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The Belt and Road Initiative in Montenegro and Serbia: A comparative analysis of the Chinese level of engagement regarding the Belt and Road initiative in Montenegro and Serbia

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The Belt and Road initiative in Montenegro and Serbia

A comparative analysis of the Chinese level of engagement regarding the Belt and Road initiative in Montenegro and Serbia

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Abstract

This research investigates China's Belt and Road Initiative (BRI) engagement in Serbia and Montenegro and has identified two potential conditions which explain the differences in the outcome of the two countries. Between 2013 and 2022, China has engaged through the BRI with Serbia and Montenegro. This led to two different outcomes for the similar-looking countries, where Montenegro seemed less pleased with engagement than Serbia. This research aimed to identify underlying conditions that could explain the differences through a qualitative case study that applies historical institutionalism.

The two countries were investigated individually to identify the levels of engagement and whether there were critical junctions in the two cases.

The Serbian critical juncture is more of a pattern of (un)taken actions in decision-making by the Serbian government benefitting Chinese engagement. In the case of Montenegro, the Bel-Boljare highway can be identified as a clear critical juncture. However, due to certain assumptions in the media and political landscape, it has been portrayed as a Chinese debt trap.

Consequently, the two cases were compared to see the similarities and differences and identify a possible explanation for why the outcomes differed. This study has identified two conditions that can explain the differences: the geographical position of Serbia and the geopolitical position of both countries.

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1. Introduction

In ancient history, the silk road was an important trade route connecting China all the way up to the Roman Empire. Nowadays, part of the original trade route still exists as a pathway between Pakistan and Xinjiang province. More interestingly, a 'new' silk road was re-introduced in 2013 by Chinese president Xi Jinping as part of his foreign diplomacy strategy. Originally called the 'Silk Road Economic Belt,' however often referred to as either the 'One belt, One road Initiative' (OBOR) or 'Belt Road Initiative (BRI).' The BRI consists of two routes: the land route and the maritime route. Both routes start in China and aim at finishing in Rotterdam, The Netherlands. The China Development Bank is the main investor in the BRI (Frankopan, 2019, p. 90). The BRI facilitates 'win-win cooperation' and "*should forge partnerships of dialogue with no confrontation and of friendship rather than alliance,*" as stated by Xi Jinping (Embassy of the People's Republic of China, 2017).

The BRI is often seen as a soft power tool for China to extend its sphere of influence across borders. The BRI has been a strong topic of discussion globally due to China's uprising power (Zweers, 2020). Will China become the new hegemon? With the US-China trade war, the polarization of the US under Trump, the European Union's internal struggles, and having to deal with multiple crises at the same time, China has gained a reputation of being a solid economic competitor globally and simultaneously keeping its strongly criticized autocratic rule by the Western world in place. If the BRI is implemented fully, it will be in effect in 65 states representing 55% of the global GDP and have 75% of the energy reserves (Miskimmon et al., 2021, p. 197, as cited in Zhao, 2016). Next to aiming for prosperity in countries by improving their infrastructural networks, some BRI projects are considered 'rotten apples.' Certain projects in states have not been able to be finished due to countries going bankrupt on Chinese loans. Therefore, China has to be compensated in other ways.

A well-known example of this is when China invested in building a harbour in Sri Lanka, but in 2017 the state was not able to pay China anymore. Therefore, China made a deal that the harbour would be rented out to China for 99 years giving China full power over the harbour. This has happened in

multiple credited countries with weaker economies and is called 'the debt trap' (Abi-Habib, 2018).

These situations result in China having political leverage over the state.

Chinese influence increases in Europe, significantly in Eastern Europe. Next to Russia having a presence in the region due to historical communist relations, China's influence has risen since it started the 16+1 strategic partnership in 2012 to serve as a channel for cooperation between the European countries and China (CCEC, n.d.). Since 2019 the partnership expanded to the 17+1¹ due to Greece joining the mechanism (Vangeli, 2018, pp. 680-681). According to Suetyi and Yidong (2021), the European Union (EU) has been concerned that the seventeen countries will become more dependent on China than the EU, especially the non-EU members, because they have complied more with Chinese political and economic influence than the EU member states involved in the partnership.

Regarding EU memberships, the five members of the 17+1 cooperation who are not European member states are Serbia, Montenegro, North-Macedonia, Albania, and Bosnia and Herzegovina (Zweers, 2020, pp. 7-8). Except for Bosnia Herzegovina, all five countries are European candidate member states. The two Balkan countries, Serbia and Montenegro, are the furthest in the accession process to the EU. Thus, China, Russia, and the EU influence the Eastern European region to a certain extent. This raises the question of how those world powers with different sets of beliefs view the region and to what extent these players want to dominate the region. Member states close to candidacy are Montenegro and Serbia and are strongly influenced by EU policy and funds (European Commission, n.d.). The European Commission stated in 2018 that it encourages the member states to work hard. If so, it could be possible to expand the EU with Serbian and Montenegrin membership by 2025 (Rankin, 2018; EU4me, 2021). The membership of the EU is relevant as it would change the bilateral relations China has with both countries. Currently, China is present in both countries regarding the BRI, and China has different values than the EU. Thus, when adapting to the EU rule of law, it could collide with China's interests.

¹ The 17+1 partnership consist of the following countries: Albania, Bosnia and Herzegovina, Czech republic, Estonia, Greece, Hungary, Latvia, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia and Slovenia.

Though both Montenegro and Serbia are maintaining relations with China in the 17+1 as well as being part of the BRI, both states have very different outcomes regarding the Chinese partnership. These two states have a shared culture and history as they have only become independent from each other since 2006. Montenegro and Serbia formed the federal republic of Yugoslavia from 1992 until 2003 thereafter, the two countries formed a political union until 2006. Based on a report by the NGO Central and Eastern European Center for Asian Studies (2021), both countries have taken loans from China. In 2021, Montenegro had a debt of 18% of its GDP in 2020 to China, and Serbia had a debt of 12% of its GDP.

Interestingly, FDI flows differ strongly between the two countries. Serbia has received the highest percentage of FDI from China regarding the non-EU member states, and Montenegro has a low inflow of Chinese FDI in comparison to Serbia. Scholars and economists have found it challenging to track the FDI flow from China due to the lack of transparency. However, in 2020 it is estimated that Serbia received 2,862 billion Euros of FDI and Montenegro 90 million Euros of FDI. Put into perspective, all Chinese-related projects amount to 9,945 billion euros in Serbia and 987 million euros in Montenegro. In both countries, most FDI flow is related to infrastructure projects (Matura, 2021). This raises the question of why China invests more in Serbia than in Montenegro. The following two paragraphs will further describe China's relations with both countries regarding the BRI.

Serbia is the key partner of China in the Balkans and has the highest Chinese presence (CEEC, 2021; Dimitrijević, 2019). The countries describe their partnership as a 'friendship of steel' (Vladisavljević, 2021, p. 4). The main Chinese invested project is the Belgrade-Budapest high-speed railway. Conflicting with EU interests and the rule of law, Serbia has introduced laws that result in less transparency regarding investments, infrastructure, and the environment, which is beneficial for Chinese infrastructure projects (European Parliament, 2021). However, again this forms an obstacle in the EU accession process.

According to Grgić (2017), in the case of Montenegro, China has invested one billion US dollars into a highway project. However, construction is still at one-third, and Montenegro has already not been able to pay back China and continue construction. Montenegro partnered with China on the project after the refusal of European infrastructure companies and the EU due to multiple studies pointing out the project

is not feasible. Montenegro requested the EU to assist in repaying the debt to China. Researcher at the Belgrade Center for Security Policy, Vuksanovic, stated that the small Balkan state "can be an easy but a very big geopolitical win for China in the region. The damage to the EU's interests in the region will be irreparable if it does not step up" (Tuhina, Standish, & Jankovic, 2021). This argument showcases the political sensitivity between China and the EU regarding influence in the Balkans. The EU has decided to 'step up' by financing the debt, but this situation shows how China and the EU indirectly affect each other.

To tie the former together, multiple patterns can be seen that give incentives for finding explanations behind Chinese influence in Montenegro and Serbia. The states have a shared history and culture; both are candidate member states and are expected to enter the EU in the near future. Both countries also participate in the 17+1 and BRI by receiving similar loans from the Chinese government. However, the outcomes in investment and FDI strongly differ as well as the diplomatic relations. Additionally, Serbia is the only Balkan country with an official comprehensive strategic partnership with China since 2016. This raises the question of why Montenegro and Serbia have experienced different levels of engagement with China since the introduction of the BRI.

Main question

Dedicating this thesis to answering why Montenegro and Serbia have experienced different levels of Chinese engagement regarding the BRI is valuable because mapping the levels of engagement through a time period can potentially result in the reason behind the different outcomes and pinpoints China's main interests. Moreover, by assessing and conceptualizing the levels of engagement, the study serves as a foundation for following studies to measure the impact the BRI has on the EU candidacy membership as Chinese and European interests do not align in terms of principles. In order to conduct this research, the study will examine via process tracing and conducting interviews based on the five indicators, which are the priorities in the OBOR. These five priorities can be identified as the following: Policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and people-to-people bonds.

This leads to the main research question of this thesis;

What explains the different levels of engagement from China between Montenegro and Serbia regarding the BRI since 2013, based on the five priorities?

This research aims to investigate the different outcomes in the current levels of engagement with China to carry out a narrative to what extent the influence of the BRI is carried out in Serbia and Montenegro.

Sub questions

In order to answer the main question, a set of sub-questions will be answered to come to an overall conclusion of the central question. These are the following;

Sub questions:

1. What are the levels of engagement from China in the case of Montenegro regarding the BRI?
2. What are the levels of engagement from China in the case of Serbia regarding the BRI?
3. Which levels of engagement indicate similarities and/ or differences between the Chinese levels of engagement between Serbia and Montenegro regarding the BRI?

2. Theoretical framework

In this chapter, the theoretical framework is described as follows. First, the perspective of scholars will be described regarding the BRI. Second, the theory of historical institutionalism will be explained.

2.1 Scholars on the Belt and Road Initiative

The BRI has been criticized to a large extent for its unclearness by scholars, as the plan seemed ill-defined (Blanco Pitlo III, 2015; Jiang, 2021). Based on that, in 2015, the government released a blueprint for the BRI, ‘Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road (Belt and Road Forum for international cooperation, 2017)’. However, the framework again has been critiqued as it merely outlines a framework of initiatives lacking detail. So far, this has been the central source for scholars and BRI partners to require information from. It riddles scholars with questions on the motives behind the BRI (Hong , 2016). in Li et al. (2021, pp. 3-5) identify three lines of thoughts among scholars regarding the BRI, which are the diversity of actors, the intentions of China in a (non) commercial sense, and lastly, the geopolitical implications.

The first theme mentioned is *diversity among actors*. The variety of actors involved in the BRI range from public to private sectors as well as inclusion of different levels of government. On the Chinese part, the main actors are the Chinese government and its bureaucratic body, which acts as a coordinator to oversee the project and decide on the political and economic discourse of the project in each state. Followed up by the governments are the Chinese State-Owned Enterprises because these companies conduct the BRI projects to the largest extent and generate FDI flow. In 2019, these enterprises received eighty percent of the BRI funds. The firms can be viewed as delegated managing authorities in the ‘field’. The countries where the BRI projects are conducted are important actors because they bring forward national interest and concerns and may assist in funding, participation and enabling energy resources to the projects. Additionally, multinationals are also actors but have more of a minor role. They act more as subcontractors rather than strongly being involved on a political and economic level (Li et al., 2021, pp.3-5).

