

The Western Balkans between the EU, NATO, Russia and China

In the Western Balkans, Russia has successfully encouraged resistance to further NATO expansion. China is also making inroads, creating new financial and economic dependencies that complicate the EU accession processes. Further transformation of the region depends on the EU's ability to intensify dialogue with candidate countries on mid-term achievable objectives.

By Henrik Larsen

Twenty years after the end of the wars in the former Yugoslavia, the Western Balkans remains only partially integrated into the Western security and economic structures. Today, it is a region in which NATO and the EU compete for influence alongside Russia and China. While NATO may have carried out its last enlargement with the accession of North Macedonia this year, Russia successfully encouraged Serbia and Bosnia-Herzegovina not to pursue similar ambitions. The overall decline in democratic standards in the region over the past decade has slowed its integration into the EU, ceding the short-term initiative to China and its growing economic influence.

The Western Balkans is a complex region with many external actors that seek influence by appealing to its ethnic and religious communities. Saudi Arabia and Turkey enjoy ties to the nations where Islam is dominant (Albania, Kosovo, and Bosnia), the former through the spread of Wahhabism and the latter through an emphasis on shared culture and history. Yet, neither country's influence in the region represent a hindrance to the region's integration into the EU and NATO in the same way that Russia's ties to the Serb-Orthodox ethnicities and China's growing economic foot-



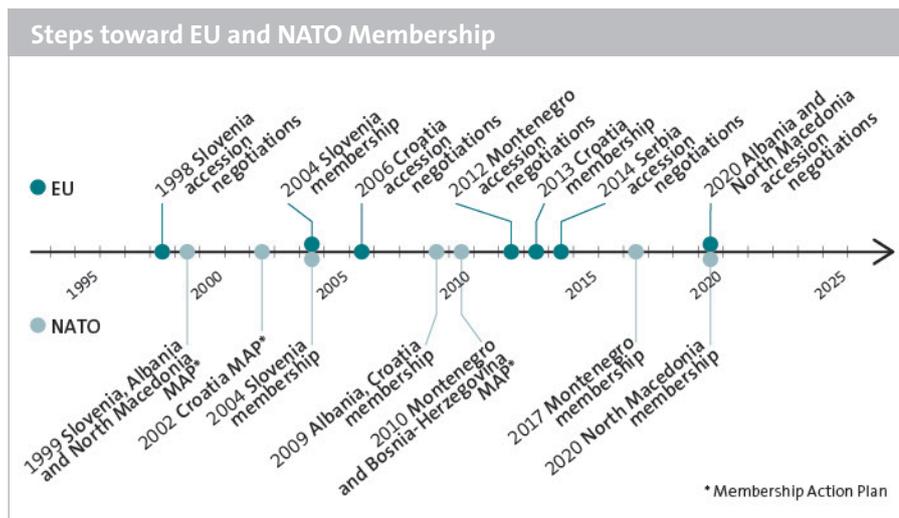
Crew members celebrating the arrival of medical experts and supplies from China to help Serbia's fight against the coronavirus. *Marko Djurica / Reuters*

print in the region do. The expected economic recession following the coronavirus pandemic could have consequences that may further drag out the EU accession processes and compel the poorer countries in dire need of investments and loans to look to China. The fate of the Western Balkans is a central concern for Switzerland

given the importance of its peacekeeping mission in Kosovo (Swisscoy).

Security Integration

Security is a precondition for democratic transition and economic integration. Military and defense reforms linked to NATO accession processes have paved the way for



broader political and economic domestic reforms. The Western Balkans is uniquely composed of a patchwork of nations and ethnicities that overlap with territorial borders. This patchwork not only complicates state cohesion (Bosnia and North Macedonia), but also raises questions about the durability of peace (Kosovo and Bosnia). The significance of NATO integration under such circumstances cannot be underestimated. Security sector reform as required by Alliance accession is essential for both international stability and, especially in the multi-ethnic states, building domestic legitimacy. The downsizing of armies, professionalization of security sectors, and transparency in security-policy decision making have contributed to more predictable relations between states and ethnic entities.

