs of the Western Balkan countries.
4. China does not intend to export its model of governance. China has its specific model of governance, the so-called China model, which it sees as applicable only to China. China does not want to export its forms of governance to other countries.
5. China is dedicated to building a comprehensive partnership with the Western Balkan countries. China intends to develop relations with the Western Balkan countries in different areas, including political interaction, economic cooperation, education exchange, science and technology cooperation and people-to-people exchange. As the world suffers from the Covid-19 pandemic, cooperation in the area of public health, and especially coping with Covid-19, should be a new field for cooperation.

It should be noted that as China has become involved in certain infrastructure projects, China's visibility in the region has increased substantially over the last decade. However, China's presence in the Western Balkan region is limited when compared to the role played by certain Western countries. China's trade volume with the Western Balkan countries is negligible in terms of China's trade with the 16 Central and Eastern European countries. China's investment in the region is at a low level. Over the last 5 years, China's engagement in the region has drawn a degree of criticism from officials, observers and scholars in the West. Some observers claim the EU has underestimated China's influence in the Western Balkans, while simultaneously overestimating Russia's influence in the region. Some politicians worry that China's economic engagement may transform into a large degree of political influence. Some European politicians are suspicious of China's BRI, with EU Commission President Von der Leyen emphasising that the Western Balkans are part of Europe and not just a stopover on the Silk Road. Those assumptions are driven by changes in the perception of China in the West, with China increasingly viewed as a competitor and rival. Some scholars have over-exaggerated the negative effects of China's presence in the

Western Balkans, considered China's presence a hinderance to the European prospects of the Western Balkan countries. China supports the process of European integration for the whole region, and has neither the intention nor the capacity to impede the Western Balkans countries on their path to joining the EU. As underinvestment in the infrastructure sector is a chronic problem in the Western Balkans, China's entry into the region might partially contribute to finding solutions to this problem. In this regard, China's involvement is compatible with the interests of the Western Balkans countries, and even, more broadly, with the interests of the European Union.

The EU and China in the Western Balkans: Cooperation or Competition? **Jing Man**

The Western Balkans, in recent years, has increasingly been a topic of discussion in EU-China relations. China has noticeably enhanced investment and cooperation with the Western Balkan countries since 2012, due to the launch of the Cooperation of China and Central Eastern European Countries (the 16+1). After Chinese President Xi Jinping put forward the Belt and Road Initiative at the end of 2013, the 16+1 has been integrated into the BRI and this move has raised more concern from Brussels.

Criticisms from the European side can be grouped as follows: first of all, among the 16 countries which joined the Chinese initiative, five are from the Western Balkans, and non-EU member states, including Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia. Western Balkan countries are strategically important for the EU, but the political and economic situation in the region is quite tricky. China's active policy in this region makes the EU suspicious of Beijing's intention which may undermine the EU's coherence in policymaking on China (Pavličević, 2016).

Secondly, together with rising Chinese investment in the Western Balkans, China's influence is also rising. For example, while the EU remains the largest lender to Serbia, the allocation of resources adopts a very strong EU-centred perspective and focuses mainly on the development of democracy and rule of law in the country. In contrast, the transport and energy sectors which, from the Serbian perspective, as the most in need of financial support, receive only marginal support from the EU. The EU's policy opens a void for Chinese initiatives. Chinese economic activities in Serbia are highly concentrated in energy and transport, which is welcome by the Serbian government (Katarina, 2020). China seems to buying influence in the region to compete with the EU. The then European Commissioner for Enlargement Johannes Hahn referred to Balkan countries as Chinese Trojan horses in one of his speeches (Politico, 2018), indicating the heightened alertness in the Commission.

Thirdly, there are talks about Chinese investment as a "debt trap" in the Western Balkans. The Deputy Prime Minister of Montenegro, Dritan Abazovic, requested financial assistance from the EU in March 2021 to repay a loan to China for constructing a highway from the port of Bar on the Adriatic Sea to the border with Serbia. While the viability of the project itself was already disputed, the Montenegrin government highly increased the debt ratio to its GDP by taking loan from the China Exim Bank of about 809 million euros at a 20-year repayment term, with a five-year grace period and a 2% fixed interest rate. The project has led to mounting debt in Montenegro. To

make things worse, the COVID-19 pandemic hit tourism hard in the country, which is a sector which accounts for 25% of Montenegro's GDP. The first repayment of the loan is due this year, but Montenegro has serious problems in meeting that obligation. Against this background, some analysis argues that the predicament of Montenegro might create opportunities for China to strengthen its foothold in the region, which "poses systemic risks for NATO and the EU" (Sokolov, 2021).

