

# INTERNATIONAL RELATIONS

*Master thesis | Global Political Economy*

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## ***pragmatism, prestige and priorities***

*about the role of Chinese FDI in EU-Serbian accession negotiations*

*In recent years, the expanding role of Chinese foreign direct investment (FDI) under the realm of the Belt and Road Initiative (BRI) has drawn worldwide attention and has sparked academic and policy debates about the attendant risks and benefits of Chinese FDI for recipient countries such as Serbia. The Serbian tradition of non-alignment in foreign affairs, its progress towards EU accession and warm relations with Russia make the country a very significant geopolitical intersection. For these reasons, the case of Chinese FDI in Serbia and its role in EU-Serbian accession negotiations is the central issue in this research. This thesis considers two central theoretical aspects: it considers whether and to what extent Chinese FDI in EU candidate countries is driven primarily by efforts to circumvent EU regulations and it considers arguments for Chinese FDI as an instigator for economic development and growth in Serbia. It employs a case study design that draws on directed content analysis, construing EU-Serbian relations as a particular case or instance of EU relations with EU candidate countries receiving FDI from China. The main finding of this research is that the role of Chinese FDI is dominated by several other issues that receive greater priority in EU-Serbian negotiations.*

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## LIST OF ABBREVIATIONS

<b>FDI</b>	Foreign Direct Investment
<b>PRC</b>	People's Republic of China
<b>EU</b>	European Union
<b>EC</b>	European Commission
<b>BRI</b>	Belt and Road Initiative
<b>CEEC</b>	Central and Eastern European Countries
<b>SAPC</b>	Stabilisation and Association Parliamentary Committee
<b>EP</b>	European Parliament
<b>CSFP</b>	Common Security and Foreign Policy

## 1. INTRODUCTION

In recent years, the expanding role of China as a source of foreign direct investment (FDI) has drawn worldwide attention and has sparked academic and policy debates about the attendant risks and benefits of Chinese FDI for recipient countries. Invariably, these debates address questions about the motivations and intentions of “China,” Chinese investors, and the state of the People’s Republic of China (PRC) itself and its implications for international relations within and across all world regions.

One of the more interesting aspects of this phenomenon can be found with respect to the implications of Chinese FDI in the European Union’s (EU) candidate countries. The EU’s candidate countries – Albania, Montenegro, North Macedonia, Serbia and Turkey – can be found at various stages of accession negotiations with the EU (EU, 2020). Except for Turkey, these countries are situated in the West Balkan region. The European Commission (EC) has outspoken a ‘credible enlargement perspective’ for the Western Balkan countries by 2025 and considers Serbia and Montenegro as the ‘current front-runners’ in the accession procedure (EC 2018; 8.9, 7).

In this respect, it is very important to note that China has launched its ‘Belt and Road Initiative’ (BRI) in 2013. The BRI is the Chinese grand strategy that draws historically on the ancient Silk Road and aims to ‘expand and secure’ trade routes on both land and sea (Bastian, 2017, p. 4). Activities of the BRI include the global development of – new or existing – maritime trading routes, (rail)road infrastructure, airports and deep sea harbours. A very important example of the latter is the Chinese acquisition of the Greek harbour of Piraeus, from which the ‘Balkan Silk Road’ commences. The Balkan Silk Road is considered as a key trading route under the realm of the BRI and commences in Piraeus, with Budapest as terminus. This makes Serbia a significant geographic intersection for the Balkan Silk Road (Bastian, 2017, p. 4-5). The Serbian tradition of non-alignment in foreign affairs, its progress towards EU accession and warm relations with Russia make Serbia a very significant geopolitical intersection too. For these reasons, the case of Chinese FDI in Serbia and its role in EU-Serbian accession negotiations is the central issue in this research.

### **Two central theoretical aspects**

Among the wide variety of claims in relations to the implications of Chinese FDI on EU and EU candidate countries, there are two claims that are the most outstanding and contentious. These two theoretical claims centre on the question of Chinese motivations and intentions. The first singled out aspect of theory is frequently found in literature that is of sceptical nature in regard to Chinese FDI in EU candidate countries and, more specifically, Serbia. It considers whether and to what extent Chinese FDI in EU candidate countries is driven primarily by efforts to *circumvent*

EU regulations. The alleged Chinese drive to *circumvent* EU regulations should be understood as an effort to effectively exploit a less-regulated environment while anticipating on strategic advantages that may materialize when Serbia ultimately enters the EU.



Figure 1: OBOR Europe (2020). Accessed on 25-06-2020 through <https://www.oboreurope.com/en/greece-bri/>

The second singled out aspect of theory consists of arguments for Chinese FDI as an instigator for economic development and growth. Chinese FDI and loans predominantly functions to finance high profile infrastructure projects and facilities that can ensure Chinese access to resources. Some actors emphasize the economic development that would come from these investments while other actors emphasize that Chinese FDI does not end up in sectors where it would provide sustainable economic development for local Serbian economies. Moreover, Chinese FDI in Serbia as instigator of economic development and growth is predominantly supported by self-identified pragmatist Serbian leaders and Chinese officials concerned with foreign affairs. The pragmatist approach of Serbian foreign affairs also resonates with its historical identification as a non-aligned country.

These questions about Chinese motivations and intentions to increase outgoing FDI are of great significance in their own right. However, perceptions of Chinese FDI may also be scrutinized in relations to whether they shape relation the relations between the EU and Serbia. Although there already is a lot of knowledge on this subject, our understanding is still limited because it is

uncertain in which ways Chinese FDI affects negotiations between the EU and EU candidate countries.

This thesis addresses this gap in relation to the specific case of Serbia through the perspective of an EU-institution that constitutes and maintains parliamentary relations between the EU and Serbia: the Stabilisation and Association Parliamentary Committee (SAPC). The SAPC is an institution at the core of EU-Serbia relations.

### **What do we gain?**

Gaining an accurate understanding of how scholars' perceptions about Chinese motivations and intentions to *circumvent* the EU politically and to develop the Serbian economy find their way to the EU-Serbian negotiation table is indispensable. It is indispensable because it would provide the associated academic and policy debates with better knowledge about the feasibility of the *circumvention theory*. Furthermore, it provides scholars as well as policymakers with the opportunity to assess the economic implications of Chinese FDI in Serbia in a better informed and more effective way.

### **What do we lose by not understanding?**

Not understanding how Chinese FDI affects EU-Serbian relations cannot be of educating and guiding value to approach these significant geopolitical developments in the future. Consider the magnitude and scale of the BRI, the veritable importance of Serbia to some aspects of the BRI and its current progress towards EU accession. If we do not assess theoretical claims in this field of geopolitical research, some presumptions and misconceptions will remain vivid in some European attitudes towards China. Not understanding the actual translation of various concerns about Chinese FDI towards EU-Serbian negotiations means that the EU is going to have make important geopolitical decisions that will shape the progress of the 21<sup>st</sup> century on the basis of incomplete information and unassessed ideas.

### **Why should we care?**

The United States of America's role as global leader and as the EU's most important strategic partner, is in decline. The EU endures persistent internal turmoil and political crises. China is persistently assertive and increases its soft power in the vulnerable underbelly of south-eastern Europe. This Chinese assertiveness, strategically materialised by the BRI has the potential to tilt the geopolitical and economic balance of entire regions and continents (Bastian, 2017). It does not matter one approaches the latter as a malign or benign development, it is either way important. We should care because the Chinese infrastructure development and transport assets either way represent opportunities and risks. We might as well approach it with the most actual insights. This thesis aims to contribute to the development of these insights.

