



China-US Competition in the Balkans

Impact, regional responses, and
larger implications

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Introduction

The Balkans have once again become an arena of great power competition, this time between China and the US. For Washington, Beijing's inroads in Southeast Europe have become part of the larger US-China global competition which, after growing for years, escalated into full-blown strategic rivalry in 2017 that some analysts have described as a 'New Cold war'.¹ The interplay between China's expanding influence in the region and the US pushback against it is increasingly influencing the strategic situation in the Balkans and the policies of Balkan states.

On the surface it might seem that the China-US competition for influence in the Balkans is focused on dominating the Balkans with all the economic, political, and security benefits that ensue. However, such reading is deeply misleading. Washington is the preeminent power in the region, with its position buttressed by NATO's overwhelming presence in Southeast Europe and the Mediterranean, close bilateral relations with most Balkan countries, and the EU's expanding membership in the region. Being thousands of kilometres away, China simply cannot challenge the US's dominant position in the Balkans and does not want to do so. Instead, Beijing hopes to use the Balkans as a gateway to the EU through which its influence, trade, and investment in the union can flow. In this way, China hopes to gain an advantage in its larger, global competition with Washington. As a result, from the standpoint of the China-US competition the Balkans are a Chinese gate to Europe. Beijing wants to open this gate, while the US wants to shut it.

Firstly, the competition has created a new competitive strategic framework for the Balkan states in which China has emerged as a counterweight to the West, prompting the US to reengage the region. Washington has succeeded in partly reducing Beijing's influence but has not eliminated it.

Secondly, seeing this competition as a strategic opportunity, most Balkan states have responded by aligning themselves with the US and partially distancing themselves from China, in order to advance their own interests. Serbia has been the major exception, as it has tried to use China to gain some diplomatic leeway and balance the US and Europe. Thirdly, the competition has major implications for both Europe and the Balkans. For Europe, the competition plays a role in the larger contest between Beijing and Washington to influence the EU and its relations with China. For the region, it promises economic development and faster integration with the EU, but also burdens Balkan states with constraints on their beneficial relations with China and risks from the 'New Cold War'.

More broadly, the US has gained the upper hand in the Balkans but that Chinese influence in the region is here to stay and has a chance to eventually achieve its strategic goal of using the region as a gateway to the EU. Balkan states are seeing this China-

US competition as an opportunity and strive to use it to their own advantage. Most have aligned their China policies with Washington for now, but this alignment can shift with their cost-benefit analysis.

The rise of China's influence

While Beijing enjoyed special relations with Albania and Romania during the Cold War, its influence in the Balkans during the first decade of the Twenty-First Century was limited. More importantly, despite growing interest from Balkan countries such as Serbia,² China showed relatively little political or economic interest in the region and did not have a strategy toward it. All this began to gradually change in the aftermath of the 2008 global financial crisis, as China made a push to engage with the region. Two years, 2012 and 2013, were key to this new Chinese engagement with the Balkans. In 2012 Beijing inaugurated the '16+1' mechanism between China and sixteen Central and Eastern European countries, which demonstrated that investing in the Balkans and developing much closer economic and political relations with the region is a priority for China, as part of its wider outreach to Central and Eastern Europe (CEE).³ The following year, 2013, Chinese President Xi Jinping announced

his landmark Belt and Road Initiative (BRI), a huge infrastructure investment and connectivity initiative. BRI highlights the importance of Southeast Europe for China and its investment plans, as one of BRI's corridors is projected to pass through the region on its way to Central Europe and Germany. Both '16+1' and the BRI were launched against the background of the 2008 world financial crisis which weakened the West and, much more importantly for the Balkans, the Eurozone crisis. These twin crises severely damaged Europe's economies, undermined the EU's political position in the Balkans, and massively increased the region's need for Chinese investment to replace the dwindling flow of EU investment. In short, just as Beijing began to engage with the region, Balkan states showed much greater interest in China.

But what lies behind this post-2008 Chinese engagement with the Balkans? The answer is a strategy to take advantage of the Balkans as Europe's 'soft underbelly'⁴; a relatively underdeveloped region only partially integrated into the EU, to expand China's influence in Europe. Such influence would help China to achieve two important strategic goals. First, it will facilitate China-Europe connectivity and expand China's trade with the EU, presently Beijing's largest trading partner. Second, it will enable Beijing to solidify its influence and eventually gain key economic positions within the EU. The logic is simple. Chinese economic presence and political influence in non-EU Balkan countries, such as Serbia and North Macedonia, will eventually end inside the EU, once these countries join the union.