Fourthly, multilateralism is the genes of the EU. Without the successful practice of multilateral cooperation among the member states, European integration could not have been achieved. Yet, the China-led 16+1 seems to be mainly based on bilateral partnerships between China and all the other 16 countries, which is further questioned by the EU for its lack of transparency. Mr Katainen, then Vice President of the European Commission, made a speech at the first Belt and Road Forum held in Beijing in 2017 and stressed the importance of international rules, multilateral cooperation and sustainable development, highlighting nine principles that should be followed in connectivity projects, among which multilateralism was very much emphasized (Delegation of the European Union to China, 2017).

Last but not least, the Hungary-Serbia Railway, the flagship project of cooperation between China and the Central and Eastern European countries, triggered direct intervention by Brussels which led to the suspension of the project for some time before it could be relaunched. Brussels was annoyed by the fact that the project "violated European Union laws stipulating that public tenders must be offered for large transport projects" (Beesley et al., 2017). As a member state of the EU, Hungary had to agree to an open tender for this project, but Serbia which is only a candidate country, does not need to be restrained by EU laws before its accession. While this project is welcomed by both Hungary and Serbia, it is another case which makes EU-China relations more complicated where Western Balkan countries are involved.

Keeping its distance from China's BRI, the EU published its own strategy on Eurasian connectivity in 2018, which addresses transport, energy, the digital economy, and person-to-person contact. However, it is interesting to see that to a large degree, the EU's objectives of connectivity overlap with those of the BRI and the EU Strategy on connecting Europe and Asia. Hundreds of thousands of projects across the Eurasian continent are in need to investment. If the EU and China can work together, each gives full play to their comparative advantage, and many countries will benefit from such cooperation.

As a matter of fact, one of the first examples of cooperation between the EU and China in the field of infrastructure is underway in Croatia. The EU decided to allocate €357 million for the construction of the Peljesac Bridge, while China's state-owned China Road and Bridge Corporation (CRBC) was awarded the construction contract in January 2018 by committing to complete the project both quicker and cheaper. Due to Covid-19, the construction has been postponed. The most recent report from Xinhua News Agency revealed that this, the biggest infrastructure project in Croatia, will be completed in June 2022 (Xinhua, 2021).

Needless to say, the EU and China differ in terms of their political systems and their economic development models. More importantly, they place emphasis on different values. However, economic development conforms to the interest of all. Based on the mutually recognized rule of law, they can learn how to work together to their mutual interest.

The potential Chinese "money trap" effect on the Western Balkans Nikola Milović

The Chinese Belt and Road Initiative represents a transcontinental long-term policy and investment programme with the aspiration to provide infrastructure development and the acceleration of the economic integration of countries along the route of the renowned Silk Road. China's President Xi Jinping launched the Initiative in 2013.

The main objective of the BRI is providing connectivity between the Asian, European and African continents as well as their adjacent seas, while establishing and strengthening partnerships among the countries taking part in the initiative. At the time of writing, 143 countries are taking part in the Initiative (Belt and Road Portal, 2021). The BRI covers six development corridors of transportation, energy, and telecommunications infrastructure. The BRI also encompasses the 21st Century Maritime Silk Road which connects China to Southeast Asia, Indonesia, India, the Arabian Peninsula, Somalia, Egypt and Europe.

The funding for the Belt and Road Initiative is provided by policy banks (the Agricultural Development Bank of China (ADBC), the China Development Bank (CDB) and the Export-Import Bank of China (CHEXIM)), state owned banks (the Agricultural Bank of China (ABC), the Bank of China (BOC), the China Construction Bank (CCB) and the Industrial and Commercial Bank of China (ICBC)), state owned funds (the China Investment Corporation (CIC) and the Silk Road Fund (SRF)), and international financing institutions (the Asian Development Bank (ADB), the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB)). To fully fund BRI projects, approximately 4 to 8 trillion USD will be needed, using diverse funding channels such as BRI bonds, private capital investment and public-private partnerships (PPP), but also State-Owned Enterprise (SOE) (Belt and Road Initiative, 2021).

In Europe there are different impressions of the BRI and the accompanying 17+1 countries taking part in the initiative (where 17 are states in Central and Eastern Europe while 1 represents China). In general, the BRI is perceived as the major strategic initiative coming from China with a strong mercantile and investment component around the principal transport routes that connect China and Europe. Another feature of the EU view of the BRI is that Europeans see it mostly as being an issue between China and Europe, while other countries in between are considered intermediate steps and not Chinese policy targets *per se*. The in-land Chinese and China-close neighborhood role of the BRI are not very visible in European explanations and assessment (Hackaj, 2018).

Nevertheless, China's role as an infrastructure developer is quite visible in the transport and energy sectors. In the Balkans, an array of high-speed railway lines, motorways and power stations are being planned, financed and built by Chinese companies. Chinese infrastructure projects in the wider SEE region total an estimated €9 billion (CEFTA, 2018). The economic presence of China in the Western Balkans Six (WB6) countries is framed in terms of the BRI. Chinese investment provides the Western Balkans countries with a significant inflow of capital.

