

Main findings of the PhD dissertation

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Chinese expansion in the Western Balkans

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1. Introduction

The assessment of China's expansion, its economic strengthening, and its role on the international political stage are important topics of both scientific and political discourse today. The phenomenon often comes to the centre of investigations through the lens of American-Chinese rivalry, and through the examination of the vision of Chinese expansion, the Belt and Road Initiative (BRI).

The BRI is an initiative covering almost half of the world, and although it is possible to examine it at the macro level, it may be worth focusing on geographically delimited areas for a better understanding. The dissertation attempts to examine the rise of China in the Western Balkan region, which has been under the influence of various great and regional powers many times throughout history. Although the peoples and states of the region have some historical connections with China, the Asian country's transformation into a global power has made it a truly decisive player in the region. The "Chinese offer" prompted both local societies, leaders, and also external actors already influential in the region to react.

The topic is relevant from a Central European and Hungarian perspective because by examining the Chinese presence in the Western Balkans, conclusions can be drawn regarding its nature. In addition, Hungary and other post-socialist countries are also members of the 17+1 mechanism, which can also be considered a local projection of the BRI. The renovation of the Budapest-Belgrade railway line is one of the flagship projects of the mechanism. So far, no comprehensive scientific work has been prepared in Hungary regarding the rise of China in the Western Balkans.

2. Aims of the research

The dissertation provides answers to research questions, thereby getting closer to understanding the nature and significance of China's influence in the region. The questions were designed to arouse the interest of experts, researchers and a wider audience, as well as to try

to answer the dilemmas most often raised in these circles with empirical, descriptive and analytical methods.

The dissertation aims to present and analyse the projects with a Chinese background and the economic and political relations, in addition to the literature review and the general characterization of China's rise. In the thesis, the most important aspects (history, economy, culture, politics), and the investments made in the transport and energy infrastructure are presented and analyzed in detail. The dissertation places special emphasis on the role of Serbia, which can be considered a key state in the region in terms of the Chinese expansion. For this reason, the Chinese-based transport infrastructure developments in Serbia are presented in such a way that their scale can be compared with the scale of projects supported/financed by other foreign actors.

The research questions are:

- In what areas is China present in the region?
- What kind of influence does it have in the discussed areas, and how important is it?
- Why is China able to gain positions in these areas and how is it doing so?
- How do the Western Balkan states, residents, and other influential external actors in the region relate to the Chinese influence?
- In some cases, the thesis also covers how the current processes (for example, the impact of the fight against global warming on the construction of coal-fired power plants) influence the Chinese presence in the region.

3. Research methods

Research methods include the analysis and presentation of statistical data in graphs. In the terms of economic data, it is worth highlighting among the sources the paid database collected by The Vienna Institute for International Economic Studies (wiiw) and the data provided by the

China Global Investment Tracker. The surveys of the International Republican Institute and the BiEPAG proved to be a useful source for analyzing the image of China.

Part of the methodology is the presentation of different narratives, which can also be interpreted as a kind of discourse analysis. This includes the presentation and contextualization of the statements of politicians and announcements of state bodies. Also, different databases were built and they are displayed on maps and figures. Both primary and secondary sources were used for this. The databases were built from materials of ministerial reports and strategies, European Union development plans, and reports about Chinese investments from NGOs, think tanks and news agencies.

One of the difficulties in examining China's rise is that many projects remain at the announcement level. A signed memorandum of understanding does not mean that the given project will actually be realized, so it is difficult to draw conclusions about the intensity of China's expansion by examining these. In several cases the works have already started running into various difficulties. For this reason, the thesis explains the contradictions surrounding the investments and describes the current status and prospects of the various projects by involving as many sources as possible.

4. Findings

The thesis discusses the differences and similarities between the various Western Balkan countries in terms of China's influence. It can be concluded that the Chinese side typically uses similar offers in the region. A Chinese company, which is usually state-owned, offers to implement various projects, most of which are financed by Chinese banks under similar conditions. However, due to (geo)political, economic and external reasons, China is present to varying degrees in the host states.

