

# China's Belt and Road in the Balkans in the Post-COVID-19 Era

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Despite the setbacks caused by the great pandemic of 2020, China's Belt and Road initiative is likely to actively shape the post-COVID-19 realities in the Balkans.<sup>1</sup> To the Chinese leadership, Belt and Road matters politically, as it is part of the Constitution of the Communist Party, and because its fate is closely interwoven with the legacy of the most powerful leader China has had in decades, Xi Jinping. As a complex, multifaceted and malleable endeavour, the Belt and Road transcends conventions, taxonomies and typologies. It is easily refitted and adjusted to changing realities – including the one being shaped by the ongoing COVID-19 pandemic. While in the Anglophone debate, the Belt and Road has been predominantly understood as an infrastructure investment plan, primarily associated with infrastructure megaprojects (which have been successful, less successful and outright controversial), in practice, the Initiative has worked as a broad framework that locks partner countries into long-term complex relationships with China (Garlick, 2019). These relationships are centred on comprehensive, connectivity-based development, facilitated through newly created China-led (quasi) institutional coordinating mechanisms, as well as burgeoning people-to-people exchanges. In the process, the Belt and Road remains open for inputs from the partner countries

and sensitive to changing realities on the ground. The comprehensiveness and agility of the Belt and Road – in the Balkans and beyond – sets the tone for future cooperation, even when juxtaposed against the ever-growing geopolitical uncertainties brought about by the global pandemic.

## Belt and Road in the Balkans: A Glocal Perspective

Only a decade ago, China had almost negligible presence in the Balkans. Yet, in the last several years, the Belt and Road and its associated mechanisms (such as the platform 17+1, which has served as a regional vehicle for implementing the global vision) have immensely increased Sino-Balkan interaction at all policy levels, with the goal of coordinating developmental agendas, introduced various policy measures to boost economic exchange (including the overseeing of direct investments), created a web of nascent quasi-institutions and associations, and facilitated numerous exchanges between non-politicians, i.e. scholars, entrepreneurs, professionals from fields spanning from tourism and culture to health-care and youth, among other areas (Vangeli, 2019). In terms of the tangible outcomes, best known to the domestic and international audience are several transport infrastructure megaprojects: the construction of highways and bridges in Serbia, Montenegro, Croatia, Bosnia and Herzegovina and Macedonia under the tied-loans scheme, and the investments in the Piraeus Port in Greece by COSCO and Varna in Bulgaria by CMEC (with announcements for major

<sup>1</sup> Here, we define the Balkans inclusively, as a region encompassing the five non-EU Western Balkan countries (Albania, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia) that have relations with China (hence the exclusion of Kosovo), but also five EU Member Countries (Bulgaria, Croatia, Greece, Romania and Slovenia).

investments in Adriatic ports to follow soon). Equally important have been its energy infrastructure projects, as well as brownfield investments such as the Smederevo steel mill (acquired by Hebei Steel) and the Bor copper mine (acquired by Zijin Mining), formerly under-performing industrial capacities turned into success stories – or acquisitions of successful brands (such as the acquisition of Gorenje in Slovenia by HiSense). One of the major objectives on the to-do list has been the transfer of advanced technology from China to the Balkans.

### The comprehensiveness and agility of the Belt and Road sets the tone for future cooperation, even when juxtaposed against the ever-growing geopolitical uncertainties brought about by the global pandemic

This cooperation has, however, been far from flawless (Mardell, 2020). Lack of transparency, cost overruns, corruption and lack of sustainability are some of the issues that have afflicted some of the “tangible” projects associated with the Belt and Road – including those deemed as successes. As a number of announced projects have been delayed or simply never materialized, there have also been concerns that the promise-to-realization ratio is still quite low. The nascent institutions and associations convened by China have, at times, been said to be purely ceremonial in nature, and somewhat like empty shells. Yet, even with the critical points in mind, it is striking how dramatically China’s position has changed in the region in the course of just several years. Today, China is acknowledged – and often feared – as an emerging external actor in the Balkans, both by actors inside the region as well as outside of it – including the European Union and the United States. In turn, the Balkans is now regularly seen as one of the regions that matter for the Belt and Road, and for the impact of Global China – something which was not the case until recently. Those who are more keen on reading Chinese-led endeavours (in the Balkans and beyond) from a geopolitical standpoint see the Belt and Road as a devious strategy of Beijing aimed