Infrastructure financing, which often leads to lending to sovereign nations or the use of a sovereign guarantee, can create challenges for sovereign debt sustainability. In this case the

creditor itself is a sovereign entity, and is linked to the aforementioned policy banks, creating challenges that often affect the bilateral relationship of the two governments (Hurley et al., 2018).

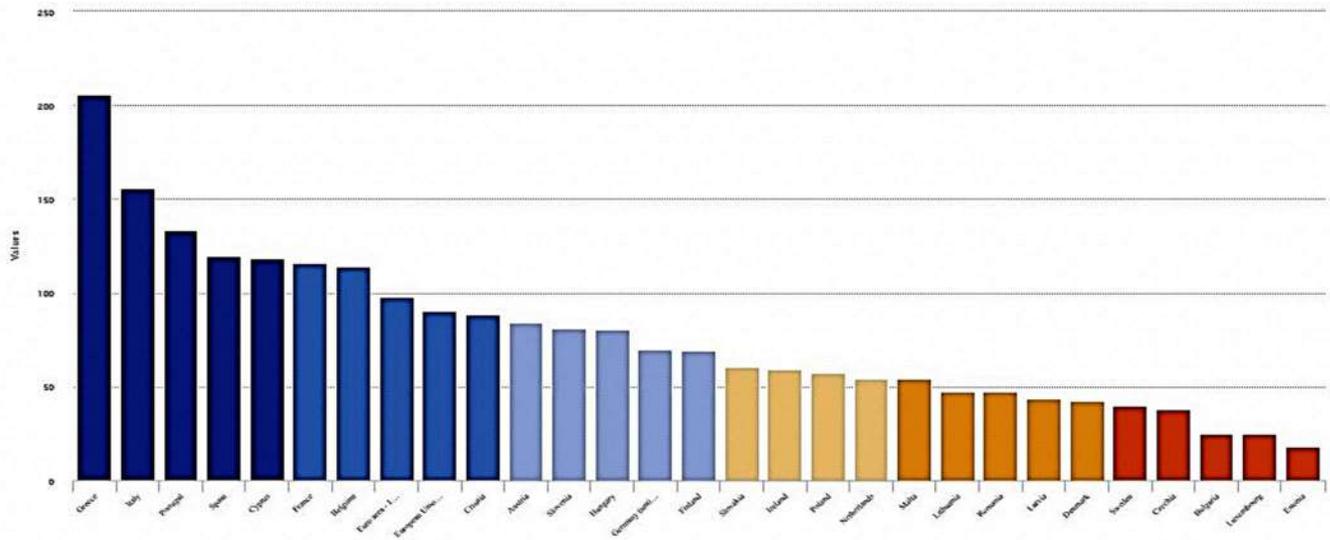
In the following table, we present a timeline of the public debt of EU Member States participating in the BRI, from its inception in 2013 up to 2020, with forecasts for 2021 and 2022.

Table 1. General government gross debt (% of GDP) of EU Member States participating in the Belt and Road Initiative

TIME	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
European Union - 27 countries	86.4	86.6	84.8	84.0	81.5	79.5	79.2	92.4	94.4	92.9
Euro area - 19 countries	92.6	92.8	90.9	90.1	87.7	85.7	85.8	100.0	102.4	100.8
Bulgaria	17.1	27.1	26.0	29.3	25.3	22.3	20.2	25.0	24.5	24.0
Estonia	10.2	10.6	10.0	9.9	9.1	8.2	8.4	18.2	21.3	24.0
Greece	178.4	180.2	177.0	180.8	179.2	186.2	180.5	205.6	208.8	201.5
Croatia	81.2	84.8	84.3	80.8	77.6	74.3	72.8	88.7	85.6	82.9
Italy	132.5	135.4	135.3	134.8	134.1	134.4	134.6	155.8	159.8	156.6
Cyprus	104.0	109.1	107.2	103.1	93.5	99.2	94.0	118.2	112.2	106.6
Latvia	40.0	41.6	37.1	40.4	39.0	37.1	37.0	43.5	47.3	46.4
Lithuania	38.7	40.5	42.5	39.7	39.1	33.7	35.9	47.3	51.9	54.1
Luxembourg	23.7	22.7	22.0	20.1	22.3	21.0	22.0	24.9	27.0	26.8
Hungary	77.4	76.7	75.8	74.9	72.2	69.1	65.5	80.4	78.6	77.1
Malta	65.8	61.6	55.9	54.2	48.5	44.8	42.0	54.3	64.7	65.5
Austria	81.3	84.0	84.9	82.8	78.5	74.0	70.5	83.9	87.2	85.0
Poland	56.5	51.1	51.3	54.2	50.6	48.8	45.6	57.5	57.1	55.1
Portugal	131.4	132.9	131.2	131.5	126.1	121.5	116.8	133.6	127.2	122.3
Romania	37.6	39.2	37.8	37.3	35.1	34.7	35.3	47.3	49.7	52.7
Slovenia	70.0	80.3	82.6	78.5	74.1	70.3	65.6	80.8	79.0	76.7
Slovakia	54.7	53.6	51.9	52.4	51.5	49.6	48.2	60.6	59.5	59.0

Source: Eurostat (2021) & European Commission (2021)

Picture 1. EU Member States General government debt, 2020.



