European Union’s enlargement fatigue: Russia’s and China’s rise in Southeast Europe?

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Abstract
Enlargement fatigue has descended upon the European Union (EU) institutions, which remain focused on resolving the Brexit crisis and ongoing internal reforms. This multi-faceted phenomenon has directly caused the so-called accession fatigue in potential EU members, which are increasingly turning to other geopolitical alternatives. Russia and China are the new dominant powerbrokers in the EU’s immediate neighbourhood, courting political and business elites in EU candidate states and offering an alternative foreign policy option which contrasts with the stalled EU enlargement process. This paper discusses the rise of these external powers in the EU’s immediate neighbourhood, suggesting three scenarios for the future of the Balkan region where the EU, Russia and China are more vigorously vying for influence than ever before.

Key words: EU enlargement, accession, China, Russia, Southeast Europe, the Balkans

Introduction
A new phase in ‘enlargement fatigue’ has been gripping the European Union (EU) since Croatia became the 28th EU member state on 1 July 2013, after a decade-long political process.¹ This paper posits the argument that enlargement fatigue has contributed to the emergence of an ‘accession fatigue’ among potential EU member states. Accession fatigue may be characterised by a general sense of social apathy and political sclerosis in prospective member states in which political elites start believing that they have been left out, isolated, ignored or more punished than rewarded in their work towards attaining membership of the EU.² As a result, they become less committed to continuing with democratic and EU-oriented reforms, which aim to align the legislative, administrative and legal systems in the candidate states with the EU regulatory framework. This complex phenomenon is contributing to the electoral

¹ Academic Anna Szolucha argues that enlargement fatigue is not a new concept as its earlier manifestations were well-documented in the EU’s history. Anna Szolucha, “The EU and “Enlargement Fatigue”: why has the European Union not been able to counter “Enlargement Fatigue”? Journal of Contemporary European Research, 6(1), pp.107–22, May 2010.

success of more Eurosceptic political elites, who are increasingly turning away from the EU towards other geopolitical alternatives (including non-democratic states) for political support on various issues, and for funding and partnerships. This presents a negative development for the EU’s foreign and security policy. It threatens to derail two decades of the EU’s transformative work in its immediate neighbourhood, especially in the Balkan region where the EU invested immeasurable amounts of political, human and financial capital during that period.3

Furthermore, official or potential candidate states risk moving further away from democracy into semi-authoritarian governance, thereby fuelling the espousal of anti-EU enlargement attitudes by an increasing majority of EU citizens and institutions.4 Countries such as Russia and China are actively contributing to such tendencies by increasing their own presence, or agency in the EU’s neighbourhood. This paper will draw attention to the rise of Russia’s and China’s influence in the Balkans, which is not limited to non-EU states. Russia’s Eurasian Economic Union is seen as an attractive option by several of the Balkan States. In a similar way, China’s New Silk Road political and economic project will be examined in the second part of this paper, as it may offer a geopolitical alternative to the accession fatigue felt by many Balkan nations.5 However, it offers no permanent solution to the Balkan region’s endemic underdevelopment and the need for economic integration within the EU.

Southern and Eastern Europe have emerged as fundamental to China’s new foreign policy assertiveness in Europe. Serbia has become a ‘test case’, being the country in the Balkans which has attracted the largest amount of Chinese investment and soft loans since the signing of a strategic partnership agreement between the two countries in 2009—considered by Chinese President Xi Jinping to be a ‘milestone’ in cooperation with countries in that region.6 China’s growing influence in Serbia has been the subject of interest in Japan also, with the Japanese Prime Minister visiting the small Balkan nation for the first time in over three decades to promote Japanese soft power as a possible balance to China.7 This paper concludes with final thoughts about what kind of challenge Russia and China might present to the EU in its neighbourhood in the future.

### Enlargement fatigue

Enlargement fatigue refers to a deliberate policy decision by key EU institutional players in enlargement policy, in particular the European Commission, to prevent any future enlargement until the next decade. Hostility within and among member states to further expanding the EU started to mount after the so-called ‘Big Bang.

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3 I would like to thank Nigel Brew for his helpful suggestions in this paper.
6 Upon visiting Serbia in June 2016, Chinese leader Xi Jinping observed: ‘We are developing One Belt, One Road project ... with its position and advantages Serbia will have a significant place in this ... This cooperation should be an example of Chinese cooperation with countries in Southern and Eastern Europe’. Ivana Sekularac, ‘China’s Xi sees Serbia as milestone on new “Silk Road”’, Reuters, 19 June 2016, https://www.reuters.com/article/us-serbia-china/chinas-xi-sees-serbia-as-milestone-on-new-silk-road-idUSKCN0Z50DV, accessed 12 December 2017.
enlargement’ in May 2004, which saw the EU grow massively from 15 to 25 members.  
With this 6th enlargement of the EU, the Brussels-overseen population and territory expanded by around 20 per cent, while the EU’s per-capita Gross Domestic Product (GDP) decreased by some 9 per cent. Poorer countries became a rallying point for anti-EU enlargement critics. Delays in Bulgaria’s and Romania’s EU accession (which eventually occurred in 2007 despite strong objections from the European Court of Auditors) were symptomatic of the tough times to come for official EU membership candidates and potential candidate states. Greater plurality and diversity among EU members increase the potential for disagreement between any of these countries and a candidate state (as happened with Croatia’s accession amid unresolved maritime issues with Slovenia), which in turn could delay the candidate’s accession process, as it did for Croatia. For Serbia, specific bilateral issues with different EU members such as Croatia, Romania and Lithuania have at different points in time made the Serbian Government’s accession efforts more difficult.

