

ONLINE PAPER 3

EU, CHINA AND WESTERN BALKAN: COOPERATION UNDER NEW CIRCUMSTANCES

Danijela Jaćimović, University of Montenegro, Montenegro

Luca Mokra, Comenius University in Bratislava, Slovakia

Kong Tianping, Chinese Academy of Social Sciences, China

Mojmir Mrak, University of Ljubljana, Slovenia.

Nikola Milović, University of Montenegro, Montenegro

Tanja Miščević, University Donja Gorica, Montenegro

Nikoleta Đukanovic, University Donja Gorica, Montenegro

Sunčica Rogić, University of Montenegro, Montenegro

Introduction

As the global political and economic landscape changes and unforeseen events take place, Western Balkan countries must adapt. The GFC, the Syrian Refugee Crisis, COVID-19, and the current situation in Ukraine have all had a significant impact on the world environment and changed government priorities over recent years.

The trajectory of the Western Balkan states toward EU accession has been delayed and altered by unforeseen circumstances, but the overall goal has not changed. At the same time, the region has evolved into an arena for intense geopolitical rivalry, with the nations of the region being impacted to various degrees by foreign actors, such as China, Russia, Turkey, and the Gulf States. Future developments towards EU accession are made more challenging by changes in the political and economic climate, most notably because of the situation in Ukraine.

The war in Ukraine has significantly changed both the world itself and the way we look at the world around us. It has created a momentum to speed up the enlargement process, but the process definitely needs innovations and adjustments. The aspirations of the acceding countries, the possibilities of true improvement in the medium to long term, and the policies of regional global competitive players should all be taken into consideration when redesigning the enlargement policy.

We believe that new approaches should focus on the roots of the problem of why the success of EU enlargement has been limited in the WB region. Is it solely due to inadequacy of the candidate



countries, primarily due to their allegedly corrupt political elites and the voters who vote for them, or is it that the bar of adhering to the core EU values has been purposely set too high in Brussels, making it unattainable for the candidate countries in the long term? As always, it takes two to tango, and it appears that for some time, despite certain welcome initiatives such as the Berlin Process, both partners are dancing alone in their corners of the ballroom.

With the start of the war in Ukraine, Russia's role and position in the Western Balkans have recently become even more clear. The advantages for Russia include the long-standing decline in Western Balkan financial and commercial interests, the heavy reliance of the region on Russian gas and fossil fuels, and the significant exposure of the region's governments and institutions to hybrid treats. In short, the region is in an extremely vulnerable position as a result of recent geopolitical developments. The door is wide open for Russia to increase its political influence and exploit instability if the Western Balkans are not given a legitimate and practical European economic perspective.

The online paper will try to address the following questions:

- Power actors are needed as partners for Western Balkan nations to support positive growth through trade and FDI. Is this still best accomplished through the EU membership process, given the geopolitical circumstances at work in the region?
- Are China's perceived "debt trap" danger and Russia's activities in Ukraine likely to give the Western Balkans leverage in their progress towards EU membership?
- Is it possible for the EU, China, and the Western Balkans as a whole to come to a "win-win-win" solution through the provision of faster infrastructure development that promotes transferability and so increases trade, FDI, and the potential benefits they bring with them?
- How events in Ukraine play out and how the further polarization between NATO and supporters of a Russian presence there moves forward will be a key element in determining whether the Western Balkans can profit from the advantages of cooperation with the EU, China, and other stakeholders.
-

Key words: Western Balkans, EU, China, geo-economics.

The Evolution of European Security Order and Its Implications for the West Balkans

It has been more than a year since the Russia-Ukraine military conflict broke out on February 24th, 2022. It is the most tragic war experienced by the European continent after the end of the Second World War. The scale, intensity and severity of the war far exceed the regional conflicts caused by the disintegration of federal states in the former Soviet Union and Eastern Europe after the end of the Cold War. The conflict between Russia and Ukraine presage the collapse of the European security order after the Cold War, and the end of the war will reshape the European

security structure to a great extent. It definitely will have impacts on Europe as a whole as well as on the Western Balkans.

The Russia-Ukraine military conflict that broke out on February 24, 2022 was a fatal blow to the European security order after the Cold War. German Chancellor Olaf Scholz assumed that Putin is demolishing the European security order that had prevailed for almost half a century since the Helsinki Final Act¹. European countries have increased their military expenditures. According to Stockholm International Peace Research Institute, the military expenditures in Western and Central Europe in 2022 exceeded the level in 1989 for the first time². Zbigniew Rau, Chairman-in-Office of OSCE and Polish Foreign Minister, believes that Europe is facing "the most serious collapse of the security architecture since the adoption of the Helsinki Final Act". Bulgarian President Radev said that "the security architecture built in Europe is in disintegration and that is why the war in Ukraine contributed"³. French President Macron stressed that Europe must begin to prepare for the establishment of a new security architecture on the European continent. In December 2022, President Macron emphasized the West should consider how to address Russia's need for security guarantees if President Vladimir Putin agrees to negotiations about ending the war in Ukraine⁴. German Chancellor Olaf Scholz believes that if Russia ends the war, Europe should go back to the pre-war "peace order" and resolve "all questions of common security" with Russia after the end of the war⁵.