The second theme mentioned are the objectives in a *commercial and non commercial sense*. The commercial objectives are the internationalisation of the Yuan, the Chinese currency, reducing the surplus level of production capacity within China, and further development of the Western outback of China. Pavlicevic (2015, as cited in Hartwell & Sidlo, 2017) complements the commercial sense by suggesting that upgrading the transportation network will be beneficial for China to continue as a strong global competitor in exporting goods. China has an industrial overcapacity, and the BRI relieves that overcapacity to an extent.

The objectives in a non-commercial sense are to promote regional stability, export the model of development of China to other states, expand and integrate political influence, and for China to become energy secure. The non-commercial objectives mentioned can cause tension between China and the external country. It can cause complications for the project as countries become skeptical regarding China's intentions with the BRI (Li et al., 2021). For instance, Sri Lanka and Malaysia have experienced corruption and a lack of political neutrality even though China always positions itself as an actor of non-interference (Dezenski, 2020, pp. 13-20).

The third theme revolves around *the geopolitical implications of the BRI*. The BRI and with that China's expansion in spheres of influence did not go unnoticed. The rise of China challenges the current hegemon, the United States. The US has a critical stance on the BRI, and tensions heightened during the economic trade war under Trump's presidency. The two are in a power struggle, and a geopolitical shift to the East is slowly increasing in global politics. Scholars have argued that the BRI serves as a soft power tool to expand China's spheres of influence and become the new hegemon. Some scholars also argue that two world economies will rule. A strong sign of counteraction to the BRI is that the EU and the U.S. collaborate on introducing a Western version of the BRI. However, it is still in its infancy. Both President of the European Commission Ursula Von Der Leyen and American president Joe Biden launched the new global gateway. The EU has included it in their multi-annual budget (European Commission, 2021; Li et al., 2021, pp.3-5).

The three themes are constructed by scholars. As mentioned, the reason behind this is the vagueness of the Chinese government on its plans with the BRI. There is a lack of transparency; however, the Chinese

Development and Reform Commission (CDRC) has set out five cooperation areas for the BRI, which can further clarify their policy goals (Department of Regional Openness, 2021). The United Nations also has identified these priorities in their studies (United Nations, 2016). The BRI has five priorities: policy coordination, facilities connectivity, unimpeded trade and investment, financial connectivity, and people-to-people bond. In the following paragraph, the five areas will be further explained (Hong P., 2016, pp. 4-6; Bastian, 2017, pp. 52-57).

To elaborate further upon the priorities, it is essential to know what these priorities mean. The priorities are set up to enhance international cooperation. The first priority is policy coordination, and with that, the CCP aims to facilitate policy exchange and communication mechanisms. Thereafter facility connectivity is the second priority mentioned and discusses the construction of a high transport network, which is highly promoted globally by the CCP. Unimpeded trade is the third priority and means that convenience in trading should be maximized. This goes hand in hand with the fourth priority, financial integration. The Chinese government aims to cooperate and coordinate more intensively on monetary policy. The last and fifth priority is people-to-people bonds for the purpose of creating mutual cultural understanding and reducing cultural barriers (Department of Regional Openness, 2021).

Thus, these five priorities are general aims that are not strongly detailed. This aligns with the critique of scholars on the BRI, finding the goals to be unspecified. By mirroring the themes that scholars and the five priorities outline, there is a resemblance in the motives between each other. Mainly theme two, (non) commercialization, seems to cover four out of five priorities. Priority one, policy coordination, could be categorized under theme one, diversity among actors. However, the essence of this paragraph is to create a path through the fog that is laid down by the CCP on the intentions of the BRI.

Theme one discusses the main actors involved and the network surrounding it. These main actors decide on the courses of action, which flows to theme two because commercialization and non-commercialization are the actions taken by the Chinese government resulting in theme three being the consequence of those actions taken. The implications of the actions made based on the five priorities from the main network define the consequences for theme three. Therefore, the five priorities can be

categorized in theme two, impacting both theme one and three. Theme two discusses the driving motives for the actors that consequentially have geopolitical implications.

2.2 Historical institutionalism

To answer the central question, this research will take an institutional approach. In order to do so, in this paragraph, there will be a further elaboration on what institutionalism is. Second, the different types of institutionalism will be explained and reflect which type would be the most appropriate. Third historical institutionalism will be elaborated upon as it turns out to be the most relevant type for this research.

Institutionalism is an approach that highlights the role of institutions. In this research, the central actors are national governments that change the courses of action, which has consequences in the international arena. Therefore, it is relevant to use a type of institutionalism as a toolbox to examine this study with. According to Hall & Taylor (1996), there are three main types of institutionalism: sociological (SI), rational choice (RCI), and historical institutionalism (HI).

Rational choice institutionalism is an approach that views institutions to frame the individuals' behavior because humans make cost-benefit analyses to maximize their self-interest. Therefore, cooperation is needed because it results in more gains. RCI assumes actors have fixed preferences which scholars from the other types of institutionalism would oppose as preferences can change and are not stable (Hall & Taylor, 1996, pp. 11-13). Aspects of this approach suit the case study as the BRI is partially a project to boost China's economy, but countries participate for their own gains. However, these actors can also be driven with additional motives. In addition to the shortcoming of this approach, explaining institutional change is limited due to the self-reinforcing nature of institutions and that institutional change occurs for optimal outcomes in contrast to scholars from the other types of institutionalism arguing that a Pareto-optimal equilibrium as not all preferences are always observable. RCI will not be valuable to envision the different outcomes in the level of engagement between the states, Montenegro and Serbia because its functional nature limits the study.

Contrary to RCI, Sociological institutionalism is an approach that resonates with norm-driven behavior and argues that institutions follow the logic of appropriateness, according to March and Olsen (2009,

p.2-3). This means that the generation of institutions is based on human action driven by rules motivated by appropriate behavior. Those institutions are accepted and followed because they are 'natural, rightful, legitimate and expected.' Therefore, institutions form the actions of actors within the institution. Consequentially sets of beliefs and culture play an important factor as those diffuse in the institutions. However, as scholar Knight (1992, pp. 14-15) notes, SI, due to the high cognitive nature of the approach, experiences difficulty in explaining why institutional change occurs and institutions fail. This study researches among a set of actors that are in a change of the status quo. Therefore, SI is not the most suitable approach to follow up within this case as a functional explanation is needed to a certain extent.

The two types of institutionalism just described are partially captured by historical institutionalism, which makes the approach multi-faceted. Pierson (2000) identifies HI as a research tool to assess how temporal processes and events affect the origin and transformation of institutions governing political and economic relations. In the field of international Relations, historical institutionalism has contributed to studies of the international political economy and foreign economic policy. It is often used in comparative studies of institutions between countries (Fioretos et al., 2016). The approach examines how chains of events bring about new (in)formal institutions and shape new public policy. Therefore, HI is relevant to apply to this research as it creates a timeline of events leading to the different outcomes of Montenegro and Serbia in level of engagement.

By using process tracing, historical actions and complications can be tracked that affected the result. Those actions are critical junctures, which are specific points in time whereby choices have been taken and influenced the period that follows. Critical junctures often reshape the institutional arrangements and are exogenous, meaning triggered by events outside the institution. After every critical juncture, a period of stability is followed up by that. Pierson recognized path dependence in two ways. According to Sewell (1996) cited by Pierson (2000, p. 252) the broad definition is described as what happened in earlier stages influences the possible outcomes at a later point of time. In other words, it creates path dependency meaning that the choices that have been made restrict the future. The establishment creates more difficulty to change the current status quo due to states having committed to a specific path. Pierson (2000, p.252) cites a narrower definition in the essay by Levi (1997). Levi explains path dependency as

to when a country or region has chosen a track, the costs will be very high by deviating from that track. Therefore because of the entrenchment of the initial choices, the following choice aligning with the initial one is the easiest even though there are more choices. Pierson (2000, p.252) calls these choices into one direction, an increasing return process. It means that with each step taken along the same path, it becomes more and more cemented to stick to that path because by diverging from it, the costs will increase.

This makes HI very suitable because former choices made by Montenegro and Serbia influence the future. Historical institutionalism may contribute to explaining reasons for events that have occurred based on earlier decisions. The introduction of the BRI reshaped foreign policy in Montenegro and Serbia. By following the sequence of events in the period since the introduction of the BRI, a critical juncture can be identified that potentially could have caused the different outcomes of the two countries.

3 Research design

In this chapter, the research design of this study is given. The chapter goes as follows. First, the strategy of this study is described. Second, the concepts from the theoretical framework which are used in this study are operationalized. Third, the data collection methods, interviews, and document analysis are described. Lastly, the validity and reliability of this research design are addressed.

3.1 Research strategy

To answer the main question, detailed information about Serbia's and Montenegro's interactions with the BRI is needed. That is why a qualitative comparative case study will be carried out. John Gerring (2004, p. 342) defines a case study as an 'intensive study of a single unit for the purpose of understanding a larger class of (similar) units.'. This is why a case study is a logical fit to study the main question.

Case studies use process tracing to uncover detailed information. Process tracing is a method in which causal processes will be traced, and the links between events could reveal the outcome of interest. Process tracing relies on multiple types of data collection methods. In this case, that will be interviews and document analysis (Toshkov, 2016, pp. 299-300). Document analysis is the primary source of information in this research, which will consist of news articles, academic papers, and information from government websites. This creates a chronological story in which gaps are expected. Interviews with multiple experts on the subject will fill in these gaps and provides more detailed information. Process tracing case studies fit nicely together with the HI view on reconstructing cases in chronological order.

This study reconstructs cases in the finding chapter through a combined strategy of HI chronological process tracing and the five BRI indicators. This research tries to create a chronological story for each indicator in a case instead of the whole case, to create more clarity. As scholars of the BRI have mentioned, the BRI is vague and also very diverse. The five indicators clarify the vagueness, which would be less if the indicators were mixed into one story.

In the analysis chapter, both cases are first individually analyzed and second compared with each other to find differences or similarities. In the individual case analysis, both countries' chronological stories from the found chapter are analysed by looking at how strong they match BRI's five priorities, which

will reveal the level of engagement. Events in the story will be linked with each other in the analysis, which could reveal similar motives behind different events. These motives could explain the level of engagement. By linking the events in accordance with HI, the effect of an event on other events may be identified. This creates the opportunity to identify critical junctions. The BRI's five priorities and the concept of a critical juncture will be operationalized in sub-chapters 3.2. The comparison analysis of the case will be done by comparing the outcomes of the two individual analyses. The similarities or differences of the cases' possible motives and critical junctures may reveal the different levels of engagement between the countries.

3.2 Operationalization

In this subchapter, the five BRI priorities and the concept of critical junctions are operationalized for the analyses. First, the priorities are operationalized; second, the concept of a critical juncture is explained.

3.2.1 The five main cooperation priorities of the BRI as indicators

The Chinese government has defined five priorities as stated in the theoretical framework. This research design sets out the close descriptions of the CCP of these five priorities, which will be used as indicators for this research. The Chinese Development and Reform Commission (CDRC) has set out five cooperation areas for the BRI (Department of Regional Openness, 2021). The BRI has five priorities: policy coordination, facilities connectivity, unimpeded trade and investment, financial connectivity, and people-to-people bond. In the following paragraph, the five areas will be further explained (Hong P., 2016, pp. 4-6; Bastian, 2017, pp. 52-57).

Policy coordination means that cooperation is promoted on an intergovernmental level from a multi-level governance perspective (municipal, regional and national) based on governments' policy exchange and communication mechanisms. It wants to facilitate friendly communication and seek common ground instead of looking at differences (Department of Regional Openness, 2021).

Facilities connectivity is described as to enhance connectivity in forms such as infrastructure construction plans and technical standards systems. As often assumed, it not only includes bridges and

rail roads but also aims to develop efficient linkage between air and water transport routes. This priority attains to set up an efficient high transport network (Department of Regional Openness, 2021).