The EU’s inward focus after the Eurozone crisis

During the current European Commission’s term (2014–19), EU internal challenges have been dominating the work of the College of Commissioners (especially fiscal and monetary affairs and the issue of Brexit), alongside some specific exogenous challenges (such as an unprecedented spike in asylum seekers from predominantly the Middle East and North Africa, and the threat of terrorism). This inward focus has contributed to accession fatigue in many potential EU members (including Serbia), in which the staunchest pro-EU political elites have lost domestic legitimacy. In some cases, those elites were over-promising in terms of joining the EU sooner than politically feasible. In other cases, the incomplete democratic transformation produced many socio-economic problems and exacerbated political divisions on a national level, including on the issue of EU membership. Such an outcome runs contrary to a widely-held belief among EU members that the EU’s attractiveness as a successful model to emulate is ‘naturally’ inevitable and permanent for candidate states. A formidable membership option certainly kept the reform process going for many of the previous candidate states in the 1990s, when the political will inside the EU to expand was much stronger (and membership perspective more credible for candidates) than is the case in early 2018.

In focusing more inward on solving its own internal challenges and in addressing asymmetrical security threats, the EU has become oblivious to the fact that in the absence of a clear and unequivocal enlargement perspective, other rising powers could be vying for influence, better economic access and quite possibly, strategic advantage in its immediate neighbourhood. Serbia, as one of five official candidate states, is a case in point, but not an isolated example, of this relatively new and under-researched phenomenon. This paper also points to a less obvious accession criterion which presupposes an alignment in foreign policy outlook and the international affairs of the candidate state. Serbia and Turkey in particular are countries which currently have the lowest level of such alignment with the European Union’s common declarations.

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9 This paper considers that East Germany’s entry into the European Union through its unification with an existing member (West Germany) should be counted as a distinct episode in the EU’s enlargement history.
statements and sanctioning regime, which is unlikely to be viewed favourably by the EU institutions in terms of accession.

In the late 2000s, it was the Eurozone crisis that the EU’s enlargement policy hit hard. Adverse effects from the Greek sovereign debt crisis were serious for the Balkan states, and included the slowing down of their economic growth, worse prospects for reform, less attainable EU funding for reform-oriented projects and a lower level capacity to fulfil stringent accession criteria. Enlargement also presupposes deep structural reforms, which can be highly unpopular at the domestic level. Political scientist Ritsa Panagiotou has warned that the EU is losing both credibility and appeal to several candidates specifically because of the Eurozone crisis.\(^\text{11}\) Furthermore, Oxford University’s Professor of Southeast European Politics, Othon Anastasakis, observed at the start of the Eurozone crisis that the EU’s political conditionality strategy (as part of its enlargement policy) began to emphasise more the ‘journey’ of reform, than the outcome of accession, which only added to the loss of credibility.\(^\text{12}\) Hence, the more inward focus of the EU due to the economic crisis fuelled enlargement fatigue, which fanned the rise of accession fatigue and Euroscepticism in candidate states.

New sources of external influence: Russia, China and others

Russia and China are two major international players whose soft power and presence in the Balkans has grown exponentially over the past decade. Turkey is another example, as are Saudi Arabia, Iran and the United Arab Emirates. However, this paper will examine predominantly the growth of Chinese soft power and influence in Serbia. Russian soft power and influence will be analysed mainly in relation to the Kosovo issue as an in-depth study was recently completed on that topic.\(^\text{13}\) This paper argues that such expansion of external, non-EU influence in Serbia is not accidental. It entails a deliberate policy action on behalf of external, non-EU powers. Its principle is simple: that investing in greater presence and influence in the Balkans should bring short to medium-term economic, political and strategic advantages to the investor.

Uncertainty over further enlargement of the EU has radically changed the geopolitical landscape on the Balkan Peninsula and opened up new sources of funding for local initiatives. The contemporary NGO sector in the Balkans is large, and all levels of society benefit from projects associated with external partners and funding. In some areas of the Balkans, the NGO sector significantly improves employment job prospects for the young and educated. Russia and China are deliberately using accession fatigue in countries such as Serbia to encroach on political, social and economic spaces which the EU has sought to re-create following the break-up of socialist Yugoslavia.