The war between Russia and Ukraine revitalized NATO, which was called "brain death" by French President Macron several years ago. Neutral countries Finland and Sweden applied to join NATO, and Finland became member state of NATO. The border between NATO and Russia has been extended by 1340 kilometers. If Sweden joins, the Baltic Sea will become an inland sea of NATO. The relationship between NATO and Ukraine has been strengthened. NATO Secretary General Stoltenberg, who visited Ukraine on April 20, stressed that "Ukraine's rightful place is in the Euro-Atlantic family. Ukraine's rightful place is in NATO. And over time, our support will help to make this possible."⁶ After the war, Ukraine's accession to NATO is a foregone conclusion. NATO still has a place in the future European security order. The Russia-Ukraine military conflict is a serious blow to the Helsinki Spirit. Whether the mission of OSCE can be redefined and whether Europe can revive the Helsinki Spirit in the new geopolitical environment is still uncertain. The newly-

¹ Policy statement by Olaf Scholz, Chancellor of the Federal Republic of Germany and Member of the German Bundestag, 27 February 2022 in Berlin, <https://www.bundesregierung.de/breg-en/news/policy-statement-by-olaf-scholz-chancellor-of-the-federal-republic-of-germany-and-member-of-the-german-bundestag-27-february-2022-in-berlin-2008378>.

² Defence spending in western and central Europe tops last year of cold war, <https://www.theguardian.com/world/2023/apr/24/defence-spending-in-western-and-central-europe-tops-last-year-of-cold-war>.

³ President Radev: The security architecture built in Europe is falling apart – From the day, <https://bulgaria.postsen.com/music/164110/President-Radev-The-security-architecture-built-in-Europe-is-falling-apart-%E2%80%93-From-the-day.html#:~:text=President%20Rumen%20Radev%20said%20that%20the%20region%20needs,that%20is%20why%20the%20war%20in%20Ukraine%20contributed>.

⁴ Macron Says New Security Architecture Should Give Guarantees for Russia, <https://www.usnews.com/news/world/articles/2022-12-03/macron-says-new-security-architecture-should-give-guarantees-for-russia>.

⁵ Scholz calls for resolution of 'all questions of common security' with Russia to ensure pre-war 'peace order', <https://www.wionews.com/world/scholz-calls-for-resolution-of-all-questions-of-common-security-with-russia-539375>.

⁶ Secretary General in Kyiv: NATO stands with Ukraine, https://www.nato.int/cps/en/natohq/news_214037.htm.

formed European Political Community is still a blank canvas, which may become an integral part of the future European security order.

The Russia-Ukraine conflict has pushed the geopolitical center of gravity in Europe eastward, and the space of the former Soviet Union will become the stage for the game between the West and Russia. As a result of the Ukrainian crisis, Ukraine and Moldova have become EU candidates. In the former Soviet space, frozen conflicts will become the focus of attention. At present, the bloody conflict in Ukraine is still going on, and it is impossible to die down in the short term. Ukraine stressed that peace must be just and sustainable, based on the principles of international law and respect for the Charter of the United Nations, and the territorial integrity of Ukraine must be restored within the 1991 borders. Russia, on the other hand, emphasizes that peace must be based on Russian conditions.

Russia has suffered unprecedented international sanctions from the West, and the NATO Madrid Summit called Russia the biggest and most direct threat to peace and stability in the Euro-Atlantic region. Europe calls for a new security order after the war. Europe needs a new strategic thinking beyond alliance and balance of power, rethinks the mission of the existing European security architecture and creating a new security architecture for the space of the former Soviet Union. In the discussion of European security order, the hawkish view emphasizes that Russia must be excluded from the European security architecture. Regardless of the outcome of the crisis, Russia with the largest nuclear arsenal in the world will remain an unavoidable neighbor of Europe. Without Russia's participation, it is impossible to have a stable European security architecture, and if Russia is fully integrated into the new security architecture, how to balance the interests of the EU and NATO with those of Russia will be a big problem.

European Security Order in Crisis and its Implication for the Western Balkans

The Russia-Ukraine conflict has cast a shadow over the regional security in the western Balkans. Bulgarian president Radev stated that Europe's security architecture is falling apart, which may lead to instability in the Balkans region, whose peace and stability is threatened by the war on Ukraine⁷. Taking into consideration of Russia's extensive influence in the Western Balkans, Kosovo worried about Russia's efforts of destabilization in the region⁸. Denko Maleski, the first foreign minister of North Macedonia after independence, believed that the confrontation between Russia and the West heralds a "perilous era" for the Western Balkans⁹. Immediately after the conflict in Ukraine broke out, the EU sent 500 more peacekeepers to Bosnia and Herzegovina to cope with the possible unstable situation. High Representative of the Union for Foreign Affairs and Security Policy, Josep Borrell was worried that "the crisis in Ukraine may spread to the Western Balkans"¹⁰. Albin Kurti, head of Kosovo government warned his country may be next to face "Russia's

⁷ Europe's deteriorating security architecture may destabilize Balkans: Bulgarian president, <https://www.yenisafak.com/en/world/europes-deteriorating-security-architecture-may-destabilize-balkans-bulgarian-president-3664413>.

⁸ Lirim Bllaca, Russia and the balkanization of the Western Balkans, <https://www.norwich.edu/news/voices-from-the-hill/peace-and-war/3618-russia-and-the-balkanization-of-the-western-balkans>.