The accession of North Macedonia this year marks the possible end of a two-decade long NATO enlargement process (see timeline p.2). The enlargement consolidates peace among the countries that are now members of the Alliance, but – as some countries remain outside of NATO – also highlights the region’s unsolved security problems. In Bosnia, despite the creation of a unified army between the former warring entities, the entity of Srpska refuses to hand over immovable defense property (e.g. barracks) to Sarajevo, which is an obstacle to NATO membership. Serbia’s military neutrality does not as such pose a problem. However, the dispute with Kosovo is a stumbling block, which is unlikely to be solved due to the lack of international recognition of the latter. In sum, NATO has reached a point where it is unlikely to expand further, a fact that requires permanent

international peacekeeping in the hotspots of Bosnia (European Union Force, EUFOR) and Kosovo (Kosovo Force, KFOR), with Switzerland contributing to both through the Swiss Armed Forces International Command (SWISSINT).

Economic Integration

Adding to the deadlock in security integration, the decline in democratic standards throughout the region since around 2008 has slowed its integration into the EU. The Union’s accession process remains the region’s main incentive for economic and political reform, but the road from the Balkans to Brussels is long and laborious. Croatia joined the EU in 2013 and Slovenia (not a Balkan state, but part of the former Yugoslavia) in 2004 – both are today successfully performing members. However, the remaining countries in the region are stuck in the transition to democracy and suffer from significant governance deficits. State building is thus still the order of the day, which is as much a matter of values as of economic growth. With the exceptions of Croatia and Slovenia, the Western Balkans is stuck in the so-called middle-income trap, unable to achieve growth rates that enable it to catch up with EU averages (see map p.3). The average GDP per capita for the six countries is half that of Central European countries and only one quarter of that of Western Europe.

The EU’s most immediate problem is the two membership front-runners, Serbia and Montenegro. Both countries have taken authoritarian turns and experienced a decline

in civil liberties. Combined with the slow pace of progress in broader economic and judicial reform, this leaves doubts about Serbia and Montenegro’s potential to become members before 2030. While EU Commission President, Ursula von der Leyen, declared that it is in the EU’s geostrategic interest to have the Western Balkans as close as possible, Brussels is intensely aware of the potentially destabilizing effects that enlargement carries with it. Premature accessions run the risk of backsliding that could undermine EU consensus on basic rule of law standards.

Domestic problems are even more pronounced in the remaining countries in the region, not least in terms of corruption and organized crime. The EU started accession negotiations with North Macedonia and Albania this year, after a French-led veto last year had demanded a revision of the accession methodology. Abandoning the previous accession negotiations based on 35 chapters, the new methodology introduces six thematic clusters, which – it is hoped – will bring greater clarity to the public about the process as well as a stricter monitoring of reforms. In view of the enormous difficulties in maintaining a neutral rule of law and public administration system over time, the new methodology prioritizes the fundamentals of state building. At the bottom of the list of countries in line are Bosnia and

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Kosovo as potential candidates, the latter of which suffers from the fact that five EU members do not recognize it as a state.

Russian Influence

Russia appears to have embraced the role of a spoiler against Western interests in the region and views obstacles to NATO and EU integration as opportunities that it can exploit. Russia does not see the Western Balkans as a sphere of privileged interest comparable to Ukraine or the Southern Caucasus. Yet, Russia takes a particular geopolitical interest in the region, reinforced by its historical ties to the Orthodox Serbs. The Western Balkans is Europe’s weak periphery, where Russia can project power by mustering local resistance against the consolidation of the region’s integration into NATO and the EU.

Conflict perpetuation is Russia’s most effective means of obstructing NATO inte-

gration and slowing EU integration. Over the past decade, Russia has cultivated a close relationship with *Republika Srpska* and its president, Milorad Dodik, who is attempting to nourish an ethnic identity in opposition to the Bosnian state, which seeks NATO membership. Russia has effectively reaffirmed its historical alliance with Serbia by firm support for its territorial integrity over the contentious Kosovo issue. Russia's refusal to recognize Kosovo and defense of Serbian interests in the UN gives it strong leverage *vis-à-vis* Belgrade. This includes leverage with regards to eventual EU accession, which will require a settlement with Kosovo. Russia also successfully uses public diplomacy to strengthen its pan-Slavic/Orthodox identity with Serbia and Srpska, whereas it relies on more covert influence campaigns in Montenegro and North Macedonia.