**Reader's guide**

This thesis will explore the aforementioned issues and is organized as follows. In chapter two, an in-depth review of the academic literature and related debates regarding Chinese motivations and intentions for activities in the West Balkan region as well as Serbian and EU-attitudes towards these developments. In chapter three, the research strategy of this thesis will be discussed. In chapter four, the findings are presented. In chapter five, the following research question will be answered:

- What is the role of Chinese foreign direct investment in Serbia in the EU-Serbian narrative during meetings of the Stabilisation and Association Parliamentary Committee in 2017-2019?



## 2. THE ACADEMIC DEBATE

This chapter provides a critical analysis of the academic debate about whether and to what extent Chinese foreign direct investment in Serbia affects EU-Serbia relations. At first, the context regarding the global aspirations and strategies of China is set out. Thereafter, a more specific context of the Serbian situation in regard to its relation with the EU and China is given. With this in mind, we proceed to the central theoretical aspects of the academic debate. In the last section of this chapter, the research gap is addressed.

### **Understanding Chinese strategies**

In 2013, the Chinese president Xi Jinping introduced the 'Belt and Road Initiative'. With this project, the Chinese government has the ambition to interconnect the infrastructure of countries that are part of the BRI. Other objectives are the establishment of sustainable market access, trading opportunities, stimulating friendly relations between peoples and overall economic and financial policy alignment (MERICS, 2018). As we have seen in the introduction, one of the most important regions for this global project is the Balkan Silk Road.

In this post-communist region of Europe, China has two main strategic objectives. The first objective is to increase soft power and political favourability in a region that has a credible perspective to enter the EU in 2025 (Hartwell & Sidlo, 2017, p. 23). Throughout this research, this objective will be explicitly related to the *circumvention theory* of certain scholars. The second objective is to develop infrastructure in Central and Eastern European Countries (CEEC) in order to develop a transportation and energy hub (Hartwell & Sidlo, 2017, p. 47). This strategic objective will be explicitly related to the theoretical interpretation that the influx of Chinese FDI stimulates overall *economic development* in Serbia.

Scholars have tried to create a better understanding of the sudden emergence of China-CEEC relations and its political and economic implications. Many scholars approach increasing economic ties with China through the framework of the CEEC. Besides this approach, there are also many scholars that approach this development through the broader framework of the West-Balkan hemisphere. Some have taken on the effort to analyse individual countries such as Serbia, naming Serbia the '17+1'-champion (Ericsson, 2019, p. 46).

### **The Serbian context / Why Serbia is a particular interesting setting to explore**

In 2016, the Chinese steel company Hebei Iron and Steel purchased a 'loss-making' steel factory in Smederevo, The Republic of Serbia (SCMP, 2017). This purchase can be interpreted in two ways: an international expansion by a Chinese steel-company that 'saves' rather than 'destroys' 5200 steel-producing jobs and by doing so, pursuing economic and political 'favourability' in Serbia (SCMP, 2017). It could also be interpreted as a Chinese steel company that is seizing access

to resources in a state that is developing progressive proximity with the European Union's single market. By doing so, it is pursuing economic opportunities that can bring Serbian industry and infrastructure to a higher level while China enjoys the benefits of 'tariff-jumping' (McCaleb and Szunomar, 2017, p. 136).

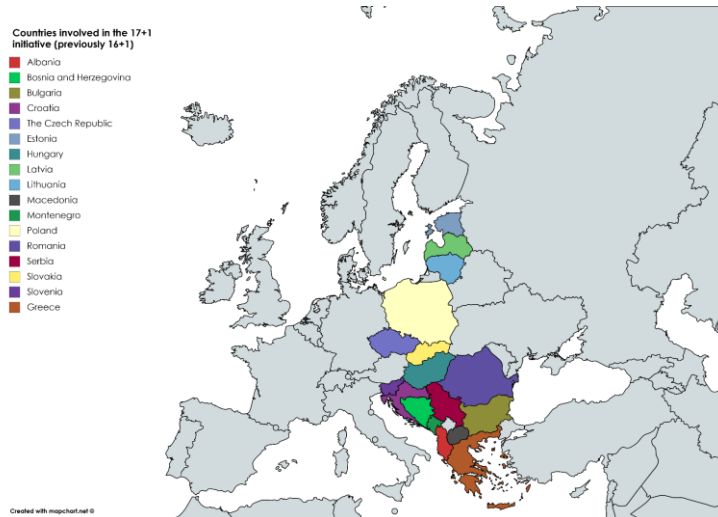


Figure 2: Matura, T. (2019). Map of CEEC. Accessed through <https://pandapawdragonclaw.blog/2019/05/05/the-myth-of-the-belt-and-road-in-central-and-eastern-europe/>

Somewhat further north-west in Serbia, several Chinese companies are 'modernizing' a high-speed railway between Belgrade and Budapest (Reuters, 2017). This high-speed railway has the potential to, over time, provide a significant economic stimulus to the Serbian economy (Karnitschnig, 2017). Scholars argue that China is regarding Serbia as a 'crucial transit country' to reach the long-term goals under the BRI – such as access to resources, developing infrastructure and proximity to the EU's single market (McCaleb and Szunomar, 2017). Scholars also argue that Serbia is regarded as a country to which the status of being an EU candidate country does not live up to the expectations of the economic perspective that would come with it (Canic, 2018, p. 114).

Serbia has been a EU candidate country since March 2012 (European Commission, 2019). In recent years, Serbian politicians have been stating that the EU is not fulfilling Serbian expectations of being a reliable and decisive partner. The Serbian president Vučić has proclaimed that EU's solidarity in times of need is a 'fairy-tale' and that 'the only country that can help us is China.' (Foreign Affairs, 2020). Scholars identify a decline in Serbian public support of EU accession, which might relate to China's activities in Serbia (SCMP, 2017; Canic, 2018). In the following section, we focus on that subject.

**Chinese motivations, intentions and implications – political circumvention**

The article of Pepermans (2018) focuses on China's activities in CEEC under the umbrella of the BRI. Pepermans argues that it is China's 'grand strategy' to acquire economic and political influence and favourability with the use of 'win-win-rhetoric' (Pepermans, 2018, p. 182). Pepermans considers the CEEC's democracies and economies as relatively vulnerable, which provides a suitable environment for China to increase its influence and decreasing the EU's influence. The former promising access to the enormous Chinese market and modernization of infrastructure, while this 'raises eyebrows' in Brussels because of a clear lack of reciprocity (Pepermans, 2018, p. 189-191). Pepermans further argues that it is China's intention to bring a Chinese, non-Western political narrative into a broader global recognition (Pepermans, 2018, p. 196). This is taking the form of 'cultural exchange' and 'diplomatic dialogue' (Pepermans, 2018, p. 183) in for instance Serbia and indeed relates to the Chinese objective of increasing soft power relations in Serbia.