Serbia is a candidate state who’s foreign and security policy outlook appears to be drifting away from Euro-Atlantic integration processes, in part because of the EU’s lack of political will to expand further.\(^\text{14}\) Other candidates and potential candidates could

\(^\text{11}\) Ritsa Panagiotou, ‘The Greek Crisis as a crisis of EU enlargement: how will the Western Balkans be affected?’, *Southeast European and Black Sea Studies*, 13(1), 2013, pp. 89–104.


\(^\text{13}\) A larger study into Russia’s soft power in the Balkans had already been undertaken and published by the Center for Euro-Atlantic Studies in May 2016. See *Eyes wide shut. Strengthening of Russian soft power in Serbia: goals, instruments and effects*, Belgrade, Study of the Center for Euro-Atlantic Studies, May 2016.

well resort to the same political option. There are already indications that Albania is developing closer links with Turkey in the hope that this will increase its own national capacities and economic growth.\(^\text{15}\) A potential convergence of enlargement fatigue and accession fatigue is not likely to produce a more democratic, peaceful and stable EU neighbourhood in the Balkans. The vacuum left by the EU (which remains focused on other priorities) will lead to other international players with political, economic and geo-strategic interest in the EU’s immediate neighbourhood to entering the Balkans relatively freely, most likely to the detriment of EU-oriented reforms and transformative projects. This is why the European Commission has recently embarked on a new initiative to improve accession prospects for the remaining Balkan states. However, there has been some scepticism expressed by Germany about the proposed year for the next wave of enlargement (2025), which makes the EU’s commitment to further expanding less credible.\(^\text{16}\)

### The EU’s respite from enlargement and Brexit

The European Commission manages the enlargement process from the European Union’s side. However, the Council of Ministers and the European Parliament (particularly since the entry into force of the Lisbon Treaty) can have a major impact on any development relating to new member accessions. The Directorate-General of Enlargement within the European Commission provides annual progress reports about the reform efforts by candidates, offering recommendations for improvement. These reports are publicly available and include information relating to the internal reforms of the candidate states as well as their international relations. They may also reflect on the behaviour of the candidates’ citizens overseas, and incorporate the concerns of EU members about nationals of the candidate state. For example, in the Commission’s 2016 progress report, the Serbian Government is urged to ‘maintain its efforts to decrease the number of unfounded asylum applications lodged by its nationals in EU Member States’.\(^\text{17}\) Interestingly, Serbia considers Kosovo to be part of Serbia, while Kosovo citizens can travel to the EU using either Serbian or Kosovar travel documents, which presents another anomaly for EU policymakers, including in asylum applications.\(^\text{18}\) Currently, EU-Serbia negotiations are based on the negotiating framework involving thirty-three chapters, which are thematically organised. Political scientist John O’Brennan calls these annual publications ‘stagnation reports’, which, because of the loss of the EU membership ‘carrot’, have become a source of further disappointment and disillusionment for the candidate state.\(^\text{19}\)

As with every EU membership applicant, the accession process is multi-faceted and comprehensive, and annual progress reports are often perceived by the candidate state as intrusive and highly political. Alignment in the candidate state with more than 150,000 pages of EU legal documents, values and norms (acquis communautaire) is a

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politicised process which emerges as a highly important electoral issue in the candidate states. The economy of the candidate states often depends strongly on the investments made by EU countries which are their major economic partners, as well as on other types of funding from the EU in the form of grants, research collaborations and similar partnerships. The nature of the enlargement and accession processes underscores the importance of correct signalling from the European Union’s side about further enlargement, as the candidate without a ‘European perspective’ (or the option to join the EU) is prompted to look elsewhere for political and economic partnerships. China in particular has emerged as a formidable new partner and key new source of investment for major projects in the Balkans as part of its One Belt One Road initiative, which is viewed with scepticism by Brussels.

Jean-Claude Juncker, the 12th President of the European Commission, whose mandate runs from November 2014 until October 2019, stated in his priorities for this vital EU position:

    Our citizens need a pause from enlargement so we can consolidate what has been achieved among the 28. This is why, under my Presidency of the Commission, ongoing negotiations will of course continue, and notably the Western Balkans will need to keep a European perspective, but no further enlargement will take place over the next five years.\textsuperscript{20}

President Juncker has placed the responsibility of maintaining enlargement aspirations onto the governments of candidate states, without acknowledging any of the difficulties candidate states face in doing so in the absence of a clear enlargement perspective. His sights were not on the neighbourhood policy but on the Commission resolving the British question during his presidency; the need to foster intra-EU economic growth and create a more stable monetary union, and the task of negotiating a ‘reasonable and balanced’ trade agreement with Washington.\textsuperscript{21} The Juncker Commission faces the colossal task of working closely with the EU’s negotiating team on the issue of the UK’s intended departure from the EU (following the UK’s Brexit referendum on 23 June 2016). Over the past decade, British Conservatives, currently led by Prime Minister Theresa May, have been generally sceptical of further EU expansion because intra-EU diplomatic bargaining often linked the enlargement process with institutional deepening within the EU.\textsuperscript{22}