⁹ Krassen Nikolov, The Ukraine war and the Balkans: When autocrats pose as stability guarantors, <https://www.euractiv.com/section/enlargement/news/the-ukraine-war-and-the-balkans-when-autocrats-pose-as-stability-guarantors/>.

¹⁰ Western Balkans: Reactions and Implications of the Russian Aggression of Ukraine, <https://biepag.eu/blog/western-balkans-reactions-and-implications-of-the-russian-aggression-of-ukraine/>.

expansionist aggression¹¹". NATO Secretary General Stoltenberg claimed that Russia might provoke conflicts in countries such as Bosnia and Herzegovina, highlighted Bosnia and Herzegovina as one of the countries at particular risk of further Russian aggression after Ukraine¹². Some political forces in the western Balkan countries used the Ukrainian crisis to seek political interests.

Serbia and Bosnia and Herzegovina are the only western Balkan countries that have not joined NATO. In 2007, the Serbian Parliament passed a resolution declaring military neutrality. After the Russia-Ukraine conflict broke out, Serbian President Aleksandar Vučić expressed support for Ukrainian sovereignty and territorial integrity, but opposed economic sanctions against Russia. On March 18th, 2022, President Vučić was interviewed by the media, and condemned the western countries for pursuing "double standards" over Ukrainian and Kosovo. President Vučić said that Russia had never opposed Serbia in diplomacy, and had always adhered to UN Security Council Resolution 1244 and supported Serbia in safeguarding its sovereignty and territorial integrity. On the contrary, the western countries had pushed Serbia into trouble step by step. Since 85% of Serbs support Russian policies, Vučić used pro-Russian narrative to mobilize voters to participate in the presidential and parliamentary elections held on April 3rd. Serbia aims to join the European Union, and will face the pressure of choosing side on the conflict between Russia and Ukraine. Serbian Interior Minister Vulin said that the countries that bombed Serbia had no moral right to ask Serbia to join their sanctions policy. Bosnia and Herzegovina has participated in the NATO membership action plan, but the Serb, Croat and Bosniak members of the Presidency of Bosnia and Herzegovina cannot reach a political consensus on joining NATO. Russia regards Bosnia and Herzegovina's entry into NATO as an act of hostility. Igor Kalbukhov, Russian ambassador to Bosnia, was interviewed by TV, warning Bosnia and Herzegovina with Ukraine as an example, saying that "Should there be any threat, we will respond"¹³. Bosnia and Herzegovina's Defense Minister Podžić hoped that after the end of the Russia-Ukraine war, geopolitical relations will change, the importance of regional security will increase, Bosnia and Herzegovina will possibly join NATO quickly¹⁴. Vjosa Osmani, "President" of Kosovo, said that Russia has "a destructive interest in the region", "they especially have an interest in attacking Kosovo, Bosnia and Herzegovina, and to some extent also [NATO member] Montenegro". She thought that Serbia, seen as a Russian proxy, may act with Moscow while feeling "emboldened by what is happening in the continent of Europe right now", "The influence that Russia has in Serbia is not downsizing, it's actually been growing throughout the years."¹⁵

¹¹ Russia shows 'genocidal intent' in Ukraine war, Kosovo's PM warns, <https://www.independent.co.uk/world/russia-ukraine-serbia-kosovo-balkans-b2026565.html>.

¹² Ismet Fatih Čančar, Russia's New Front with the West in Bosnia, <https://rusi.org/explore-our-research/publications/commentary/russias-new-front-west-bosnia>.

¹³ Russia ambassador: Bosnia can join NATO, but Moscow will react to threat, <https://n1info.hr/english/news/russia-ambassador-bosnia-can-join-nato-but-moscow-will-react-to-threat/>.

¹⁴ Kosovo, Bosnia call for NATO membership as war rages in Ukraine, <https://www.aljazeera.com/news/2022/4/5/nato-membership-indispensable-for-kosovo-bosnia-leaders>.

¹⁵ Kosovo, Bosnia call for NATO membership as war rages in Ukraine

In interviews with Al Jazeera, Kosovo's president and Bosnia's defence minister share their concerns about regional security and Moscow-friendly Serbia, <https://www.aljazeera.com/news/2022/4/5/nato-membership-indispensable-for-kosovo-bosnia-leaders#:~:text=For%20Kosovo%20President%20Vjosa%20Osmani%2C%20Kalabukhov%E2%80%99s%20warning>

After the outbreak of the Russia-Ukraine conflict, some European observers worried that Russia would use its agent in Bosnia and Herzegovina to open a second front in the Balkans. Russia has a cultural and historical kinship with the Serbs in the Balkans. For a long time, Russia has also painstakingly managed its relations with the Republika Srpska of Bosnia and Herzegovina. Most Bosnian Serbs are dominated by the victims' narrative in 1990s, close to Russia and opposed to alliance with the West. So far, the nation-building in Bosnia and Herzegovina has not been successful, nationalist politics is still popular, and the threat of secession from the Republika Srpska directly affects the future of Bosnia and Herzegovina. Due to the opposition of Dodik, a Serb member of the Bosnian Presidium, Bosnia and Herzegovina failed to pass a resolution condemning Russia. Šefik Džaferović, a Bosniak member of the Presidium, said that the "separatist decision" of the Republika Srpska was threatening Bosnia's sovereignty and territorial integrity. The EU decided to double the peacekeeping force in Bosnia and Herzegovina. The EU peacekeeping force in Bosnia and Herzegovina said that "the deterioration of the international security situation may spread instability to Bosnia and Herzegovina.