The answers to the research questions can be summarized as follows:

- In what areas is China present in the region?
- What kind of influence does it have in the discussed areas, and how important is it?

The level of Chinese foreign direct investment in the Western Balkan countries – except for Serbia – is low. In Serbia, its value has increased to a greater extent in recent years. Western Balkan countries have a trade deficit with China. Although in countries of the region the share of imports from China is higher than the share of exports to China, the dominance of Western actors is decisive in these aspects. A similar finding can be made by examining the external debt of states, although the case of Montenegro should be highlighted as an exemption. Montenegro has a significant amount of debt to China – because of the construction of the much-criticized highway – and also had problems repaying it.

The most important aspect of the Chinese presence in the Western Balkans is the development of energy and transport infrastructure projects. In the thesis, the projects implemented in the transport infrastructure are displayed on a map, and in addition to the Chinese background, the investments made by other foreign actors are also displayed. From the database, it can be concluded that in Bosnia-Herzegovina, North Macedonia, Montenegro and Serbia, the projects realized with a Chinese background have a decisive role. In the case of Serbia, the thesis also compares the scale of projects with a Chinese background to other financiers. The database which was built from ministerial reports reveals that China is responsible for nearly a fifth of the value of investments. This is a significant proportion.

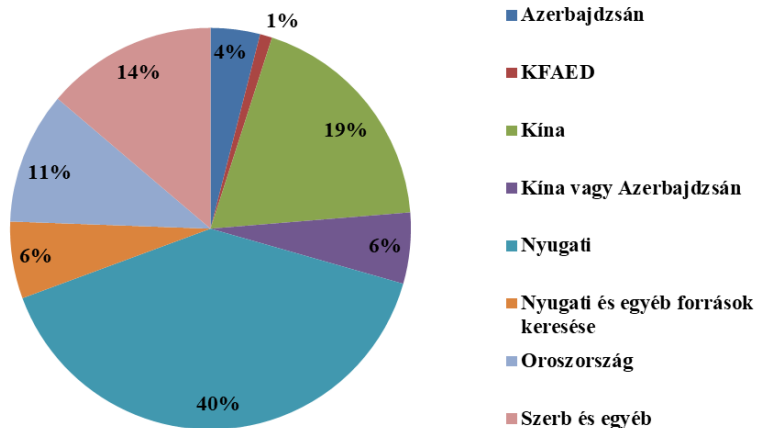
Major transportation infrastructure development projects and plans



A – finished roads listed in the EU strategy B – roads to be constructed listed in the EU strategy 1a – current road projects with EU financing 1b – current railroad projects with EU financing 2a – road projects with Chinese financing 2b – railroad projects with Chinese financing 3 – railroad projects with Russian financing 4 – road projects with Turkish financing 5: – road projects with Azerbaijani financing 6: – – road projects with American financing

Source: (European Commission 2016) and own collection, own construction: Reményi Péter, Csapó Dániel Gábor és Csapó-Kádár Tünde (based on Reményi P. - Csapó D. G. 2021)

Financing of projects implemented in Serbia's transport infrastructure (%)



Source: own construction based on the document of the Ministry of Construction, Transport and Infrastructure of Serbia., based on Csapó D.G. 2021B

Examining energy projects, China's role stands out in connection with the construction of coal-fired power plants in Serbia and Bosnia-Herzegovina. In addition, it can also be stated that China will cut back this portfolio and may be replaced by the construction of renewable power plants.

- Why is China able to gain positions in these areas and how is it doing so?

The financial crisis of 2008 and China's response to it may have been one of the catalysts for the rise of the Asian country in the Western

Balkans. COSCO, the Chinese state-owned company has been operating the Greek container port since 2008, and later acquired the majority of its shares establishing the *raison d'être* for the development of the Belgrade-Budapest railway line. In 2014, the Pupin Bridge was built in Belgrade, which was the first major infrastructure investment built by a Chinese company, not only in the Western Balkans but also in Europe.