Soon after 2012, China began to implement its strategy in the Balkans as part of its larger engagement with CEE in the format of the former '16+1'. Investment

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in transportation infrastructure is arguably the most important part of China's strategy in the Balkans. In the last decade China has invested, or shown interest in, investing in ports, roads, railways, and bridges across Southeast Europe. China's investment in Greece's Piraeus port, which Chinese President Xi Jinping praised as the 'dragon's head' (longtou)⁵ in the Mediterranean, is the most important such investment.⁶ After an original agreement between Athens and the Chinese company COSCO to run the port in 2008, COSCO bought stakes in the port in 2016 and 2021, presently owning 67% of the Piraeus Port Authority (PPA).⁷ As a result of Chinese involvement in the Piraeus port, in which COSCO's relations with influential Greek ship owning interests played a key role,⁸ the port's shipping has greatly increased, turning it into the sixth largest in Europe.⁹ Beyond Piraeus, China has signalled interest in several ports in the Balkans, including Burgas in Bulgaria, Thessaloniki in Greece, and Rijeka in Croatia; although, its investment efforts have been mostly unsuccessful partly due to US and EU pressure on host states. Nevertheless, Chinese companies have made some small inroads. In 2017 the COSCO-dominated Ocean Alliance added the ports of Durres in Albania and Thessaloniki in Greece to its network of transshipment ports,¹⁰ while in 2020 the Thessaloniki

Port Authority agreed to use China Merchants Port Holdings' container terminal operating system.¹¹

Moreover, there has been substantial Chinese investment in roads, railways, and bridges in the Balkans. The Bar-Boljare highway in Montenegro, to be completed by China Road and Bridge Corporation, is arguably the most famous Chinese highway investment in the region. Financed by a nearly \$1 billion loan from China's Export-Import Bank, the project massively increased Montenegro's indebtedness and forced Podgorica to turn to a EU-brokered deal to repay its debts.¹² Similarly, in North Macedonia the Chinese company Sinohydro has constructed the Miladinovtzi–Shtip and Kichevo–Ohrid highway sections, the latter still under construction, with loans of \$772 million from Chinese banks.¹³ In terms of railroads, China's efforts in the region have concentrated on upgrading the Belgrade-Budapest railway, a project which is still under way, although the Hungarian part of it has been completed. Besides roads and railways, Chinese companies have also played a role in bridge construction in the Balkans. The Pelješac Bridge in Croatia is the most significant such project. A key piece of infrastructure connecting the southernmost parts of Croatia with the rest of the country, the bridge was constructed by a Chinese company

but mostly financed by the EU. For China the bridge was important way to enter the EU market and bid for future EU projects.¹⁴ The Pupin bridge connecting Belgrade's Zemun and Borča neighbourhoods, financed by China's Exim Bank is another notable case.¹⁵ The first major Chinese infrastructure project in Serbia, the bridge represented the growing Sino-Serbian partnership and was inaugurated by Chinese Premier Li Keqiang in 2014.¹⁶

It is crucial to note here that many of China's transportation projects in the region are part of a larger plan to build a transportation corridor called the China–Europe Land–Sea Express Route (LSER). LSER aims to connect the Greek port of Piraeus with Budapest through North Macedonia and Serbia and in this way give Chinese companies easier access to the markets of Central Europe and Germany.¹⁷ LSER is an important element of the BRI and its plan to connect to Europe and ship Chinese goods to EU markets, particularly following disruptions in trans-Eurasian transportation brought about by the Russo-Ukrainian war. Significantly, LSER's connectivity goals are partly compatible to EU's own plans to develop the Balkans' transportation network and link it up with the EU's¹⁸; they should not be viewed as irreconcilable alternatives.¹⁹

Nevertheless, Chinese investment in the region goes beyond transportation infrastructure. In Serbia, China's key regional partner, Chinese companies have invested in such diverse projects as the Smederevo Steel Mill,²⁰ the copper mining complex RTB Bor²¹, and a tyre factory in Zrenjanin.²² China has demonstrated a particular interest in investing in Southeast Europe's energy sector. Successful projects include the modernisation of the Kostolac coal power plant in Serbia—financed by a Chinese loan²³ and close to completion²⁴—and the Stanari coal plant in Bosnia and Herzegovina (BiH)—financed by a 350-million-euro loan from China Development Bank and constructed by China's Dongfang Electric Corporation.²⁵ However, Chinese companies have also faced substantial setbacks in the energy sector. These include the failed Tuzla Block 7 Thermal Power Plant project in BiH and high-profile projects in Romania: building units for the coal-burning Rovinari Power Station and the Cernavoda nuclear powerplant, both eventually abandoned by the Romanian government.