This spills over to the third area, *unimpeded trade*, meaning that barriers in trade and investment should be reduced. The main aim is to eliminate trade barriers between countries, maximizing global trade convenience. To lower the prices of imported goods, China has set up free trade zones and wants to attract global firms (Department of Regional Openness, 2021).

The fourth pillar is *financial integration* which entails the coordination and cooperation in the field of monetary policy and the creation of financial institutions (Department of Regional Openness, 2021; European Bank for Reconstruction and Development, n.d.).

Last but not least, it is *people-to-people bonds* that refer to the cultural and academic exchange and dialogue as well as media cooperation but foremostly mutual respect. Mutual learning is one of the aims in the fields of science, education, health, and poverty alleviation (Department of Regional Openness, 2021). An institute that has a central role in this policy area is the Confucius Institute, established in 2004 but has strongly expanded after the introduction of the BRI. It is a center for information exchange, job training, and functions as a media center. The institute aims to reduce language and culture barriers between China and the selected country. It helps in cooperation between Chinese and local companies, influences Chinese culture in the area, and promotes Mandarin (Marwah & Ervina, 2021, pp. 23-30).

The five priorities listed will be used as indicators to mark the level of engagement. Each priority shows a specific type of engagement with the region. The current status can be determined by assessing the different priorities through process tracing. These priorities will be used in an analytical comparison method whereby the priorities will be filled out (Neuman, 2014, pp. 492-493). This method will be applied to both cases, Montenegro and Serbia, and the results of both cases will be compared to each other to answer the third sub-question.

3.2.2 Critical junctures

The concept of a critical juncture was introduced in the theory as a specific point in time where an institutional actor makes a choice that reshaped the institutional arrangements, influences events outside

the institution, and influences the period that follows. The core idea is that the choices taken create a path for the future and close alternative paths. This definition has several attributes which can be operationalized.

First, a critical juncture is always triggered by an institutional actor. So, to identify a critical juncture, it must start with a decision by an institutional actor. This research sees this as hard criterion to identify a critical juncture.

The second criteria are that it affects the institutional arrangement, influence events outside the institution, and influence the following period. Institutional arrangements can be defined as changing or new laws, policies, treaties, or the organization of government institutions (Pierson, 2000, pp. 255-256). These changes can be found through document analysis of government websites and news articles. Influencing events outside institutions can be very broad, and this research chooses to see it as events outside politics and the institutions as an organization. As Pierson (2000) stated, the idea of critical junctions is highly political, so politics cannot be detached from the idea of a government institution (p. 259). Therefore, politics is seen by this research as a part of the institution. Outside events can therefore be seen as much media attention, protests, and public outcries about a decision. This influences the period that follows, which is characterized by path dependency and new contemporary stability. Path dependency is the choice by which the actor creates a new path that influences future events (Pierson, 2000, p. 257). The influence of previous events can be captured through interviews and document analysis. Document analysis may reveal that news articles refer to previous effects, linking them together. Expert interviews may highlight the effects of certain decisions on other events.

3.3 Document analysis

The main source of information in this research is document analysis through content analysis. This a method where found documents are analyzed, and the core ideas of the information are written down in case description (Van Thiel, 2015, pp. 129-131). The strength of the content analysis is that it uses different existing information that may provide different perspectives and complement each other. For example, news articles are fast on recent events and are easy to understand. However, there is a higher

chance of biases and may be incomplete. Research papers, on the contrary, are more objective and complete but are produced at a slow pace and are therefore less available on recent events. These two types of documents can complement each other in this research (Neuman, 2014, p. 130). This research strives to find multiple types of information sources on the same events to create the most objective, recent, and complete case description possible.

3.4 Interviews

Complementary to the document analysis, this research uses interviews. It is expected that document analysis will not be enough and that there will be gaps in the case description. To fill in these gaps, interviews are conducted with experts on the BRI and eastern Europe. The interviews will be semi-structured, meaning that the questions will be open; therefore, events or situations may uncover that are unexpected but can impact the research and results (Toshkov, 2016, p.299; p. 313). The interviews are based upon the five BRI indicators and the gaps left in the case description.

A semi-structured interview protocol is made and is included in the appendix. The interviews are recorded and transcribed. The transcription will be analyzed for helpful content and is included for transparency in the appendix. To ensure that the transcription is correct, it is shared with the interviewee after the interview to be corrected if needed.

3.5 Reliability and validity

This research strives towards a high level of reliability and validity, which is ensured in the following way.

Validity refers to the truthfulness of the measurement and reliability to the consistency of the measurement. Validity in this research is ensured by the triangulation of multiple data collection methods. This research uses primarily document analysis with multiple kinds of documents. This results in a complete case description with multiple perspectives, making it more unbiased. To confirm if the found information is correct and to fill in the gaps of information, interviews are held with multiple experts to ensure a level of validity. For transparency, the interview transcripts and labeling are shared in the appendix.

Reliability in this research is ensured by using a standard interview procedure. Interview questions are written down in an interview protocol and shared ahead of the interview. This creates consistency and gives the interviewee time to think about the answers, ensuring that the shared information is correct. The process of using different kinds of sources in the document analysis creates an opportunity to double-check found information on its correctness and therefore makes it more reliable.

4. Empirical findings

The following chapter will describe the relevant information for answering the three sub-questions, set out as follows: First, the Montenegrin case will be described, followed by the Serbian case. Thereafter, the potential difference and similarities in the level of Chinese engagement between the two cases will be depicted.

4.1 The case of Montenegro: Document results

The first case discussed is Montenegro in relation to the Chinese level of engagement. In subgraph 4.1, a timeline will be set out from 2013 until 2022 via document analysis divided into different types of topics.

4.1.1 Construction of the Bel-Boljare highway



Figure 1: (English, et al., 2021)

On October 30, 2014, Montenegro initially set a loan of 810 million US dollars with the Chinese Export-Import Bank, also known as the EXIM bank, for the first 41 kilometers of 163 km Bel-Boljare highway (Reuters, 2014). The Bel-Boljare highway was planned to be located from the port of Bar, in the South-West of Montenegro, to Boljare, which is at the border of Serbia and Montenegro, as shown in figure 1. Currently, it takes four hours to drive from Bar to Boljare on a two-way lane. The new highway has been expected to decrease the driving time to two hours. Montenegro is the only Balkan country without a highway due to its challenging terrains.

The EXIM bank is state-funded as well as state-owned. The banks' mission is 'to support Chinese foreign trade, investment and international economic cooperation mandated to facilitate China's national development strategies' (Export-Import Bank, n.d.). The Chinese state council directs the bank. The EXIM bank facilitates loans for the BRI, which accounts for 85% of the expected cost for a six-year period and twenty years of repayment by the Montenegrin government. The other 15 percent has been accounted for by Montenegro self (Reuters, 2014). The condition was that Chinese contractors have to conduct 70% of the construction. The China Road and Bridge Corporation (CRBC) has been appointed as the main construction company to build the highway. The CRBC is one of the four largest state-owned Chinese companies. The CRBC is an engineering contract company undertaking mainly infrastructure projects globally. The company has been leading key projects of the BRI, such as the Bel-Boljare highway (CRBC, n.d.).

In the first contract, certain aspects were not taken into account i.e., water and electric installations as well as a connection from the Bel-Boljare highway to the capital city Podgorica. These unaccounted aspects resulted into an added 90 million US dollars to the loan and a delay in construction of the initial deadline (Sošić, 2021).

The World Bank, IMF, and the European investment bank believe that the public debt in GDP for Montenegro can rise above 80% and are therefore critical of the Chinese loan, which turned out to be the case. Two separate feasibility studies pointed out that the Chinese loan is a risk due to its high costs. By agreeing to the loan, the government also agreed with specific terms if it was not able to pay back the loan. If there were to be any legal disputes, a Chinese arbitration court would have jurisdiction regarding the issue (Barkin & Vasovic, 2018). One term of the contract that has been part of the public debate and media coverage is to give up sovereignty to certain parts of property if the loan cannot be repaid. Article 8.1 of the contract states that Montenegro "waives any immunity on the grounds of sovereign or otherwise for itself or its property" (Paccalin & Gilberg, 2021). However, in 2014 the Montenegrin government passed a law that third parties cannot overtake ownership of the project (Zweers et al., 2020, p.16). In 2021, the total debt of Montenegro was estimated at around 4.5 billion US dollars and reached a total of 93 percent of the GDP of Montenegro. China holds 25% of the GDP

(Boston University, 2021). In the media, the highway is often associated with the Chinese ‘debt trap’ diplomacy.

The debt trap diplomacy is a term founded by Dr. Chellaney in 2017 and is described in the case when a credited country is not able to repay the Chinese loan. In turn, China receives property rights on the type of infrastructure built or receives parts of sovereign land for a certain amount of time. There have been multiple cases in Asia and Africa associated with the term as well. Montenegro is coined by multiple media and European members of Parliament to be the first European country to fall into a debt trap. However, regarding the highway, the contract caused misunderstandings. According to Deron et al. (2021), article 8.1 has been lost in translation. The clause is a standard sovereignty waiver. Sovereignty waivers are routine clauses included in most commercial contracts of states. This has to do with the fact that, according to international law, countries are immune from jurisdiction and execution of foreign courts. This means that assets are granted immunity from the judgment of the court, which can cause situations whereby a state can refuse to appear in court, disabling any legal, contractual enforcement mechanism. Deron et al. (2021) mention that due to poor translation, France News 24 misinterpreted the contract, therefore creating disinformation taken over by other media platforms and politicians.

In July 2021, the Montenegrin Ministry of Finance had reached an agreement with three Western banks: the French Société Generale, the German Deutsche Bank and American Merrill Lynch International and Goldman Sachs international (Reuters, 2021). The agreement consists of converting the loan from US dollars to Euros and to cut the interest rate from two percent to 0.88 percent. According to the Minister of Finance of Montenegro, Milojko Spajic, this agreement will save the Montenegrin government 8 million US dollars per year and decreases the risk of default (Paccalin & Gilberg, 2021). The highway was planned to be finished in 2019. However, this was not the case. In 2018 the debt of the infrastructure project had already risen by around 20%, foremostly due to the increase in the US dollars exchange rate since the start of the project (Gray, 2018).

Environmental regulations also have been harmed by the construction of the highway. The Tara River, protected by UNESCO world heritage, has been damaged as a section of the river bank has been

traversed. This interferes with the Stabilisation and Association Agreement (SAA) Montenegro signed on the 15th of October in 2007 to be associated with the EU. The SAA obliges the country to reform its law to the EU acquis. The building of the Bel Boljare highway has caused ecological concerns. Due to a lack of transparency, it is hard to monitor the oversight of the project (Sošić, 2021).

The Bel-Boljare Highway is the largest infrastructure project with Chinese engagement. In total, there are nine Chinese projects in Montenegro with an estimated value of 2.4 billion US dollars (Balkan Insight, 2022)

4.1.2 Educational cooperation

In September 2014, the University of Montenegro agreed with the Chinese government to establish a Confucius Institute. The institute opened on the 13th of February 2015. The mission of the Confucius Institute is to promote the Chinese language and culture and inform Montenegrins about China as well as bringing Montenegrins together that share links to China as in educational and economic cooperation between the two countries (Tehnopolis, 2016).

Montenegro has three universities: the University of Montenegro, the University of Donja Gorica (UDG), and the Mediterranean University (Chengxi, 2021, p. 357). In September 2017, UDG participated in the Belt and Road University President's Forum on Innovation and Entrepreneurship Education in China to promote cultural exchanges. The UDG is the only university in the Balkans involved in this initiative and is also one of the founders of this initiative. The panels during the forum discussed economic, political, and educational topics regarding the BRI and Montenegro. During the forum, the ambassador of China to Montenegro stated that the BRI would bring the two countries together and make them 'true friends and good partners' (Chengxi, 2021, pp. 356-357).