Canic (2018) takes the argument further and argues that it is in China's interest to see to it that economic ties evolve into political pressure, giving China the opportunity to 'circumvent' EU legislation while anticipating on Serbia's accession to the EU (2018, p. 99). Both Canic and Pepermans (2018), however, fail to reflect on what the EU's attitude towards such a 'circumvention' is. It is not clear whether the EU is experiencing Chinese political pressure on candidate countries. For instance, it is not clear whether the EU might undertake efforts to present itself as a more reliable and sustainable economic partner. In a case where Canic's *circumvention* theory is perceived as disruptive, it could also catalyse political pressure coming from the EU on Serbia, forcing it to choose sides or adapt increasing ties with China to the liking and conditions of the EU (Canic, 2018); Pepermans, 2018). Canic describes the situation of some CEEC, namely the Balkan states that are in EU accession procedures. They need significant infrastructure investments and cannot afford to wait for tedious bureaucratic procedures. Chinese loans and investments are characterized by the absence of political conditionality and swiftness deal-making, presenting the opportunity for China to act in answering the – economic – needs of Balkan countries (Canic, 2018). By doing so, Canic argues, China is creating a 'backdoor' into the EU: securing considerable geo-political influence and proximate access to the EU single market (Canic, 2018, p. 118).

*Public opinion*

Expanding Chinese economic influence in Serbia might thus have an undesirable political outcome for the EU (Casarini, 2015). Public opinion plays an important role in this context, because Chinese investment – such as the steel-factory in Smederevo – has directly saved Serbian jobs and has been framed as such too. At the same time, the EU is increasingly interpreted by

Serbians as stubborn and ineffective, which in turn causes decline in public support for the accession to the EU (SCMP, 2017; Canic, 2018).

However, this argument only highlights the EU as the cause of decline in public support. Similar arguments can be made that China is the cause of the decline. It can indeed be argued that a Chinese steel-factory purchase is somehow related to Serbian public support for EU accession, as it is framed as an example of the EU's lack of providing economic foresight. However, Casarini's argument unfortunately does not entail whether the Serbian government interprets the development of declining public support to the EU as a problem or vice versa. We also do not know whether this development is discussed at the policy-level of EU-Serbian negotiations. It also does not clarify whether the EU or Serbia is trying to secure more EU funds to prop up visibility and future prospects to enter the Union.

*Pragmatic politicians and swift deal-making*

Bieber and Tzifakis argue that Chinese investments can also be understood from the perspective of political leaders that seize an opportunity to bring about visible and substantial developments in their country, while the EU doubts the economic feasibility of certain projects (2019, p. 16). This could benefit them politically while they do not have to struggle with reforms demanded by the EU for receiving funding. In terms of democratic institutions and the upholding of rule of law, this is a detrimental strategy which serves the benefit of autocratic rulers and plays to the hand of corruption. The concerns about transparency, the feasibility of projects and the questionable local economic outcome of prestigious and grand infrastructure projects are shared by Hackaj (2019, p. 70).

For example, Serbia has 'borrowed \$297.6 million' from the Export Import Bank of China to finance the 'modernizing' of the aforementioned railway from Belgrade to Budapest (Reuters, 2017). Serbian politicians feel urged to turn to Chinese loans rather than loans of for instance the European Bank for Reconstruction and Development (EBRD) because of tedious procedures and condition-loaded public tenders (Karnitschnig, 2017). The Chinese way of approaching these deals is thus considered as more effective because of the absence of conditions. The swiftness of doing business with China gives Serbian leaders the opportunity to actually display high profile infrastructure improvement within a short period of time (Bieber and Tzifakis, 2019, p. 17). The ineffectiveness and invisibility of European investments, loans and grants combined with the EU's lack of providing credible perspective for Serbia's accession to the EU causes a rise in the political favourability of China. The subsequent decline in the EU's favourability offers China time to establish a strong foothold in the Balkan-region (Canic, 2018).

Considering the above, several scholars argue that there is a relation between strengthening Sino-Serbian ties and the political favourability of the EU in Serbia. This decline could create a 'circumvention' (Canic, 2018) of EU policies, which could extend the political 'distance' that Serbia must cover before being able to enter the EU.

#### *Trilaterally beneficial?*

Another aspect of the theoretical debate about political circumvention is put forward by McCaleb and Szunomar (2017). They follow this circumventing theory partly. Their argument is that it cannot logically be in China's interest to play a stimulating role in disrupting Serbia's accession path to the EU. Drawing further on this claim, taking China's interest of expanding market share and EU-proximity into consideration as well, Bieber and Tzifakis' arguments state that a solid Serbian perspective on EU accession is in the economic interest of China (2019, p. 10-13). In other words, McCaleb and Szunomar as well as Bieber and Tzifakis go against the arguments of Pepermans and Canic by stating that China has an interest in the political and economic stability of West-Balkan states such as Serbia, as it smooths over the path towards political stability, economic growth, improved production and quality standards, and membership of the European single market.

A Serbia that is in closer proximity to EU values and standards then becomes a common interest of both Serbia, the EU and China. In this respect, Hackaj argues that a 'trilateral approach' (2019, p. 76) of Chinese investments can bring about less Serbian distance to EU values, creating a 'win-win-win' rather than just 'win-win-rhetoric' (Pepermans, 2018, p. 189). The perspective of 'win-win-win-rhetoric' is further enhanced by Hackaj, who emphasizes the 'encouraging' role of the EU, which is not concerned about political conditionalities from the side of China, acting from the 'general consensus' that 'business apparently means business'. Hackaj emphasizes the 'encouraging' role of the EU but fails to make clear how the 'encouraging' role manifests itself at the policy level (Hackaj, 2019, p. 69-70). The encouraging role of the EU could be the EU's strategy to stimulate a diversified Serbian economy, making Serbia a more self-reliant economy after all. Yet, the literature does not single out what factors have actually been decisive in forming the EU's attitude which has been brought forward in the academic debate. The deeper layers of how the EU's attitude towards Chinese FDI-activities was formed, remain unclear in the current literature.

The most important lessons we can derive from the theoretical debate about political circumvention are as follows. Sino-Serbian ties surely have a political component to it. Out of the three main actors Serbia, China and the EU, Serbian leaders and China seem to be capitalizing effectively on the high-profile, prestigious character of large-scale infrastructure projects. The EU loses political favourability because of its rather invisible role, thereby deteriorating the confidence of Serbian citizens in the EU. However, we have not been able to establish how exactly

political circumvention can take place when one of the main characteristics of Chinese investments is the *lack* of political conditionality. In the next section, we discuss the theoretical debate in regard to the economic effects of Chinese FDI in Serbia and EU-Serbian relations.

### **Chinese motivations, intentions and implications – economic development**

Casarini (2015) is one of the scholars that addresses the developments from the EU's perspective and expresses a more sceptic view. Casarini identifies a 'major political challenge' for the EU (Casarini, 2015, p. 9). Casarini foresees a 'scramble for Chinese money' (Casarini, 2015, p.9). We have considered scholars' concerns that the influx of Chinese money into Serbia could make it harder to comply with European accession terms. Important concerns include financial accountability, public procurement, high rate of corruption, the controlling role of parliament and the power of the Serbian president. What we do not yet know, is whether the EU is experiencing this scramble for money and shares the aforementioned concerns. Furthermore, it is unclear how the EU communicates these alleged concerns to EU candidate countries such as Serbia during accession negotiations.

#### *Differences in priorities*

Vangeli (2017) argues that the Balkan region is in fact shifting from the EU towards China. The reasons for this shift mainly consist of a lacking economic foresight and European uniformity (Vangeli, 2017, p. 119). China is explicitly filling this gap as it provides economic opportunities and considerable infrastructural improvements, which Canic pointed out as well. It frames infrastructure development as an exquisite opportunity to enhance regional connectivity and economic activity, which the EU allegedly does not provide. Namely, when it comes to funding, the EU is more interested in investing in tradable economic sectors with the opportunities of funding trickling down into civil society and broad economic development (Hartwell & Sidlo, 2017, p. 23). However, it is not clear whether Serbia is urging the EU to play a more significant and visible role in its economic development. It is also not clear whether the EU finds the relative unconditionality of Chinese loans and investments problematic because Serbia can tighten its economic relation with China, as well as enjoying the status of being a EU candidate country.