Beyond large projects, Beijing has gradually promoted its influence in the region in other ways. One has been to establish what Bulgarian expert Vladimir Shopov calls 'networks of influence'. Through these networks China engages local

elites, political parties, universities, municipalities, think tanks and business organisations in order to promote its influence on subnational level.²⁶ In terms of elites and political parties, China has established connections in Romania with leaders from the country's political left, such as former prime ministers Adrian Năstase and Victor Ponta,²⁷ while in Bulgaria it has maintained a low-level relationship with the long-ruling GERB party.²⁸ Beijing has also striven to engage municipalities and build relations through the twinning of cities, such as the establishment of a twin cities relationship between Albania's Tirana and Beijing.²⁹ Academically, China has developed relations with various universities, such the Lucian Blaga University of Sibiu, Romania,³⁰ and the Agricultural University Plovdiv, a hub of agricultural cooperation between China and Bulgaria,³¹ and with thinktanks like the Macedonian Academy of Sciences and Arts in Skopje³² and Greece's Laskaridis Foundation.³³ Importantly, some of this outreach to what an expert called "constituencies of interest"³⁴ has happened through BRI and institutions related to the former 16+1, such as the China-CEEC Young Political Leaders' Forum,³⁵ China-CEEC Think Tanks Network,³⁶ and the Belt and Road International Scientific and Technological Cooperation network.³⁷

Another way for China to expand its influence has been digital. China's Huawei has partnered with Serbia's government to develop 'smart cities' in Belgrade, Novi Sad, and Niš, inaugurating a 'safe city' project with Belgrade which has seen the installation of 1,000 surveillance cameras in 800 locations across the city. Huawei has also tried to promote greater digitalisation and the development of AI, with its Seeds for the Future program in Croatia and the establishment of a Huawei ITC academy at Sofia University, Bulgaria.³⁸ Huawei has also made a concerted effort to develop the region's 5G network but has been stymied, mostly due to US efforts.

Lastly, China has striven to promote its influence in the Balkans by cultivating soft power in the region. Beijing has established a network of Confucius Institutes, with at least one per country and more in larger countries like Greece, Serbia, Bulgaria, and Romania. It has also launched various Mandarin language programs, such as Confucius classrooms,³⁹ as well as cultural centres such as the China Cultural Center in Sofia.⁴⁰ China has also been active in the region's media landscape with country-specific programs by China Radio International (CRI),⁴¹ news cooperation agreements between Xinhua News Agency and various regional information outlets,⁴² as well as with China-specific

publications such as *Glas Kine* (Voice of China) in BiH⁴³ and *Kitai Dnes* (China Today) in Bulgaria.⁴⁴ Additionally, during the COVID-19 pandemic China made concerted diplomatic efforts to win hearts and minds by the donations of masks and Sinopharm vaccines in what some have called 'mask diplomacy',⁴⁵ with a particular emphasis on Serbia.

Against this background, three important points need to be made about Beijing's expanding influence in the Balkans. First, China has made the establishment of a special relationship with Serbia the centrepiece of its strategy in the region. As the overview above reveals, a disproportionately large part of China's investment and influence-building activities in the region are focused on Serbia. Serbia is a natural partner for Beijing because it is the only large Balkan country that is not part of NATO and the EU and has troubled relations with the US, due to the Kosovo dispute and the legacy of Washington's intervention in the Yugoslav wars. Belgrade needs China to balance the West and gain leeway in the Kosovo dispute, while Beijing needs Serbia as a regional partner unaligned with the US and heavily dependent on China; a partner that can project influence in neighbours such as BiH and Montenegro.