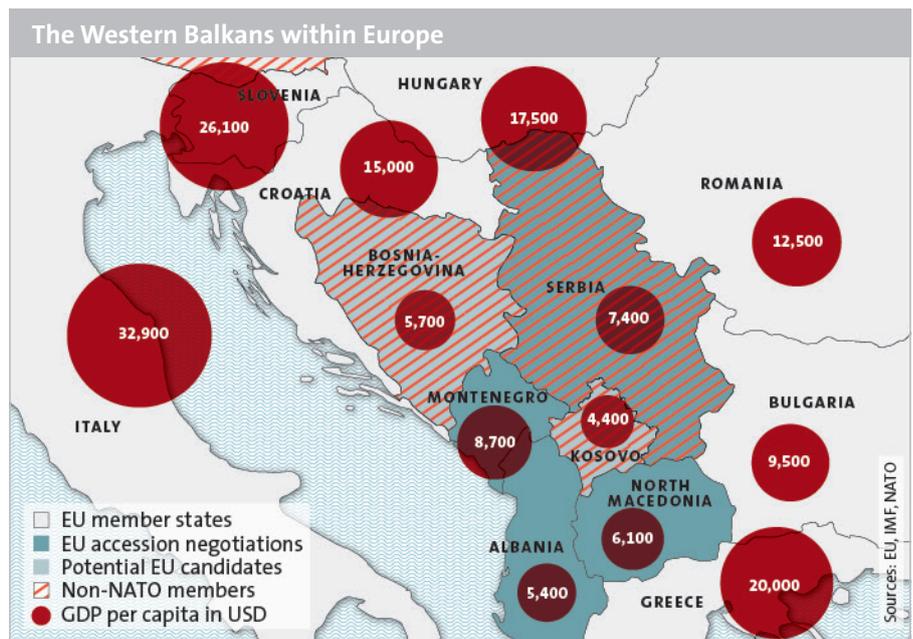
Unlike the EU and NATO, Russia has the short-term advantage of indifference to values in dealing with leaders in the region. Nevertheless, it is important to recognize the limits of Moscow's influence, especially in economic terms. Russia is attractive to corrupt politicians seeking to consolidate their power by appealing to identity politics, but this is not a substitute for the soft power of the EU. Even in *Srpska*, both the leadership and population see EU membership as a positive goal. Other than obstruction and acquisitions in strategic sectors (energy, heavy industry, and banking), Russia does not offer the region a long-term alternative. In Serbia and Bosnia, Russia was able to support local resistance to NATO expansion, but its subversive activity backfired in Montenegro, which became more eager to join NATO as a result.

Chinese Influence

China is a relatively new, but rapidly growing power in the Western Balkans. Unlike Russia, China is unable to nourish ethnonationalist sentiments because it has no history or culture to build on. However, China is making inroads with an economic footprint and investment potential that

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complicates the accession processes of the candidate countries and enhances the geo-economic divide between EU and non-EU members in the region.



Since the launch of its Belt and Road Initiative (BRI) in 2013, China has financed a number of notable construction projects in the Western Balkans. These include the *Peljesac* Bridge linking mainland Croatia with its southern exclave around Dubrovnik, a high-speed rail connection between Belgrade and Budapest as well as highways in Montenegro, North Macedonia, Serbia, and Bosnia. China earmarked more than six billion Euro worth of loans for the Western Balkans, which mostly targeted the energy and transportation sectors. Serbia stands out as the prime beneficiary of the Chinese investments. In economic terms, the BRI opens up new trade development opportunities that could help lift the Western Balkans out of the middle-income trap. Modernizing energy capacity and filling the region's significant infrastructure gaps could contribute to renewed economic growth.