From the perspective of McCaleb and Szunomar (2017), Chinese intentions are understood as the outcome of a Chinese desire for investment opportunities and the accessibility of resources. They have argued that Chinese companies are merely looking for market opportunities in the region – i.e. the West Balkan – because it has close proximity to the EU. McCaleb and Szunomar therefore argue that Chinese interests mainly revolve around developing a larger market share, transportation opportunities and access to resources and leave politics out of their research scope.

#### *Diverging Serbia from the EU: counterproductive*

In this respect, many scholars argue that the development of Serbian infrastructure and connectivity will have a stimulating effect on the Serbian economy, which would make the country closer to acceding to the EU (Canic, 2018). Several scholars go even further by arguing

that it is only in the interest of China to have strong economic ties with a Serbia that is in closer proximity with the EU's norms, values and standards (McCaleb and Szunomar, 2017; Bieber and Tzifakis, 2019). This interest would entail long-term strategic goals for China, such as proximate access to the EU's single market, developing infrastructure and access to resources (Hackaj, 2019).

Richet (2019) emphasizes that significant investments in the CEEC are necessary indeed. Vangeli already pointed towards a lack of European economic stimulation. The pro-activeness of the BRI is seen as a policy tool to strategize the relatively underdeveloped CEEC and aims to mount viable strategic partnerships (Bastian, 2017). Also, like Pepermans, Richet identifies a certain 'Win-win-rhetoric', where China claims that Sino-CEEC relations are based upon 'cooperation' rather than a rigid economic framework imposed on CEEC's' (Richet, 2019, p. 166).

Richet emphasizes Sino-CEEC bilaterally beneficial economic factors such as reciprocal market access, but nevertheless argues that there is much to wish for when it comes to actual mutual benefit and reciprocity. The loans for infrastructure projects are mostly provided by 'Chinese political banks' (Richet, 2019, p. 263), which could in the end project political leverage over CEEC and have a weakening impact on a consistent European political narrative. Some argue that most projects will not be economically feasible, such as would be the case with the Bar-Belgrade highway (Canic, 2018, p. 102-106). This would make repaying the loans only more problematic.

It is indispensable to perceive the projects as anticipating on trading opportunities in the Western Balkan and specifically Serbia, through the assumption that there will be more, and not less integration between Serbia and the EU (Hake and Radzyner, 2019, p. 13-14). Following this assumption, it would therefore be unlikely that China is interested in diverging a state such as Serbia from the EU, as it would be detrimental to their strategy of gaining proximate access to the EU single market (Hake and Radzyner, 2019). Hake and Radzyner however fail to assess this reasoning in the context of ongoing EU-Serbian negotiations.

China seeks proximity towards the EU single market. It is therefore not in China's interest to lure Serbia away from EU accession. However, the reality in the EU-Serbian academic debate is mostly framed around the lack of economic and political perspective towards EU accession for candidate countries such as Serbia (Pepermans, 2018; Hackaj, 2019). Scholars address the non-conditionality of proposed Chinese investments in relation to the political situation. The domestic situation of some states in the CEEC, such as is the case in Serbia, apparently forces the Serbian government to re-evaluate their geopolitical focus. Scholars have also pointed out the financial risks and the development of political cleavages from the perspective of the European Union, but



generally fail to assess to what extent these claims and concerns are represented at the level of EU-Serbian accession negotiations (Casarini, 2015; Canic, 2018; Mohan, 2018).

All in all, we have learned that Chinese FDI presents significant opportunities for Serbia to improve its infrastructure and regional connectivity. As we consider the Chinese objectives of developing a larger market share, transportation opportunities and access to resources, many scholars do not find it logical that China would aim to diverge Serbia from its path to EU accession. However, scholars heavily debate about the actual economic developmental value of Chinese FDI. The stance of the EU is that it emphasizes the importance of broad and sustainable investments through civil society and the tradable sector. These characteristics clearly do not resonate from Chinese FDI. Scholars also have expressed concerns about the reciprocity of market access, as well as the economic feasibility of Sino-Serbian projects.

### **Specifying the research question**

In this section, an overview of the analysis of the values and limitations of the academic debate is given, through which a research gap will emerge. It is structured along the main theoretical perspectives that have been addressed earlier. Throughout the literature review, critical analysis of the discussed literature has been set out already. Therefore, a short summary of the previously mentioned views is presented.

McCaleb and Szunomar (2017) interpret Chinese interests to engage with Serbia as a result of Chinese intentions to seize investment opportunities and the accessibility of resources, free of political conditionality (Hackaj, 2019). Canic and Pepermans, however, warn for a Chinese '*circumvention*' of EU legislation. However, this research is limited in addressing what the EU's attitude is in regard to this reasoning. Gaining an understanding of how scholars' perceived Chinese interests for an alleged *circumvention* find their way to the EU-Serbian negotiation table is therefore indispensable, as it would provide the academic debate with better knowledge about the feasibility of the *circumvention* theory.

In terms of economic development, Hackaj has focused on the 'encouraging' role the EU seems to play in in terms of Chinese FDI in Serbia. A European policy that encourages diversified relations and opportunities for economic development for its candidate, seems rather logical (Hackaj, 2019). However, from the perspective of Hackaj, it is not possible to establish what aspects of Chinese FDI are seen as favourable by the EU and what aspects could turn out to become stumbling blocks for Serbia's path to EU accession. It does not answer the question of how the EU attitude is reflected at the policy-level of EU-Serbian negotiations in relation to Chinese FDI. It does not answer the question if and whether increased Sino-Serbian ties are problematic for EU-Serbian relations. Overall, the arguments made by scholars including McCaleb and Szunomar, Canic, Pepermans and Hackaj do not make clear in what manner the scholars' perceived Chinese interests still stand when analysed through the discourse in EU-Serbian negotiations. In other words, examination of scholars arguments' through the scope of the SAPC can provide a better insight in the viability of scholars' arguments.

Casarini foresees difficulties for EU candidate countries to enter the EU after they have been 'scrambling for Chinese money' because of difficulties with compliance with the EU's set of legislation. The research contains a gap when considering the question whether the EU is perceiving Chinese FDI in Serbia as a problem at all, and, if so, what role it plays in EU-Serbian relations. Canic emphasizes the political component of Chinese investments in terms of declining Serbian public support for EU accession, but fails to elaborate on whether the EU actually considers this a problem. Conversely, it does not become clear if there are any EU responses to this development.

Furthermore, Vangeli derives arguments from the lack of economic foresight provided by the EU, which drives countries such as Serbia towards China. This could in turn lead to political conditionality, but it remains unclear whether this reasoning affects the Serbian accession progress at all. Scholars concerns about Serbian compliance with EU legislation and concerns about political conditionality might drive us to believe so (Canic, 2018; Pepermans, 2018).