Source: Eurostat (2021)

However, China has been constantly called out on the 'debt trap diplomacy' underlying its BRI or new Silk Road approach. This type of diplomacy refers to offering projects/loans on terms that end up being too difficult for countries to repay, eventually compelling them to accept political or economic concessions instead (e.g. Sri Lanka or the Maldives). The primary aim of the BRI is not to put countries in a debt trap to seize their assets. Some analysts say it is clear that China has approached its investments strategically and has factored in the host countries' abilities to repay loans (The Wire, 2021). China is considered an economic powerhouse that wields enormous financial leverage, which in turn brings political influence, making it harder for poorer countries to assert their interests.

For the WB6 countries, we consider the movement in a country's overall public debt-to-GDP ratio, as well as the concentration of that debt with China as a creditor. The level of government debt is presented in the following table:

Table 2. Public debt (% GDP) in Western Balkans countries, 2012-2020

	2013	2014	2015	2016	2017	2018	2019	2020	2021 (f)	2022 (f)
Montenegro	57.6	58.7	65.2	63.4	63.3	70.1	76.5	103.3	92.2	84.2
Serbia	58.8	70.4	74.7	67.5	59.2	53.7	52.1	58.3	60.7	60.4
North Macedonia	34.0	38.1	38.1	39.9	39.4	40.6	40.2	51.2	53.5	54.2
Albania	65.6	72.4	72.7	72.4	70.2	67.7	66.3	76.1	74.9	73.2
Bosnia & Herzegovina	37.7	40.2	40.3	39.0	34.7	33.4	32.2	37.4	38.2	38.0
Kosovo*	9.1	10.7	13.1	14.4	16.6	16.9	17.5	21.83	n/a	n/a

*In line with UNSC Resolution 1244/1999

(f) - forecast

Source: European Commission (2021)

Note: Data on public debt for all WB countries are from the Central Bank/Ministry of Finance websites of each country

According to the Ministry of Finance, Montenegro's public debt in 2020 amounts to €4,330 million, and has exceeded 100% of GDP, i.e. it stands at 103.28% of estimated GDP. External debt stands at €3,835 million, i.e. 91.46% of GDP, with domestic debt at €495.56 million (11.82% of GDP). In terms of external debt, the largest share of individual lenders relates to debt to China's Exim Bank, totaling €640.54 million. The increase in government debt in the fourth quarter of 2020 was primarily due to the issuance of bonds on the international market in the amount of €750 million. Additionally, the increase in debt was influenced by the withdrawal of credit funds for the implementation of infrastructure projects, primarily the construction of the priority highway section Smokovac-Uvac-Matesevo, in the amounts of US \$13.46 million and €7.71 million.

Serbia's public debt stood at €27,055 million at the end of 2020, while its external debt stands at €15,235 million. In terms of direct liabilities on foreign debt, Serbia has no debts with Chinese banks.

North Macedonia's total public debt stands at 59.5% of GDP, or €6,527 million, while the government debt stands at 50.7% of GDP. At the end of the fourth quarter of 2020, the external debt of the central government was €2,606,0 million. In the structure of that public debt, there are no evident Chinese banks loans, but there are an array of capital projects, some of which are being implemented under the BRI umbrella, which contributed to an increase public debt in the period 2017-2019.

In Albania, public debt at the end of 2020. amounts to 1,223 million leke, out of which 1.51 mil. represents an euro debt to China, based on bilateral lending.

In Bosnia and Herzegovina, public debt amounts to 11,561.2 million KM at the end of 2020. There are no Chinese loan in the debt portfolio. The largest creditor is the European Investment Bank with an outstanding loan of 2,019.54 million KM, at the end of 2020.

As regards Kosovo, the level of public debt at the end of 2020. was €1,487.69 million, with external debt of €525.8 mil. or 7.55% of GDP. The domestic debt is actually larger and amounts to €961.90 mil. Observed in terms of individual creditors, the largest part of the external debt is from IDA (€132,2 mil.) There are no Chinese creditors in the debt portfolio.