Second, the results of China's attempts to engage the region and build up its influence have been mixed. Together with many successes, there have been quite a few failures and delays. Some Chinese investment projects in the Balkans, such as the Tuzla plant in BiH, have failed due to insufficient understanding of local economic and political conditions or excessive Chinese demands for state guarantees. Others, like the Budapest-Belgrade railway, have progressed very slowly and with difficulty. Furthermore, quite a few Chinese initiatives which look impressive on paper have ossified over time. The Centre for China Economy

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and Politics at Sofia University offers a good example: it was opened with much fanfare and Chinese help but has been mostly inactive since 2019.⁴⁶

Third, Chinese influence in the Balkans is substantial and real, but should not be exaggerated. China is a latecomer to the region and geographic distance means that both its impact on the region and interest in it are constrained. Beijing's influence in Southeast Europe is lagging far behind that of the EU and the US, politically, militarily, and, to a lesser extent, economically. This holds true even for Serbia, Beijing's most important partner in the region. It is Germany, not China, which is Serbia's largest trading partner, while China is Serbia's ninth largest export destination⁴⁷ and fifth largest investor by value.⁴⁸

US Pushback

The rise of China's influence in the Balkans has rung alarm bells in the West and, after some delay, provoked a pushback. Beijing's inroads have raised concerns in Washington and Brussels that China will come to dominate Europe's southeast flank, turning it into a bridgehead through which China will seek to weaken the West, endanger its security, and promote corruption and democratic backsliding in the Balkans. These concerns have been expressed both

behind closed doors and in public, with US Secretary of State Mike Pompeo warning the region against 'the risks of Chinese investment in sensitive technologies and China's bribe-heavy strategy to secure infrastructure deals'.⁴⁹

The concerns about Beijing's influence have been shared by both the US and the EU, but it is Washington that has taken the lead in countering Beijing. Whereas EU policy toward China has remained ambivalent, reflecting the very divergent views of member states and some compatibility between EU and Chinese interests in the Balkans,⁵⁰ Washington's has been shaped by the US-China Cold War and the threat that Beijing poses to the US in the Indo-Pacific.

Washington's pushback against China in Southeast Europe began to take shape in earnest around 2017-2018, under the hawkish Trump administration, on different levels. On European level, the US has supported two initiatives which directly challenge China's influence in the Balkans: the Three Seas Initiative, and the Clean Network initiative. The Three Seas Initiative (3SI), consisting of twelve CEE states, was initially launched by Poland and Croatia in 2015 to develop north-south connectivity and counterbalance Russian energy projects in the area between the

Baltic Sea, the Black Sea, and the Adriatic. Since 2017, under US influence, 3SI has shifted its focus to competing with China's BRI and the former 16+1 in infrastructure development.⁵¹ Strongly supported and partly financed by Washington, 3SI has important implications for the Balkans as it has the potential to offer alternatives to Chinese investment, address the region's infrastructure deficit, develop transportation corridors different from the China-supported LSER and, if it expands into the Western Balkans, counter Beijing's growing presence in this subregion.⁵² 3SI has already produced results in countering China. Burgas, is Bulgaria's second largest port and has long been coveted by Chinese investors, who unsuccessfully tried to gain a stake in it and renovate it; the port recently received a 70-million-euro investment from 3SI Fund to build new container, oil, and gas terminals.⁵³

The Clean Network initiative is an international initiative launched by the US in 2020, aiming to promote democratic standards for data, technology, and communication networks and, de facto, exclude Chinese companies such as Huawei from 5G networks.⁵⁴ While the effectiveness of the initiative on a global level has been debated, it has

had substantial impact on China's technological position in the Balkans. Most Balkan countries have joined the Clean Network initiative, with the notable exceptions of Serbia, Montenegro, and BiH.⁵⁵ Under US influence many regional countries have also copied the initiative's stipulations in their own legislation. For instance, under US influence Romania passed a Clean Network-inspired law in 2021 which sets 5G network requirements that effectively ban Huawei.⁵⁶ In a similar vein and after joining the Clean Network, in 2021 North Macedonia amended its Law on Electronic Communications (LEC) to exclude Chinese companies, prompting Huawei to cancel a major e-education project in retaliation. The US also pushed to include a stipulation about Huawei in the economic normalisation agreement between Serbia and Kosovo signed in Washington in 2020. Article 9 of the agreement bans 'the use of 5G equipment supplied by "untrusted vendors" and orders its removal.'⁵⁷ Kosovo implemented the ban, but Serbia did not, with one analyst calling the article a 'paper tiger'.⁵⁸ Nevertheless, Belgrade postponed its 5G tender in response.⁵⁹