Serbia's attitude towards the Russia-Ukraine conflict has also aggravated some neighboring countries' distrust of Serbia. The fear related to Russophobia has increasingly become a hidden worry in the Balkans. Serbia's initiative of "Open Balkan" won the support of Northern Macedonia and Albania, while Kosovo criticized Albania for joining the initiative. Kosovo's leader Osmani criticized Serbia for continuing to regard Kosovo, Montenegro and Bosnia and Herzegovina as "temporary countries". In 2022, the conflict between Serbia and Kosovo resumed around the Serb-inhabited areas in northern Kosovo. The EU and the United States increased their pressure on Serbia and Kosovo, forcing them to ease the situation.

Against the background of the Russia-Ukraine conflict, the Europeanization of the Western Balkan countries has made progress. After Ukraine and Moldova obtained the status of EU candidacy unusually, the EU finally started accession talk with Albania and Northern Macedonia. Fearing the spillover effect of the Russia-Ukraine conflict, the EU has paid more attention to the Western Balkans, and the EU has reignited the hopes of the Western Balkan countries to join the EU. Due to the intense conflict in Ukraine, it is more urgent for the EU to solve the status problem of Kosovo. The EU strongly promotes the normalization of relations between Serbia and Kosovo. On March 18, 2023, Serbia and Kosovo reached an initial agreement on the EU-supported normalization agreement between Serbia and Kosovo. This is regarded as a milestone in Serbia-Kosovo relations, but since the two sides have not signed an agreement and there is no clear provision for mutual recognition, Serbia-Kosovo relations remain uncertain.

It should be noted that the eastward shift of European geopolitical center of gravity will have impacts on the Western Balkans. The focus of attention of the West has turned to the space of the former Soviet Union, certainly Ukraine will be the core, therefore, The Western Balkans will become the edge of western attention. Considering the geopolitical importance of the Western Balkans, the United States and Europe will not abandon the Western Balkans. The West will not allow large-scale conflicts in the Western Balkans. The West will try to contain unstable factors in the region, nip the conflict in the bud. The fierce fighting in Ukraine is still raging, it is too soon to know the final outcome. There is no doubt that the outcome in battlefield will change the

%20shows,also%20%5BNATO%20member%5D%20Montenegro%2C%E2%80%9D%20Osmani%20told%20AI%20Jazeera.

geopolitics of Europe, the new European security order will be formed after the end of conflict. The conflict has weakened Russia's status as a major power, Russia's influence in the Western Balkans is likely to decline. The Western Balkans will live in new geopolitical reality, changes in geopolitical environment will affect the geo-economic trend in the region. The new context has to be taken into consideration when the Western Balkan states have economic interaction with the outside actors.

Two streams of proposals for reviving the EU enlargement process of the Western Balkans

The accession to the EU has over the recent years has become a cacophony between the Central European countries which argue for rapid accession of the Western Balkans s in the EU and the Western European members – including the EU founding states – that have not been willing to open the EU doors without first strengthening its governance. The declarations of the European councils do not mask these divisions, and unity of the EU on this subject is only a façade¹⁶.

Over the recent years, various ideas / proposals – some of them of the overall character others addressing a specific segment of the accession session, some of outlined in more details and others sketching just major features – have been put forward with the objective to revitalize the stalled EU accession process for the Western Balkans s. Even though these ideas / proposals were focused on the Western Balkans and date in the period of a year or two before the Russian aggression on Ukraine and before Ukraine and Moldova got an EU candidate status, they remain relevant also in the current situation when the total number of EU accession candidates increased and now incorporates also 2 or even 3 countries from the territory of ex-Soviet Union.

All these ideas / proposals for revitalization of the EU accession process could be classified into two main streams (Leigh) and both of them are briefly presented in the continuation of this note.

Based on a classical approach

Under the so-called the »classical approach«, candidate status is the first step on the long road to the EU membership. Under this approach, candidate status is a first step on the long road to EU membership. To advance, a candidate needs to meet the 1993 Copenhagen European Council accession criteria, i.e., to prove that it respects democracy, the rule of law and human rights, and that it has a competitive market economy as well as the institutions needed to implement EU laws and rules. Further on, under this approach, the EU must also be convinced that it can sustain further enlargement while maintaining the momentum of European integration. Many consider that this, in facts, calls for a new treaty to deepen European integration before its further enlargement.

This »classic approach« to enlargement, it is binary in its approach as the country may be either a candidate or a member, delivers a message of solidarity and as such may create incentives for reform. On the other hand, after an initial morale boost, disappointment may follow, if

¹⁶ Mirel, Pierre. In support of a new approach to the Western Balkans: Staged accession with a consolidation phase. Fondation Robert Schuman, May 2022.

membership prospects recede, as happened with the Western Balkans candidates and Turkey (Leigh).

The French 2019 proposal published after Macron exercised a veto on the beginning of the accession negotiations with North Macedonia and Albania could be considered a starting point of the »classical approach« to the revitalization of the EU enlargement process for the Western Balkans. The proposal did not dispute the accession perspective for the Western Balkans, but has requested major changes in the process of EU accession in order to fix the problem of dysfunctional enlargement. The cornerstones of the French proposals were that the EU should make the enlargement process political and reversible. In more specific terms, the proposal suggested that the reformed enlargement policy should be based on the following four principles: (i) negotiations organised around clusters, (ii) stringent conditions for effective convergence towards European norms, (iii) tangible benefits during the process, particularly through increased financial support, and (iv) reversibility of the process to incentivise it and ensure credibility.