All in all, there is an abundance of very well-formulated and thorough reasoning about how Chinese FDI in Serbia might affect EU-Serbia relations. Yet, they cannot seem to grasp how the endless variety of interpretations and positions of different actors are reflected in the EU-Serbia negotiation process. This is important because the negotiation progress of acceding countries is determined through the SAPC. Therefore, if we look through this perspective, we can obtain very valuable knowledge of whether and how Chinese FDI might affect EU-Serbian accession negotiations. These reflections are indispensable if we are to really understand the influence of Chinese FDI in Serbia to EU-Serbian relations.

### 3. METHODOLOGICAL APPROACH

The aim of this research is to understand whether and which implications of how Chinese FDI in Serbia registers in EU-Serbia accession negotiations. For while many scholars address implications of Chinese investment in the Balkan region, our understanding of the implications of Chinese FDI for EU-Serbian negotiations remains lacking. Addressing this gap, this thesis trains its attention on the case of Serbia and its negotiations with the EU through the SAPC, the institutional vehicle through which negotiations occur. In particular, it casts attention to the way the EU actually perceives Serbia and Chinese investment in Serbia in the context of the bilateral negotiations. Negotiations through the SAPC cover all policy issues regarding candidate countries accession. This includes the nature of candidate countries' foreign political and economic relations. As such, a focus on the SAPC can shed unique insights into an aspect of Chinese FDI in Europe on which existing literature on the subject has limited purchase.

#### **The case of Serbia**

To address these issues, this thesis develops a case study of the EU-Serbian negotiations. It employs a case study design that draws on George and Bennett (2005) and other relevant methodological literature, construing EU-Serbian relations as a particular case or instance of EU relations with EU candidate countries receiving foreign investment from the PRC. The role of Chinese FDI in shaping EU candidate country relations is also examined.

Serbia, among other states, is a state that experiences strengthened FDI from China and is being considered as an important component of China's BRI-strategy (Bastian, 2017; Hackaj, 2019, p. 67). Furthermore, Serbia is a state that is a candidate country of the EU that has made substantial progress in its accession procedure at the same time. The specific focus on the role of Chinese FDI on EU candidate country relations is a phenomenon of which more examples can be given (Bieber and Tzifakis, 2019). In this research, the central objective is to gain a better understanding in which implications of Chinese FDI in Serbia are reflected in the EU-Serbia negotiation process. Hence, the analysis of a specific EU-institution that is representative of EU-Serbian relations, which actually executes the assessment of the accession process and in which considerations about Chinese FDI eventually culminate, provides us with a reciprocal narrative. This institution provides a wide variety of documents, minutes and progress reports which enables the researcher to assess the implications of Chinese FDI on EU-Serbian relations at the institutional heart of EU-Serbian relations.

#### **Data specifications**

The selection and analysis of data for this research centres on SAPC-documents – and thus to 'interpret the meaning of text data' (Hsieh and Shannon, 2005, p. 1277). The subjects of the main

theory regarding the concern for a *circumvention* of EU norms and values (Casarini, 2015; Canic, 2018; Pepermans, 2018) and the arguments regarding economic development (McCaleb and Szunomar, 2017; Hackaj, 2019) form a starting point to analyse the content of the dataset. Directed content analysis is the most suitable method to incorporate in the design of this research.

The six meetings of the SAPC between 2017 and 2019, the accompanying documents – available through the European Parliament’s (EP) website (EP, 2019) – provide a rich and comprehensive dataset. The SAPC has institutionalised their meetings to two times per year. The policy documents used function as a frame of reference for those involved. The documents are available to the public (EP, 2019). The central framework of qualitative data-analysis consists of 102 documents. The dataset consists of a variety of documents, such as minutes of the SAPC-meetings, policy briefs and progress reports on specific policy issues such as economic performance, human rights, democracy, migration, corruption, public procurement, as well as opinion-newsletters, press statements and economic KPI-analyses.

In terms of efficiency and referencing to documents within the dataset, a system of referencing has been developed. The period in which the research takes place, 2017-2019, has seen six official EU-Serbian SAPC meetings, departing from the 6<sup>th</sup> meeting until the 11<sup>th</sup> meeting. Within each meeting, there is a preparatory meeting and, of course, the actual SAPC. The lion’s share of the documents (95/102) are available through the maps regarding preparatory meetings that take place some weeks before the ‘official’ SAPC. The documents are numbered. When an in-text reference to a certain SAPC-document take place, it will have the following format, for instance: (7.10). This reference means that that specific document can be found in the map of the 7<sup>th</sup> preparatory meeting and, specifically, the 10<sup>th</sup> document in that map. Consequently, when a reference to the 4<sup>th</sup> document in the 11<sup>th</sup> meeting is made, it will have the following format: (11.4). This approach of handling the meeting documents of the EU-Serbian SAPC is therefore also applicable to other cases.

It needs to be noted that of the 102 documents available, some documents are included multiple times in different SAPC-meetings. Other documents have no explicit substantial value, such as agendas or lists of parliamentary participants. These documents have remained in the dataset but are most probably not referred to. What is more important, however, is that some documents appear on an annual or quarterly basis and can thus be of progressive nature. More specifically, this accounts for documents such as economic quarterlies (10.17; 11.17) or country reports of the EC (8.7; 9.6). These documents provide the opportunity to identify for patterns in the texts or progress in policy-alignment in general. In these cases, of course, the documents will be assessed separately and in connection to each other, as this of course holds the narrative and might have been subject to change over the years. All in all, this method of researching is valid, reliable,

repeatable for its own case as well as applicable to other cases. Nevertheless with comparable variables and negotiation-progress, but from a similar viewpoint in terms of EU candidanship and bilateral relations with China under the realm of the BRI.

### **Research strategy**

The literature review shows that the role of Chinese FDI on Serbia-EU relations is a phenomenon of which there are multiple explanations. In the analysis of the data, considerations of EU officials regarding political circumvention and economic value of Chinese FDI are the most important subjects. It is not expected to be in the documents in plain text, because it regards sensible geopolitical topics. However, the variety and period in which the data have been acquired enables to formulate a comprehensive understanding of the narrative within the EU-Serbian SAPC.

So, for instance, when the EU emphasizes its economic importance to Serbia or considers FDI in Serbia from a foreign source as problematic, this can be interpreted as a signal that the EU is concerned about a foreign powers' *circumvention*. Consequently, it is analysed if and how the EU consequently relates a certain concern to the accession procedure or perhaps to political visibility and Serbian public support for EU accession as well as Serbian attitudes towards China. There is searched for components that might indicate, for instance, that Serbian leaders are willing to cooperate with China as it presents high profile prestige projects (Hartwell and Sidlo, 2017) and consequently frame this as if the EU is lacking to provide economic perspective. These specific focus points enable us to read between the lines and cross-reference multiple viewpoints.

Many documents that are part of the narrative within the SAPC consider Serbia's (macro)economic performance (8.14, 8.15; 10.17), whereas Hackaj emphasizes the encouraging role the EU plays in regard to a diversified Serbian economy. In general, one could expect that the EU welcomes projects that are stimulating for the Serbian economy (Hackaj, 2019). However, it is in the EU's tradition to emphasize the importance of economic spill-over of such investments into local economies, the tradable sector or civil society (Hartwell and Sidlo, 2017), as well as the importance of environmental and human rights concerns; subjects on which China cannot always present a good track record (Pepermans, 2018). The projects that flow out of Chinese FDI also present an opportunity for Serbian leaders to publicize BRI instigated developmental prestige projects, which in combination with EU downgrading rhetoric, can be problematic for the EU (Bieber and Tzifakis, 2019). The data of the SAPC regarding the economic effects of Chinese FDI in Serbia are thus not only analysed in terms of mere economic stimulation, but also in terms of ventilated concerns about norms and values and the Serbian political climate and, more specifically, attitude towards EU accession. These aspects are, of course, of central importance when a state is to comply with the complete set of EU legislation. The results of this thesis will

henceforth become part of the overall academic debate on EU accession relations with countries that receive Chinese FDI.