at subverting the agenda of the US and the EU (or even the world order); in such a reading, the Balkans is often (mistakenly) portrayed as “a backdoor” – or a soft underbelly, which China can exploit to gain a foothold in Europe (Pavličević, 2018).

In a geoeconomic reading of the Belt and Road, the location of the Balkans as a crossroads between the Maritime Silk Road in the Mediterranean and the Black Sea, and the Silk Road Economic Belt spanning through central and eastern Europe and Turkey makes the region a seamless fit for developing new transportation routes, economic corridors and China-centred supply chains. There is also high structural compatibility between the two sides as well. The Balkan countries are dependent on inflow of external capital (to a varying extent), a demand that international suppliers of capital do not meet (which will be even less likely after COVID-19). While the Balkan countries all agree on their future in the Western-led order and structures, they have also grown impatient with the historical cycles of transitions and crises under the Western-led globalization. Thus, in addition to the chronic thirst for capital, they increasingly face the need to expand their opportunities for further integration in the global economy, not least by giving a chance to a new actor with a clean slate in the region, such as China.

Notwithstanding this mutual attraction, the importance of the Balkan-China relationship must not be exaggerated. In the grand scheme of things, the Balkans is far from being a key region for the Belt and Road, as China’s endeavours remain primarily focused on its neighbourhood, as well as regions with better economic prospects. At the same time, among Balkan elites, despite the enthusiasm, the Belt and Road is not seen as a replacement, but rather as a supplement to the processes of Euro-Atlantic integration, a multiplier of opportunities, and a contingency plan in case something goes wrong with the “Plan A.” And it is the latter function of the Belt and Road in the region – that is to provide an option in case of an unexpected turn of the events – that will be crucial in the period after COVID-19.

### Post-Pandemic Prospects

At the moment of writing this article (early May 2020), there is no clear idea how severe the human

and social costs of the COVID-19 pandemic will be, nor is there an understanding of the extent of its consequences for global politics and economics. A daunting uncertainty hovers over the most significant bilateral relationship in the world – the one between the United States and China, which had already been souring before the pandemic; with the exacerbating effect of COVID-19 (i.e. as the US tends to frame China as a culprit for the global spread of the virus, and as China fiercely criticizes these allegations and points fingers to the US' and other Western governments' inadequate response to the virus), the future of Washington-Beijing relations lies anywhere in the range from full-on confrontation in the worst case, to a protracted status quo of diplomatic spats and threats as the best case scenario. China's relations with the EU seem much less tense compared to the ones with the US, although there is a rising dissatisfaction with this relationship on both sides as well.

Notwithstanding the predicament of turbulent geopolitics, China is not likely to scale back its global activity – including its engagement in the Balkans – in the post-COVID-19 era. For one, after the disruption, China will be in a relatively good position to continue its overseas economic endeavours. According to the IMF's April 2020 World Economic Outlook<sup>2</sup>, while sustaining the largest economic crisis in decades, at the end of this year China will still be in a much better shape than the US, EU and other developed economies, and will have ample resources<sup>3</sup> to lend and invest overseas. While geopolitical tensions will certainly make cooperation with China more controversial, the Balkan countries will remain actively involved in it. The rationale will be solely economic in nature. The Balkan countries have so far managed to deal with the pandemic fairly well (and even better than some Western European countries), but are nonetheless projected to endure significant economic losses. Moreover, given the grim projections regarding the recovery of the European economy, it is likely that the region will also experience a secondary economic shockwave once the core-periphery dynamics kick in. In this sense, no one in the region will be able to fight a

geopolitical battle – but will rather look to multiply any economic opportunities.

