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**China's hidden influence in Southeast
Europe**

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List of Abbreviations

BiH	Bosnia and Herzegovina
FBiH	Federation of Bosnia and Herzegovina
CEE	Central and Eastern Europe
CEEC	Central and Eastern European Countries
EU	European Union
FDI	Foreign direct investment
MoU	Memorandum of Understanding
PRC	People's Republic of China
RS	Republika Srpska
SEE	Southeast Europe
SOE	State-owned enterprise

Preface

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The past decade has witnessed an intensification of the systemic rivalry between liberal democracies and authoritarian regimes. Russia's war of aggression against Ukraine is another escalatory step in this rivalry. The war demonstrates how dangerous an overreliance on economic ties with an authoritarian regime can be. Western democracies such as Germany had to learn this the hard way. Moreover, Beijing's solidarity with Russia has amplified worries about China's aggressive foreign economic policy and its explicit endeavor to develop asymmetric economic relationships with countries worldwide. Democratic governments around the world are more skeptical towards investments from entities close to the Chinese state and particularly, investments concerning critical infrastructure. There is also a mounting concern about the growing influence of China and other authoritarian powers in Southeast Europe, an area this policy paper therefore focuses on.

The paper features case studies on China's influence in eight countries or territories in Southeast Europe, conducted by local experts. The authors assess China's investments, its image and the appeal of its governance model in Albania, Bosnia and Herzegovina, Bulgaria, Greece, North Macedonia, Romania, Serbia and Slovenia.

Three findings of the case studies stand out and have implications for future economic interactions with China. First, one of the reoccurring issues in all of the studies is the lack of transparency. For almost all projects where China is involved, there is uncertainty about the specific terms of investment; the projects frequently feature budget overruns as well as an uncalculated strain on national financial resources. According to research by Carmen Reinhardt (Chief Economist of the World Bank), Christian Trebesch and Sebastian Horn (both Kiel Institute for the World Economy), the secrecy surrounding China's loans is not limited to Southeast Europe. Apparently, China has not only become the largest official lender in the world, but also the most secretive one. This has repercussions for the countries doing business with Chinese investors and banks as well as other investors and creditors as it is hard to assess the debt and economic entanglement of countries and enterprises accurately. Second, the secretive nature of Chinese investments also limits the ability of civil society actors and the media to scrutinize Chinese influence in a country or region. Finally, while it is important to pay attention to country-specific approaches towards China, there is also a need for coordination among EU member states and candidate countries. China tends to exploit power asymmetries and the more EU member states as well as candidate countries coordinate their engagement with China, develop standards and demand reciprocity, the more likely it is that they will ensure concessions. In doing so, they further a liberal and democratic European agenda but also their own national interest.

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There is no doubt, that the topic about China's appeal in the Southeast Europe is of extreme interest for both experts and policy makers. Still, it is difficult to compare the territory, population and economy of China with that of the countries in Southeast Europe. Any comparison, actually, would be a comparison between something huge and something small.

The results of the research chapters in this policy paper demonstrate us that there are different and country specific ways to interact with such a giant. And the more these pathways are shared, the more successful we will be able to adapt to the potential challenges this interaction presents.

Finally, and most importantly, sharing our specific approaches, gives us the opportunity to see how close between each other are the identities of the countries in the region.

Executive summary

This policy paper, produced by a network of national experts in Southeast Europe (SEE), aims to identify key patterns of China's appeal in the region regarding economic cooperation, political and cultural ties, as well as governance practice and standards. It is an attempt to unpack the nature of China's appeal, or 'secret charm', across SEE and the reasons behind it.

Trade and investment

It is widely acknowledged that SEE countries are in need of substantial upgrading of their infrastructure and industrial base. Therefore, China's appeal can largely be attributed to its economic weight, impressive track record in terms of growth over the past four decades and expectations for two major benefits: (i) Chinese investment in the region's infrastructure and industry, and (ii) growing exports to the huge Chinese market.

At the same time, with a few exceptions, e.g. foreign direct investment (FDI) in the Greek port of Piraeus or metallurgy and mining in Serbia, China's economic presence in SEE is marked to a large extent by construction contracts executed by Chinese companies and based on Chinese loans, the Bar-Boljare highway in Montenegro standing out as a prime example. In Croatia, a Chinese company was contracted to carry out an EU-funded project, the construction of the Pelješac bridge. Some SEE countries, e.g. Bulgaria, Romania and Albania, report negligible or no Chinese involvement in infrastructure development. Failed projects or the rejection of Chinese companies in public tenders have also been recorded. In some countries, e.g. Slovenia, Chinese companies have focused on the acquisition of local enterprises. Overall, SEE may have attracted larger amounts of Chinese loans and FDI than what has happened further north in Central and Eastern Europe (CEE), but they are still short of initial expectations.

The second key expectation of SEE countries, relating to trade with China, is also being met to a limited extent. While China is one of the top ten trade partners of all the SEE countries examined here, the region remains indisputably in the EU's economic orbit. SEE exports to China have largely been on the rise, but this is also at the expense of growing trade deficits: the import-export ratio has deteriorated across the board, culminating in a massive 48:1 in the case of Bosnia and Herzegovina (BiH). It is an uneven relationship: by and large, SEE countries import from China high-tech equipment and machinery, whereas exports are mostly made up of raw materials, agricultural produce and low added-value manufacturing goods.

China's image

A review of China's image in the SEE region points to a wide range of perceptions, but generally they are more positive than in other parts of Europe. Serbia stands out as the most China-friendly country in the region, even if this is largely conditioned by state-controlled media. At the other end of the spectrum, Romania appears to be the most reserved SEE country. Notably, views of China are quite different in the two BiH entities, with a marked split between perceptions in the Federation and Republika Srpska (RS).

In some cases, e.g. Serbia and Albania, the overall positive mood is partly shaped by history. In Serbia, the 1999 bombing of Belgrade is still a vivid memory; in Albania, traditionally close relations between Beijing and Tirana during the Cold War still have a bearing.

There is a diffuse positive image of China as an economic superpower, which has achieved a spectacular 'leap forward', and most SEE countries would like to emulate its high growth rates.

At the same time, while citizens in most SEE countries are not attracted by China's living standards and lifestyle, human rights issues in the PRC are not prominent themes in national media across the region.

Right after the outbreak of the COVID-19 pandemic, only Chinese vaccines were available in the Western Balkans. Yet, Beijing's public diplomacy campaign has had limited results, arguably with the exception of Serbia and North Macedonia.

Appeal of China's governance model

Surveys carried out in the region show that, by and large, SEE citizens are aware of China's political system and the majority of them are unlikely to support the adoption of PRC governance standards. In fact, despite grievances about the efficiency of western democracy and delivery by the EU (particularly in the Western Balkans), SEE societies do not feel enchanted by China's one-party system and state capitalism model.