4.1.3 Memorandum of Understanding BRI

On May 15, 2017, Montenegro signed a memorandum of understanding (MoU) regarding the BRI for the Chinese government, expressing a convergence of will and line of action between the two parties in the form of an agreement, however with no obligations (Belt and Road Portal, 2017). The memorandum

was signed at the Belt and Road Forum for International Cooperation in Beijing, which is an international event for the parties involved to share results and strengthen cooperation and align development strategies with one another. The memorandum is based on the five priorities of the BRI. The Chinese government published a list of results achieved at the summit regarding cooperation consensus, important measures, and practical results. Montenegro is mentioned in two priorities which are the following: Promote strategic alignment and close policy communication and expand industrial investment and achieve smooth trade. Part of the MoU was the completion of the highway via a Public-Private partnership via the CRBC (ibid.).

4.1.4 Montenegrin Government elections 2020

Milo Djukanovic is the president of Montenegro and has been extending the power of his party the Democratic Party of Socialists (DPS) for over 30 years. He nearly lost the national elections in 2020. After gaining independence from Serbia in 2006, the party stood with a pro-European orientation and a desire to become a NATO member, which it became in 2017. Regardless of the ties with Russia on a historical and economic level (Vasovic, 2016).

Though having a 'Western' focus, Djukanovic has been accused of corruption and entanglement in organized crime during his whole political career, i.e., money laundering, cigarette smuggling, and granting loans through state funds without authorization. The government consists mainly of party members of the DPS, resulting in little opposition (Gray, 2018). Djukanovic's protests sparked anti-corruption protests in 2015, 2016 & 2019. Freedom House (2020) defines Montenegro as a hybrid regime rather than a democracy due to decreased governance standards, justice, elections, and media freedom. The NGO MANS (2021), co-financed by the European Union (EU) states that the major documents about financing the Bar-Boljare highway have not been transparent and declared as a state secret. This accounted for the CRBC as well as the subcontractors. Initially, 30% of the work was to go to local subcontractors. However, in 2020, it showed that sub contractors only were given 15% (Von der Brelie, 2021). Those contractors are linked to the president. Therefore, corruption is also suspected.

Thus, there may be allegations of corruption and it is clear that there is a lack of transparency (Freedom House, 2020).

On the 31st of August 2020, the DPS won 35 percent of the votes. However, this resulted in a shortage of one seat to have a majority in parliament. This was the first regime change since Montenegro's independence. This had consequences for the Chinese relation as well. The former government embraced Chinese loans. The new coalition promised to publish the untransparent contracts as mentioned in the former paragraph and wanted to renegotiate loans. Due to the strong differences between opposition members, it is expected so far that the country will follow the same foreign policy track as it did. The main target in the upcoming years will be fighting corruption and organized crime in the country; therefore, Chinese contracts will be assessed as well (Grgic M. , 2020).

4.2 Case of Montenegro: interview results

In this paragraph, the results of the interviews regarding Montenegro's level of engagement with the BRI will be described. The complete transcriptions of the interviews can be found in appendix A, B, and C.

In the interview with the EU-China relations expert (appendix A), multiple remarks have been made regarding Montenegro. The interviewee suggests that even though the Bel-Boljare highway is not a feasible project, China is not strongly blamed by the Montenegrin government. China promises more economic benefits, and Montenegro is careful with blaming China because they do not want to challenge future trade and investment with China.

In the interview (appendix B) held with Mladen Grgic, director of the Montenegrin Investment Agency, it is mentioned that Montenegro is relatively a small country and has more of a business relationship than a full partnership with China. The indicator facilities connectivity is the primary indicator in cooperation between China and Montenegro. Additionally, people-to-people bonds are also an indicator that is in place due to evolved cooperation in education and the opening of a Confucius institute after introducing the BRI. Only after the 16+1 cooperation, China started to show an interest in Montenegro as part of the BRI and the Bel-Boljare loan. Mr. Grgic (Appendix B) finds that a debt trap is an overstatement because the former Montenegrin government agreed to a loan. The government was aware that the project was ambitious and infeasible, according to conducted studies. The elections have not brought much change even though during elections some political parties made anti-China statements during their campaign. Montenegro still has good relations with China. The former government is blamed for the loan by the public rather than China. The most vital turning point in China-Montenegro relations is the Bel-Boljare highway, according to Mr. Grgic.

Another critical juncture is mentioned in the interview (appendix C) with Frans-Paul van der Putten, coordinator of the Clingendael China Centre. According to Mr. van der Putten, the accession of Montenegro to NATO in 2017 was a critical moment because it strengthened the security ties between Montenegro and the US. The US is China's main geopolitical rival.

4.3 Case of Serbia: Document Results

The second case discussed is Serbia in relation to the Chinese level of engagement. In subgraph 4.3, a timeline will be set out from 2013 until 2022 via document analysis divided into different types of topics.

4.3.1 Historical context before 2013

In the end of the 90s, the Serbs lost in the Yugoslav war. Montenegro was also still part of Yugoslavia. However, Belgrade was bombed by NATO, and the Chinese embassy in Belgrade was bombed as well. Therefore, China and Serbia have a shared loss. As a sign of their strong relationship, China has built its largest cultural center at the embassy's spot.

In contrast to Montenegro, Serbia has not been eager to join NATO. Serbia and China historically share the same NATO narrative due to the Kosovo war. The Chinese embassy in Belgrade was bombed in 1991.

4.3.2 Strategic Comprehensive Partnership

In August 2013 and June 2016, Serbian former-president Tomislav Nikolic and Chinese president Xi Jinping made joint statements that their relationship deepened into a Comprehensive Strategic Partnership. Vice-president of China, Song Jingwu, stated during a meeting on the friendship with foreign countries, the following, “*The Chinese People’s Association for Friendship with Foreign Countries devotes significant attention to public diplomacy, cooperation between peoples, and to the establishment and reinforcement of relations between states at the local level* (Republic of Serbia, 2018)”. The partnership strengthens the foreign policy position of Serbia and supports the goals of the implementation of the BRI. According to a poll by the China-CEE institute in 2018, Serbia citizens have the highest pro-China stance compared to the other Western Balkan states (Xin, 2018).

4.3.3 The construction of the Belgrade- Budapest Railway

In November 2013, one month after introducing the BRI, Hungary, and Serbia started talks with China about modernizing the railway linking Budapest and Belgrade. The railway turned out to become the flagship project of the BRI in Europe. It is a vital project in land connectivity from Greece to Western Europe. The project is part of the Land-Sea express route from the port of Piraeus in Greece, the main entry point of Chinese export to Europe. Of the 350 km railway, Serbia will modernize 184 km and double the tracks. The railway will not be a high-speed train as many expected it to be. The speed of the trains will be a maximum of 200 km/h on the Serbian side, and on the Hungarian side, it will slow down to 160 km/h. The modernization of the railway will reduce the time to five hours instead of eight hours. Its usage will mainly be for cargo transports. The EXIM bank will finance the railway. Both countries have a separate loan, where Serbia has a twenty-year loan of 1.3 billion dollars. The loan will cover 85 percent of the costs for the Serbian railway. The other 15% will be paid by the Serbian government (Brînză, 2020).



Figure 2: (Kester, 2020)

China made two separate bilateral deals with Hungary and Serbia regarding the railway in November 2015. Beforehand, in 2013 the two European countries signed a memorandum of understanding with China to modernize the railway. The railway was aimed to be completed in 2017. However, this turned out not to be the case. The highway on the Hungarian side became troublesome due to the European Commission starting an infringement procedure against Hungary due to a lack of transparency. In Serbia, construction eventually started in 2017. Due to also having strong relations with Russia, Serbia split the railway into sections and handed out one section to a Russian contractor, resulting in another loan of 800 million from Russia. The Chinese contractors are the China Railway International Group (CRI) and

the China Communications Construction Company (CCCC). The project is expected to be completed in 2025 without further setbacks.

Serbia has a total of 61 Chinese projects (Balkan Insight, 2022). The energy sector is also an area of Chinese interest, included in the following subparagraph concerning the rule of law.

4.3.4 The Rule of law in Serbia

On the 1st of September, 2013, the Stabilisation and Association Agreement (SAA) was a treaty signed by Serbia to have a status of association with the European Union (Government of the Republic of Serbia, n.d.). The SAA is for member states aspiring to become part of the Union. All six Western Balkans countries have signed the agreement. The SAA commits countries to reform the economy, trade, human rights, and the rule of law in the country. Thus, the reforms are based on the EU acquis. In return, the countries are granted benefits such as access to Schengen or visa liberalization (EU delegation to the Republic of Serbia, n.d.). The SAA is important to mention because it also showcases the relationship between Serbia and China. Serbia has ignored certain obligations of the SAA to favour Chinese interests regarding environmental regulation. Serbia has been a member of the Energy Community Treaty since 2006 and has to implement a National Emission Reduction Plan. However, Serbia has delayed the implementation until a dispute procedure was put in motion causing Serbia to sign the plan in 2020 (Avdimetaj & Ilazi, 2021, p. 7). Serbia's reluctance is because Chinese energy and infrastructure projects in Serbia do not meet the requirements. The BOR mine is strongly associated with this issue. The BOR mine is a large copper plant which has been enlarged by Chinese loans as well as the DRMNO coal mine. However, under the European environmental regulations, coal should be abandoned by the year 2030, and certain regulations have to be followed regarding copper. Though for Serbia, this is in reverse (ibid.).

In 2021, the Serbian Minister of Mining and Energy, Zorana Mihajlovic, put the construction of a new shaft of a copper mine on hold due to not meeting the environmental standards. However, the mining has continued (The Global Times, 2021).

In a meeting with the vice president of Zijin Ming, one of China's largest copper mine investors, Mihajlovic states that he is welcome in Serbia to discuss future investments and that a new mine will be opened in 2021, which is the Cukaru Peki mine. This is an example of how environmental standards are put on the back bench in order to make way for a robust business environment with China (The Global Times, 2021).

In February 2020, The Serbian government introduced the law on "Special Procedures for the Realization of Projects for the Construction and Reconstruction of Line Infrastructure Facilities of Special Importance for the Republic of Serbia," This law means that the Serbian government can decide when infrastructure has high urgency and does not have to follow the standard procedure of public procurement. The government has defined many Chinese projects in heavy industry such as copper mines as urgent, which enables the project to ignore certain standards such as environmental regulations due to its urgency as well as keeping the law out of the public eye, which creates a lack of transparency (RERI, 2021).

4.3.5 Visa-free travel China – Serbia

On November 5, 2016, China and Serbia agreed to abolish visas when visiting each other's countries (The Government of the Republic of Serbia, 2016). This agreement may not particularly be an outstanding occurrence as China and Serbia both have similar agreements with other states. However, it has boosted tourism and shows mutual trust in growing security relations. The year after the abolishment of visas, Chinese tourism to Serbia doubled. Since the pandemic of Covid-19, self-evidently, Chinese tourism has declined (Jureković, 2021).

4.3.5 Cooperation in education

The first Confucius Institute in Serbia was opened in 2006. In 2014 a second Confucius institute was set up in the Serbian city Novi Sad (Standish et al., 2021). In 2019, Mandarin was taught in 34 elementary schools and 30 high schools in Serbia (Jokić-Stamenković, 2019). In 2018, the University of Belgrade, the University of Novi Sad, and the University of Nis signed an agreement to cooperate with Shanghai's Jiao Tong University, to deepen the educational and cultural ties. Additionally, as mentioned in

subparagraph 4.3.1 in May 2021, the Chinese Cultural Center opened in Belgrade, on the location where the Chinese embassy was bombed by NATO in 1999. The center is one of the largest in Europe and is the first Chinese cultural center in the Balkans (Standish et al., 2021).