On the regional level, the US has 'fully returned' to the Balkans, in the words of the Chinese analyst Xu Fengjiang,

after years of relative neglect for the region; a return which has sought to counter Chinese influence among other goals.⁶⁰ The US has aimed to both play a more active role in the region and engage key regional states, such as Serbia, Greece and Romania, to offset Chinese influence. In the case of Serbia—China and Russia's chief partner in the region—the US has tried to mediate the Serbia-Kosovo dispute and thus open Serbia's road to EU integration. More specifically, the US has sought to target Huawei's extensive presence in Serbia by mediating an agreement on economic normalisation between Belgrade and Pristina, warning Belgrade not to purchase Chinese military equipment such as drones and anti-aircraft systems,⁶¹ and, reportedly, pressuring the Serbian government not to sign infrastructure agreements with Chinese companies.⁶²

Washington has also revitalised its relations with Greece, home to the majority Chinese-owned Piraeus port and the starting point of LSEC. It has inaugurated a US–Greece Strategic Dialogue⁶³ and cultivated close ties with Greek PM Mitsotakis, who has become progressively more sceptical toward Beijing, under US influence.⁶⁴ Washington has actively resisted Chinese influence in Greece. It warned Athens against Chinese investment in the Piraeus port in

private,⁶⁵ while US Secretary of State Pompeo publicly admonished Greece about 'too good to be true'⁶⁶ Chinese investments during his 2019 visit. More importantly, the US has invested in strategic port projects such as the Alexandroupolis port and the Elefsis Shipyards west of Piraeus, reportedly to counter Chinese interest in them.⁶⁷ One expert interviewed by the author argues that the US has become the 'elephant in the room' constraining the development of Greco-Chinese relations.⁶⁸

Similarly, the US has sought to strengthen its relations with Romania which, under Prime Minister Ponta, briefly emerged as a hotspot of Chinese investment.⁶⁹ Through a combination of US diplomatic outreach and upgrading its military presence in the country, Bucharest has shifted its position on Chinese projects since 2018 and has abandoned most of these, such as the Rovinari coal power plant and the Cernavoda nuclear power plant; the latter as a result of both an intense campaign by then-US Ambassador Adrian Zuckerman⁷⁰ and a memorandum of understanding with the US on civil nuclear power cooperation.⁷¹ Following joint US and EU pressure Romania has also tightened its foreign investment monitoring, to the great detriment of Chinese companies.⁷²

On the level of individual Balkan states, the US has striven to combat Beijing's influence by opposing Chinese projects and initiatives, pushing for a harder stance toward China on sensitive issues - such as Taiwan and Xinjiang. In terms of specific Chinese projects, the US reportedly pressured Croatia to cancel a tender for the Rijeka port that a Chinese consortium was likely to win.⁷³ There are similar claims about US and NATO opposition to Chinese involvement in Albanian ports, such as Durres and Vlore; involvement might present significant security risks for NATO forces.⁷⁴ Likewise, there is anecdotal evidence that the US was an important factor behind Bulgaria's decisions not to join the China-sponsored Asia Infrastructure Investment Bank (AIIB) and to rebuff Chinese interest in investing in Bulgaria's Belene nuclear power plant.⁷⁵ Additionally, while Belgrade purchased China's HQ-22/FK-3 anti-aircraft system, to great US discontent, it was for a long time unable to have it delivered because NATO refused the system passage through its territory.⁷⁶

Meanwhile, Washington has been an 'important factor' in developing subnational relations between some Balkan countries and Taiwan, according to a leading expert.⁷⁷ For example, the US reportedly⁷⁸ supported a March 2023 visit to Taiwan by a delegation of members of parliament from Kosovo, North Macedonia, and Romania, who all met with Taiwan President Tsai Ing-wen.⁷⁹ On the Xinjiang issue, several Balkan countries such as Albania, Croatia, Bulgaria, BiH, and North Macedonia supported a letter condemning China's human rights record in Xinjiang at the UN Human Rights Council in 2020, aligning their position with that of Washington. The US likely played the key role in this development, as the same Balkan countries did not adopt the same stance on the same letter in 2019 when Washington did not participate in the council.⁸⁰

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There are many other ways in which the US has pushed back against Chinese influence in Southeast Europe. For example, Washington has sought to counter Beijing's media narratives in the region by urging local governments to be tough on disinformation, a topic discussed during the 2023 visit to the region by US envoy James Rubin.⁸¹ It has also mobilized its regional embassies⁸² and partnered with civil society and local media⁸³ to resist China's information campaigns in the region, particularly after the Russian invasion of Ukraine.