The 2004 and 2007 EU enlargements occurred under the British Labour Government led by Tony Blair, who believed that Western Europe’s enlargement policy provided an anchor of stability in its neighbourhood. Almost prophetically, then Prime Minister Blair warned two decades ago that without the realistic prospect of enlargement, ‘political consensus behind economic and political reform in the weaker transition countries may splinter’.\textsuperscript{23} In October 2000 in his speech in Warsaw, Blair provided a strong British case for further EU enlargement:

\begin{itemize}
    \item\textsuperscript{21} Ibid.
    \item\textsuperscript{22} The Conservative British Prime Minister, Margaret Thatcher, was also known as being one of the major opponents to Germany’s reunification, and East Germany’s incorporation into the EU that followed.
\end{itemize}
Britain will always be a staunch ally of all those European democracies applying to join the EU; a staunch ally wielding its influence at the centre of Europe. Brexit, on the other hand, has already had a detrimental effect by delaying accession talks with official candidate states. This was evident during EU-Serbia negotiations in June 2016. Delays on the European Commission’s side regarding the opening of Chapter 23 (Judiciary and Fundamental Rights) of the negotiating framework with Serbia apparently occurred because the British could not present a policy position on the EU’s common negotiating stance because of technical difficulties, which included the resignation of the British Government (due to Brexit). Therefore, Brexit already presents a serious challenge to the EU’s enlargement policy, which did not adjust to the new situation. Furthermore, a lack of political will to expand further could also signal an emerging divide within the EU on the progress of intra-EU institutional reforms. These cumulative challenges have led to the European Commission adopting in February 2018 a new strategy on enlargement, which President Juncker outlined during his 2017 State of the Union address. The intent behind this policy is to encourage further reforms in the EU candidate states, as well as to counter negative public opinion of the EU in the Balkan nations which have been grappling with enlargement and accession fatigue for a prolonged period.

The asylum seeker issue and Kosovo-Serbia impasse

Regional commentators on Balkan politics, Igor Štiks and Srećko Horvat, have observed that while the ‘EU has been the most powerful political and economic agent in a post-socialist Balkans’, its mission to bring peace and stability to that region through a series of reforms (including locally unpopular neoliberal economic reforms) risks becoming a derailed, even failed, project. Enlargement fatigue has, in their view, produced a sort of ‘ghettoisation’ of non-EU Balkan nations, which have also become a political quagmire with respect to the asylum seeker issue. O’Brennan has compared the situation in which EU candidate states now find themselves to a slow but aimless train ride. He recalls the Thessaloniki EU-Western Balkans summit of 2003 where it was confirmed by all EU members that the future of non-EU countries in the Balkans lies within the EU; that all those countries have what is referred to as the ‘European perspective’. However, that commitment and prospect now appear to be as distant as ever, with Russia and China among other international players seeking to benefit from the present lack of European perspective for the candidate states in the Balkans.

In recent years, the Balkan region has become the frontline in the surge of asylum seeker influx into the EU. In Serbia’s capital, Belgrade, for example, it has become a common sight to see asylum seekers wandering around the city centre, shopping and even dining at the local cafes, some of which have started to change their menus to accommodate foreign food preferences and even Halal cuisine. More specifically, non-

EU countries in the Balkans have been tasked by the EU to construct and manage national holding centres for incoming asylum seekers, most of whom have come from the MENA region, but also Pakistan and Afghanistan. The EU and other international donors have provided funding for these facilities, but the local level of expertise (including language competency for interpreting services and cultural awareness) is low. The Balkan region has thus become, according to international reports, a ‘dumping ground’ for Europe’s asylum seekers who paradoxically enter the Balkan countries from EU member states (mainly Bulgaria, Romania and Greece). However, an agreement between regional governments and the EU stipulates that asylum seekers need to register when they enter a non-EU Balkan state, with one holding centre on the border of Serbia and FYROM registering around 600,000 migrants in 2015 alone.29

Many experts have warned that the current uncertainty regarding the future of non-EU candidates from the Balkans, including the very sensitive issue of asylum seekers and their repatriation, increases security risks in the EU’s neighbourhood. The Serbian Government has cited ‘the risk of new war in the Balkans’ as the reason it is seeking closer relations with Russia.30 Undoubtedly, any candidate state that is close to Russia will inevitably face additional challenges on its accession path since the EU currently imposes sanctions against Russia because of its involvement in the Ukrainian civil war and annexation of Crimea. There were reports that nationals from the Balkan region are being recruited as paramilitary forces in the Ukrainian civil war by both sides of the conflict. The ‘Balkan dimension’ to the Ukrainian conflict adds another layer of complexity to already changing political dynamics in that region, including in relation to accession. Serbia has not aligned with any of the EU’s key sanctions against Russia, which certainly puts its government on a diplomatic collision course with EU member states and institutions, in particular the Council and the European Parliament.31