4.3.6 Cooperation in the technological sector

In 2014, Huawei and the Minister of Interior of Serbia signed a memorandum of understanding for the safe city project, which is an initiative of Huawei to prevent and detect crime through video surveillance and face recognition software (Vladisavljev, 2019). The reason for this cooperation was due to a car accident where the suspect fled to China. Due to video surveillance in China, the suspect was traced down after three days. This was marked as a reason for more video surveillance in Serbia. After the MoU, Huawei started successful pilots in Belgrade. In February 2017, the Ministry of Interior and Huawei signed a Strategic Partnership Agreement on the 'safe city' systems to further install Belgrade technologies.

In 2019, former Minister of Interior, Nebojsa Stefanovic, announced that thousand intelligent cameras would be installed at 800 different locations in Belgrade). The software includes plate and facial recognition and is part of the Safe City Project. This agreement was highly criticized by the public and the Data Protection Authority in Serbia as there was no legal base to allow facial recognition and usage of biometrical data (Kynge et al., 2021). The video surveillance software is the same technique that is used in the Chinese province of Xinjian, where the Chinese government suppresses the Uyghur minority. There are also large pilots in China where surveillance is used as part of the upcoming social credit system, which means that citizens can gain or lose credit based on their behaviour, strengthening China's authoritarian system (Brigani, 2021). Further details of the project are labeled 'confidential' and cannot be disclosed by Serbia's Minister for Internal Affairs. Additionally, on the 28th of April, the Ministry of Trade, Tourism and Telecommunications signed another 150 million euro contract permitting Huawei to construct a broadband internet network in Serbia in cooperation with the Serbian SEO Telekom Srbija (Vasovic, 2020).

However, there was a turn in events. Consequently, Huawei wanted to pursue 5G technology in Serbia, but in September 2020, the former Serbian president Aleksandar Vucic met with President Donald Trump and signed the Washington agreement. Part of the agreement entailed Serbia avoiding installment of the 5G technology from 'Untrusted vendors'. In other words, the US did not want Serbia to cooperate with Huawei on the 5G infrastructure. The Trump administration has aimed to convince states in Asia and Europe to be cautious of Chinese technologies due to Chinese espionage and data privacy allegations. However, Huawei has denied these allegations and states that the United States frames the SEO due to price competition (Vasovic, 2020). The Washington agreement was not legally binding. However, in an interview, Dr. Vuc Vuksanovic pointed out that the agreement had substantial political weight and should not be underestimated (Brigani, 2021).

However, one week after signing the Washington Agreement, Huawei opened the innovations and development center in Belgrade. Prime Minister Ana Brnabic opened the center and stated that the opening of the center was not contradicting the Washington Agreement. She stated that Huawei and Serbia worked on many other technologies that have been a precondition to introducing the 5G technology. Additionally, she stated that the installment of the 5G network has to be an open and transparent process adhering to international standards. Therefore, cooperation with Huawei and the signing of the Washington Agreement do not intervene. Due to Covid-19, the 5G network has been postponed. Therefore, it remains questionable what will follow in the future (Dragojlo, 2020). The advancement with Chinese efforts in the technological sector has been described by the Chinese government as the digital silk road (Less, 2021).

4.3.7 Expansion military and security cooperation

Next to security cooperation in the field of technology software, another partnership between the two states blossomed, namely police cooperation. In relation to the visa-free travel arrangement in 2016, Chinese police troops have been relocated to the capital Belgrade and Novi Sad due to the boost in Chinese tourism and employment in Serbia in pre-pandemic times (Zweers, 2020, p. 20). In May 2019, a memorandum of understanding was signed between the Chinese and Serbian Ministers of Interior to

allow joint exercises of special police units and cooperate in battling cyber crime (Reuters, 2019). The cooperation is also meant to assure a safer development environment for the BRI (Ford, 2021)

Another significant part of the security cooperation between Serbia and China is military cooperation. Since 2008 China has been, second to the US, the largest donor of military arsenal (Vuksanovic V. , 2019). China also uses Serbia as a middleman between the European defense market and China due to the EU restricting trade with China in arms since the Tiananmen Square protests in 1989. In September 2018, Serbia started purchasing Chinese technology advanced drones and slowly renewing and modernizing its military equipment from the Chinese defense market. For these purposes, Serbian soldiers are being trained in China (Zweers, 2020, p. 21). Serbia is the first state in Europe to purchase uncrewed Chinese military aircraft ignoring warnings from the US government. In March 2021, the Minister of Chinese Defense, Wei Fenghe, visited four countries, Serbia, Hungary, Greece, and North Macedonia. During the meeting in Serbia, the Minister expressed that it wants to further develop security ties and expand military cooperation with neighboring countries of Serbia (Vuksanovic , 2019).

4.3.8 Covid-19 vaccine diplomacy

On the 11th of March 2020, the WHO declared Covid-19 as an official pandemic. That same month, March 22, 2020, China assisted Serbia and sent medical equipment, personal protective equipment and medical staff. As a sign of appreciation, President Aleksandar Vucic kissed the Chinese flag on national tv and thanked President Xi Jinping. Thereafter, billboards all over Belgrade featured ‘Thank you, brother Xi.’ A year later, when vaccines against Covid-19 were distributed, China sent their vaccine Sinopharm to Serbia, and president Vucic went on national tv again, receiving the Sinopharm vaccine (Vuksanovic, 2021).

Serbia bought vaccines, both from the Western and the Eastern regions. On January 16, 2021, Serbia received one million doses of Sinopharm vaccines. The Russian Sputnik vaccines and Western Pfizer-BioNTech were also delivered. However, the Sinopharm was the only delivery welcome in such a high-profile manner. President Aleksander Vucic, the Serbian Minister of Health, and the Chinese ambassador in Serbia Chen Bo gathered at the airport to welcome the order. On the 15th of March 2020,

Aleksander Vucic made the following statement, “European solidarity does not exist. That was a fairy tale on paper. I have sent a special letter to the only ones who can help, and that is China...,” (Simić, 2020) and "Serbia now turns its eyes to China" (Simić, 2020). These statements were made after Aleksander Vucic accused the EU of wanting Serbia to reduce the import of Chinese goods. President Xi Jinping has named the supply of vaccines to other countries part of the ‘health’ silk road. Xi Jinping mentioned the health silk road ahead of the pandemic in January 2017. During the signing of a memorandum of understanding with the WHO it admitted to increasing global health along the BRI. Later that year, the Chinese government organized the ‘Belt and Road Forum on Health cooperation: Towards a health silk road’ (Lancaster et al., 2020). Montenegro also received a donation of 30.000 Sinopharm vaccines as part of the BRI (Government of Montenegro, 2021).

4.4 Case of Serbia: interview results

In paragraph 4.4, the interview results of the level of Chinese engagement with Serbia regarding the BRI will be set out. The complete interviews can be found in appendix A, B, and C.

According to an EU-China relations expert (appendix a), the expert mentions that Serbia has an interesting regional position and is large in size. The expert mentions that the Serbian government is an opportunistic country regarding foreign policy and has not merely an EU orientation. It has three strands of interest, Russia, China, and the EU, which it balances itself in geopolitically and aspires regional influence. It plays with the three affiliations to raise its own national and regional image. China and Serbia also have a close government-to-government relation also on a historical level due to the Kosovo war. It is also beneficial for China that Serbia is neighbors with European member states. Serbia bought Chinese vaccines during the pandemic and exported them to other countries. This is also a sign that Serbia is not only turned to the Western sphere.

The interview held with Mladen Grgic, Director of the Montenegrin Investment agency (appendix B), complements the interview with EU-China relations expert in a way that he notifies that Serbia is a key player and has most political influence in the Balkans. An indicator of the BRI is policy coordination, as Serbia has a strong political relation with China.

In the interview with Frans-Paul van der Putten, Coordinator of the Clingendael China Centre (appendix C), he also mentions the historical tie regarding the bombing of the Chinese embassy by NATO and thereafter the support of China in the UN security council regarding the Kosovo issue, which has strengthened the relations. Regarding facilities connectivity, Mr. van der Putten mentions the importance of Serbia as a transport link between the Chinese-operated port of Piraeus in Greece and Central Europe. Mr. van der Putten also mentions similarly to the other two interviewees that China tends to focus on larger countries in their foreign policy, such as Serbia. The relationship is perceived as stable by Mr. van der Putten, and the investment by China in the Bor Copper factory further strengthened the economic ties between the two states.

4.5 Interview results: similarities and differences between Serbia and Montenegro

First, the differences between Serbia and Montenegro will be highlighted. After that, the similarities will be laid out.

Concerning the differences between Montenegro and Serbia concerning Chinese engagement, all interviewees agree that Serbia is more interesting for China than Montenegro. There are three reasons, geographical position, shared historical grievances, and geopolitical orientation.

The geographical position of Serbia is more interesting than Montenegro due to Serbia's multiple neighbouring EU countries. This is interesting for China as well as the size of Serbia. One interviewee specifically mentioned that China tends to focus on larger countries in its foreign policy.

Regarding the shared historical grievances, NATO has bombed Belgrade as well as the Chinese embassy in Belgrade in 1999, which upset China and Serbia even though Montenegro and Serbia were still one country this has strengthened the relationship because China stood up for Serbia in the Kosovo status in the UN security council and Serbia does not recognize Taiwan. In addition to that, Serbia also has a geopolitical orientation with both the West and the East. In contrast, Montenegro is foremostly focused on becoming an EU member state and became a member of NATO in 2017. The interviewees agree that the relationship with Serbia is on a more political level, whereas Montenegro's relations with China are more characterized as a business relationship.

During the interviews, no specific question was targeted to the similarities of Montenegro and Serbia regarding Chinese engagement. However, the interviewees mentioned two main similarities between the countries. Both Montenegro and Serbia have weaker economies and lack a certain degree in the rule of law. No further details have been mentioned.

5. Analysis

Regarding the analysis, all five indicators will be discussed per country. By explaining the engagement per indicator per country, it can be possible to detect a certain critical juncture that changed the course of relations between the country and the Chinese government.

5.1 Montenegro

The first sub-question formulated is the following: *What are the levels of engagement from China in the case of Montenegro regarding the BRI?*

Indicators/country	Montenegro
1. Policy coordination	No
2. Infrastructure connectivity	Yes
3. Unimpeded trade	No
4. Financial integration	No
5. People-to-people bonds	Yes

The table above shows if there is Chinese engagement with Montenegro based on the empirical findings via process tracing and interviews.

Regarding policy coordination, there is no significant level of Chinese engagement with Montenegro. It is essential to maintain good relations for future opportunities in the relation with China. However, Montenegro is more oriented on a policy coordination level with the European Union as a candidate member state and by becoming a member of NATO in 2017, which does not align with China's interests. The relation is more targeted towards trade and loans. There has been critique on the loan of the Bel-Boljare highway. However, the former Montenegrin government is blamed rather than the Chinese government. In addition, there has been criticism on the lack of transparency and ecological concerns regarding the project. The confidentiality that the former government kept regarding the project shows in a sense that the Montenegrin government sticks with China in such issues. However, after the elections of 2020, the new coalition has been more open and stepped up to the West for help to repay the debt. Therefore, regarding policy coordination, it becomes clear that Montenegro's eyes are turned towards the West rather than to China in the field of policy coordination.