Projects with Chinese involvement have been marred by multiple controversies, such as: (i) a lack of transparency about the specific terms of Chinese investment, frequent budget overruns and uncalculated strain on national financial resources; (ii) direct contracts without public

tenders in the Western Balkans, notably in BiH's RS and in North Macedonia; (iii) with regard to transparency or environmental and labour standards, deficient enforcement of existing legislation against shady deals; (iv) a lack of political will for a headlong clash with Beijing, mostly because of its economic and political weight. Notably, there has been limited evidence of shifting public sentiment caused by these controversies.

In general, left-leaning parties in the majority of SEE countries appear to be more receptive of Chinese governance standards than right-of-centre political formations.

Comparison with the EU's appeal is telling: delays and ambivalence as to the European prospects of the Western Balkans certainly are negative factors. Thus, there is an interesting correlation between diminishing support in Serbia for its EU membership bid and the high degree of approval of close relations with China.

Patterns of promotion of China's appeal and recommendations

Expectations of economic gains, ensured through trade and investment, are a major factor shaping China's image in the region, with the following aspects worth noting: (i) much talked-about Chinese presence in the economies of some SEE countries; (ii) at the same time, more talk than walk, i.e. a discrepancy between pledges and actual investment, i.e. aptly expressed through the Bosnian saying "a dead letter on paper"; (iii) to a large extent, these expectations have been bred by Beijing through the China-CEE cooperation format, even if China is increasingly seen in SEE, and across the broader CEE region, as overpromising and underdelivering.

For a while, China's soft power was playing out fairly successfully in SEE, but the thrill is gone in most SEE countries, which now have a more clear-eyed view of China. Cultural diplomacy, a key element in China's toolkit, deserves to be highlighted, particularly in countries like Greece and Serbia, and in the RS entity of BiH.

China's presence in the SEE region has also been vastly amplified through local and national media. Overall, the media coverage of China's economic weight and

technological prowess has a strong element of hype, if not outright manipulation. In a number of cases media coverage is uncritical and content offered by Chinese media is merely recycled by SEE media outlets.

A common feature is the lack of China knowledge and administrative capacity as a significant impediment to pursuing countries' interests. This facilitates Beijing's soft-power campaign in SEE, mostly through the growing presence of Confucius Institutes and Confucius Classrooms the region.

While country-specific recommendations are offered in the respective chapters, the following suggestions are worth considering by relevant stakeholders both in the SEE region and beyond:

SEE governments should proactively work towards increasing the transparency of projects with Chinese involvement in order to ensure a considerably improved cost-efficiency ratio.

Training should be provided to reporters in SEE countries on China-related issues. Particular attention should be paid to: (i) the "Chinese way of doing business", which tends to follow domestic Chinese standards; (ii) obtaining information about projects through right-to-information initiatives; (iii) recognising Chinese propaganda. International foundations specialising in this area should be targeted for related programmes.

Acquiring China knowledge is of crucial importance, but this should not be an exclusively China-driven process, e.g. through Confucius Institutes and Classrooms – instead, it should be in the hands of SEE national authorities, academia and civil society. Furthermore, SEE governments would benefit from regularly updated public registers of local actors and their cooperation with Chinese counterparts.

All the SEE countries would benefit from devising well thought-out and comprehensive China policies. National economic development plans should factor in China as a potential source of investment capital and a huge market to be targeted, but these blueprints should be based on sound cost-benefit analyses, the long-term consequences of Chinese investment and not on facile assumptions. It should be abundantly clear that China is after its own national interests – and so should be SEE countries.

1. Albania: Not too close – A distant friendship

ILIR CIKO

Albania and China shared a long history of cooperation during the era of the Cold War. Differently from most former Eastern European countries, in the early 60s Albania followed a radical path of extreme political isolation, by distancing from the post-Stalin political line and breaking economic and diplomatic ties, first with the former Yugoslavia (1948), and then with the former Soviet Union (1961). The economic aid and investments received from the former Soviet Union were essential for Albania's recovery during the post-WWII period and the abrupt termination of these flows meant that the communist regime in the country had to rely on a new partner, sharing the same communist orthodoxy. At the time China was the most plausible target and the strong collaboration between the two communist countries during the period 1960-1980 shaped Albania's exceptional approach to the radical communist system and influenced the economic ties after the fall of the Berlin Wall, that still persist in these days.

1.1. Trade relations

Trade between Albania and China has been expanding by an average of 10.2 percent¹ on an annual basis over the last 15 years, amounting to EUR 620 million in 2021, equivalent to 6.35% of Albania's foreign trade in goods. China is Albania's fifth most important trading partner and fourth major source of imports, accounting for 8.1%² of Albanian imports. About 88% of the trade volume between the countries is composed of Chinese imports while exports to China represented 2.5%³ of Albanian total exports in 2021, or about 12% of trade in goods with China. The main imports from China to Albania include machinery and equipment, textiles and chemicals, while Albanian exports to China are predominantly products of low added value from mining, semi-processed and processed base metals.

In contrast to experiences in other countries in the region, the increased trade relation between Albania and China is not associated with significant flows of Chinese loans and investments into Albania. The foundations for trade growth during the last decade are mainly, in the case of

imports to Albania, due to China's dominance in various products in the world markets. In the case of exports from Albania, the historical trade links are based on minerals and metals, primarily chrome and cooper, produced in Albania.

1.2. Chinese investments in Albania

Although Albania maintains a relatively open, inviting and pro-FDI business regime which has enabled the country to attract foreign investments: on average more than 8% of its GDP over the past decade (7.1% in 2020 according to the World Bank)⁴, information from the Central Bank of Albania reveals that the share of Chinese investments in the FDI flows since 2014 has been negligible (less than EUR 10 million, compared to a total of about EUR 1 billion in 2021). The official figures however, contradict the reality as one of the major investors in Albania, Bankers Petroleum Ltd. accounts for virtually all crude oil production in Albania, bought for USD 425 million in 2016 by Geo-Jade Petroleum, a Chinese company.

A prudent borrowing policy and concerns about the increased public debt contributed to insulating Albania's appetite for infrastructure investments through attractive Chinese loans. Consequently, the domestic demand for such investments was geared towards other alternatives for financing, with less immediate impact on the public debt, such as concessions and Public-Private Partnership contracts signed with both domestic and foreign operators. Another important barrier in the Albanian context relates to the high degree of privatization of the economy. Public companies, with a few exceptions in the electricity sector, water supply, ports management etc., do not account for a significant share of economic activity in Albania. The Chinese investments, particularly in the infrastructure projects, often seek to develop partnerships with local public companies that may eventually be backed by state guarantees, and this framework is hardly the case in Albania.