Well-known commentator on Balkan affairs, Dimitar Bechev, observed that the non-EU Balkans became even more ostracised from the EU after the Eurozone crisis:

There is a silent pact between the enlargement-fatigued and crisis-hit EU member states and rent-seeking Balkan elites who do not mind slowing the pace of reform, with a ‘fire-brigade’ approach to periodic crises and outbursts of violence in Kosovo and elsewhere.32

The current Serbian Government under the dominant influence of Serbia’s President Aleksandar Vučić (who served as two-term Prime Minister before becoming the President) is seeking closer relations with Russia, in part because of the enlargement fatigue. However, the other reason is Serbia’s accession fatigue which is closely linked

31 Since the Lisbon Treaty’s entry into force in 2009, the European Parliament has a much greater weight than before on the issue of accession of new members.
with the Kosovo issue, with the EU mediating the dialogue between the two parties. The EU leads the rule of law mission in Kosovo (EULEX) and is treating Kosovo as its de facto protectorate and a potential candidate state, even though five EU members have not officially recognised Kosovo’s independence. These include Cyprus, Greece, Romania, Slovakia and Spain, mostly because of their fears about their own local independence movements seeking recognition and using the Kosovo model for their cause. Independence movements in South Ossetia and Abkhazia within Georgia have sought independence citing the Kosovo model in their written submissions to the Russian Duma. Russia, however, uses the excuse of the ‘Western states’ recognition of Kosovo’ in order to justify its own decision regarding separatist movements in Ukraine and Georgia. This is another reason Russia is likely to remain closely involved in the Kosovo case in support of Serbia.

The EU’s negotiating team has not responded to Serbia’s need to address many outstanding issues in its relationship with the breakaway province of Kosovo, including the highly contentious issue of the privatisation of hundreds of formerly state-owned assets. This is one reason Serbia is now seeking Russia’s involvement in its EU-mediated dialogue with Kosovo, which remains for now a physical and legislative part of Serbia according to the Serbian Constitution. Many analysts, as well as EU members (in particular Germany), insist that resolving the Kosovo issue ought to be a precondition for both Belgrade and Priština to move closer to attaining EU membership, which does not appear to be in sight at present. The general feeling is that the EU will do everything to avoid having ‘another Cyprus’ among its ranks.

The Serbian Government is repeatedly comparing its relationship with Kosovo to the Spanish Catalan case, which the European Commission rejects. There can certainly be no serious move towards accession until all parties to the dialogue find a common and more permanent solution to the issue of Kosovo’s independence and associated issues. Some of the more controversial issues include the right of return for more than 200,000 non-Albanian residents who left Kosovo as a result of the conflict; the privatisation of state assets which Serbia deems to be illegal; the protection of the Serbian minority in Kosovo; and the prosecution of war crimes committed by the Kosovo Liberation Army and Serbian regular and paramilitary units during the 1998–99 conflict.

The Kosovo issue is certainly a litmus-test for the EU’s diplomatic service and the overall capacity of EU institutions to bring peace to the neighbourhood. Russia is keen to profit from Serbia’s disappointment with the EU over the issue of Kosovo when engaging Serbian citizens in its soft power projection (and practical projects on the ground). It does not appear that the European Commission has done anything specific to counteract Russia’s growing soft power influence in Serbia. Russia’s strategic influence extends to new political movements, organisations, formal political parties, and all major sectors of the economy, including the education sector in both Serbia and

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33 For further information about EULEX, see http://www.eulex-kosovo.eu/, accessed 12 December 2017. For reports by the UN mission in Kosovo, see https://unmik.unmissions.org/, accessed 12 December 2017.


Bosnia-Herzegovina. The Balkans is a testing ground for both EU and non-EU countries, which are building new sources of power and influence there.

**Candidate states’ foreign policy as a less visible criterion of accession**

The international affairs of all candidate states are carefully watched and scrutinised by the EU institutions. In Serbia’s 2016 progress report, the European Commission warned the Serbian Government that its dealings with Russia and China in particular must be ‘compatible with the EU standards on matters including state aid, public procurement, rail safety and interoperability’.  

Serbia’s alignment with common EU declarations and Council decisions remains at a relatively low rate of 59 per cent, although still ahead of Turkey on 44 per cent. By comparison, Montenegro aligned, when invited, with all common positions (at a rate of 100 per cent), Albania *de facto* aligned with all decisions and restrictive measures, and FYROM aligned with 73 per cent.