The Bel-Boljare highway is the most significant project in Montenegro regarding infrastructure connectivity, which is the second indicator and is the indicator with the strongest level of Chinese engagement. As stated in the former paragraph, China has given out loans for multiple infrastructure connectivity. But the loan of the Bar-Boljare highway has received the most public attention. So far, only 41 km of the 163 km highway has been finished, and due to the high loan, Montenegro has struggled to repay the loan. The Bal-Boljare highway is called a debt trap by many media platforms as well as by European politicians. However, this is questionable as it is pointed out that there is a misunderstanding of the contract.

Concerning the third indicator, unimpeded trade, China is Montenegro's third trading partner. However, there has been no lifting in trade barriers between the countries. Due to Montenegro's adaptation to the EU acquis, trade will become most likely become more restricted due to the higher quality standards of the EU. Montenegro's eyes are mostly turned towards the West.

Just as unimpeded trade, there is no engagement in financial integration other than the loans received by the Chinese state-owned EXIM bank. There is no alignment with monetary policy, and in this case, the aspiration of becoming an EU member and the usage of the Euro will restrict China from financial integration. Because the EU is wary of the BRI's intentions, it could be less tempting for China to focus on Montenegro in its foreign policy.

People-to-people bonds between China and Montenegro are increasing. Next to an increase in Chinese tourists, the opening of the Confucius institute in 2015 and partnerships between Chinese and Montenegrin universities strengthen the people-to-people bonds, which shows that since the BRI, there has been progress in cultural exchange. However, the effects of this increase other than boosting tourism are not significant from the findings in this study.

Overall, the level of Chinese engagement with Montenegro seems to evolve foremostly around economic cooperation. The infrastructure project is the most outstanding project in the relation between China and Montenegro. The project shows the Western orientation as well due to the support in the repayment of the loan by Western banks.

Thus, these are the five indicators analysed. However, where in this case can a possible critical juncture be detected? It seems like there is a critical juncture regarding the Bel-Boljare highway. It was a decision of an institution, in this case, the Montenegrin government, to go into debt to pay for the highway. This had a long-lasting effect, which is still felt by the current administration. The Bel-Boljare highway also created a lot of international media- and political attention because it was seen as a Chinese debt trap. However, this makes this critical juncture interesting because is it really a debt trap? China never mentioned they would use the debt to their advantage. Also, due to a misinterpretation by international media over the immunity waiver, it seems like Montenegro is falling into a debt trap, which was picked up again by European politicians. This media attention turned eyes to Montenegro's relation to China and the lack of transparency regarding the highway. Therefore, the new Montenegrin government decided to be clearer regarding the loan and requested financial assistance in repaying the debt.

So interestingly, not the institutional decision itself but the media interpretation of the decision made the decision more significant than it certainly is. Scholars confirm that this creates an illusion that the critical juncture is more 'critical' than it actually is. Understandably, the media were eager to call this situation a debt trap due to China's history of luring countries into debt traps. However, for now, in the case of Montenegro, this is still a mirage. Even if the debt is presented more significantly in the media than it truly is, it must not be forgotten that the debt still creates a dependence on China. It has influenced future decisions, including the Montenegrin government, calling the EU for help. Therefore, the Bel-Boljare highways debt checks all the boxes of a critical junction and can be called one.

5.2 Serbia

The second sub-question formulated is the following: *What are the levels of engagement from China in the case of Serbia regarding the BRI?*

Indicators/country	Serbia
1. Policy coordination	Yes
2. Infrastructure connectivity	Yes
3. Unimpeded trade	No*
4. Financial integration	No
5. People-to-people bonds	Yes

Regarding Serbia, the level of Chinese engagement is strong on a political level. The first indicator is policy coordination, which is present as the states have a comprehensive strategic partnership. The states support each other in geopolitical issues regarding the Kosovo issue and one-China policy regarding Taiwan. When looking at the rule of law, it is detected that Serbia tends to handle public procurement regarding Chinese projects ambiguously, which the EU criticizes. However, China still benefits from it. The statements of Serbian president Vucic during the Covid-19 pandemic showcases that the political elite turns its eyes towards China. The vaccine diplomacy of China in Serbia can be seen as warm cooperation between the states. China and Serbia also cooperate within technology and security, which can be interpreted as a sign of trust between the two states.

Serbia has received multiple loans from China and has multiple infrastructure projects regarding transport networks as well as energy projects. Special public procurement laws make it more accessible for China to introduce new infrastructure projects. The number of infrastructure projects and the railway between Hungary and Budapest being coined as a flagship project shows the importance to China in Serbian investment. The high level of infrastructure investment in Serbia may be explained by the geopolitical location of Serbia, which is favourable because Serbia neighbours' multiple EU countries. More investment into infrastructure and energy projects may result in a greater economic importance for Serbia in the region. Because China makes these investments, it may give indirect influence to China into a larger region, including European member states.

Though having a strong relationship, there are no free trade agreements or special arrangements in place. On Feb 5, 2022, after a meeting with President Xi Jinping during the Winter Olympics, Serbian president Vucic announced that a Free Trade Agreement (FTA) would be introduced by the end of 2022. However, no formal negotiations have started yet. This is important to note because it is possible that indicator three by 2023 will transition into a 'Yes', which is another indicator that the level of Chinese engagement is potentially growing (Euractiv, 2022).

There has been no financial integration and adaptations in monetary policy between the two countries. A reason for this could be that Serbia is a candidate member state for the EU, and the EU's political

stance on further financial integration with China would seem like Serbia deviates from its European aspirations. In a sense, this is already the case as president Vucic is very critical of the EU. However, the Serbian government constantly balances between the different geopolitical players, China, Russia, and the EU.

People-to-people bonds have increased significantly since the visa-free travel arrangement between China and Serbia increased tourism. With many elementary and high schools implementing Mandarin in their educational package, benefits can be reaped in the long term. Additionally, the bombing of the Chinese embassy in 1999 and the construction of a Chinese cultural center in 2020 in the same place is a sign of sympathy towards China.

Thus, where in this case can a potentially critical juncture be detected regarding the five indicators of the BRI? In the case of Serbia, it is interesting because there is no major critical junction that stands out. It seems like smaller critical junctures form a pattern over time, strengthening the Chinese engagement. Though having signed the Washington Agreement regarding the 5G network, Serbia has not committed to it in the sense of changing legislation or policies to pursue what the US aimed for, similarly, to ignoring environmental regulations under the SAA agreement. Bending and ignoring regulation for Chinese investments shows that the BRI, in this case, does not merely influence the economics of the country but also the political elite. Being reluctant or ignoring certain regulations or addressing issues pointed out by the European Union, which would negatively impact Chinese cooperation when acted upon, is a sign of Serbia's interest and/ or dependence on China. Weakening jurisdiction for Chinese investment either makes Serbia opportunistic or more China-oriented. In both cases, it is a sign that the level of Chinese engagement impacts other geopolitical relations, foremostly the EU. There are multiple smaller critical junctures that form a pattern of promises in words, however not in actions to other actors that negatively impact Chinese engagement. The reason why these critical junctures are identified as small critical junctures is because media and civil society do not significantly highlight the events that find place. Individually they make a small impact on future events. However, put together, these events could potentially mount up to a larger scale of Chinese influence impacting Serbia.

5.3 Comparative analysis Montenegro & Serbia

The third sub-question formulated is the following: *Which levels of engagement indicate similarities and/ or differences between the Chinese levels of engagement between Serbia and Montenegro regarding the BRI?*

Indicators/country	Montenegro	Serbia
1. Policy coordination	No	Yes
2. Infrastructure connectivity	Yes	Yes
3. Unimpeded trade	No	No*
4. Financial integration	No	No
5. People-to-people bonds	Yes	Yes

When comparing the two countries and looking at the former analyses, the relation between Montenegro and China seems more focused on a commercial relationship than a deep partnership such as with Serbia. Montenegro seems to be more focused on EU accession and has a more Western orientation. In contrast, from the findings, it seems that Serbia is balancing between multiple powers to gain benefits from all. EU accession of Serbia, on the one hand, would tie China more to regulation from the EU when cooperating with Serbia, on the other hand, China has a strong level of engagement in multiple areas with Serbia, which creates interdependency and can gain China influence, so when Serbia were to join the EU, it could potentially be beneficial for China as well due to having a strategic partner within European decision-making who supports the one-China policy. Therefore, Serbia seems to be a more strategic partner than Montenegro as Montenegro is more Western-oriented from a geopolitical stance, as mentioned.

Geographically Serbia also seems more attractive to China than Montenegro. Serbia neighbours' multiple EU member states, and due to its size and energy production, countries in the region are also dependent on Serbia. Due to Serbia's regional influence, it could potentially also give influence to China. Additionally, as mentioned in the interview with Mr. van der Putten, China tends to focus its foreign policy on larger countries.

The former mentioned reasons could be a potential explanation for the deeper Chinese engagement of Serbia than with Montenegro. Thus, the geopolitical and geographical position could be reasons for the higher level of engagement with Serbia than in Montenegro.

At first, it was expected that Serbia was more satisfied with Chinese engagement than Montenegro. However, some nuance should be drawn here. Though, Serbia enjoys higher levels of engagement than Montenegro, it should not be linked to unsatisfaction in Chinese engagement by Montenegro. Regarding the Bel-Boljare highway, which is defined by certain media and European politicians as a Chinese debt trap, it seemed like a strong difference in outcomes between the two countries.

However, further research indicates there is more nuance to the story. Montenegro blames the former government for the loan rather than the Chinese government. Though this is possibly also for diplomatic reasons for future cooperation from the research findings, relations have not perished due to the so-called debt trap by media. The new Montenegrin government requesting the EU for financial assistance of the loan showcases the Western orientation of Montenegro.

After consulting experts, it has become clear that the countries have more differences than expected initially. Serbia has a history with China regarding the bombings by NATO even though Montenegro and Serbia formed Yugoslavia at the time, it created an ongoing relationship between Serbia and China due to the shared losses in Belgrade, which is still the capital of Serbia, and as mentioned, the geographical and geopolitical position differs as well.

6. Conclusion

Thus, from the surface, it seemed like Montenegro and Serbia had different outcomes in the level of Chinese engagement regarding the BRI since 2013. This study aimed to explain the different levels of engagement by the research method of historical institutionalism combined with the five priorities of the BRI. First, Montenegro and Serbia have been individually analysed and consequently compared to each other in the level of Chinese engagement.

From the case of Montenegro, the main critical juncture was the construction of the Bel-Boljare highway due to the decision of the former Montenegrin government, the current administration had to request financial assistance in order to repay the loan. The current government blames the former government of Montenegro for taking in the loan rather than China. Currently, the relationship between China and Montenegro can be described as a commercial relationship, which seems to be in line with the scholars view that the BRI has a commercial purpose for upgrading the transport network for exporting goods.

Regarding the Chinese level of engagement in Serbia, it became clear that there is not one significant critical juncture. However, there is more of a pattern in actions and untaken actions by the Serbian government, which is beneficial for Chinese cooperation regarding the BRI, such as introducing special public procurement procedures for Chinese infrastructure projects and ignoring commitments in the SAA agreement and the Washington agreement in a sense. The cooperation between China and Serbia reaches into many different fields, i.e., security, technology, and infrastructure. The country does not only have a commercial relationship but also a non-commercial relationship with geopolitical implications, and the countries are tied together on a political level as well.

When comparing the two cases there are two main reasons to possibly explain the different levels of engagement, the geographical position and the geopolitical position. From the surface, it might seem like the countries have different strong outcomes. However, further research shows that the story is more nuanced. The relationship between Montenegro and China is not as deteriorated as it seems to be.

Geopolitically Serbia is more interesting as Serbia and China share certain political views regarding Kosovo and the one-China policy, whereas Montenegro has more of a Western focus. Therefore, if

Serbia as an EU candidate were to join the EU, it could benefit China as well potentially because it indirectly gives more access into EU decision-making. The geographical position is also a possible factor for the different levels of engagement because Serbia is larger in size and has neighbouring EU countries which with Chinese energy and infrastructure projects could gain both Serbia and China more influence in the region.