Albania is a small country and because of this limitation, it may only get access to possible Chinese infrastructure loans through the implementation of regional projects; highways, railways etc., rather than through investments in major domestic infrastructure. But the implementation of regional projects is primarily driven by the EU and often restricted by the limited absorption capacity at the national

¹ Author's calculations based on Albanian Foreign Trade Database: www.instat.gov.al.

² Idem

³ Idem

⁴ Source: World Bank Databank: Foreign direct investment, net inflows (% of GDP) - <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?locations=AL>.

level, while major domestic investment opportunities in the Albanian context are captured by EU and US companies (construction of major hydropower plants or solar energy plants). As a result, despite the availability of loans and investment options, with Albania being officially part of the China-CEEC format, the existence of over fifty economic and trade agreements between Albania and China, and good political, historical and diplomatic relations, to date not a single infrastructure project financed by Chinese funds has been implemented in Albania.

1.3. Perception of China in Albania

China's image in Albania is surrounded by an overall positive attitude shared by citizens, shaped by the historical context, trade relations and diplomatic stance on key policy issues. The Balkan Barometer 2022⁵ confirms that Albania is the most pro-EU country in the region on furthering trade and investments relations with the world (84% of the respondents⁶) but similarly to other countries in the region, about 45% of the respondents prefer China as a trade and investment partner. The Albanian Security Barometer 2020, published by the Center for the Study of Democracy and Governance⁷, reveals that in 2020, 54.9% of the respondents saw China's influence on Albania's security as positive, 18.2% as very positive and only 2.7% as either negative or very negative. Although these figures show improvements from the previous year (2019), the explosion of the Covid-19 pandemic may have eroded such strong support, despite the supply of large quantities of Chinese vaccines to Albania in 2019. On the other hand, China's long standing and firm diplomatic stance on non-recognition of Kosovo's independence⁸ influences the non-favorable views of China by many Albanians.

As the Chinese investment flows have not yet found a window of opportunity in the inter-government relations, the main controversies on China's presence in Albania are closely related with the activity of private business firms operating in the country and engaging in operations or take-overs of local private firms. The ownership of crude oil operations through Bankers Petroleum Ltd., is an example that reveals how Albania, a country that currently produces more crude oil than it consumes over the year, is energy dependent and reliant on petroleum imports as the crude oil extracted in the country is fully exported abroad. In 2017 China Everbright Limited became the sole owner of the Tirana International Airport Nënë Tereza, by purchasing the concession rights from a consortium led by the German company Hochtief AirPort, which posed questions about the security of the national airport. However, this appeared to be a temporary transaction as

the shares of the company were ultimately sold in 2020 to a local tycoon (Kastrati Group), for an estimated EUR 70 million. Chinese firms have been aggressively pursuing opportunities to introduce new technology equipment to businesses operating in Albania. In 2019, when one of the mobile operators was preparing to launch Chinese-produced 5G technology, the Albanian government signed a memorandum of understanding on 4G and 5G security with the United States, effectively deterring Chinese 5G technology from entering the local mobile networks market. Other opportunities identified in Albania by Chinese firms were either rejected by the government, or awarded to other non-Chinese companies.

1.4. Perspective of political system

EU integration is Albania's overarching goal, articulated in the national policy and broadly shared by the vast majority of the Albanians. Despite the considerable delays and frustration, the process of ongoing deep reforms and transformation of the local institutions in the country to meet the EU standards is widely accepted and does not leave much room for an affinity for the Chinese socio-political model and governance standards. Authoritarian nuances of governance, old political elites, high-level corruption, weak institutions, centralisation and abuse of power, control of the economy, media freedom etc. are all among the actual concerning issues for the democratic system in Albania, but the Chinese model hardly fits in the Albanian context either as a prototype or as a substitute. The harsh experience during the communist period, still vivid to many Albanians, and the single party system in China add to this aversion and make Albania more prone to influence from other models, compared to the Chinese system.

Despite China's proactive role and appeal to the region, and Albania's formal participation in the China-CEEC format, the relationship between the two countries, under the current governance system is unlikely to deliver substantial developments in the foreseeable future. Delays and ambivalence as to the EU enlargement and Albania's integration process, as well as development support by the EU to the region, potentially may create premises for the country to consider other means for financing development projects, but there is no evidence that this may occur soon. Shared experiences with China from other countries in the region, good or bad, are second-mover advantages that Albania may consider for the future as China's presence here would continue to last. As with the past decades, trade flows between the countries should continue to flourish as China is a key trading

⁵ Source: Balkan Barometer 2022.
<https://www.rcc.int/balkanbarometer/publications>.

⁶ Source: Balkan Barometer 2022, page 103

⁷ Source: Albanian Security Barometer 2020.
<http://csdgalbania.org/wp->

content/uploads/2021/03/Security_barometer_2020_ENGLISH-WEB.pdf.

⁸ Source: The Diplomat: Will China Challenge the US on the Kosovo Issue?
<https://thediplomat.com/2022/04/will-china-challenge-the-us-on-the-kosovo-issue/>

partner for Albania's imports, and exports of Albanian minerals are important raw materials to the Chinese industry.

1.5. Policy recommendations

To mitigate risks with implementing infrastructure projects backed by Chinese funds, the Albanian authorities should learn from experiences of other countries in the region in implementing such projects.

In line with best international practices, the Albanian government may find it useful to introduce rules and regulations that would limit and control the concentration of economic activity in the strategic sectors of the economy to a few companies, particularly in the energy sector and extraction industries.

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2. Republika Srpska - China's foothold in Bosnia

IRVIN PEKMEZ

2.1. Big promises, little money

Between 2012 and 2021, Bosnia and Herzegovina (BiH) did not have many projects, investments or loans from companies originating from the People's Republic of China (PRC). Compared to projects in neighboring Serbia, BiH is just starting these large Chinese contracts now. Over the past couple of years, there has been a growth in the number of Chinese projects announced, especially in the Republika Srpska (RS). Most of these relate to infrastructure, with an emphasis on the planning, construction and ownership of highways. BiH's two autonomous entities often operate in very different ways. RS has a special relationship with neighboring Serbia, thus more PRC projects, than in the Federation of BiH (FBiH). This is illustrated in that one single Chinese company is involved in big projects both in RS and Serbia.⁹

The RS government gives the public impression of numerous deals based on Memorandums of Understanding (MoUs) with Chinese companies, while actual construction has not really started. The Bijeljina – Sokolac road¹⁰ is a case in point, with an MoU signing ceremony and top media coverage, but no contract. The prime minister of RS, Radovan Višković, claims that Chinese investments in RS are worth around EUR 1 billion.

According to a BIRN research published last year¹¹, the total value of contracted and uncontracted deals (mostly loans) between Chinese companies and entity governments in BiH exceeds EUR 5 billion. However, as the Bosnian saying goes; 'a dead letter on paper', summarizes most of the projects behind that number, with little implementation.