Strongly influenced by the French proposal, in February 2020, the European Commission launched a new EU enlargement methodology. It *de-facto* represents an articulation of the "classical approach" for revitalization of the EU accession process. The methodology is based on the following four principles: (i) more credibility, (ii) stronger political steer, (iii) a more dynamic process, and (iv) predictability, positive and negative conditionality

The new EU enlargement methodology was *de-facto* oriented primarily towards those Western Balkans countries that have not yet started the accession negotiations – it is being fully applied in the cases of Albania and North Macedonia that started the EU accession negotiation in December 2022 – but it was also opened to Serbia and Montenegro.

Though the new methodology contains many positive innovations, it does not offer a powerful financial incentive for reforms. In financial terms, the candidate countries are expected to continue relying exclusively on pre-accession IPA funds that are a fraction of the funds a member state at the similar level is entitled to receive from the cohesion policy funds. Such a difference will further increase the development gap between members and candidates. The new enlargement methodology if not underpinned with stronger financial support already in the pre-accession period will not be sufficient to restore the credibility of the European Union, to stem emigration and external influences, and / or to help resolve bilateral disputes.

Based on graduated approach

In contrast to the "classical approach" to the EU accession applied so far where the process is binary (with the country being either in or out) and there is no alternative to full membership (it covers all aspects of EU's activities, the "graduated approach" would deliver some of the benefits to the candidate countries more quickly, i.e. in the period before they become full members. The "graduated approach" is aimed at addressing the risks and uncertainties associated with the "classical approach" where applicants may be kept waiting a long time until they fulfil increasingly demanding accession conditions and resolve problems with neighbours. Governments of the candidate countries are increasingly frustrated as they cannot provide answers why they should adopt and implement EU legislation or make costly reforms when their prospects for membership are so uncertain. The lack of credible prospect for the EU membership has also contributed to a

slide towards authoritarian rule or even democratic backsliding and has allowed Russia and China to gain influence in the region¹⁷.

As it is unlikely that the EU will admit new members rapidly and bearing in mind that enlargement remains EU's most powerful tool to foster regional reconciliation, dampen nationalism, promote better governance and reduce influence of other super powers in the Western Balkans, it is of utmost importance for the EU to integrate the candidate countries more closely into its policies, structures and processes before they become full members. This »graduated approach« basically means that the EU should intensify the process of full integration of the candidates into the single market as a key step to firmly anchor the Western Balkans economies where a large majority of trade and investments is already with the EU. This process should be accompanied with an access to significantly more funds than under the current IPA arrangement and with an increased participation of the country in various EU institutions, first as an observer and then with the voting right. Any EU offers of closer economic and political ties before accession are unlikely to be seen as genuine unless the EU first re-establishes its credibility in the region.

But the economic benefits offered to the candidate countries under the »graduated approach« in the pre-accession phase are only one part of the package. The other part consists of stronger commitments and improved performance of the candidate countries in tackling corruption, state capture and democratic backsliding in the region. All these weaknesses undermine the candidates' Western orientation and the more the rule of law strengthens, the more the EU's attractiveness to the Western Balkans will increase vis-a-vis those of Russia and China. And final part of the package are security challenges in the region where the EU will have to cooperate closely with non-EU members, especially with the US and UK, in order to prevent the fragmentation of Bosnia and resolve the dispute between Serbia and Kosovo¹⁸.

In the period before the Russian aggression on Ukraine, the discussion about the »graduated approach« by and large took place within academic and think-tank circles. Let me specifically mention two studies.

- The most elaborated is the ECP / CEPS proposal for staged accession published in October 2021. Under this proposal, an applicant country would gradually assume membership rights and duties. At each of the four stages, incentives would be offered – such as more say in EU institutions and increased financial support – in recognition of the progress made. On the other hand, a "reversibility mechanism" would protect the EU from the kind of democratic backsliding¹⁹.
- Within the context of reviewing the EU policy towards the Western Balkans, the CEPS policy paper from December 2021 paper concludes that the existing EU enlargement process has stalled and outlines main features about how to revitalize this process. The main conceptual characteristic of the revitalization is the »graduated approach« where the candidate country will be offered larger economic benefits, especially in the form of the more complete access to the common market and larger funding from the EU, in exchange for its stronger

¹⁷ Leigh, Michael. Scenarios for European Union enlargement. Politics, 25 July 2022

¹⁸ Scazzieri, Luigi. Reviving European policy towards the Western Balkans, CEPS, December 2021