With these two potential underlying conditions for different levels of engagement, this research advises to include the geographical position and geopolitical situation as variables into future hypotheses regarding the BRI outcomes in Serbia and Montenegro.

7. Limitations

The research applies to the specific cases of Serbia and Montenegro. Both countries have their own specific characteristics. Therefore, the study cannot be generalized to other BRI cases. However, the aim of this study was specifically targeted towards Montenegro and Serbia to find underlying conditions for the future hypotheses concerning the two candidate member states. On the contrary, the five indicators used in this research are successfully applied and have therefore shown that it can be used in BRI engagement research. This means that this specific part is generalizable.

The intention of this study was to conduct more interviews with experts to increase the validity of this research. However due to time constraints, this was not an option. Nevertheless, multiple data sources have been used, including three interviews, which makes it a sufficient level of validity.

Regarding reliability, one interview was conducted through e-mail due to the time constraints of the interviewee. In the interview with Mr. Mladen Grgic, due to technical difficulties, the recording was lost. However, this has been solved through a second documented review by the interviewee. The other interview was conducted as planned. However, the interviewee requested complete anonymity. These three types of practical difficulties impact reliability due to not being conducted consistently. Nevertheless, the core of the interview protocol stayed intact because e-mails were still handed out beforehand with the research questions and the found information was shared with the interviewees and confirmed by them. The interview style and questions stayed similar. Therefore, this research has a sufficient level of reliability.

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Appendix A – Interview EU-China Relations Expert

Name: The person interviewed likes to stay anonymous.

Function: Expert in the field of China-EU relations, further no details can be given due to anonymity.

Marije: M

Interviewee: I

Date of interview: 17-02-2022

Location: Online via Teams

Duration: 30 minutes

Coding: Montenegro = yellow Serbia= Green, Differences between Montenegro and Serbia = Grey, Similarities between Montenegro and Serbia = Pink, Factors for possible explanations of Chinese engagement=Greenblue

(Short introduction of myself and why I chose this thesis.)

(Conversation about recording and anonymity)

I: I've been doing this job for 2.5 years and I cover actually a mix of portfolio's and that sometimes changes a bit. I used to cover BRI, 17+1 process and at the moment I am focusing on also on influence and disinformation activities abroad so outside the EU, including the Western Balkans. So I'm not a specialist in Montenegro and Serbia specifically but I can tell you how we view China's engagement in the region in general terms and our concerns.

M: That would already bring a really interesting perspective. Thank you! yeah you should I just get started?

I: yes, go ahead with the first question.

M: yeah and first are you okay if I record the interview?

I: yeah that's fine, I'm assuming you use the information for background. Anyway not for citations and the name and affiliation would be yeah uhm..

M: Anonymous?

I: Yeah on

M: Yes I will definitely do that

I: Also no citation as EEAS official, just for background information.

M: Okay, yeah okay.

I: Yes so no quotes yes.

M: Okay yeah that's good, no problem I will do that.

Okay then I'll start recording now.

I: Okay

M: Okay, thank you. So I will be transcribing the interview.

I: Yeah okay

M: My first question is pretty broad and it is what explains the different levels of Chinese engagement in Montenegro and Serbia in relation to the BRI and how you think that is. And I can give you a little background information on what I've found so far. yeah and that is that Montenegro and China relations. I really found that they have strongly been focused on the Bar Boljare highway. With the huge loan and how Montenegro is not able to pay it back and how they reach out to the EU, however, they knew from the start that the EU does not pay back loans from third parties right. So what I really found was that China was already aware that it was not feasible to manage the project.

I: yeah

M: Because there were two independent studies done and they both showed that it was like not really a feasible project. And yeah with the new government in place in 2020 I expected it could maybe take a turn because they really wanted to negotiate loans and but I found that they still want to maintain good relations with China and they are not specifically that critical at China but more towards the former government.

I: yeahh

M: Yes and on the other hand you have Serbia with the strong strategic partnership as you probably know. and they cooperate digitally, militarily and have security cooperation with China and they even changed legislation benefitting China and that also messes with the EU candidacy right as they need to adhere to the acquis. So yeah and they've also talked about a free trade agreement. Though the countries have shared history, I was really wondering and they're both EU candidates, I was really wondering like what explains those different outcomes. If you maybe have a perspective on that.

I: Yeah, I think in general with China. We can see that Chinese investments are very attractive for the countries in the Western Balkans, so this is not just Serbia or Montenegro but we sort of observe that of course that China is a big market with economic opportunities. Its an opportunity for export, for trade, and also when, I mean it changed now a little bit from the Chinese side also but when China was

heavily investing in infrastructure projects that you know that's interesting to some of these countries,

specifically, again it's a bit of history but you know during the financial crisis in 2008 when many countries were required to privatized instead of stake assets, we've seen the case in Portugal that it was Chinese companies that made these purchases so this is not really specific to Montenegro and Serbia but it explains a bit why China has relatively easy time in you know why elites will not be so critical of Chinese even if one investment was maybe not deemed very ehm ideal. But China promises still more economic benefits so I would say that is something you should not forget so that explains why even though under the last government of Montenegro a loan was taken and all for unfavorable countries and even for a project that was not really feasible but that doesn't mean that Montenegrins will also blame China. They will be very careful to not upset China because there might be a chance for future investment and trade. So its a bit of tension we see with many countries and that also that explains why you don't see so often really opposition to China in on other parts of government. Many try to work a tight line between ehm not closing the door to future investments but also trying to be critic so that is a common position and I think from the Chinese perspective I think Serbia is much more interesting in terms of the regional position, the size, the sort of location I mean Montenegro is comparatively smaller but Serbia as a regional actor lets say, with regional influence and with regional ambitions is, is a more interesting ehm more interesting and lucrative to china beyond just belt and road investment. And then you also see from the individual government Montenegro and Serbia that they have different regional ambitions with Montenegro much closer to the EU and more cooperative. I don't know how you want to, you can find a verb or adjective that fits that but I mean we know that the Serbian government is more, somewhat opportunistic to the EU or their I mean I think in academic terms you would say they have a mild effect of EU policy where the EU is one orientation and than Russia and China are two other strands they use. So you, I think it's difficult to just choose, look at China in isolation in the Serbian case because there's other things going on. It's not just investments but it's also close government-to-government relation.

M: okay yeah because, ehm, I also like really found that in my research the geographical location is really important.

I: yeah!

M: Because Serbia is neighbored to many European member states as well.

I: Yeah.

M: Do you mean that that is also really beneficial to China?

I: Yeah

M: So how do you think it will affect the EU candidacy because there has, have been statements in the past from Von der Leyen that the EC talked about that Montenegro and Serbia have, made a chance in 2025 to maybe join. I don't know if that's still feasible of course but

I: yeah not sure what the timeline is for joining at the moment. You may wish to speak to (not mentioned due to privacy) about that. Because I am not, hundred percent and then up to speed on that but yeah I mean that the perspective is that, you know, it's a contractual relationship with the EU. The perspective is open, I mean it exists for these countries about it also depends on the conclusion of accession negotiations for the individual chapters of enlargement. And that's where I am are not sure where the stance is at with Montenegro and Serbia but I mean its a fairly technocratic process and again I think in Montenegro the, I could imagine that the ehm the negotiations might be a little bit smoother than in Serbia where you have a government that is openly challenging the EU in some cases. Ehm so I mean, again it's a technocratic process, it touches many policy areas so I wouldn't wish to pronounce myself on without really being on this file.

M: Okay thank you understandable but this already make things clearer from your perspective.

I: yeah but do you know the different theories of why China is investing so much in Western Balkan countries and eastern European countries in general. I mean some say that China is challenging the EU so that they're trying to pry some of these candidate countries away from the EU but from a different perspective that China denies that. And I tend to think it's probably correct that they're doing that, not that they're trying to divide but what their interest is in their influence of course. So the more political influence they can build up now the more the countries join the EU the more they can influence decisions ehm through EU member states and that's, of course, interesting if you want to be if you want to lobby about in advance of votes intergovernmental settings this could have allies or channels to to do compliment so that i would tend to think personally that its more the second version that its about political influence and expanding which and of course you know the belt and road

initiative also changed a bit when it was sort of founded in 2013 it was really about land and sea lanes,

you know it has been these 6 routes. One of them sort of the Southern European line so crossed where

the Western Balkans are interested in, one of them Greece, but BRI is now more moved into a foreign policy vision, you have the digital BRI, the health BRI and the negotiations with Panama over the belt and road, so it has become more of a catchphrase for soft power policy of China. It's more become more difficult to define but it's definitely a sort of foreign policy successor in terms of branding but of course, the Chinese have of course when it comes to Balkans they kind of operate through the 17+1 format so it's not just belt and road. Obviously, they use belt and road but it is also the 17+1 format.

M: yeah because who would you say the cooperation is now regarding the 17+1? because there was also criticism from within the Eastern European countries. How would you..

I: No but that's sort of a continuation of the tensions, the trade-offs individual countries make vis-a-vis China. You see that also with regards with established, I mean richer EU member states, you know I mean, with simultaneously concern about influence were concerned about value issues like human rights, fair trading relations but at the same time China is too big of a market and we're too interdependent to just say okay you don't do it how we like it so we stop dealing with you. I mean this is not, this is not really on the cards, so it is already a tension for rich countries but for these economically weaker countries it's worse in a way because they're, they will benefit from Chinese investments.

M: And do you think that ehm when you look at the long term, of course, it's hard to predict of course but as we've seen with other projects from the BRI that the long term results are not always satisfying.

I: There is a sort of investment promise, there's a sort of promise fatigue in many of the 16+1 countries because China, I mean we see that China promised much more than in the end delivered. So that the constant promise of increased trade you know buying goods from these countries and then in reality it is not really much with these expectations that were created. So I think there's a certain degree of more realism now in these countries but nevertheless, they remain interested because they are economically in a position of where if some if they have country invested in them it is by definition of interest to them but but at the same time again, China has even though there are reservations now and there is maybe a degree of disillusion and at the same time countries don't want

to offend China openly because that can also have big repercussions that are not so nice. You can see now with Lithuania at the moment what can happen when relations really go, really become, conflictual. That's the tension countries face with China.

M: yeah so its really hard to monitor what the underlying conditions are. Of course because of the diplomacy ehm

I: yeah but maybe you could check, because I really think when you compare Montenegro and Serbia the position of the individual governments and their foreign policy ambitions lets say. I think, I would maybe hypothesize be one factor because you know Serbia you have sort of a, a country that aspires to certain regional you know influence. They have maybe historic grievances to being made out to be, you know, the war of Kosovo, I think there is also a historical package that explains for them why China is more interesting. I think also politically as a tool vis-a-vis others. I think Montenegro doesn't suffer from the same historical experience. Its smaller, it has less, i mean, ehm, less exposure in a way, so that will probably, I would think would make a difference.

M: Yeah you really see that Montenegro is working, cooperating with China.

I: Yeah.

M: Mostly on an economic level regarding investment and with Serbia its so much more engagement and also how they constantly makes statements, the Serbian president, also with challenging the EU also with the Covid response.

I: yeah, yeah, exactly. And also that they're buying Chinese vaccines. They regionally export the vaccines they receive from China so they're trying to project a completely different as far as I understand, you know, yes, they have a European association, but they're equally connected with Russia or China so they're not just in Europe's orbit. And they're playing a bit with those three, well I mean there are probably more, but they're playing a bit with these three affiliations to rise, raise, sorry, to raise their own national and regional image. And I don't see that so much with Montenegro as they have I mean as what you say they would be quiet happy to join the EU and have that be their their main identity or affiliation, and that you know is different from Serbia with regional ambitions.