Focusing on the data for 2020, and the forecasts for 2021 and 2022, for both EU Member States and WB6 countries, we cannot see a pattern of rising indebtedness of all countries participating in BRI. The structure of a country's debt portfolio plays a significant role in the story of public debt sustainability. However, Hurley et al. (2018) identified in their research that, among the mentioned countries, Montenegro finds itself in a position to come under additional debt distress in the process of BRI-related financing, i.e. highway construction. It should be noted that Montenegro's loan from the Chinese Exim Bank is being used for investment in infrastructure, i.e. highway construction, which represents a key to increasing productivity and growth. Research has shown that public debt may undermine growth at very high levels of indebtedness, but

Montenegro expects that the public debt to GDP ratio will fall, once the GDP growth rate turns positive again.

Even though there are numerous claims of China's "debt trap diplomacy", it is not safe to assume that it is all part of a Chinese prearranged strategy to impose Beijing's role as financier and investor. A better explanation might be that Chinese participants who deal with distorted economic and political incentives approve more BRI deals (Ferchen and Perera, 2019).

Political and technical concerns over China's presence in the Western Balkans

Tanja Mišćević

Over the past decade, China has become the most prominent third actor in the Western Balkans,² being much more present than Russia or Turkey, the traditional partners in the region. China's approach is not new, and has been used in other parts of the world, with loans and construction work on infrastructural projects (Zweers et al., 2020), but its acceptance both on the part of the leaders of the WB6, as well as by citizens, has surprised everybody. The issue is even more of a reason for concern when European integration is the main strategic goal for all the WB6, meaning that their laws, procedures and practices have to be aligned with those that exist and that have been developed in the EU.

The importance of China has been recognized by the EU, as in 2019 the European Commission published a "strategic outlook" on EU-China relations. In this document, the EC stated that "...China is, simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance" (European Commission, 2019).

In an effort to harmonize relations and to find a common stance, EU-China relations were set as a key priority of the 2020 German Presidency of the European Council. These plans were overshadowed, however, by the Coronavirus outbreak. Still, a "Comprehensive Agreement on Investment" between China and the EU was signed in December 2020 and will now need to be approved by the EU Council and the European Parliament. This agreement aims to "create a better balance in the EU-China trade relationship" by enabling more investment in China "...an important landmark in our relationship with China and for our values-based trade agenda" (European Commission, 2020).

Bearing all this in mind, there are still two group of reason for concern and areas for those regional countries to consider: these are the political and technical spheres.

² The name the Western Balkan was created at the end of the 1990s for the countries established after the disolution of the former Yugoslavia, including Albania as a separate country int eh region. So, the Western Balkans covers Albania, Bosnia and Herzegovina, Kosovo*, North Macedonia, Montenegro and Serbia, and is also known as the WB6.

The political considerations are connected to the EU Common Foreign, Security and Defence Policy and the obligation of candidates for EU membership to progressively align with common decisions that the EU 27 might reach regarding their geostrategic relationship with China, and new developments with the USA. As we said, Western Balkans governments, being increasingly disappointed by the lack of progress in EU accession, welcome greater Chinese economic engagement in the region. However, despite the many advantages of China's economic engagement both for China, on the one hand, and the EU and WB countries themselves, on the other, the model of Chinese state-led engagement can run contrary to the EU's reform agenda (Shopov, 2020).

The technical group of reasons are closely connected with the WB6's obligation to accept and implement the EU acquis. Of course, that type of obligation is not something that China should follow so closely, but bearing in mind the level of its engagement in the Balkans, it can (and indeed already does) create a lot of 'lifting of eyebrows on the part of Europeans'. Let us list some of those concerns.

Reforming public procurement is one of the most important issues for accession countries, as evidenced by its inclusion in the new enlargement methodology's 'fundamentals' cluster, because public procurement must facilitate open market competition and take place in a transparent process open to all companies on the basis of non-discrimination and equal treatment. When it comes to infrastructure development loans, China, on the other hand, requires countries to use Chinese contractors for the majority of the work. As a result, large Chinese infrastructure projects are frequently handled through intergovernmental agreements, allowing for *lex specialis* (special legislation) procedures to circumvent public procurement regulations (Clingendael Report, 2020).

EU loans are subject to a slew of requirements and processes aimed at ensuring financial viability, environmental sustainability, and the quality of infrastructure development, as well as suitable labor conditions and procedural transparency throughout the projects sponsored. Because China is an alternative lender, if EU institutions refuse to fund a project for feasibility reasons, the WB6 countries can often resort to the Chinese, as happened in the instance of Montenegro's Bar-Boljare highway.