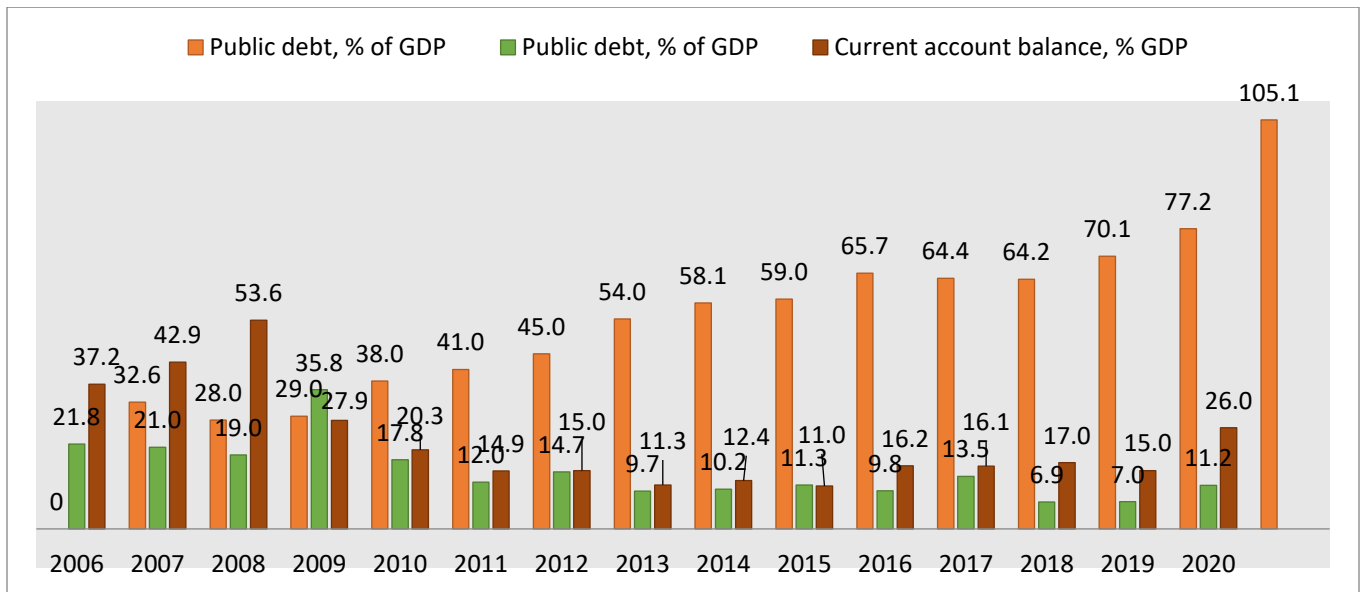
¹⁹ Emerson, Michael and Lazarević, Milena and Blockmans, Steven and Subotić, Strahinja. A template for staged accession to the EU. ECP and CEPS, October 2021

commitments and improved implementation in political areas, such as rule of law and fighting corruption.

Montenegro’s development path: is there a need to choose between European and Chinese investments?

After regaining independence in 2006, Montenegro has been trying to find a sustainable economic development path, even though it had poorly built infrastructure. Most of the literature agrees on the fact that Foreign direct investments (FDI) promote economic growth. FDI have been an important source of growth for Montenegro since 2006, but as can be seen from the graph, the net FDI flow hasn’t been enough to cover high trade deficit, which should be the case. In order to attract more investments, Montenegro created a favourable legal framework and offer numerous additional incentives for both domestic and foreign investors²⁰ (Muhadinovic & Raicevic, 2022).

Figure 1. Public debt, Net FDI and Trade balance in GDP (%) 2006-2021



Source: Muhadinovic & Raicevic, 2022

A decade ago, when the Chinese began to construct the New Silk Road (Belt and Road Initiative, BRI), Montenegrin authorities found a new partner that was supposed to help them on their developmental path. That new partner wasn’t the European Union, with whom Montenegro, as

²⁰ Muhadinovic, M., Raicevic, P. (2022). European perspective and regional trade initiative: a view from Montenegro in Regional economic cooperation in V4 and WB6: Sharing experience and knowledge in the context of Common Regional Market and post-covid recovery (book chapter), Montenegrin Pan- European Union, Podgorica, ISBN 978-9940-8846-0-4

well as the whole region of the Western Balkans, had already built a strong relationship mirrored in the signing of the Stabilization and Association Agreement (SAA) in 2007, visa liberalization process in 2009, gaining candidate status for full membership in 2010 and opening accession negotiations in 2012. It was China that started having an increasing presence in the region at that same time and with whom Montenegro found common language and agreed on a loan to build the first section of the first ever Montenegrin highway, from the city of Bar in the south, to Boljare on the border with Serbia, in the north.

If we take a look at the economic relations, trade and investments relationship between the Union and Montenegro, most of the EU's financial support originates from the Instrument for Pre-accession Assistance (IPA) and other related instruments and programs, that are available to Montenegro since 2007. The EU so far, supported Montenegro with more than EUR 610 million in non-refundable aid since 2007, and is the biggest donor in Montenegro and the country's number one partner in supporting development and ongoing reforms, in areas that are key in terms of fulfilling accession criteria. This aid was used in different areas, promoting concrete reforms in the country, and ensuring a higher standard of living for all citizens of Montenegro.²¹

The Berlin process, set in motion in 2014, envisions high-level cooperation between Western Balkans Six (WB) and their peers in the Process' host countries, as well as EU institutions, international financial institutions, Regional Youth Cooperation Office (RYCO) and WB6 civil society²². Research has shown that Berlin Process estimated an annual investment need of some €7.7 billion, which would add an additional 1 % GDP growth to the WB6 region and a positive employment effect of up to 200 000 people. Nonetheless, quality investments are sporadic, and often attached to political, environmental and social conditionalities, which presented China with a chance to use the opportunity²³. China is currently present in the WB6 region with 136 projects with 61 in Serbia, 29 in Bosnia & Herzegovina, 15 in North Macedonia, 9 projects in Montenegro and 8 in Albania (Balkan Investigative Reporting Network).