For Russia, the Balkans is a more distant area of foreign policy interest and primarily in the context of commercial and business ties, except for Serbia with which military ties are also developing. Russia’s relationship with the countries on the Balkan Peninsula has been uneven over the past decade, but generally not a confrontational one. This stands in contrast to other formerly communist states, such as Eastern European and Central European states which were previously in the Warsaw Pact (unlike the countries of the former Yugoslavia) and which saw the disintegration of the Soviet Union as an opportunity to ‘return to Europe’.  

Poland and the Baltic EU members are among the strongest critics of Russia in the EU. Among the candidate states from the Balkans, Montenegro’s links with Russia have probably been the closest in terms of foreign investment. Montenegro’s membership of the North Atlantic Treaty Organization in June 2017 would not have been seen in a positive light by the Kremlin, but this development did not significantly disturb Russian financial interests in that region. Over one third of foreign companies in Montenegro are in the hands of Russian investors.  

However, there are many issues which the Montenegrin Government would have to tackle before Montenegro could join the EU, including business ties with Russia which are frequently associated with domestic corruption. Montenegro, like most other candidates from the Balkans, has suffered from the challenges of implementing EU laws and norms; a condition which can only worsen when combined with enlargement and accession fatigue. Another country which has invested on a larger scale in the Balkans, apart from Russia, is the People’s Republic of China. China has committed

39 This was a slogan used by many East European leaders during accession negotiations with the EU.  
more than 3 billion Euros in investment funding to the Balkan region over the past five years. This is an unprecedented development, which warrants closer monitoring by EU agencies and institutions.

**China in the Balkans - China’s new strategy for Southern and Eastern Europe**

Under President Xi Jinping’s leadership, Beijing has been implementing a new strategy for Southern and Eastern Europe. This strategy involves purchasing and/or modernising key strategic and infrastructure assets in the countries of interest to the Chinese state. It is also a cultural and public diplomacy strategy, which includes the strengthening of people-to-people links through joint research, development and exchange. For example, in 2015, young political leaders from China and sixteen Central and Eastern European countries met in Beijing, which resulted in an exchange initiative involving 1,000 young professionals from both regions. A leading Chinese official addressing the forum urged European participants to ‘enhance coordination and cooperation with China in international and regional affairs, “especially in fields that concern both sides, such as climate, environment, new energy, security and non-proliferation”’. Some European countries were uneasy about the security aspects of this proposal (given the proximity of Western Europe), the role of these countries in the EU and China’s continuing assertion of Chinese sovereignty and its military build-up in the South China Sea.

China’s historically unprecedented investment drive into Europe’s periphery needs to be seen in the context of its global push to become the world’s leading economic powerhouse and political player by 2050, which the Chinese President called New China’s ‘Dream’. President Xi described the One Belt One Road initiative as the centrepiece of his global vision during the 19th Communist Party Congress in Beijing (18–24 October 2017), as he also secured another five-year term. The Balkans is a key strategic area within China’s One Belt One Road initiative (also known as the Balkan Silk Road route), linking the vital Greek port of Piraeus to Central Europe. By successfully undertaking infrastructure, telecommunications, energy and railway projects in Southeast Europe, China is building up its portfolio of achievements in Europe which should make it a more competitive player when bidding for projects in the EU’s largest economies.

The Balkans serving as a Chinese gateway to Europe is not a new concept. In the 1990s, tens of thousands of Chinese citizens profited from a special agreement between Yugoslavia and the People’s Republic of China. It is estimated that in 1998 alone, Chinese traders took about US$1 billion worth of profits out of Yugoslavia. Many established small businesses in the Balkans are the first step on the traders’ journey towards Western Europe. In Serbia alone, it is estimated that over 80,000 Chinese passed through, many of whom went on to build their own communities in larger cities.

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41 Of that estimate, more than 1 billion Euros in loans has been negotiated with the Serbian Government.
42 I would like to thank Geoff Wade for useful comments on this section of the paper.
43 The first such forum was held in Beijing in 2013.
and successfully run regional businesses, despite highly damaging (for the local trading capacity) international trade embargoes against rump Yugoslavia.\(^{47}\) Many Chinese were familiar with the idea that Tito’s Yugoslavia used to be quite an open and Western-oriented communist country with admirable standards of living (especially relative to all other communist countries). Their economic presence was also supported by the Serbian and Chinese governments.