Data pertaining to Chinese investments in BiH are not available through official channels, but Bosnian economists hold that the volume of investments is very small.¹² A possible explanation is that even the Central Bank of BiH (CBBiH) database¹³ does not hold any data about Chinese investments. The CBBiH covers about 30 countries with large FDI in BiH, but the PRC is not on that list. Back in 2015, state institutions claimed that Chinese investments were small compared to the disproportionately positive impressions created in the mass media.¹⁴

Over the past couple of years, RS has been more open to Chinese companies that offer packages including finance and construction. The best example is the Banja Luka – Prijedor highway¹⁵, which cost EUR 300 million, based on a Chinese loan. The RS government negotiates directly with Chinese companies on the construction of the highways between Banja Luka and Prijedor¹⁶, and Doboj and Vukosavlje. By contrast, in FBiH Chinese companies have taken part in public tenders that are funded by European banks, as is the case of an EBRD grant in the Sarajevo canton.

⁹ Radio Slobodna Evropa, *Dodik: Saradnja sa kineskom kompanijom na zavidnom nivou*, <https://www.slobodnaevropa.org/a/dodik-saradnja-kinezi-zavidan-nivo/31578902.html>.

¹⁰ Večernje novosti, *TRASA OD 160 KILOMETARA: Kineska kompanija gradi brzi put od Bijeljine do Sokoca*, <https://vecernjenovosti.ba/90074/vijesti/trasa-od-160-kilometara-kineska-kompanija-gradi-brzi-put-od-bijeljine-do-sokoca/>.

¹¹ Balkan Investigative Reporting Network, *China in the Balkans*, <https://china.balkaninsight.com/>.

¹² Klix.ba, *Kineske kompanije sve prisutnije u BiH: Rekonstrukcija tramvajske pruge kao test za obje zemlje*, <https://www.klix.ba/biznis/privreda/kineske-kompanije-sve-prisutnije-u-bih-rekonstrukcija-tramvajske-pruge-kao-test-za-obje-zemlje/210628050>.

¹³ Centralna banka Bosne i Hercegovine, <http://statistics.cbbh.ba/Panorama/novaview/SimpleLogin.bs.html.aspx>.

¹⁴ Kantonalna privredna komora Tuzla, *Šta Kinezi planiraju graditi u BiH: Priča se o milijardama, uložena tri miliona KM*, <http://www.kpktz.ba/index.php/vijesti/222-sta-kinezi-planiraju-graditi-u-bih-prica-se-o-milijardama-ulozena-tri-miliona-km>.

¹⁵ Vladimir Kovačević, Detektor.ba, *Nettransparentnost koncesije za kinesku kompaniju otvara sumnju u nepravilnosti*, <https://detektor.ba/2021/09/14/nettransparentnost-koncesije-za-kinesku-kompaniju-otvara-sumnju-u-nepravilnosti/>.

¹⁶ Valentina Mišljenović, Srpska Info, *Okončani pregovori za izgradnju autoputa Banjaluka – Prijedor*, <https://srpskainfo.com/okoncani-pregovori-za-izgradnju-autoputa-banjaluka-prijedor/>.

According to the State Agency for Statistics¹⁷ in 2020, bilateral trade exchange with the PRC amounted to EUR 700 million and almost EUR 900 million a year later. Of that number, EUR 870 million corresponded to imported goods and, as a result, China became the 5th largest importer in BiH, with the import-export ratio in the range of 43:1.

2.1. Ethnically conditioned perceptions of China

The presence of Chinese companies in BiH and their deals are marred by controversies, not just in RS but in FBiH as well. For instance, work on 40-km Banja Luka-Prijedor highway started after almost a year after the official ceremony, and despite regular statements by government officials about the start of construction¹⁸. Despite the contract signing and ground-breaking ceremonies, the contract itself has not been published. The project is seen by many as not being cost-efficient, and international organisations, opposition parties and non-governmental media claim that the government knows this. Moreover, the PRC company will reportedly be entitled to compensation every year from tax payers, if the expected yield from the highway is not ensured. Meaning the full cost of the highway may increase to EUR 500 million. In addition, the highway will go through villages, businesses and cemeteries¹⁹ in an area inhabited by minorities. Locals are against the construction of the road and have hired lawyers to oppose the government's decision.

The same company involved in this controversy is reconstructing the tram line in Sarajevo²⁰ and that contract, too, is hidden from the public eye. But the lack of transparency means many important aspects are unknown, such as the full cost of the reconstruction or the conditions for foreign workers on the construction site.

Another problematic project relates to the proposed

construction of the new Block 7²¹ at the coal power plant in Tuzla. A Chinese company was to build it and a Chinese state bank was to provide a EUR 600 million loan²². However, the loan was deemed illicit by the EU. After the US-based company General Electric pulled out of the deal and thus cancelled the provision of clean energy technology, the Chinese company offered its own technology, but it was turned down by the FBiH state electric company. While the FBiH government has confirmed that decision, the contract has yet to be annulled.

Perceptions of China in RS follow a trend similar to that in Serbia. Whereas, China's image in FBiH is influenced to a much lesser extent by Serbia than through TV shows which are broadcast on a national level and promote the PRC's economic success and attractiveness. According to a 2022 International Republican Institute (IRI) poll²³, 21% of BiH's citizens are aware of at least one large Chinese investment in BiH, where the respective number was 13% in 2020. 5% of BiH citizens believe that the PRC is the largest foreign investor in BiH, with the respective number being 3% in 2020.

52% of citizens of BiH have a favorable opinion of China, with a similar percentage recorded in 2020. However, while 79% of BiH Serbs have a favorable view of the PRC, only 40% of Bosniaks and 42% of Croats do. Negative views account for 38% of BiH respondents (37% in 2020). Compared to some other Western Balkan countries, the 52% share of positive answers is lower than the respective figures in North Macedonia (60%), Montenegro (79%) and Serbia (84%). Compared to other Central and Eastern European countries, Chinese companies have not completed a single large project in BiH that is representative of successful cooperation. This is not the case in Serbia or even EU member states, such as Croatia with its Pelješac bridge. Except for some highway sections in FBiH, projects with Chinese involvement are slow and problematic in their implementation.

¹⁷ Agencija za unapređenje stranih investicija u BiH, http://www.fipa.gov.ba/informacije/statistike/izvoz_uv_oz/Statistika%20vanjske%20trgovine%202021.%20Februar%202022.pdf.

¹⁸ <https://vecernjenovosti.ba/109046/vijesti/izgradnja-autoputa-prijedor-banja-luka-ministar-coric-obisao-radove-foto/>.