Taking a look at the projects under the Western Balkans Investments Framework, we can give an overview of the most significant projects, which can further Montenegro's progress towards full membership in the Union. WBIF represents a joint initiative of the EU, financial institutions, bilateral donors and beneficiaries, aimed at the socio-economic development of the region. It serves as the main financial instrument for implementation of the EU's ambitious policy priorities and investment flagships of the Economic and Investment plan for the Western Balkans (EIP). Since 2009, the WBIF has supported 24 projects for €1.9 billion estimated investments in the public sector in Montenegro.²⁴

²¹ https://www.eeas.europa.eu/montenegro/european-union-and-montenegro_en?s=225

²² <https://www.berlinprocess.de/>

²³ Stanicek, B. & Tarpova, S. (2022). China's strategic interests in the Western Balkans, European Parliamentary Research Service, June 2022

²⁴ <https://www.wbif.eu/beneficiaries/montenegro>

EIP priorities are: Sustainable transport, clean energy, environment and climate, human capital, digital future and private sector competitiveness, in the Multi-annual Financial Framework 2021-2027.

Flagship projects pertaining to each of these initiatives, currently implemented in Montenegro, are²⁵:

1. Trans-Balkan Electricity Corridor: Grid Section in Montenegro – contributing to the formation of a regional electricity market and a transmission corridor between Montenegro, Serbia and Bosnia&Herzegovina, and its subsequent link to the EU, via the submarine cable between Italy and Montenegro. Lead financial institution in this project is KFW;
2. Rehabilitation and Construction of Municipal Water and Sanitation Infrastructure – aimed at improving water and wastewater systems in several municipalities, from which 200,000 people will benefit, with EIB supporting the project;
3. Podgorica Wastewater Treatment Plant – in order to upgrade a plant operating since 1970s, with a loan from KFW, and reduce the amount of wastewater negatively affecting the environment;
4. Montenegro Regional Sanitary Landfills – supported by EIB, in order to develop a sustainable solid waste management scheme, built by EU standards, from which all Montenegrin citizens can benefit, through improved environmental conditions, air, public health etc.;
5. Orient/East-Med Corridor: Montenegro – Serbia R4 Rail Interconnection, Bar – Vrbnica Section – being the most important section of Montenegro's rail network, that needs to be rehabilitated and modernized with assistance from EIB and EBRD;
6. Bar - Boljare Highway: Road Safety Audits for Podgorica Bypass and Mateševo - Andrijevića section – which Montenegro will finance with a grant from European Commission;
7. Orient/East-Med Corridor (Road R4): Construction of Bar - Boljare Highway – that will be implemented with a grant from EBRD in two tranches.

On the other side, and apart from the Bar-Boljare highway construction, Chinese companies are involved in the following projects in Montenegro²⁶:

1. **First section of the Bar-Boljare highway** - whose 85% will be paid by a nearly 944-million-US-dollar loan from China's Export-Import (EXIM) Bank, that the China Road and Bridge Corporation (CRBC) completed in 2022;
2. **Renewal of Crnogorska plovidba's ship fleet** -The project started in 2010, when the state-owned company Crnogorska plovidba signed a 33.6 million euros loan agreement with EXIM Bank to finance the purchase of two Chinese-made bulk carriers. The

²⁵ <https://www.wbif.eu/wbif-projects>

²⁶ <https://birn.eu.com/news-and-events/birn-presents-online-platform-on-chinas-activities-in-western-balkans/>

Montenegrin government gave state guarantees for the EXIM bank loan. The carriers were delivered in 2012.

3. **Barska plovidba ship fleet upgrade** – where Barska plovidba as a state-owned company signed a contract with Poly technologies from China to procure bulk carriers with a capacity to transport 35,000 tonnes of cargo, financed by Exim Bank and backed by state guarantees. Both of these loans still haven't been repaid.
4. **Adriatic-Ionian Highway (Blue Corridor)**. In November 2015, Montenegro and Albania signed a MoU with China Pacific Construction Group (CPCG), to build a 1.4-billion-euro express highway between Montenegro and Albania - the Adriatic-Ionian motorway. The construction of the 280-kilometre link should have began in the second half of 2016 and finished in 2018, and the MoU could be extended with the consent of signatories, but it hasn't yet started.
5. **Confucius institute in Montenegro**. In 2015, China opened its first Confucius Institute in Montenegro at the University of Montenegro, through the Montenegrin University's partnership with China's Changsha University of Science & Technology. Its aim is promoting Chinese culture and language, improve the understanding of China among locals and connect all individuals and institutions in Montenegro engaged in Chinese language and culture.
6. **Pljevlja I power plant upgrade** - from 2019, when Montenegro's power utility company Elektroprivreda Crne Gore announced they gave a 54-million-euro job to a consortium led by China's Dongfang Electric International Corporation, that aims to reduce its emissions in line with European Union standards. The project should be completed in 2025. Dongfang-led consortium includes Montenegrin partner companies Bemax, BB Solar and Permonte.
7. In 2021, Montenegro purchased 201.200 doses of **Sinopharm vaccines**, during the COVID-19 pandemic from China National Pharmaceutical Group Co. Ltd.
8. Government of Montenegro received a donation from China's government in 2021, consisting of 30.000 doses of the **Sinopharm vaccine**.
9. China Civil Engineering Construction Corporation (CCECC) won the construction tender in the **Kolasin-Kos railway rehabilitation project**, with Montenegrin Railway Infrastructure company as a partner, from 2015 to 2017. This project was funded with a loan from the European Bank for Reconstruction and Development (EBRD) (Balkan Investigative Reporting Network) (Balkan Investigative Reporting Network).