Countries wishing to join the EU must comply with the Stability and Growth Pact (SGP) on fiscal surveillance (Chapter 17 of the acquis), which sets EU rules for budget deficits and maximum debt levels³. The small Western Balkans countries that take on substantial sums of debt risk not being able to follow these guidelines or even repay their loans. Second, owing a high portion of foreign debt to a single country increases the risk of reliance. In the case of Montenegro, the country's enormous debt to China could lead to unwarranted geopolitical influence. The fundamental issue is not Chinese funding per se, but rather the means through which it is delivered (i.e. state-to-state involvement) and how it is spent.

³ The annual budget deficits of EU member states must not exceed 3 percent of GDP and public debt must not exceed 60 per cent of GDP. The consolidated Version of the Treaty on the Functioning of the European Union, Art 126, https://webgate.ec.europa.eu/fpfis/mwikis/thinktank/index.php/Article_126_TFEU

The Western Balkans remain one of Europe's most polluted regions, partly due to the WB countries' continued reliance on low-level lignite coal for electricity generation. Because environmental sustainability is one of the criteria used by European investment banks when deciding on funding, the EU has refused to support polluting coal projects. China, a significant coal exporter that is heavily reliant on coal plants for energy, is giving an alternative to the EU by subsidizing coal-plant investments in the WB region. While WB countries are not strictly bound by EU environmental rules at this time, if EU membership is secured, all plants will need to be upgraded in order to continue operating. The EU's Industrial Emissions Directive (Directive 2010/75/EU) specifically mandates coal plants to conform with its 'Best Available Techniques' standards, which would necessitate massive expenditure. Furthermore, with EU proposals for a new green accord in the works, a more expensive EU Emissions Trading System (EU ETS) would spell doom for the polluting coal plants' economic models (Zweers, 2020).

Finally, when it comes to state assistance, the WB6 countries are obligated under the Stabilisation and Association Agreement (SAA) and the Energy Community Treaty not to introduce state aid measures that could distort competition between the EU and the WB6 nations. Large state aid policies that favor particular energy sources over others, such as coal, are incompatible with the SAA and, eventually, with EU treaties. Due to strict EU laws on state aid, WB governments must decrease state intervention in the economy, whereas the state plays a considerably larger role in the Chinese economic model.

Given present geopolitical concerns, it will be crucial to keep an eye on Chinese involvement in the Western Balkans in the coming years. It's also important to watch how China's strategy in the Western Balkans evolves from a purely economic presence to a more diversified presence, how this presence manifests itself in actual influence, and what impact this has on EU-China ties.

The potential role of EU agencies for candidate countries **Michael Kaeding**

The future of Europe is also one of external differentiated integration (Schmidt, 2019), in which non-member states of the EU participate in shaping future policies. In fact, EU agencies offer potentially 'more leeway to craft flexible integration arrangements (Lavenex, 2015). Agency engagement therefore could in fact represent one of the pieces of the puzzle of differentiated integration for candidates and with it for Europe's future.

EU agencies have existed since the beginning of the European integration process, have evolved in different waves, and eventually, have become an indispensable feature of executive governance in the EU (Dehousse, 1997) and its future shape. Today, in fact, it is practically impossible to imagine running the Union without them (Chiti, 2012).

Currently there are 48 EU agencies⁴, dispersed over 22 EU Member States. They are independent EU bodies (Rittberger and Wonka, 2011) which perform specific tasks (Groenleer, Kaeding and Versluis, 2010) for the EU and its Member States by assisting in designing and implementing EU policies.

There is a growing body of scholarship dedicated to the study of the international dimension of EU agencies (Hofmann, Vos and Chamon, 2019). However, there are significant gaps that need to be filled. Third country participation in EU agencies, for example, has attracted little academic interest⁵ despite the fact that participation of third countries in EU agencies figures as a potentially important element of participatory external differentiation in the EU.

In recent years there have been studies looking into the participation and influence of third countries in the EU agencies focusing predominantly on the European Economic Area (EEA)/European Free Trade Agreement (EFTA) and European Neighbourhood Policy (ENP) countries (Lavenex, 2015). For the Western Balkans region, only a preliminary mapping has been done so far (Milenković, 2018).

Particularly in view of the current loss of accession perspective and amid prolonged enlargement fatigue across the EU Member States decentralised agencies may turn out to be short-term stepping stones and/or a potential long-term substitute mechanism to future full membership in the decade(s) ahead for the region of the Western Balkans as a whole.

The example of Turkey illustrates how a candidate country could be successfully drawn into EU transgovernmental networks (Baird, 2015). In 2021, a total of 18 EU agencies are engaging with Turkey (Kaeding & Milenkovic, forthcoming). Turkey stands as a distinct category of third countries with a varying accession status where the range of cooperation and timing with EU agencies has been driven by two different logics of action, the foreign policy logic (predominantly), but also the functionalist independence logic. In line with Lavenex (2015), Kaeding and Milenkovic show for Turkey that both logics have occurred simultaneously and have interacted in many ways over time.