¹⁹ Detektor.ba, *Kod Prijedora počeli radovi za "kineski autoput": Mještani uznemireni zbog trase koja im prolazi kroz imanja i groblja*, <https://detektor.ba/2021/10/08/kod-prijedora-poceli-radovi-za-kineski-autoput-mjestani-uznemireni-zbog-trase-koja-im-prolazi-kroz-imanja-i-groblja/>.

²⁰ Irvin Pekmez, Detektor.ba, *Tajni ugovor za obnovu šina u Sarajevu sa kineskom firmom problematične prošlosti* <https://detektor.ba/2022/04/19/tajni-ugovor-za->

[obnovu-sina-u-sarajevu-sa-kineskom-firmom-problematične-prošlosti/](#).

²¹ Klix.ba, *Eksperti traže rješenja za Blok 7: Problemi sve kompleksniji, a mogla bi odustati i Kina* <https://www.klix.ba/biznis/eksperti-traze-rjesenja-za-blok-7-problemi-sve-kompleksniji-a-mogla-bi-odustati-i-kina/210924134>.

²² Capital.ba, *Kinezi izgubili u BiH posao vrijedan 600 miliona evra*, <https://www.capital.ba/kinezi-izgubili-u-bih-posao-vrijedan-600-miliona-evra/>.

²³ International Republican Institute, *2022 Western Balkans Regional Survey*, <https://www.iri.org/resources/2022-western-balkans-regional-survey>— January-February-2022/.

2.3. Careful love

There is no single prominent public figure who would comment on the Chinese governance standards compared to BiH legislation or the EU system. There are party presidents and former presidents, such as Milorad Dodik of the SNSD²⁴ and Zlatko Lagumdžija, former head of the SDP BiH²⁵, who present the PRC as a constructive partner in the economy, both for RS and FBiH. The image of the PRC as a successful state is a theme with a couple of news websites in BiH. At least one of them is run by a young official from a political party that is pro-western, i.e. in favor of the EU and NATO.

China is a convenient choice for the RS authorities, as it creates the image of a government focusing on infrastructure projects. The fact that these projects are often marred by controversies is completely ignored by the RS authorities, even though problems are highlighted by the opposition and NGOs²⁶. Notably, the same is true of FBiH. China's charm has its effect on 79% of the Serb population in BiH, who live almost exclusively in RS and have a favorable attitude towards the PRC.

2.4. The public deserves to know

BiH most certainly needs big infrastructure projects, with a focus on transport and energy, and Chinese companies have found that they can become more active in these sectors, particularly in RS. But cooperation is often problematic and BiH governments are not willing to acknowledge related issues. In principle, BiH laws can be enforced and are often subjugated to other rules or wishes expressed by Chinese companies.

Another pattern that can be observed related to China's charm in the country is the persistent media coverage of meetings and ceremonies with high-positioned officials of entity governments, especially with those from RS. The RS authorities present Chinese partners as being easy to work with and providers of large, cheap loans for important projects, while their true cost is often hidden from the public.

2.5. Policy recommendations

A possible 'antidote' would be greater public pressure on and accountability of those in power. Greater transparency of contracts with Chinese companies would give the BiH public a better insight into the nature and specifics of these deals.

In RS, an 'antidote' would be enhanced independent control over direct contracts with Chinese companies without bidding, and a more robust assessment of the cost-effectiveness of related projects.

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²⁴ N1 BiH, *Dodik: Kina je jedan od stubova multipolarnog svijeta*, <https://ba.n1info.com/vijesti/dodik-kina-je-jedan-od-stubova-multipolarnog-svijeta/>.

²⁵ Klix.ba, *Lagumdžija: Dobra stvar je što Kina želi doći ovdje, loša stvar je što ne shvatamo važnost toga*, <https://www.klix.ba/vijesti/bih/lagumdzija-dobra-stvar-je-sto-kina-zeli-doci-ovdje-losa-stvar-je-sto-ne-shvatamo-vaznost-toga/171104017>.

²⁶ Institucija ombudsmana za ljudska prava u BiH, *Preporuka u predmetu po žalbi Transparency International*, <https://ti-bih.org/wp-content/uploads/2022/07/Preporuka-Omudsmena-za-ljudska-prava-BiH-2022-Ugovor-o-koncesiji-za-gradnju-autoputa-Banja-luka-Prijedor.pdf>.

3. In Bulgaria, China's Allure Remains Purely Economic

MIRELA PETKOVA

Over the past decade, ties between Bulgaria and China have deepened and widened, but no major breakthroughs have taken place. China's appeal remains purely economic and yet its charm has been largely ineffective in making Bulgarian state institutions develop a policy framework for cooperation to pursue tangible results. For its part, China has put effort into changing its preferred method of cooperation from government-to-government into more microlevel cooperation. There, the asymmetry of capacities has proven insurmountable, and municipalities and non-governmental actors like agricultural research institutes and universities have welcomed China's economic promise with open arms.

3.1. Pure Pragmatism, Few Economic Benefits

Bulgaria has failed to capitalize on its promising growth potential of cost-efficient labor and geography. According to the latest annual World Bank rankings of 2020 on the ease of doing business, Bulgaria ranked 61st among 190 economies.²⁷ Foreign investors have cited endemic corruption and the inefficient judicial system as one of the main sources of concern.²⁸

Chinese actors have generally been at a disadvantage in terms of aiming to enter sectors where there were much better positioned players, such as Russian energy companies and shady local road construction companies in the infrastructure sector.²⁹ Companies, such as the China Communications Construction Company have tried to enter the market and have participated in the bid for the construction of a tunnel under the Shipka Pass and the

Ihtiman-Kostenets railway link, but have been outbid by local companies.

Data also shows that Chinese actors have not made any greenfield or brownfield investments in critical infrastructure projects or ones with large media coverage. Instead, the main streams of finance have gone to agriculture or manufacturing. Key Chinese deals include land acquisition for the production of animal feed for export, as well as an already bankrupt joint venture between Great Wall Motors and a local company on assembling car parts.³⁰

Beyond that, a significant number of Chinese investments have either not materialized or no further information has been available on their status after initial announcements. Such is the case of the China Machinery Engineering Corporation's intention to participate in a joint development project in the port of Varna or ZTE's plan to participate in a smart city project outside of the capital Sofia. In 2021, Luxembourg, Austria, and Germany were the top three investors in Bulgaria, with China not figuring among the top 20 investors. In fact, China has never managed to establish itself as a major investor in the country.³¹

With regards to trade, China came eighth as an export destination for Bulgarian products in 2021, after EU member states and Turkey.³² In terms of imports, China ranked seventh. China has not managed to substantially change its position in Bulgaria's trade balance significantly since the start of the China-CEEC cooperation mechanism, by comparison, it was 10th in rankings for exports and 9th for imports back in 2015.