However, the new economic and financial dependencies on China have two main implications for the EU enlargement process in the region. The first is the slowing or reversal of the comprehensive reforms that are necessary for eventual EU accession. There is a high degree of opacity in the way the Chinese government awards tenders for projects. A major political scandal in North Macedonia in 2015 revealed that the government was going to grant a big Chinese state-owned company a signifi-

cant contract for the construction of highways in the country because the company was willing to pay bribes. With such practices, China not only complicates the promotion of EU norms that require transparency in public tenders but also perpetuates the widespread problems of corruption in the region. This also applies to Chinese loans, which may be more tempting to accept than Western loans or even grants with conditionality attached. Chinese financing of power plants and factories also hamper compliance with the EU's environmental standards.

The second implication is geopolitical. It is a source of lasting concern that Chinese investments so deliberately target the construction of critical infrastructure and that the financially weaker regional states accept Chinese offers of loans. If a borrowing country defaults on its debts, a Chinese state-owned company, and by extension the Chinese government, could seize ownership of infrastructure that it originally constructed. High debt dependency on China (e.g. almost 40 percent of Montenegro's total foreign debt) is part of a broader picture of geo-economic dependency. China's successful promotion of the "17+1 format" for cooperation with the 17 states in Eastern Europe implicitly makes the Western Balkans part of a group that are inclined to be less critical of China on economic and other global issues on which the EU and NATO attempt to find consensus (human rights, 5G supplier and the coronavirus

pandemic). No other country has cultivated security ties with China to the same extent as Serbia, which rolled out Chinese facial recognition technology potentially at odds with EU privacy laws, and which in the midst of the Coronavirus pandemic dismissed the idea of European solidarity.

Missing Pieces of the Puzzle

In the confrontation between external actors, local elites have recognized the value of using Russian and Chinese engagement to soften NATO and EU conditionality. Former Serbian president, Boris Tadic, summed up the situation, when he declared China to be the fourth pillar of Serbia's foreign policy in addition to the US, the EU, and Russia. NATO can live with the missing pieces of the puzzle of Serbia, Bosnia, and Kosovo, even though this is largely a consequence of Russian obstruction and even though this requires an open-ended peacekeeping presence. The question is whether the EU is prepared to accept that perhaps not all states in the region will qualify as members, but still be ready to contribute to stability through economic and financial instruments.

The EU continues to enjoy the benefit of its geography and power of attraction tied to the European way of life, which makes it impossible for the local elites not to officially favor EU integration. The EU's problem is that the candidate countries suffer from a vicious cycle of low expectations and slow reforms. At the current pace, long-term objectives of actual accession are decades away and for some countries per-

haps unachievable. Once accession talks have started, the countries have no clear goals to work towards other than the (very) long-term goal of membership. The EU's new accession methodology divided into six thematic clusters is an attempt to improve exactly that. Drawing a higher degree of public attention to instances where lack of political will stands in the way for the fulfillment of mid-term goals could perhaps help create the necessary political momentum. This is not least so for the rule of law, which is in constant risk of undue

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interference and requires continual monitoring until (and after) accession.

China's presence in the region requires the EU to consider how it can uphold incentives in the face of (competing) investments that are free of conditionality. The anticipated coronavirus recession could increase willingness to accept Chinese investments in the poorest countries. It is easier for China to push through infrastructure projects in such countries than in EU member states that have more funding available from EU institutions and are required to abide to the EU's public tender laws. EU regulations have also imposed bottlenecks on Chinese investment in cases where loans conflicted with EU debt ceilings. For non-members, the EU's means

are more limited. In short, the EU funds available for the Western Balkans are bigger, but apply to a wide range of public and private sectors. By contrast, China can disburse its finances faster and concentrate on critical infrastructure. Moreover, the new accession methodology deepens the outreach to the candidate countries; the EU will now be able to reward them for reforms with more funds and by "phasing in" them into the EU market.

EU-China competition for the Western Balkans is emerging in some aspects as more important than the more static NATO-Russia competition. The EU's attempt to dis-incentivize new economic dependencies is further blurring the line between accession and pre-accession. This may be a viable strategy, provided the EU does not compromise on the requirements of closer integration. Serbia's accession process deserves attention from the perspective of solving the Kosovo issue. Only a situation in which Serbia would recognize Kosovo could prompt all EU member states to accept Kosovo as a candidate country. Given such a distant prospect, Switzerland's continued peacekeeping contribution will certainly be welcomed.

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