### **Hypothesized expectations**

#### *Political circumvention*

- Political circumvention theory suggests that, in the negotiations, the EU will predominantly express concerns about the rhetoric of Serbian political leaders: praising China and condemning the EU.
- Political circumvention theory implies that, via its investment, China is seeking and winning support in the court of Serbian public opinion, and suggests we would observe increasing EU concern about the deteriorating Serbian public support for EU accession to the benefit of China's political favourability.
- Political circumvention theory suggests that the EU will be explicitly 'triggered' by any alteration of Serbian political behaviour that could point towards clear political conditionality that might have come with Chinese FDI.

#### *Economic development*

- Economic development theory suggests that the EU will express concerns about the importance of transparency, accountability, public procurement and other democratic values when it comes to Chinese FDI.
- Economic development theory suggests that the EU will be supportive of Serbia developing its infrastructure and receiving higher levels of FDI. Nevertheless, the theory suggests that the EU will emphasize the importance of broad and sustainable development of local economies and civil society.

### **Operationalization**

This research sets the scope around specific EU-Serbian SAPC meetings and derives its results solely from the meeting documents of SAPC-meetings that are provided in preparation to the meetings. Consequently, the research question explicitly states the SAPC meetings. The validity of this research is thereby secured, as it researches the SAPC institution through the framework of the meeting documents that form the broader narrative of the meetings. In other words, by analysing the meeting documents, the research indeed measures what it should measure.

The specific framework and research scope has been established. The public availability of the documents and the limited timeframe in which the research is conducted are the main reason why this research can certainly be conducted another time or compared with another case. This makes the important case for the reliability of this research. Would this research be repeated

under the same circumstances and with use of the same dataset, it is possible to anticipate on the same results. The dataset in the period of 2017-2019 is not due to any changes. However, it is possible that future insights will perceive the dataset from a different perspective.

As described earlier, the case of Serbia is a case among other cases. Taking account of differences between states' progress in the EU accession procedure, the described method also makes the standardization of research data regarding SAPC institution of other EU candidate states possible. Namely, at least two different states in the Western Balkan region – North-Macedonia, Albania – share two important characteristics with Serbia: the status of being a EU candidate country and having bilateral relations with China in terms of FDI and the BRI (Bastian, 2017; Hackaj, 2019). For these other states applies that there is an interparliamentary committee that has a exactly the same institutional framework – every candidate countries has to abide by the same legislation on the day of accession (EU Albania SAPC; EU-North Macedonia SAPC; 2020). The meeting documents regarding the period of 2017-2019 can also be found at the same European Parliament-website as the Serbian documents (EU-Serbia SAPC; EU-Albania SAPC; EU-North Macedonia SAPC, 2020). These circumstances makes the case for the fact that this research on Chinese FDI and EU-Serbian relations and its contribution to the academic debate can be broadened by research on the role Chinese FDI in EU-Albanian and EU-North Macedonian relations.

In the remainder of this research, there are two chapters to come. In the fourth chapter, the findings of the research are presented. In the fifth chapter, the conclusion presents an answer to the research question, a summary of the research as well as important considerations about the limitations and suggestion for further research.



## 4. FINDINGS

This chapter commences with the introduction of two background themes that are important to understand the role of Chinese FDI in EU-Serbian relations. First, the background of Serbia's foreign policy is explained through Serbia's 'tradition of non-alignment' (9.15). Thereafter, several concerns of the SAPC regarding domestic issues such as the upholding of the rule of law and the performance of Serbian democratic institutions are explained. The background of these foreign and domestic concerns is indispensable to comprehend and support the main findings of this research. The main findings will be structured along the theoretical aspect of EU circumvention and the theoretical aspect of economic developmental value of Chinese FDI. This chapter concludes with an assessment of the hypotheses stated in the previous chapter.

### **Serbia's balancing act in foreign policy**

The role of Chinese FDI in EU-Serbian relations can be best explained and understood through Serbia's 'traditional policy of non-alignment' (9.15, p. 6). It is very important to note that Serbia has maintained a long tradition of non-alignment and that global powers each have their own 'specific interest' in Serbia (9.15, p. 2). Global powers such as China and the EU predominantly value Serbia's 'geopolitical position' (9.15, p. 44). Respectively, Serbia's value for China mainly revolves around the development of infrastructure to increase the transportation efficiency of Chinese goods, whereas the potential of developing trade relations is of much less concern to China. For the EU, too, it is the 'geopolitical position' of Serbia that is of interest (9.15, p. 44) rather than its 'economic potential', although is an important 'BRI-junction'. Russia predominantly maintains relations regarding military cooperation and energy, the US on security (9.15, p. 2).

This traditional 'balancing act' is also carried out by the self-identified 'pragmatic' president Vučić, who sends fragmented communications tailored to different audiences (9.15, p. 13). The SAPC predominantly expresses concern about the high level of non-compliance with the EU Common Security and Foreign Policy (CSFP) – a security and foreign policy framework with which every member state has to fully comply with. However, the SAPC does not relate Serbia's low level of compliance with the CSFP to Chinese FDI. Rather, there are more pressing foreign policy issues that are of greater concern to the EU than Serbia receiving relatively high levels of Chinese FDI. These issues are historically and (geo)politically highly sensitive.

For example, the foreign policy issue regarding the conflict between Serbia and Kosovo is of 'crucial' concern (9.5, p. 2) to the SAPC. The EU is facilitating the Belgrade-Pristina dialogue while Serbia does not recognize the independence of Kosovo. Russia and China support Serbia on this matter. Serbia and China have accused the EU of hypocrisy and having double standards. Serbian leaders have compared the case of Kosovar independence to the EU's stance on Catalanian

independence – i.e. not legitimate (8.7; 10.7; 10.19). For the EU, resolving the issue under chapter 35 – i.e. ‘normalisation of relations with Kosovo’ – of the negotiation chapters is of ‘crucial’ importance and SAPC-actors do not even exclude the possibility of Serbian leaders changing their official stance towards EU accession over the issue of Kosovar independence (6.5; 8.7; 10.7; 10.19).

Another example of Serbian foreign policy that is of pressing concern to the SAPC is the fact that Serbia maintains warm relations with Russia (10.7). Serbia has maintained a long historic and ethnic relationship with Russia and claims that Russia is crucial in terms of ‘security and territorial sovereignty’. The SAPC is heavily concerned about Serbia’s extensive military cooperation with Russia. The SAPC also emphasizes the importance of complying with the CSFP in relation to Serbian energy dependency on Russia (6.7; 10.19). Furthermore, this dependence complicates Serbia’s compliance with EU-instigated sanctions on Russia in relation to the Crimea.

The geopolitical gravity of the Kosovar independence and Serbia’s warm relations with Russia press heavily on Serbian compliance with the EU CSFP, as they constitute more readily apparent geopolitical issues that need solving before Serbia could enter the EU (6.7; 9.15; 10.19). Therefore, the attention for these foreign policy subjects is keeping the SAPC occupied, while Sino-Serbian ties fare well within these circumstances. That Sino-Serbian ties also fare well because of specific domestic issues, will become clear in the next section.