3.2. China Remains a Non-Topic

²⁷ Ease of Doing Business, World Bank, <https://data.worldbank.org/indicator/IC.BUS.EASE.XQ>.

²⁸ 2021 Investment Climate Statements: Bulgaria, U.S. Department of State, <https://www.state.gov/reports/2021-investment-climate-statements/bulgaria/>.

²⁹ Interview with an academic which wished the quote to be off the record, August 2022.

³⁰ 'Китайска компания инвестира над 20 милиона евро в Добрич', Българска стопанска камара, <https://www.bia-bg.com/service/view/17300/>.

³¹ 'Преки чуждестранни инвестиции в България (РПБ6)', Българска народна банка, <https://www.bnb.bg/Statistics/StExternalSector/StDir ectInvestments/StDBulgaria/index.htm>.

³² 'Външна търговия по основни търговски партньори', Национален статистически институт, <https://www.nsi.bg/bg/content/7510/по-основни-търговски-партньори>.

China's image has not been marred by major controversies. Due to the lack of participation in major public procurement projects, China has remained a non-topic in the country.

Major international topics, such as China's human rights violations in Xinjiang, are discussed on the margins and have not created a major backlash in society. Marginal digital media outlets have declared the coverage of what is happening in Xinjiang 'an attack by anti-Chinese forces and hyperbolization of Xinjiang'.³³ Media outlets, such as 24 Chasa (24 Hours), one of the biggest dailies, reposts content from CGTN that holds that there is no problem with Islamophobia in China, but with terrorism.³⁴ Overall, media coverage remains marginal, uncritical, and with little in-depth context behind China's behavior.

It seems that positive perceptions of China in Bulgaria have increased over time. In a sociological survey from 2016 by a leading Bulgarian agency, only 31% of respondents declared that they had a positive view of China; 14% saw the PRC in a negative light, 12% could not decide and 43% said that their perception was neither negative, nor positive.³⁵ The remoteness of China, as well as the lack of deep ties with the Asian country, were the main reason cited for the high degree of indifference.

Six years later, the 2022 Eurobarometer shows that Bulgaria is the only member state reporting a souring attitude towards its EU membership, with only 49% of interviewed citizens viewing the EU in a positive light.³⁶ Against this backdrop, Bulgaria's positive attitude towards China stands at 50%, at 49% towards Russia, and 40% towards the US. By contrast, solely 22% of Europeans altogether view China in a positive light.

Yet, China's socio-political appeal remains negligible. Interviewees hardly see any arguments in favor of China's

socio-political appeal among the political class, as no actors publicly appreciate the Chinese model of development and the need for strong authoritarian power mixed with capitalism. China's appeal remains purely based on pragmatism.³⁷

3.3. Patterns of Cooperation

Characteristics of Bulgaria's political landscape have given Chinese companies an opportunity to penetrate the micro-level of municipalities and universities and create frameworks of cooperation with local elites.³⁸ 19 municipalities (out of 265 in total, 7%) have cooperation agreements with Chinese counterparts, and there is ongoing cooperation with mayors and regional governors.

While there is no robust framework regulating Bulgarian academia's cooperation with PRC tertiary institutions, more than 140 cooperation agreements have been signed between Bulgarian universities and Chinese counterparts. Cooperation is most often in the form of student exchanges, joint research, and publications.³⁹

Another nexus that has been insufficiently researched is bilateral cooperation in the law and security sector, though the motivation of Bulgarian institutions remains unclear. Examples include extraditing a Chinese citizen suspected of corruption to the PRC, an attempt to deport Uyghurs despite possible threats to their life, and the Ministry of Interior receiving donations from the embassy of the PRC in Sofia.^{40 41 42} These occurrences are significant to the extent that Bulgarian institutions are willing to cooperate with Chinese counterparts under the radar.

³³ 'Превъзпитателен лагер в Синдзян? Нека да разберем истината!', Pogled.info, 6 February 2021, <https://pogled.info/svetoven/kитай/prevazpitatelen-lager-v-sindzhan-neka-da-razberem-istinata.125728>.

³⁴ 'Уан Гуан за CGTN: Какво всъщност са „лагерите за превъзпитание“ в Синдзян?', 24 часа, 30 December 2019, <https://www.24chasa.bg/mezhdunarodni/article/8020123>.

³⁵ 'Геополитически нагласи на българите', Trend, <https://rctrend.bg/project/геополитически-нагласи-на-българите/>.

³⁶ 'Българите харесват Русия и Китай, но не и САЩ', Клуб Z, 22 June 2022, <https://clubz.bg/129192-balgarite-haresvat-rusiya-i-kitay-no-ne-i-sasht>.

³⁷ Interview with Antonina Habova, associate professor at the University of National and World Economy, August 2022.

³⁸ 'Let a thousand contacts bloom: How China competes for influence in Bulgaria', ECFR, 10 March 2022,

<https://ecfr.eu/publication/let-a-thousand-contacts-bloom-how-china-competes-for-influence-in-bulgaria/>.

³⁹ Interview with Rumena Filipova, Co-Founder of Institute for Global Analytics, August 2022.

⁴⁰ 'Екстрадирахме в Китай обвинен в корупция', БНТ Новини, 30 November 2018, <https://bntnews.bg/bg/a/ekstradirakhme-v-kitay-obvinen-v-koruptsiya>.

⁴¹ 'Дело М.А. и други срещу България', European Court of Human Rights, 20 February 2020, <https://humanrights.bg/Contents/Item/Display/27103>.

⁴² 'Регистър на сключените договори и получените дарения от Министерството на вътрешните работи', Ministry of Interior, https://www.mvr.bg/docs/default-source/достъп-до-обществена-информация/регистър-дарения/registur-darenia-31122017.pdf?sfvrsn=e8c7f372_0

Compared to other countries in Southeast Europe, China's charm in the country is not exactly non-existent, but it is low in intensity and visibility. A small part of society sees cooperation with the PRC as a tool to have a more worthy place within the Euro-Atlantic community.⁴³ This argument has been observed in talks with government officials who place Bulgaria as a peripheral country in the EU's policy-making, and cooperation with China is seen as a way to strengthen Bulgaria's international posture.

Overall, while Bulgarian governments have sought cooperation with Chinese companies in the automotive and energy sectors, the attempts of the country's political elites to attract Chinese companies have waned. Despite admiration in Bulgaria for China's economic growth, the PRC does not offer an alternative model of development, nor a viable alternative to Bulgaria's European integration. Cooperation and joint projects are certainly not off the table, but they are not actively pursued by Bulgarian political actors. As for society, certain ministries and sub-national actors, the increasingly positive attitudes towards China and the latent interest in cooperation may not be evident on the political and strategic level, but they indicate that China's allure has not been significantly hurt by Beijing's unfulfilled promises, it has just resulted in the cooling of relations on the national level.