Having in mind an array of projects that are in different stages of preparation or implementation, research has shown that the EU's new Economic and Investment Plan for the Western Balkans is financially insufficient of a response to China's efforts and is unlikely to incentivise WB6 countries to fully refrain from riskier partnerships with external states. Moreover, there is a certain momentum in relations with China, which means they are likely to continue to grow. China has been criticized many times because some Chinese undertakings are accused of failing to be

transparent, corruptive, violating human rights, causing additional environmental damage and using low-quality construction material.²⁷

China's financial incentives for, and dependencies of, the Western Balkan states serve China's strategic and political interests, and for WB6 the lack of conditionality for Chinese investments, compared to many conditions for EU financing, makes them more attractive.

Jovanovic (2009) claims that foreign investors will locate their activities in a country that offers the most favourable cost mix of operation (production and marketing), if these factors fit well into the longer-run vision of potential profit. Given that the WB countries are more interested in higher FDI. inflow than potential foreign investors, structural reforms are imposed as an imperative, as well as legislation framework and more favourable business environment for foreign investors²⁸.

Welfare of the Western Balkans countries depends on the long-run and dynamic GDP growth. Continuous and efficient investment is required to achieve high rates of economic growth. Therefore, external sources are used for faster development, whereby foreign investments are particularly significant²⁹.

In the end, the question remains: should and will Montenegro (have to) choose between EU and Chinese investments. For a country like Montenegro, all of the projects listed, and many more, provide the country with a chance for faster and better development, and in the end alignment with its main foreign policy goal: becoming an EU Member State.

Conclusion

The Ukrainian crisis and Russia's standing as a key force in the region will likely cause Russian influence in the Western Balkans to decline. Changes in the geopolitical environment will affect the geoeconomic developments in the Western Balkans in the context of the new geopolitical reality.

Strong players like China, wants to cooperate in the fields of diplomacy, trade, investment, research, and technology, as well as in the fields of education and tourism with the EU and Western Balkans. In addition, as the world reacts to the COVID-19 epidemic, other areas of cooperation, like public health may also emerge as priorities.

²⁷ <https://ecfr.eu/special/china-balkans/montenegro/>

²⁸ Jovanovic, M. N. (2009). *Evolutionary economic geography: Location of production and the European Union*. New York and London: Routledge.

²⁹ Popović, G. & Erić, O. (2018). Economic development of the Western Balkans and European Union investments. *Economic research-ekonomska istraživanja* 2018, VOL. 31, NO. 1, 1539–1556, <https://doi.org/10.1080/1331677X.2018.1498009>

China is now the EU's greatest trading partner for the third consecutive year as their economic and trade ties continue to strengthen. The EU maintained its diverse strategic approach toward China, which is not well received in China, as a partner, competitor, and structural rival. China is worried that the EU would put the new bottle of decoupling wine in the old bottle since the EU invented the term "de-risk"³⁰. The Chinese ambassador to Montenegro, Mr. Kun, asserts that despite the relationship between China and the EU's challenges, a consensus should prevail over individual interests and rivalry³¹.

China is dedicated to establishing extensive collaboration with the Western Balkan nations, despite its reluctance to meddle in the internal issues of other nations. Through more investments in road infrastructure, renewable energy sources, electric vehicles, science, technology, medicine, and e-commerce, the Chinese firm hopes to have a greater presence in Western Balkans. China is particularly interested in the tourism industry, which might be a future growth area. Chinese travelers may use WB markets as a gateway for those in Europe. A turnover of €22 billion was generated in the domestic market during just 5 days of the Labor Day vacations, demonstrating the strength and growth of the Chinese tourist industry³².

As long as the Western Balkan region maintains its political alignment with Europe and utilises capital from China and other countries through non-political collaboration, in the form of loans, FDI, and trade, a mutually beneficial partnership is still feasible. The Western Balkan states, the EU, China, and others should promote cooperation to improve infrastructure and assist economic development throughout the region, while working transparently to allay concerns.

Nevertheless, it is likely that Russia's actions in Ukraine will maintain the unity of European alliances like NATO and the EU and further isolate Russia in the context of the Western Balkans. Given the strong resistance to Russia's invasion of Ukraine that we are seeing in the Western Balkans, China's potential allegiance to Russia would be detrimental to the acceptance of its presence in the region.

³⁰ Tianping K., statement at the seminar "The EU, China and the Western Balkans: Cooperation under the new circumstances", organized with the Jean Monett Centre of Excellency: Challenges of Enlargement Policy: EU versus Chinese diplomacy in Western Balkans, hosted by the Faculty of Economics of the University of Montenegro, May 2023.

³¹ Kun F., Chinese Ambassador to Montenegro, statement at the "Focus" TV foreign policy show, at National television (RTCG) <https://www.youtube.com/watch?v=RQRfw7zRsPM&t=1313s>

³² Kun F., Chinese Ambassador to Montenegro, statement at the "Takulin" TV economic show at the Gradska television, <https://www.youtube.com/watch?v=xO0V6uSS1M0>