Recently, we have seen that EU agencies have continued and extended their engagement with Turkey despite the 'freeze of accession talks', which might hint at the potential of the outreach of EU agencies to accession countries representation as a thus far fairly neglected form of 'external face of differentiation' beneath central EU decision-making institutions. In the end, in times where Turkey relationship has become extremely complex and dynamic, Turkey's involvement in EU agencies is manifold, covers various policy areas and has been driven by different logics simultaneously.

⁴ For a detailed description of all EU agencies see European Commission, *Agencies and other EU bodies*. Available at https://europa.eu/european-union/about-eu/agencies_en (accessed 3 June 2021). 34 thereof are so-called decentralised (formerly often referred to as regulatory) EU agencies, which are independent bodies with their own legal personality and individual legal basis, and which are set up for an unlimited period of time.

⁵ Exceptions to the rule are Lavenex, 2015, above, n. 5, 836-853 mapping third country participation in seven agencies (EASA, ECHA, EEA, EFSA, EMA, Europol, Frontex); M.-L. Öberg, 'Third countries in EU agencies: participation and influence', in H. Hoffmann, E. Vos and M. Chamon (eds), *The External Dimension of EU Agencies and Bodies* (Edward Elgar Publishing, 2019), at 204-221. focusing on the EEA and EFTA's opportunities to influence the content of the EU acquis via their involvement in a selected number of EU agencies.

Consequently, in spite of the prolonged and/or halted accession negotiations, technical *ad hoc* arrangements between EU agencies and Western Balkan countries could be established and/or continue in sectors of high sector specific interdependence. 'Further enlargement of the Union and its multiple links with non-member European countries indicate that expansion of the scope of differentiated integration is, indeed, inevitable (Müftüler-Baç, 2013).

Decentralised EU agencies represent a flexible mechanism for multi-fold cooperation trajectories. Despite enlargement fatigue, this kind of transgovernmental outreach towards the Western Balkans could establish and/or strengthen sector-specific policy diffusion, policy transfer and regulatory approximation.

In this way, EU agencies could become an important piece in the puzzle for the differentiated integration of candidate countries and with it for Europe's future.

Conclusion

The enlargement of the EU is by its nature a geopolitical issue, which implies investment in peace, stability and prosperity in Europe, as well as the strengthening of the Union itself. The enlargement policy is one of the EU's most successful policies so far. Moreover, enlargement policy is the most powerful instrument and mechanism that the EU has to try to manage the neighborhood and neighboring countries. Enlargement is not a cure for all the problems of the EU and its neighboring countries, but it is the best solution that both sides have.

On the other hand, the world is changing around us, and we all have to get used to the "new" world as it is, not as we might hope it is or want it to be. So, the question that is being raised at the present moment is how we can find a way to deal with the global challenges and strategic players in the Western Balkans, such as the EU, China, the United States and Russia.

China is one of the EU's most strategically important partners, despite the fact that their relations are complex and challenging at various levels. At the same time, and in different policy areas, China is a cooperation partner with which the EU has carefully aligned its goals, a negotiating partner with which the EU must find a balance of interests, an economic competitor in the race for technological leadership and a systemic rival promoting alternative governance models.

Chinese presence and its increasing economic role in the Western Balkan region has been a matter of attention of policymakers and researchers in the region and beyond over recent years. As EU accessions seems to be increasingly open-ended and potentially never-ending, other forces, like China, Russia and Turkey, stand to gain. Their economic, diplomatic and political influence is greater than it was two decades ago. Bechev argues that "Russia is not returning to the Balkans, because it never left" (Bechev, 2017), while the presence of the China is new and needs further research and investigation.

The global forces active in the region have all stated that they have nothing against European integration in principle, but over time they have worked hard to present themselves as credible economic and political counterparts for the Western Balkan countries. It has created a geopolitical balance in the very fragile political and economic environment in the region. Associated with the enlargement equilibrium, some authors assume that geopolitical tension will rise, where Chinese, Russian and Turkish involvement will continue to grow, with weaker EU and US presence in the region (Garčević, 2019). It has raised the concern, lately, from a side of the Western partners, the EU and the US, that Western Balkan countries could become politically and economically dependent on these other forces over time.

EU officials argue that it is understandable that the possibilities offered by Chinese economic activity are attractive to the Western Balkans, which has significant investment needs, as was stated by the EU Ambassador to Montenegro, Oana Cristina Popa⁶. Montenegro and the region have to manage their relations with China to their advantage, while working as much as possible towards EU membership. "This is a challenging task for policy makers, but a task that definitely benefits the Montenegrin economy and its citizens," Popa concluded at the seminar. Western Balkan countries have chosen EU membership as their political and strategic goal. With this commitment, there are certain rules and obligations, notably that investment projects must comply with EU standards in terms of public procurement, competitiveness, environment, energy and transport regulations.