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3.4. Policy Recommendations

Creation of a China strategy is paramount to Bulgaria's ability to cooperate with China on a state-to-state level effectively and with a degree of national agency.

Currently, there are little to no regulations on cooperation with tertiary actors in fields, such as academia, research, and agriculture, where Chinese actors have been actively pursuing engagement. Considering the possible exertion of influence, Bulgarian legislative bodies should address gaps in the legislation that guides cooperation with third state actors in related fields.

China knowledge should be disseminated beyond academic circles; training of journalists and civil society representatives are one possible channel to do so.

Considering that China's appeal remains purely economic, a proper counter response to it can only be connected to the fostering of more economic opportunities; both by domestic authorities and foreign European investors. Tackling corruption and guaranteeing the rule of law remain paramount to such endeavors.

⁴³ Interview with Antonina Habova, associate professor at the University of National and World Economy, August 2022.

4. Greece: On Friendly Terms with China, But Not Bewitched

PLAMEN TONCHEV

4.1. China's limited role in Greece's economic recovery

During a very difficult decade in the 2010s, marked by a profound socio-economic crisis and political turmoil, Greece badly needed a large amount of foreign investment. Over the 2011-2021 period, the People's Republic of China and Hong Kong together figured as the sixth most important source of investment capital in Greece.⁴⁴ This relates primarily to two Chinese foreign direct investment (FDI) projects, in the sea port of Piraeus and the national high-voltage electricity grid.

At the same time, a number of Chinese state-owned enterprises (SOEs) have lost public tenders or have been turned down in the areas of transport, energy and telecoms (including 5G), not least under western pressure. Over the past three years the US, European countries, Australia and Gulf states have become considerably more active in the country, and China has lost its relative weight. By and large, initial expectations that China would play a leading role in helping the Greek economy recover have not been met to date.

In terms of trade, China is a significant partner of Greece. In 2021, it was the third biggest source of imports into Greece, accounting for 7.8% of the total.⁴⁵ However, Sino-Greek trade is marked by a conspicuous imbalance: China holds a minuscule share of Greek exports and, during the first half of 2022, it slipped down to the 32nd position from the 16th (year-on-year). Notably, EU member states and the US are among the key destinations for Greek exports.⁴⁶

Shipping being a huge global industry, is a major field of economic cooperation between the two countries. At the same time, shipping companies are only loosely linked to the state and act largely out of sync with Greek governments. China is a big customer of the Greek commercial fleet, which is reportedly behind 50% of imports of energy resources and 20% of imports of other goods into China.⁴⁷ Greece accounts for a large share of trade between Europe and China: as of the end of 2020, Greek shipowners controlled no less than 20.7% of the global fleet capacity and 54.3% of the overall European Union capacity.⁴⁸

During the 2010s, Greece pinned considerable hopes on economic and political support from China. This was particularly visible between 2015 and 2019, when the country was governed by the anti-western parties SYRIZA (Coalition of the Left) and the nationalist Independent Greeks. Therefore, China was seen as an alternative to the much-vilified West. It was during that period that some goodwill gestures to Beijing by Greece raised many eyebrows in western capitals: supporting China in its disputes with the Philippines over the South China Sea (2016), blocking an EU statement on human rights in China (2017), joining the Belt and Road Initiative (2018), acceding to the 16+1 format (2019), and so forth.

4.2. China's image: deteriorating, but still generally positive

In general, Greeks are not disposed negatively towards China, but they certainly are not bewitched by it either. Views of China in Greece are conditioned by a cocktail of four different, and to a certain extent conflicting, narratives⁴⁹: (i) the conviction that China is still a

⁴⁴ Source: Enterprise Greece, <https://www.enterprisegreece.gov.gr/h-ellada-shmera/giati-ellada/ksenes-ameses-ependyseis>.

⁴⁵ Source: Enterprise Greece, <https://www.enterprisegreece.gov.gr/h-ellada-shmera/giati-ellada/eksagoges>.

⁴⁶ <https://www.iefimerida.gr/oikonomia/poy-exagontai-ta-perissotera-ellinika-proionta>.

⁴⁷ Andreas Bloom, "China's Belt and Road Megaproject in the Mediterranean: Was It the Greek Shipping Tycoons

Who Sealed the Deal?", *Global Voices*, July 8, 2021, <https://globalvoices.org/2021/07/08/chinas-belt-and-road-megaproject-in-the-mediterranean-was-it-the-greek-shipping-tycoons-who-sealed-the-deal/>.

⁴⁸ Ilias Bellos, "Greek Shipowners Order 85 Newbuilds", *eKathimerini*, 18 January 2021, <https://www.ekathimerini.com/economy/261296/greek-shipowners-order-85-newbuilds/>.

⁴⁹ Plamen Tonchev (ed), *China's Image in Greece, 2008-2018*, *Institute of International Economic Relations*, October 2018, <https://idos.gr/wp->

developing country with low living standards, despite its spectacular achievements over the last decades; (ii) the perception of an authoritarian regime, which does not respect the rights of its citizens; (iii) a somewhat 'transactional' attitude in the hope that China could support Greece against next-door Turkey (iv) the fuzzy image of a civilization as glorious as the Greek one, even if the average Greek citizen knows virtually nothing about Chinese history.

China's image in Greece has traditionally been more positive than in many other European countries. In 2013, more than half the Greeks polled (57%) believed that China was bound to replace – or had already replaced – the US as the leading world power.⁵⁰ The December 2017 Eurobarometer survey showed Greece as a relatively China-friendly country among the EU member states, even though negative views prevailed over positive ones in the country - 49% vs 45%, respectively.⁵¹ And as recently as early 2022, perceptions of China in Greece were on a nearly equal footing with those of the US, in stark contrast to feedback from other western countries.⁵²

Yet, views of China have visibly soured in Greece since 2020. Greek citizens hold a negative view of China's role in the origin of the coronavirus and the global spread of the pandemic.⁵³ On a local scale, there have been signs of resentment in the broader area of Piraeus, which hosts China's BRI flagship project. Tension has been widely reported in Greek media outlets, even though state-controlled Chinese media have been conspicuously silent on this issue.⁵⁴ Following a fatal accident in late 2021, a wave of strikes disrupted the operation of the COSCO-run port.⁵⁵ Not least of all, there are reasonable questions about the split of socio-economic benefits that are being drawn from this investment and there is growing

awareness in Greece that the balance is heavily tilted towards the Chinese side.