An important element of the Chinese expansion is the conscious networking, which is what the BRI and the 17+1 mechanism are also about. China also supports projects in the region that are not necessarily closely related to the strategic goals of the BRI but are important to the Western Balkan states. With this, it can satisfy a need that Western actors are not able/willing to meet. This seems to be the case in connection with some road constructions and the construction of thermal power plants. As a result of the latter, countries moving toward European integration come into conflict with the EU. Although in terms of transport infrastructure, there is an opportunity for cooperation between Western and Chinese connectivity strategies.

In addition to the construction of hard infrastructure, the formation of political and cultural relations is also part of China's strategy in the region. China's main ally in this field is Serbia. China does not recognize the independence of Kosovo. The Confucius Institutes, which can be considered an important tool of Chinese soft power, can be found in several Western Balkan countries, and are currently less exposed to the negative discrimination initiated by the United States. In addition, the effects of Chinese soft power can be considered limited due to cultural and linguistic barriers.

- How do the Western Balkan states, residents, and other influential external actors in the region relate to the Chinese expansion?

The local elites and governments largely see the Chinese presence as an opportunity and try to take advantage of it. However, this also entails a risk to them. Since in addition to taking advantage of the

benefits of the Chinese backed investments, in the case of many projects (e.g. the construction of coal-fired power plants, the building of the Linglong Tire factory) the governments not only have to face dissatisfied local residents or NGOs but also criticism of the Western press, politicians and the EU.

By examining statements from politicians and documents published by various governmental and other organizations, the thesis concludes that China's rise is accompanied by a battle of narratives. In the USA, there is a bipartisan consensus regarding the treatment of China as a rival. In North Macedonia and Montenegro Bechtel, the biggest American construction company is trying to take advantage of the situation caused by the change of government and participate in various road construction projects. This can also be considered a response to the Chinese presence in the region.

In many cases, the EU tries to strike a balance. Although the European Parliament often condemns the Chinese presence, this cannot be said about the European Council due to its consensus decision-making mechanism.

- How do the current processes affect the Chinese presence?

Although the demand for Chinese projects decreased after some changes in government in the region, Chinese companies have already built strategic positions in the Western Balkans, so if the political environment in these countries changes, the Asian country can probably regain its influence. Besides this Serbia and partially Bosnia-Herzegovina remain important areas of Chinese expansion.

List of publications:

- Dániel Gábor Csapó (2021): Funding of Transport Infrastructure in Serbia: China in Focus, *China Report: A Journal of East Asian Studies*, Vol.57, no.2, pp.210-228, Scimago rating: Q3

- Reményi Péter, Csapó Dániel Gábor (2021): A szállítási infrastruktúra fejlesztése és a geopolitika összefüggései a Nyugat-Balkánon (The relationship between the development of transport infrastructure and geopolitics in the Western Balkans), *Földrajzi Közlemények* Vol. 145. no.01. pp. 17-31.

- Csapó Dániel Gábor (2021): Kínai jelenlét Bosznia-Hercegovinában és Szerbiában. *Autonómia és önrendelkezés a Balkánon*, edited by: Ördögh Tibor, III. Balkán konferencia kötet, Ludovika Egyetemi Kiadó, ISBN: 789635314157

- Dániel Gábor Csapó (2020): Chinese backed energy projects in the Western Balkans: where supply and demand could meet, *Romanian Journal of European Affairs*, 2020, vol.20, no.2, pp. 100-119. Scimago rating: Q2

- Csapó Dániel Gábor (2018): Kína részvétele a nyugat-balkáni energiaprojektekben. „Kelet-Ázsia és a világ a 21. században” Konferenciakiadvány, Budapesti Gazdasági Egyetem Keleti Üzleti Akadémia Központja Budapest pp. 143-161.o

- Csapó Dániel Gábor, Reményi Péter (2018): Kína térnyerése a nyugat-balkáni országokban (Chinese expansion in the Western Balkans). *Mediterrán és Balkán Fórum*, Vol,12. No.1. pp. 2-19.