### **Serbia’s democratic performance: a suitable environment for Chinese FDI**

Several domestic issues are of great concern to the SAPC too. These domestic issues include the upholding of the rule of law in Serbia and, correspondingly, the performance of Serbian democratic institutions. According to the SAPC, progress under the chapter 23 (Judiciary and fundamental rights) and 24 (Justice, freedom and security) is ‘essential for the Serbian accession pace’ (6.5 p. 3; 8.7; 10.7; 10.19). The domestic issues under these chapters include unsatisfying progress in the fight against corruption, the controlling role of parliament, political pressure on the judiciary, government control on the press and increased power of the Serbian president (6.5 p. 3; 8.7; 10.7; 10.19). These pressing domestic issues are not explicitly linked to Chinese FDI by the SAPC. Yet, when we analyse these issues, we can ascertain how Serbian domestic issues are compatible with typical Chinese deal-making.

When we single out some domestic issues that are of great concern to the SAPC and relate these to the typical characteristics of Chinese loans and FDI, some things stand out. The bilateral approach of Chinese deals under the realm of the BRI are frequently the result of one-to-one deals – for instance between the Serbian and the Chinese president (8.12). Chinese loans and investments are well-known for their political unconditionality and the swiftness of concluding

these deals. According to a democratic watchdog in Serbia, this has also worked to the benefit of thriving corruption in the Serbian state. Furthermore, when the Serbian government took on a substantial loan from a foreign source, the parliament was not able to execute its role of controlling the budget in a satisfactory manner (8.12, p. 12). Serbian media is perceived to be under the control of individuals that are in close proximity to the Serbian president, hence suspicion about national television being supportive about of the Serbian president and China while condemning the EU (8.12).

The SAPC does not explicitly link the abovementioned domestic issues to Chinese FDI in Serbia. Nevertheless, the powerful position of the Serbian president and persistent domestic problems altogether constitute, like is the case with foreign policy issues, a suitable environment for thriving Sino-Serbian relations. With Serbia's foreign and domestic background in mind, we move towards the main findings of this research. The main findings along the main theoretical subjects of this research, both linked to one of China's strategic objectives.

### **Main findings**

#### *Political circumvention – increasing soft power*

Regarding political circumvention, it has become clear that Serbian political leaders effectively use the high profile and prestigious character of Sino-Serbian infrastructure projects for their own political purposes. The analysis below shows that the EU relates the pragmatist attitude and ambiguous geopolitical orientation of Serbia to its own political favourability in Serbia rather than it is attributed to Chinese political circumvention. Moreover, the analysis shows that the EU is predominantly focused on its inability to materialise existing funding and investments into sustained widespread support for EU accession. It discomforts the EU that China materialises its strategic objective of gaining soft power more effectively than the EU manages to organize widespread support for Serbian EU accession.

We have seen that scholars have expressed several concerns about the risks of political *circumvention* of EU legislation as a result of increasing Sino-Serbian ties (Casarini, 2015; Canic, 2018; Pepermans, 2018). In the SAPC, this is not explicitly noticeable, for Serbia is not regarded by the SAPC as if it is changing its political behaviour because of political conditionality that comes with Chinese FDI.

Nevertheless, Chinese efforts to increase its soft power in Serbia have been effective in the period of 2017 to 2019. China has strategized a number of ways to achieve this objective. China is perceived to exploit its support of Serbia in the case of Kosovo, advertises high profile infrastructure development deals and presents itself as an important funder in Serbia. Chinese interaction vis à vis the Serbian president, which ventilates 'fragmentized' communication about

Serbia's geopolitical orientation, frustrates the SAPC. There is a 'dwindling' support of Serbian EU accession while the polls regarding Chinese favourability in Serbia have risen (8.7).

While the EU is by far the biggest funder of Serbia and tries to develop Serbian civil society, it is surely 'not perceived as such' (9.15, p. 46). While China aims on high profile deals that are politically beneficial for president Vučić, it is also effective to achieve China's goals of expanding its soft power and the creation of an infrastructure and energy hub. Therefore, the SAPC explicitly calls on Serbia to make more effective work of ventilating an 'unambiguous' choice to promote Serbian EU accession and calls for explicit mentions of the EU's significant role when it comes to funding in Serbia.

The SAPC strongly condemns Serbian leaders for their ambiguous stance and anti-EU rhetoric. Yet, these condemnation are not related to or placed in the context of Chinese FDI. Nevertheless, the interaction between president Vučić and China makes the EU the losing third party. Serbian foreign policy issues such as the Kosovar independence and its non-alignment tradition are effectively strategized by China. The SAPC's concerns regarding the rule of law and foreign policy issues are very compatible to Chinese bilateral agreement practices but are not explicitly related to each other, although we have tried to explore a connection in the previous section. Nevertheless, the analysis does show that Serbian political characteristics can be interpreted as facilitative to Chinese strategic objectives in Serbia, as well as the political objectives of the Serbian president. The analysis does not show proof for EU concerns about *political circumvention*, but characteristics of Serbia's political order work to the benefit of both the Serbian president and China.

Another perspective through which it is important assess the role of Chinese FDI within the EU-Serbian SAPC. It shows how Serbian economic characteristics are of facilitating value to support the Chinese objective of obtaining an infrastructure and energy hub to exploit its strategic objectives under the BRI.

#### *Economic development - development of a transportation and energy hub*

The main findings about economic development in Serbia as a result of Chinese FDI are as follows. The EU is supportive about foreign investments, but expresses concern about to what extent the performance of Serbian democratic institutions can assure the uphold of democratic values when it comes to receiving Chinese FDI (8.7; p. 12-16). Furthermore, while the EU emphasizes the importance of developing domestic production and civil society, Chinese FDI mainly resonates in the non-tradable sector and, as is the EU's concern, does not sustainably contribute to the long-term development of the Serbian economy. This means that China is effectively materialising its

strategic objective to create an infrastructure and transportation hub, but that the notion of 'win-win-rhetoric' is rather exaggerated.

The overall SAPC-attitude regarding Serbia's macro-economic performance is positive (7.9). It is of concern to the SAPC that Chinese FDI predominantly ends up in the non-tradable sector, which complicates diversified economic development (9.8). China can indeed develop its desired transportation and energy hub but does only little to contribute to a more broad and sustainable development of the Serbian economy.

Again, Serbia's tradition of non-alignment and strongly developed sense of independence plays a substantial role. Namely, when it comes to the 'destination' of Chinese FDI, China provides Serbia with a substantial amount of independence when it comes to deciding what infrastructure should be prioritized (9.15). Serbia's 'web of trade agreements' suits China but does spark SAPC-concern about compliance with EU legislation. In other words, the Serbian sense of independence seems to be a vehicle for China to achieve both strategic objectives

### **Conclusion**

The role of Chinese FDI in EU-Serbian relations is overshadowed by more pressing foreign and domestic issues. Foreign issues such as the Kosovar independence and Serbia's relation with Russia dominate the SAPC-narrative. Domestic issues such as the upholding of the rule of law and the performance of Serbian democratic institutions demand a lot more attention than the increase of Chinese FDI in Serbia. This is not to say that Chinese FDI is non-existent in EU-Serbian negotiations. In fact, the political and economic shortcomings of Serbia constitute a suitable if not stimulating environment in which Sino-Serbian relations can thrive.