Balkan Responses

The back and forth between China and the US in the Balkans has produced a new competitive framework for the international relations of the region. The US is clearly still the dominant power in the region and is very unlikely to be dethroned in the foreseeable future. Nevertheless, the rise of China's influence has presented Washington with real economic, political, and strategic competition in the Balkans and shifted the power dynamics of the region.

This new competitive framework has drastically increased the importance of the region and improved the strategic position of Balkan states. Not only is the region getting more

attention from Washington, Beijing, and Brussels, but Balkan states also have a bit more room to tactically manoeuvre between the US and Beijing. In a way, Beijing has replaced Moscow, whose influence has steadily declined, as the main counterweight to the US and the EU in the region. Even Serbia, Russia's longstanding Balkan ally, has increasingly turned to China to balance the West, as evidenced by Belgrade's 2019 decision to choose China's HQ-22/FK-3 anti-aircraft system over Russia's S-300.⁸⁴

Against this background, the China-US competition in the Balkans has provoked four different responses from nations in the region. First, the US's return to the Balkans has prompted many regional countries to engage more actively with the US and gain favour from the American superpower by banking on their enhanced strategic importance. Some US allies, such as Romania, Greece, and Albania, have done so by underscoring the strength of their special relationships with Washington and the international vision they share with it. In exchange, they have received greater American support: the strengthening of Greece's alliance with the US has aligned Washington more closely with Athens' position on Greece's disputes with Turkey in the Aegean and on Mediterranean gas politics.⁸⁵ Even non-ally Serbia

has been willing to engage the US more closely, in the hope of improving its position on the Kosovo dispute by trying to implicitly use China as leverage.⁸⁶

Second, many Western Balkans countries have used the competition to draw US and EU attention to their concerns about Western neglect for their subregion, particularly around accession to the EU. For example, former Croatian President Kolinda Grabar-Kitarović argued in 2021 that the US and EU's neglect for the Western Balkans had created a 'vacuum that is being filled by third forces' (China), and urged the West to be more active.⁸⁷ North Macedonia also used US concerns about growing Chinese influence to gain Washington's support in disputes with Greece and Bulgaria which were blocking its path to NATO and EU accession.⁸⁸ Similarly, Albanian Prime Minister Edi Rama, deeply frustrated by his country's continued non-admission to the EU, has used the spectre of Chinese influence to call on Brussels to speed up Tirana's accession.⁸⁹

Third, the China-US competition has made most Balkans countries more cautious toward Beijing, for fear of antagonising Washington. As a prominent expert on China and the Balkans argued: 'most countries in

the region are aware of it [the China-US competition] and are careful', something that constrains relations.⁹⁰

A former Bulgarian diplomat agrees, observing that the competition has produced 'statis' in Bulgaria-China relations in recent years and that Bulgaria's Ministry of Foreign Affairs has been reluctant to start new initiatives with China since 2017.⁹¹ Similar stagnation has been obvious in China's relations with Romania, North Macedonia, Greece, and Albania. By way of explanation, an expert argues that most regional states have realised that 'the cost of partnership with China has become too high'.⁹² Serbia has been the exception, due to its unique international circumstances. Nevertheless, even Belgrade has been forced to be more careful, as evidenced by its reluctance to buy Chinese fighter aircraft⁹³ or involve Huawei in its 5G network.⁹⁴

Finally, at the subnational level different actors such as business organizations, NGOs, universities, media groups, and municipalities have striven to take advantage of the competition. This has been particularly the case as China has turned its attention to engaging civil society and various subnational institutions in the region. For example, a small ecosystem of China-friendly media columns,⁹⁵ websites, research institutions, and a newspaper⁹⁶

have sprung up in Bulgaria, mostly staffed by journalists and scholars who until recently had very little or no contact with China, and who often simply reproduce Chinese content.⁹⁷ Likewise, Bulgaria has witnessed the birth of seven different chambers of commerce and business associations which aim to promote trade and investment between the two countries.⁹⁸ Naturally, Washington's pushback against Chinese influence in the region has also created opportunities at the subnational level.