Given the history of the successful establishment of small and medium-sized Chinese businesses across the Balkans, it is of little surprise then that President Xi’s China is courting political elites in this region in the hope that they will be receptive to China’s large state-owned companies, which are bringing in billions of dollars in new deals (such as the proposed high-speed railway line from Piraeus to Budapest worth over $3 billion).\(^{48}\) However, most of these Central and Eastern European countries run widening trade deficits in their relations with China, with one regional politician observing that the relationship is like that between an ant and an elephant, with China being on the winning side of most trade deals.\(^{49}\)

### 16+1 Forums

A surge in Chinese official delegations in recent times to Central and Eastern Europe underlines, therefore, the growing interest shown by the Chinese Government and companies in that region.\(^{50}\) These countries are currently part of China’s so-called ‘16+1’ annual summit with Central and Eastern European leaders, which started in 2012.\(^{51}\) The largest Chinese delegation of 200 business and political leaders, led by China’s Communist Party leader, Xi Jinping, travelled to Serbia and Poland in June 2016. There are also regular business summits and business support organisations within annual heads-of-government meetings between sixteen countries of Southern and Eastern Europe and China.\(^{52}\)

Chinese aspirations to become a leading global power by 2050 have been met with resounding scepticism in the West, including in Australia. However, Chinese power dynamics are left unchecked and largely unquestioned in the Balkans, with the Greek Foreign Minister recently praising Xi Jinping’s global ambitions as another leap in China’s Great Transformation. Greece, an EU member since 1986, has lauded China’s role in addressing common challenges, which grates with many Western nations in light of China’s assertive expansionist policies in the South China Sea region and elsewhere.\(^{53}\) An example of China’s diplomatic success in the Balkans is Greece’s blocking of the European Union’s public criticism at the United Nations of China’s

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\(^{50}\) For further information, see Cooperation between China and Central and East European Countries website, http://www.china-ceec.org/eng/, accessed 12 December 2017.


human rights record, alongside two other statements.\textsuperscript{54} The Greek example shows that the European Union is not coherent in its China policy, with Hungary also siding with the Greek position and diluting the EU’s more assertive stance towards China in international forums.\textsuperscript{55}

\textbf{Transforming the Balkan region}

Analyst Jen Bastian observed in his report on the impact of the Balkan Silk Road project that through this initiative, the Chinese Government is providing below-market loans with low interest rates to ‘companies and political personalities in Southeast Europe’, thereby creating for itself leverage for ‘acquisitions and infrastructure innovation on an unprecedented scale’. While this drive is certainly welcomed by countries which face limitations in terms of private sector lending or which are restricted in their attractiveness as investment destinations globally, it raises concerns about debt dependency on Chinese providers. Bastian concludes that the Balkan Silk Road can help transform the Western Balkans, and from the Chinese perspective, it brings this peripheral region ‘into a more centrally positioned part of an integrated Eurasian economic zone that Beijing envisions’.\textsuperscript{56} However, this transformation may also mean that the Balkan region could move further away from the Brussels orbit into a semi-regulated and increasingly authoritarian governance mode that is heavily dependent upon Beijing. A less-publicised clause in many investment agreements between China and the Balkan countries is that Chinese law would prevail in dispute resolution. This puts Balkan countries potentially in conflict with the EU’s regulatory and normative framework.\textsuperscript{57}


China as a new dominant trading partner in Southeast Europe

China’s acquisition of Piraeus and its massive infrastructure investment in the Balkans was an impetus behind the European Commission’s decision to further block China’s advances towards the acquisition of Europe’s strategic assets—but this does not automatically extend to non-EU members in the Balkan region. 58 Most of these countries are open and receptive to China’s new soft power projection, actively seeking investment in projects ranging from infrastructure (power plants, roads, bridges and railways) to science and research. 59 For example, by the end of the first quarter of 2017, China surpassed Albania’s traditional trading partners of Greece and Turkey to become Albania’s second-largest trading partner. 60 China purchased controlling rights over Albania’s two major oil fields, entered into a partnership agreement over Tirana International Airport and invested in Albanian infrastructure projects. 61 This is an example of China’s growing trading edge in the Balkans, which is traditionally an area of strategic competition between Russia and the West, in which China is a relative newcomer. Michal Makocki from the European Council on Foreign Relations has warned that Chinese investment in the Balkan Silk Route project will ‘replicate China’s preference for [politicised] state-led rather than market-based decisions’, which, in his view, runs contrary to the EU’s ‘model of open and transparent bidding procedures’. 62

The spread of Chinese influence has also provided political leaders in the Balkans with greater leverage against their opponents. 63 The Chinese funding offers an alternative to EU-oriented reforms and funding that is often linked with strict EU accession conditionality. However, governments of the Balkan countries dislike and reject any such comparison. In 2016, the Bank of China (that usually accompanies Chinese-led infrastructure investments) became the largest foreign bank in asset ownership to operate in the Balkans, opening a regional branch in Serbia. Macedonian President Gjorge Ivanov explicitly remarked that the EU’s failure to engage more and invest in the Balkans has left the door open to Chinese and Russian ‘strategic encroachment’ in that region. 64

China’s anti-NATO sentiment

Furthermore, Chinese investment in the Balkans is, when convenient, linked with its recent historical experiences. For example, Chinese and Serbian investors are jointly constructing a large Chinese cultural centre at the place where a former Chinese embassy once stood, which was targeted during the NATO offensive military campaign against rump Yugoslavia (Serbia and Montenegro) in 1999. The protests which broke