It has become clear that the EU is indeed concerned about the ambiguity in the rhetoric of Serbian political leaders. It has also become apparent that the EU is concerned about deteriorating public support for Serbian EU accession to the benefit of China's political favourability. Despite all of these concerns, clear proof of the EU being concerned about political circumvention has not been found. The hypotheses is therewith partly confirmed.

The SAPC has undeniably expressed its concern about how democratic values such as transparency, accountability and public procurement can assure a democratic course of events when it comes to Serbia receiving Chinese FDI. It has also undeniably expressed the importance of investments that also contribute to civil society and the development of local economies. The 'win-win-rhetoric' does not apply to the Serbian public, but it does apply to the Serbian president. The hypotheses is therewith confirmed.

In the next chapter, the research question is answered. Chapter five also considers the significance, limitations of this research and opportunities for further research.

## 5. CONCLUDING REMARKS

In this concluding chapter, an answer to the research question will be given. It also provides a summary of the research as a whole, addresses the significance of the research, its limitations and suggestions for further research. In the introduction, we have noticed that the expanding role of Chinese FDI has sparked debate internationally. In the theoretical debate regarding this issue, scholars have made arguments about the risks and benefits for recipient countries, as well as Chinese motivations and intentions that may affect relations between states and supranational organisations. In this research, there was a focus on a state that maintains strong political relations with China and is a EU candidate country that has already made significant progress towards EU accession: Serbia.

### **Literature review**

A central theoretical aspect included the concerns that scholars have about the *circumvention* of EU-norms and values and legislation by applying political pressure, thereby drifting Serbia off from the EU politically. Other scholars approached the increase of Chinese FDI in Serbia more positively. Chinese FDI into Serbia would cause economic development and would therefore stimulate Serbian accession to the EU. The most central shortcoming of the theoretical debate about how Chinese FDI might affect EU-Serbian relations is that there is a lack of understanding of how perceived implications of Chinese FDI is reflected at the EU-Serbian negotiation table.

To find a solution to this research gap, there was sought for a suitable EU-institution to investigate through. Therefore, the main EU-institution around which this research revolves, was the EU-Serbia Stabilisation and Association Parliamentary Committee (SAPC). The research was designed about the limitable framework of 102 documents that accompanied 6 meetings in the period of 2017 to 2019. A method of directed content analysis was applied to find patterns in the narrative of the SAPC. There was sought for indicators in the narrative that might indicate how Chinese FDI affects the Serbian EU accession procedure.

### **Findings**

The main finding of this research is that Chinese FDI plays a relatively small role in the EU-Serbian SAPC. Several other issues are of greater concern. Solving foreign issues such as the Kosovo independence, Serbian military cooperation with and energy dependence on Russia have been labelled as 'crucial' to the progress of Serbia's procedure towards entering the EU. Domestic issues such as the rule of law, the robustness of democratic institutions, the concentration of power to president Vučić' (6.7, p. 6) and increased government control on the media.

It was found that Chinese FDI, during the period of 2017 to 2019, was not of a nature in which it explicitly causes delay or is considered as a cruciality within the narrative of the SAPC regarding

Serbia's accession proceedings. Within the SAPC, however, there was great concern about deteriorating Serbian public opinion in regard to EU accession, while poll numbers regarding the acknowledgement of China being an advocate of Serbian interests swiftly rose. Moreover, it was argued that several democratic characteristics of Serbia create an environment that is suitable for enhancing China's soft power in Serbia. An important observation is however, that the SAPC does not explicitly relate Chinese FDI to Serbian shortcomings in the upholding of the rule of law.

Within the SAPC, Serbian economic performances were generally considered as positive. There were, however, concerns about the lack of private Chinese FDI that flows into the Serbian economy – that is, Chinese FDI that is not the result of bilateral agreements. The SAPC questions Chinese FDI in Serbia to the extent they can bring about sustainable economic development; this is an area policy of great importance to the EU, yet largely neglected by China. The SAPC operationalizes this policy area merely in terms of the high profile Chinese infrastructure projects in Serbia in comparison with the high level of funds – and political conditionality – the EU distributes into Serbia, which does not seem to result in the public opinion's approval.

China has well understood the Serbian drive for deciding its own path. It has also been sensitive of the pragmatic attitude of president Vučić to close bilateral agreements with China. The SAPC nevertheless expressed concern about the transparency of the agreements, as well as concerns about government procurement, state aid and competition. Despite all of these concerns, they have not been of substantial importance during the meetings of the SAPC in the period of 2017 to 2019. EU-Serbian relations revolve around more pressing subjects than increased Chinese FDI.

Concludingly, the greatest concerns of the SAPC that were placed in relation to Serbia's accession procedure were of a broader and more pressing nature than increasing Chinese FDI and its implications. This makes that the characteristics of Chinese FDI embed very well in current situation of Serbia's persistent foreign policy balancing act, a pragmatic and receptive president, weak democratic institutions and abating public support for EU accession. Chinese efforts in Serbia are in such a way balanced that they do not *cause* the weak performance of democratic institutions or *trigger* the EU. China strategizes its objectives in Serbia effectively without drawing too much negative attention. When the time of Serbian accession to the EU comes, we can expect that China will have sustained its political foothold and secured the development of its heavily desired transportation and energy hub.

### **Limitations**

There are some limitations to this research that have to be addressed. The first limitations concerns the dataset. In many documents, it is explicitly stated that 'the content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken



to represent an official position' of, for instance, the EP or the EC. (EPRS, 2019 – 11.22). This has made it harder to formulate claims about the attitude of EU-institutions. In addition to this, the rigid framework of documents used in the dataset limits the scope of this research. Unfortunately, no insight of EU-Serbian relations from outside the framework could have been considered in this research. Yet, the wide range of documents and perspective has provided a very complete and balanced dataset through which to analyse the central developments of this research.

The second important limitation of the scope of this research, is the following. In the EU accession procedure, there is a very wide range of 'chapters' of specific policy issues with which an EU candidate country has to comply if it wants to enter the EU. Some of these chapters are already closed and signed off, some are open and some have yet to become important subjects. For this reason, it is possible that some pressing concerns regarding Chinese FDI in Serbia are to become more pressing in the future. This makes the specific timeframe of 2017-2019 a limitation as well.

### **Significance**

Chinese investments in the European hemisphere are often met with Western scepticism. In many cases, there are concerns about Chinese political conditionality and the shadiness of some deals in regard to suspicion about political conditionality. Despite all these concerns, it is the EU that won't lend a dime to Serbia if substantial reforms are not implemented. While anticipating on the EU-accession of Serbia, I think the EU's internal struggles and lack of providing economic foresight to Serbia reflect badly on the EU's so desired reputation as the best geopolitical option for Serbia.

The findings of this research make clear that the influence of Chinese FDI on EU-Serbian relations should not be overestimated. Of course, China has a clear strategy when it comes to the Balkan, but really does not aim to destabilise or divide the region. The EU is still by far the largest investor and trading partner of Serbia. The EU should not divert itself into a moralistic and patronising attitude regarding Serbia, as this would only alienate the Serbian public from the EU. If the EU really wants to incorporate the geopolitically important region of West Balkans, it will have to adapt too.

Hopefully, this research can serve as a contribution to policymakers and scholars who want to improve their understanding of the role of Chinese FDI in the West Balkan region. China has presented a clear strategy in regard to the BRI and its strategies for the Balkan region. Hopefully, this research helps policymakers to make better informed decisions that can benefit the co-existence and cooperation of regional and global actors.

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