The competition between China and the US has produced a repositioning of regional states in the Balkans vis-à-vis Beijing and Washington. Broadly, Balkan countries positioned themselves in three groups. Some nations such as Greece, Bulgaria, and Croatia have reduced their engagement with China and moved closer to Washington, without adopting a hard-line position toward Beijing. While their relations with the Middle Kingdom have stagnated as a result, and those with the US have been reinforced, they have left the door partly open for future cooperation with China.

Another group of Balkan nations has taken a harder stance toward Beijing as a means to strengthen their special relationship with the US. These are primarily smaller countries which are not part of the EU: Kosovo, North

Macedonia, and Albania—all heavily, diplomatically reliant on Washington. Moreover, Romania can also be put into this category.

The last group includes the nations which are using the competition and their partnership with China to gain some leeway in their relations with the US. Due to their relative weakness, these countries cannot align too closely with Beijing for fear of provoking Washington but can keep a certain balance between the two sides and use it for 'tactical manoeuvring'.⁹⁹ Serbia and, to lesser extent, Montenegro fall into this category.¹⁰⁰

Wider Implications of the China-US competition

'Since 2017 everything changed in the Balkans.'¹⁰¹ While somewhat inflated, this claim made by a prominent expert suggests how great the effects of the competition and of the region's response to it have been. The wider, long-term implications of this competition in the region can be best understood on two levels: continental and regional.

On continental level, the competition has turned the Balkans into an important arena of the 'New Cold War', with substantial impact on Beijing and Washington's position in Europe. Here it is crucial to understand that

there is an intense competition between the US and China in Europe—the third major economic and technological pole in the world beside the two competing superpowers. This competition primarily focuses on the extent to which China will continue its highly beneficial trade, investment, and technology-transfer relationship with the EU—a US ally which has progressively hardened its policy toward China, but not to the extent Washington wishes.¹⁰² While the US hoped that Europe will start decoupling from China, Brussels has instead opted for limiting its exposure to China in particular sensitive, high-risk areas; a strategy known as de-risking.

In this context, the Balkans are important for the China-US competition in Europe in two ways. First, as discussed earlier, Southeast Europe represents a trade, investment, and infrastructure gateway to Europe. Chinese influence would entrench China's position in Europe, particularly in light of the region's gradual integration into the EU. Second, the Balkans are also vital for the two sides' position in Europe because they are an important part of CEE, which China has tried to court and influence through the former 16+1 format. The success of this format, already plagued by the exit of its Baltic members,¹⁰³ growing disillusionment, and concerns that countries like Romania will leave,¹⁰⁴ is very much dependent on its Balkan participants. The success of the alternative US-backed 3SI and, more broadly, of Washington's drive to check Chinese influence in CEE is also partly dependent on the participation of Balkan states.

On regional level, the China-US competition has four implications for the Balkans. First, the challenge of China presents in the region and Western concerns are likely to accelerate the Balkans' integration into Europe. This process has already begun with a renewed Western push to revitalise the accession

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process of the Western Balkans to the EU¹⁰⁵ and pay greater attention to regional states, both EU members and non-members. While the EU is understandably the principal actor in this integration push, Washington's pressure on Brussels and Balkans states is crucial, as is its determination to resolve issues that block the path to EU accession, such as the Kosovo dispute and the Bulgaria-North Macedonia dispute.¹⁰⁶

Second, the competition is likely to help the economic development of Southeast Europe, one of the continent's poorest and most backward regions. With the US, 3SI and the EU competing with China's former 16+1 and the BRI in the fields of infrastructure investment, energy, and digital infrastructure, Balkan countries have greater chances to address their substantial deficits in all three fields. The recent announcement by the EU of a 6 billion Euro plan for the Western Balkans¹⁰⁷ and of US grants for energy development,¹⁰⁸—admittedly more focused on tackling Russia than China—are indicative of this emerging trend.