M: So you also mean like Serbia is trying to reap the benefits from all three key players?

I: Yeahyeah but it is also like, because you started talking about local governments. It is also about who is in the lead and what they eh, I mean you have of course the region, but also you know, not only in the Western Balkans but issues of corruption but I think that's maybe added to that. You have countries with limited eh, let's say limited structures to when it comes to rule of law or vetting these infrastructure investment because that's also something we've seen not so Montenegro or Serbia but when you have a country with less developed capacities on checking procurement contracts on vetting on making sure eh you know these, these contracts and tenders are set up in a way that influence taking by means of paying people off or corruption can be kept to a minimum. You have more incidents with public money being awarded to eh to providers that may not be the ones with the best offer.

M: Yeah okay exactly.

I: That is what we also see with China but again that is more of a broader issue. Because you have state subsidies so if you have Chinese companies per definition, state owned enterprises, it works a bit different than with Europe. If they make a bid it's often cheaper because they get subsidies from Beijing and depending on the local laws on you know whether what they have to say about fairness or transparency or state subsidies that may influence the award mechanisms. And there, I could imagine in Serbia and Montenegro when you just look at the technical capacity you may find similarities that they're weak.

M: Yeah I also noticed with Huawei, how the cooperation is so strong in Serbia and it's also because it's state owned and it's cheaper.

I: That's our argument here as well you know, many Western countries when you have Huawei and the security concerns many countries have. Well it is a state owned company so how can you guarantee that the data is collected is part of Huawei usage is not and doesn't end up with Chinese intelligence and security operations. It's not just an Apple who will lose a share of the market because Huawei comes in cheaper. It is also that Huawei is a state run company with yeah with links to the government and we don't want our data to be to be used by foreign intelligence services.

M: So would you say foreign policy in relation to China is always kind of a double edged sword because on one hand you can't really go around them and especially for some weaker

economies Chinese investment can be so beneficial and the other side is that many countries are still critical of China.

I: yeah, of course.

M: Because also when you look at human rights.

I: Yeah I mean the challenge for all countries is to manage the relationships somehow, basically, the balance is shifting, China continues to rise, its a big market, we're really interdependent, its a reality, the trend is clear. So that means that now is the time to set, insist on rules and raise on working together to minimize the negative consequences. But the concern we have is that the Chinese system is getting increasingly authoritarian and closed.

M: yeah.

I: and than you also see the sort of cooperation with or alignment with Russia and other countries that are not democratic or a have a different concept of democracy so that's the issue.

You have to find a way to negotiate.

M: Yeah and then I have one more question. You may have read it from my e-mail. I am looking at the five priorities from the BRI that are stated and those are policy coordination, facilities connectivity, unimpeded trade and investment, financial integration, and people-to-people bond. And you're experience which of these, its kind of a mouthfull, but which priorities stand out most to you in relation to the two countries.

I: Which stand out the most?

M: Which priority raises most attention in the EU?

I: Yeah, I think the EU is concerned in general about, I mean, this is again China specific but I think the EU's concern is that the engagement between China and these two countries but also others will undercut or diminish EU rules and regulations. Because you know there's a certain EU acquis that member states definitely have to follow but EU candidacy states should eventually have to follow them too. So the EU is just concerned about anything that sort of suggests or maybe that these countries accidentally or enter in obligations with a third country that runs counter to the EU rules. So in that sense the EU is concerned. But I think there's two issues the EU is concerned about but is overlooked. One is when you look at infrastructure investments, the sustainability of them. It is not

just about awarding the tenders but also about you know is it environmentalist sustainable? Is it working for the countries in question? And is it financial sustainable. So that is something the EU looks at very closely because again the Montenegrin example you already mentioned. And then we the EU also sees with some some concern the countries report back to the EU as the people-to-people initiatives is quite active in as you said. Setting up cooperation agreements, setting up universities and this is taking up a lot of administrative capacities. Ehm more than elsewhere. Because you don't really see so much public support for China. I think that the public, like I am now speaking regionally not only for these countries, they tend to be not necessarily completely anti China and not so much pro China. I think they are more realistic about what's going on. But in the longer term there could have implications but I don't know what happens.

M: So you would say it is more government to government and that the public is not as involved because for example with the case of Serbia you also see that the relations with China that the Serbian government is really embracing it.

I: Yeah but I think there is not a lot of space for civil society and democratic expression but you see there is some civil pushback and concerns about environmental standards being observed. So there is a sense of realism but I think when you have a very strong extensive political engagement and ehm influence in terms of promises of investment that may or may not come true and ehm relatively open access for Chinese officials to these countries. That is something we have to watch for because it can be utilized in different ways. You are looking at two examples of general concerns cause if you know infrastructure investment in Serbia in environmental, I think power plants and there are environmental concerns and there is civil society push back so its not like everybody in Montenegro is not happy about China and in Serbia is happy. The problem as said is deeper than that.

(Notices the online Teams meeting ends soon)

(Thank you notice)

End of interview.

Appendix B – Interview Mladen Grgic

Name: Mladen Grgic

Function: Director of the Montenegrin Investment Agency & associate researcher at the European institute for Asian studies. Mr. Grgic is working on his PhD concerning Chinese infrastructure projects.

Location: Via Teams

Duration of the interview: 30 minutes

Type of interview: Due to a failed recording, the notes made during the interview have been used and have been confirmed and adjusted by Mladen Grgic.

Coding: Montenegro = yellow Serbia= Green, Differences between Montenegro and Serbia = Grey, Similarities between Montenegro and Serbia = Pink, Factors for possible explanations of Chinese engagement=Greenblue

Interview questions

Thank you for allowing me to interview you.

1. From your perspective what explains the different levels of engagement in Montenegro and Serbia in relation the BRI?

Serbia has a stronger shared history with China than Montenegro, also political stances taking into account Kosovo recognition and Taiwan. As well, Serbia is geopolitically more interesting for China than Montenegro due to its geopolitical position, its size, larger economy and also has a close relation with Hungary. Serbia is a key player in the Balkans and has most political influence. Montenegro is a small country and has more of a business relation than a full partnership with China.

2. The Chinese Development and Reform Commission (CDRC) has set out five cooperation areas for the BRI which are the following: policy coordination, facilities connectivity, unimpeded trade and investment, financial integration, and people-to-people bond, in your experience, which priorities stand out the most in relation to Montenegro and Serbia and why?

Regarding the five priorities, Montenegrin cooperation mostly evolves around facilities connectivity because of the infrastructure projects. People to people bonds is also an area which the countries cooperate in due to collaborations between universities and also the opening of Confucius institutes in Montenegro. Serbia has a stronger political relation so more policy coordination related.

3. Going back to the beginning of the engagement, what were the intentions of Serbia and Montenegro with the BRI and do you think these intentions were well estimated and did the Chinese promises became a reality so far?

Since the 16+1 China started showing interest in Montenegro. Before that to a lesser extent. It is part of the more intensive regional foreign policy of China in the Balkans. China was the only party to be interested in giving a loan to Montenegro however defining the Bar Boljare highway as a debt trap is too extreme. It kind of frames China as the bad guy that set up this huge debt for Montenegro however the Montenegrin government agreed to the loan and were also self-aware that the high way is an ambitious project and that the studies showed its infeasibility. Some new parties in government made anti-China statements during the campaign however not much has changed since. Good relations are still maintained. The public opinion is not that strong of China but more so to the former government.

4. Which events/ critical junctures / critical junctures since 2013 have impacted the ongoing relationship between China and the two separate countries from your perspective and why?

Since 2013 with the introduction of the BRI as well as the 16+1. In the meanwhile in Montenegro there have been no strong turning points other than the delay of the Bar Boljare highway.

Montenegro more on EU side of things than Serbia. Economic trade is of essence with the EU. Serbia is a different story as the foundation of the relation is different.

Thank you for your time and my apologies for taking more time with this e-mail. I highly appreciate it and will send the results afterwards.

Kind regards,

Marije Hoogeveen

Appendix C – Interview Frans-Paul van der Putten

Name: Frans-Paul van der Putten

Function: Coordinator Clingendael China centre

Location: Via e-mail

Interviewer: M

Interviewee: P

Coding: Montenegro = yellow Serbia= Green, Differences between Montenegro and Serbia = Grey, Similarities between Montenegro and Serbia = Pink, Factors for possible explanations of Chinese engagement=Greenblue

M: Thank you for allowing me to interview you. My name is Marije Hoogeveen and I am a student Public Administration international and European governance at Leiden University. I have a strong interest in Chinese foreign policy and therefore I am writing my thesis about the Belt and Road Initiative. In my research I aim to explain the different levels of Chinese engagement between Montenegro and Serbia in relation to the BRI. I am doing this via process tracing since the introduction of the BRI in 2013. I am curious what your perspective is on the developments in Serbia and Montenegro and how both countries have a different outcome in relation to China though having shared history and being the two EU candidate countries being closest to EU accession.

1. What explains the different levels of engagement in Montenegro and Serbia in relation the BRI from your perspective?

P: In my view there are three main reasons for China to focus its diplomatic and economic attention more on Serbia than on Montenegro:

- While Chinese foreign policy is aimed at strengthening relations with any country, China also has a tendency to focus in particular on large countries.
- Serbia is a stable long-term partner to China, especially since the Kosovo War when the Chinese embassy in Belgrade was bombed by NATO. Serbia's need of China's support in the UN Security Council with regard to the status of Kosovo further strengthens the relationship.
- Serbia is an important link on the transport corridor between the Chinese-operated port of Piraeus in Greece and Central Europa.

2. M: The Chinese Development and Reform Commission (CDRC) has set out five cooperation areas for the BRI which are the following: policy coordination, facilities connectivity, unimpeded trade and investment, financial integration, and people-to-people bond, in your experience, which priorities stand out the most in relation to Montenegro and Serbia and why?

P: In both cases facilities connectivity, because the two countries can help China to advance its influence over EU-China trade routes.

3. M: Going back to the beginning of the engagement, what were the intentions of Serbia and Montenegro with the BRI and do you think these intentions were well estimated and did the Chinese promises became a reality so far?

P: I am not an expert on the foreign policies of the two countries. A possibility seems to be that the governments of both countries thought it would benefit their economies if they would gain improved transport infrastructure and if more China-related trade would flow via their respective countries. Perhaps they also thought that closer engagement with BRI would bring more Chinese direct investment.

4. M: Which events/ critical junctures since 2013 have impacted the ongoing relationship between China and the two separate countries from your perspective and why?

P: Montenegro: its accession to NATO in 2017 was an important moment, because it strengthened security ties between Montenegro and the US (China's main geopolitical rival).

Serbia: I don't see a critical juncture, as the relationship seems quite stable. The 2018 Chinese investment in the Bor copper factory is important as it further strengthened economic ties between China and Serbia.

M: Thank you for your time to answer the questions. I highly appreciate it and will send the results afterwards.

Kind regards,

Appendix D – Interview protocol

The interview are semi-structured therefore a set of questions is formulated to include in the interview, which are the following:

1. From your perspective what explains the different levels of engagement in Montenegro and Serbia in relation to the BRI?
2. The Chinese Development and Reform Commission (CDRC) has set out five cooperation areas for the BRI which are the following: policy coordination, facilities connectivity, unimpeded trade and investment, financial integration, and people-to-people bond, in your experience, which priorities stand out the most in relation to Montenegro and Serbia and why?
3. : Going back to the beginning of the engagement, what were the intentions of Serbia and Montenegro with the BRI and do you think these intentions were well estimated and did the Chinese promises became a reality so far?
4. Which events/ critical junctures since 2013 have impacted the ongoing relationship between China and the two separate countries from your perspective and why?