58 China currently controls about 10 per cent of the European Union’s container terminal capacity, which represents a ten-fold increase over the past decade.
60 During the Cold War, Albania was regarded as China’s closest ally in communist Europe.
63 Nepotism has also been implicated in some cases in Southeast Europe in relation to new trade deals with China.
64 Lucrezia Poggetti, ‘China’s charm offensive’, op. cit.
out across China against the NATO action in May 1999 were unprecedented, and personally approved by China’s then Vice-President, Hu Jintao. They involved hundreds of thousands of people, including students—as the Chinese Government allowed student organisations to lead the protests—in stark contrast to the Tiananmen Square events only a decade earlier. The anti-NATO sentiment that still lingers in much of Serbia is selectively employed by the Chinese visiting delegations, and often invoked in official speeches which underscore the significance of bilateral relations between the two countries. Whereas for China, the Balkans is an increasingly important, yet relatively distant, area of foreign and defence policy significance, the EU candidate states in the Balkans are well aware of the need to maintain a careful balancing act between the EU, Russia and China. How well they manage to carry out this foreign policy manoeuvring, and still fulfil the EU’s stringent accession criteria, will be an indication of whether they will become closer to, or drift further away from, ‘Europe’.

**Conclusion**

This paper examined the twin trends of enlargement fatigue and accession fatigue which can be observed in contemporary European politics both in relation to EU foreign policy and the projection of its norms and modelling in the immediate neighbourhood, the Balkans. While the EU has failed to sustain the momentum of enlargement among its key institutions, it has stopped short of abandoning the policy of enlargement altogether, instead focusing on a range of internal reforms and challenges. This situation, which may not be historically unprecedented, has proved to be a setback for accession efforts by candidate states in the Balkans, whose political and business elites are increasingly turning to non-EU partners and institutions. While Russian investment has been present in the Balkan region for over a decade, including in strategic assets, China’s more recently completed acquisition of large-scale and previously government-owned assets in the Balkan states, as well as investment in new projects (worth several billion Euros overall), may further reduce the EU’s credibility as a key player in the Balkans and the attractiveness of the EU’s governance model. The EU’s foreign policy towards the candidate states in the Balkans should move beyond a centre-periphery mentality into a more inclusive framework for cooperation. Otherwise, three scenarios are likely to arise given the increased presence, actoriness and financial power of non-EU actors in the Balkans, particularly Russia and China.

The first is the best-case scenario, which, for now, appears to be highly unlikely. This scenario presupposes that all four official EU candidates from the Balkans will successfully complete EU-oriented market and political reforms, and align themselves as closely as possible with EU structures and norms. Even if that happens, it is still unclear whether the EU’s appetite for further enlargement will increase beyond the current respite from enlargement. The second scenario is a gradual slowing down of accession reforms, as the EU’s attractiveness wanes, and turning to new geopolitical options with non-EU external players, which may sit very uneasily with EU institutions and member states. This scenario will push candidate states further away from their current goal of joining the EU. The third scenario is an uneven progress in reforms,


66 For a study on Serbia-China relations, including the historical context, see Nina Markovic-Khaze, ‘Serbia’s new relationship with China, with insights from Australia’, in D. Dimitrijevic (ed.), Danube and the New Silk Road, Belgrade, Institute of International Politics and Economics, 2016, pp. 422–443.
and a political decision by the EU to accept those candidates who have shown political commitment to the EU’s values and norms, and its common decisions and declarations, including in the foreign policy arena. Countries such as Montenegro could fall within that category, whereas countries like Albania and Serbia would fall into the next category of non-membership and closer attachment (and dependency) to China and Russia. The FYROM is in a difficult situation as the name issue with Greece is complicating its efforts to join both the EU and NATO, despite recent moves to rectify this peculiar situation.

A responsibility probably lies with leaders of both the EU and candidate states to affirm commitment to the European perspective by the candidates, as well as potential candidates whose future is presently uncertain. The EU would need to rescue its dream of providing guidance and role-modelling to others—including states in its immediate neighbourhood—whose reforms are directly reliant on the EU’s increased levels of funding and political commitment to membership. In the absence of correct signalling, the EU risks further eroding its image and the credibility of its foreign policy and enlargement policy in the future. Russia and China are among the external players who have entered the Balkan region with new confidence and different foreign and security policy outlooks from those of the Western countries.

As frictions increase on a global level between members of the EU and Russia and China, the candidate states in the Balkans will be oscillating between those competing interests in order to survive. Yet, their survival could well mean aligning with distant non-democratic states to the detriment of the EU’s many decades of transformative efforts to preserve peace in the Balkans. Elites in the EU currently remain focused on Brexit and the need for internal reform; yet a failure to recognise that the EU should step up its efforts in areas such as foreign policy and enlargement policy will likely have more negative consequences for the foreseeable future, warranting the involvement of the United States in countering the new interests of Russia and China in the EU’s still highly volatile neighbourhood.67

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