The EU is the dominant economic and political force in the region; however, the EU has failed in connecting with the people of the Western Balkans and in self-promotion, certainly when compared to other forces (China and Russia), whose contributions to the economies of the region are far below those of the EU. For many citizens of Western Balkan countries, integration, as a two way street, is often associated with strict and painful convergence criteria, especially managing the debt ratio during the everlasting crisis in the early 21st century, and the significant burden of reforms, associated with the fact that the great expectations encouraged by the Thessaloniki summit have not been fulfilled. These *other* powers have been very successful in building their soft power, meaning that there is a perception that they care more about the region's interests than the EU does. However, Western Balkan leaders may be playing the Chinese and Russian card to gain leverage with the EU, where these two geopolitics forces could indeed pose a threat of disorientation in the region. But for most, including researchers and policy makers, the EU is still the only player in town. (Panagiotou, 2020)

China and Russia may want to challenge the region for the purposes of geopolitics games, but it does not want a full rivalry or confrontation in the Balkans. As has been clearly stated by the Chinese Ambassador to Montenegro⁷: "China has no geopolitical or other pretensions in Montenegro or the Western Balkans as a whole, nor does it want to compete with the European Union for influence in the region. China is open to cooperation with the EU in the direction of providing assistance to the countries of the Western Balkans".

⁶ Ambassador Popa addressed the seminar organized within the EU project Jean Monnet Center of Excellence: Challenges of Enlargement Policy - European versus Chinese Diplomacy in the Western Balkans 2020-2023 ", conducted by the Faculty of Economics of the University of Montenegro on 27 May, 2021.

⁷ Ambassador Jin's statement to the seminar organized within the EU project Jean Monnet Center of Excellence: Challenges of Enlargement Policy - European versus Chinese Diplomacy in the Western Balkans 2020-2023 ", conducted by the Faculty of Economics of the University of Montenegro, 27 May, 2021.

The Western Balkans, China and the EU are open to enhancing cooperation and hope that this cooperation opens up many opportunities, so that everyone benefits from it. Ambassador Jin added that relations between Montenegro and China are based on the quality of mutual trust.

"Our countries have always treated each other as equals. Although historically there have been obstacles to co-operation, China has supported Montenegro's EU accession efforts. Likewise, Montenegro has always supported China. There is a political consensus between leaders in Montenegro and China. The two prime ministers often talk on the phone and maintain written communication. We are glad that Montenegro is moving towards becoming a member of the EU".

He added that there is a benefit from the relations, and that the political cooperation between Montenegro and China has experienced great development, notably in terms of Chinese support for Montenegro's early accession to the EU.

It appears that the Western Balkans region has been caught in an association equilibrium produced by the interplay of domestic politicization and geopolitical competition. The EU has a geopolitical interest in stabilizing and integrating, on the other hand, but domestic skepticism in the EU, weak business interest and concerns about state capacity and democratic backsliding keep the EU from making the region's membership a priority. However, it is unlikely that geopolitics will give a decisive boost to the accession of the Western Balkans.

One of the options could be a flexible association without membership and the conducting of open-ended and potentially never-ending accession negotiations, where the EU strikes a balance between the risk of full membership and the risk of 'losing' the Western Balkans. The association equilibrium carries its own risks of keeping the region in a political limbo, in which authoritarianism, state capture and nationalism thrive, and in which the EU may lose the popularity it still largely enjoys.

"For Montenegro as well for most of the Balkan countries, they should continue to follow their European path, while fostering good cooperation with global political and economic actors. What is much more important for us in the geopolitical balance of power, is the fact that it is in the interest of our region to join the Union and that it is not only our interest but also the interest of the Union" said Dragana Marković, an adviser to the Montenegrin Chief Negotiator with the EU, Zorka Kordic, at the same seminar.

In spite of the prolonged and/or halted accession negotiations, technical *ad hoc* arrangements between EU agencies and Western Balkan countries could be established and/or continued in sectors of high sector specific interdependence. Decentralized EU agencies represent a flexible mechanism for multi-fold cooperation trajectories. Despite enlargement fatigue this kind of transgovernmental outreach towards the Western Balkans could establish and/or strengthen sector-specific policy diffusion, policy transfer and regulatory approximation. It is important to outline the dynamic and potential of EU agencies for accession countries assessing EU agencies' bilateral and *ad hoc* working arrangements with EU candidate countries.

In this way, EU agencies could become an important piece in the puzzle for the differentiated integration of candidate countries and with it for Europe's future. EU agencies seem to offer a

valuable asset as the road to EU membership remains uncertain and amid prolonged enlargement fatigue across the EU more generally.

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