## The Belt and Road is not seen as a replacement, but rather as a supplement to the processes of Euro-Atlantic integration and a contingency plan in case something goes wrong with the “Plan A”

The Belt and Road will not be the same after COVID-19. The unexpected break in activities brought about by the global pandemic will provide the time necessary for the initiative to be remodelled to fit the emerging global landscape. China's primary goal will be to tie the initiative in with the global response to the COVID-19 pandemic, that is through the promotion of healthcare cooperation (via the so called Health Silk Road,<sup>4</sup> originally launched in 2017, and similar healthcare associations), both in terms of policy coordination and supply of medical equipment and pharmaceuticals. During the COVID-19 crisis, China has already emerged as a major supplier of tests and diagnostic kits, and medical and protective equipment, including in the Balkans. The case of Serbia was best known in the Balkans (where China sent most substantial assistance, including a team of doctors, and helped build testing laboratories, while President Aleksandar Vucic lavished praises upon Xi Jinping), China has also delivered ventilators and masks – a combination of donations and commercial exports – to all of the countries in the region as well. China-led initiatives were already used to facilitate a coordinated response to the pandemic – the 17+1 platform in which the Balkan countries participate has already convened on several occasions to discuss a joint response to the pandemic. As healthcare will remain a core policy area even after the contagion figures dwindle, this type of cooperation will extend well into the future.

<sup>2</sup> [www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020](https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020)

<sup>3</sup> <https://rhg.com/research/booster-or-brake-covid-and-the-belt-and-road-initiative/>

<sup>4</sup> [www.thelancet.com/journals/langlo/article/PIIS2214-109X\(17\)30349-2/fulltext](https://www.thelancet.com/journals/langlo/article/PIIS2214-109X(17)30349-2/fulltext)

The Belt and Road, furthermore, will be further used as a vehicle for China's industrial and technological policies in times of crisis; it will therefore increasingly promote digital technology cooperation, capitalizing on the acceleration of digitalization that has occurred as a result of the worldwide lockdowns. Endeavours such as the Digital Silk Road<sup>5</sup> will be crucial in the process. The Belt and Road will serve both as a vehicle for advancing policy communication and standardization, as well as facilitating the expansion of the Chinese digital (and digital infrastructure) sector. Much of this will overlap with the global ascent of Huawei, Alibaba, Tencent and other privately owned technology companies, which will also be an avenue for expanding the scope of actors involved in the initiative. In the Balkans, cooperation in the development of smart cities, artificial intelligence, biotech, fintech and e-commerce among others – all of which is to be powered by the 5G infrastructure that Chinese companies want to build (or are already building) – were already part of the vision for the future of the Sino-Balkan relationship. In the context of COVID-19, the digitalization of healthcare, and the use of technology to combat the disease will also be part of this agenda (thereby crossing the Digital and Health Silk Roads).

The emphasis on these areas of cooperation, however, does not mean that other elements of the Belt and Road cooperation will falter away. Even if they are stalling at the moment, infrastructure projects in progress will be completed. While the crisis will strain national budgets, existing financial agreements on loans given for infrastructure construction are likely to be restructured. Moreover, if the Balkan governments at any time pursue a construction-stimulated growth, then China will be one of the key partners for any new projects. If the Balkan countries undertake austerity measures entailing the privatization of public assets, China will be one of the first bidders. Beyond the tangible projects, all other

forms of cooperation will continue, although prolonged social distancing will impede diplomatic and people-to-people events. Yet, even if implemented via video-conferencing, the Belt and Road is here to stay – and must be accounted for when thinking about the trajectory of the Balkans in the post-COVID-19 era.

**In the context of COVID-19, the digitalization of healthcare, and the use of technology to combat the disease will also be part of the expansion of the Chinese digital sector**

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<sup>5</sup> [www.merics.org/en/bri-tracker/networking-the-belt-and-road](http://www.merics.org/en/bri-tracker/networking-the-belt-and-road)