Third, it will be more difficult to balance between China and the US over time, particularly if tensions between them rise. As Washington enjoys an increasing superiority

over Beijing in the Balkans, any rise in tensions would push the US to act much more decisively toward countries—such as Serbia—which try to keep a partnership with China and use it in their dealings with the West.¹⁰⁹ This supposed leverage, which is already of doubtful usefulness and mostly tactical,¹¹⁰ would decrease, while the risks of using it increase. The Russian invasion of Ukraine has made this situation even more difficult for Balkan balancers, as security has emerged as a much greater concern for most Balkan states. This inherently plays to Washington's advantage; in the words of a Romanian analyst, 'in the choice between economics and security, most states [in the region] will choose security guarantees'.¹¹¹

Finally, the China-US competition in the Balkans means that the often-troubled relations between Washington and Beijing will have increasing impact on the region. Hence, issues from the distant Indo-Pacific will affect regional countries and their relationships with Beijing and Washington. This new situation has been exemplified by these countries' need to take an active stance on issues such as Xinjiang, Taiwan, and the South China Sea dispute,¹¹² along with their own participation in the AIIB.¹¹³

Predictably, positioning on these issues has had repercussions for each Balkan country's relations with the two superpowers.

Conclusion

Since its outbreak the 2017-2018, the China-US competition in the Balkans has altered the strategic landscape of the region and its power dynamics. This strategic update has sought to clarify the impact of the competition on the strategic framework of the region, the responses of Balkan states to it, and its wider implications.

Washington has gained the upper hand in its competition with Beijing in the Balkans, but the outcome of the competition remains uncertain. Chinese influence in the region is substantial and has a chance to eventually achieve its strategic goals of using the region to connect with Europe and increase its influence over the EU. Balkan states have seen this China-US competition as an opportunity and have sought to use it to their own advantage. As a result, most have aligned themselves with Washington, with the major exception of Serbia which has tried to balance between China and the West. Nevertheless, the alignments of Balkan states are not

permanent and can shift depending on circumstances. More importantly, the China-US competition in the Balkans has significant implications both for the competition between Beijing and Washington over influence in Europe at large, and for the future of the region; particularly its EU integration and economic development.

It is crucial for Washington to remain actively involved in the region in the long-term. As Chinese influence in the Balkans is here to stay and might grow again in the future, a permanent US policy focus on the region is essential. As the US record in this respect is not very encouraging, the first test for Washington's focus will come after the end of the war in Ukraine. Second, the US and the EU need to engineer closer relations with Serbia, China's main partner in the region, and tilt Belgrade toward the West. This will require a substantial change in US and EU's policies toward Serbia and the Kosovo dispute, which are clearly not working; haste is also key, to influence Belgrade before Beijing's influence in Serbia has reached a critical mass. Third, the US and the EU need to ensure greater Western infrastructure investment in Southeast Europe, particularly the Western Balkans. One way to do so is to relax the conditionality, rules, and bureaucratic procedures associated

with such investment, a sacrifice which might increase misuse but will help counter China. Another is to for the US to increase 3SI funding for the region and push to expand the initiative in the Western Balkans. Fourth, it is critical for the US to engage with the region's major political parties, particularly those which are more China-friendly, and build consensus on China policy. This is very important because some of Washington's success in the region is traceable to the downfall of relatively China-friendly governments in Greece and Romania. Finally, Washington should propose a multinational format between Western Balkans nations, the EU, the US, and NATO. Such a format, potentially building on the Open Balkan initiative launched by Serbia, Albania, and North Macedonia in 2021, or EU's Berlin Process,¹¹⁴ would serve to coordinate a common regional approach to China between Balkan states and the West, among other potential benefits.

In conclusion, as the Balkans are a gate to Europe, while Beijing has managed to push its foot and shoulder through and hopes to eventually get inside, Washington has blocked that gate from fully opening. Most likely, the US can keep China out but will need to persevere, keep its policy focus on the region, cooperate with the EU, and maintain the support of most Balkan states. The resulting standoff between China and the US in the Balkans, the gate to Europe, will likely last a long time. ■

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China-US Competition in the Balkans

IVAN LIDAREV

This strategic update from Sotirov Visiting Fellow Dr Ivan Lidarev analyses the competition between China and the US in the Balkans, striving to answer three broad research questions about its impact on the region. The paper analyses how the China-US competition has shaped the strategic framework in which Balkan states operate; how Balkan nations have responded strategically to this competition; and what the long-term implications of the regional US-China competition are.

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