4.3. No appeal, a transactional approach to China

Greeks do not think highly of China's political system, which does not qualify as a democracy in their eyes. In fact, China has a largely negative image in Greece in terms of living standards, lifestyle, social cohesion, form of government, human rights, etc. This has been duly recorded in related surveys, even at a time when anti-western sentiments peaked in Greece. Attitudes towards China appear to be more friendly in the left part of the political spectrum, among parties like SYRIZA, the Communist Party of Greece (KKE) and the MeRA 25 group headed by the flamboyant former SYRIZA minister of finance Yanis Varoufakis. At any rate, while many Greeks support the idea of a strong state, they lean towards the Scandinavian model of parliamentary democracy rather than China's one-party state capitalism.⁵⁶

Irrespective of ideology and related perceptions, the transactional approach to cooperation with China is amply exemplified in the case of the Greek governments' Golden Visa policy. The presence of Chinese property buyers in Greece grew in leaps and bounds between 2014 and 2020. Chinese citizens who can afford this are seen as milking cows by Greek real estate agencies: as of June 2021, Chinese Golden Visa holders accounted for a stunning 72.4% of the total⁵⁷, though their share has shrunk lately due to travel restrictions amid the COVID-19 pandemic. Arguably, this trade illustrates perfectly well China's

[content/uploads/2018/10/China-Image-in-Greece_9-10-2018.pdf](https://www.pewresearch.org/content/uploads/2018/10/China-Image-in-Greece_9-10-2018.pdf)

⁵⁰ Pew Research Centre, 'America's Global Image Remains More Positive than China's', p. 5, <http://assets.pewresearch.org/wp-content/uploads/sites/2/2013/07/Pew-Research-Global-Attitudes-Project-Balance-of-PowerReport-FINAL-July-18-2013.pdf>.

⁵¹ Source: Special Eurobarometer 467, 'Future of Europe', European Commission, December 2017, p. 81, <http://ec.europa.eu/comfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/SPECIAL/surveyKy/2179>.

⁵² Source: Pew Research Center, <https://www.pewresearch.org/fact-tank/2022/06/29/across-19-countries-more-people-see-the-u-s-than-china-favorably-but-more-see-chinas-influence-growing/>.

⁵³ Plamen Tonchev, 'Close – and Primarily Commercial – Cooperation Between Greece and China', in ETNC, 'Covid-19 in Europe-China Relations: A country-level analysis', 29 April 2020,

<https://www.ifri.org/en/publications/publications-ifri/ouvrages-ifri/covid-19-europe-china-relations-country-level-analysis>.

⁵⁴ Plamen Tonchev, 'Sino-Greek Relations in the Greek and Chinese Media, 2020', March 2021, *Institute of International Economic Relations*, https://idos.gr/wp-content/uploads/2021/03/Sino-Greek-Relations_in_Media_18-3-2021.pdf.

⁵⁵ Matthaios Tsimitakis, 'China's Cosco under fire after fatal accident in Piraeus port', 27 October 2021, *Euractiv.gr*, https://www.euractiv.com/section/politics/short_news/chinas-cosco-under-fire-after-fatal-accident-in-piraeus-port/.

⁵⁶ Source: DiaNEOsis, <https://www.dianeosis.org/en/2017/04/greeks-believe-in-2017/>.

⁵⁷ Plamen Tonchev, 'The Golden Visa Rush in Greece', *CHOICE*, 26 August 2021, <https://chinaobservers.eu/the-chinese-golden-visa-rush-in-greece/>.

“charm” in Greece as little more than a source of capital.

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4.4. Patterns of China’s approach to Greece

There are three discernible patterns of China’s efforts to increase its clout in Greece, which relate to Beijing’s strategic objectives in the country. First, China is eager to make the most of Greece’s geographical position in the framework of the Belt and Road Initiative. Small wonder that Chinese officials and media outlets invariably extol COSCO’s investment in the port of Piraeus as a bright example of ‘win-win’ cooperation, even if this is not fully corroborated by evidence on the ground. Second, ‘cultural diplomacy’ is a prominent theme in China’s soft power toolkit in Greece, Beijing’s aim being to befriend Athens as much as possible and rely on it as an ally in the EU. Third, China is fully aware of Greece’s concerns about a belligerent Turkey next door and banks on its status as a permanent member of the UN Security Council.

4.5. Policy recommendations

Both the political elite and society in Greece need to understand that the perceived cultural ‘fraternity’ with China is fictional. Despite the widely held conviction that the two countries have glorious civilizations, surveys reveal that China is considered to be a remote and culturally different nation, without any particular bond to Greece.⁵⁸

It should become clear in Greece that China’s cultural diplomacy is not exactly innocent and there may be more than meets the eye. Socrates and Confucius have nothing to do with the number of containers trans-shipped by COSCO through the port of Piraeus or political support provided by Athens to Beijing on territorial disputes in the Indo-Pacific region.

The transparency of Sino-Greek relations could be substantially enhanced. For instance, there is no compelling reason for the BRI MoU between the two countries signed in August 2018 to remain classified and it should be published.

Greece needs a comprehensive China strategy, which goes beyond transactional economic cooperation or ostentatious cultural ties. Instead, such a policy document should factor in possible concerns about China’s real pursuits and potential hybrid threats, as identified in a number of other western countries.

⁵⁸ Source: University of Piraeus, <https://www.des.unipi.gr/wpcontent/uploads/2014/01>

[/Research-Results-for-China-by-students-2013-2014-in-english_.pdf](#).

5. China and North Macedonia – the ever-appealing but never-fulfilling expectation

ANA KRSTINOVSKA

5.1. Dreaming about Chinese investors

During the initial years of the cooperation platform between China and Central and Eastern European (CEE) countries, Macedonian authorities were eager to explore various cooperation opportunities with the belief that Chinese engagement in the country would support economic growth and development. The government organized several business forums in China aiming to attract investors and also put forward the idea to create a special “free zone” for Chinese companies where they would enjoy benefits such as subsidies and tax exemptions.⁵⁹

Despite the fact that during those years the country experienced its best ever ranking for doing business, 10th worldwide and 5th in Europe in 2016,⁶⁰ the expectations that the country would receive a wave of Chinese investments did not materialize. The only greenfield investment of the Sino-Turkish textile company Weibo Group turned out to be significantly smaller than the initial announcement in 2014: instead of EUR 300 million and 5,000 employees, in 2015 it invested EUR 3 million and employed only 25 people.⁶¹ To date, this has been followed by only several indirect acquisitions of foreign company branches operating in North Macedonia through their mother companies located abroad.⁶²

By the end of 2021, the volume of Chinese investment in North Macedonia amounted to EUR 130.37 million, or only

2% of all the total FDI stock. This outcome is related on the one hand to objective factors, such as the small size of the Macedonian market and the fact that the country is not part of the EU's single market. On the other hand, it is related to the design of the FDI policies that portray the country as a ‘haven’ for outsourcing low-paid industries or employing highly-skilled personnel at low prices. This portrayal does not match the priorities of Chinese investors who are usually in search of capital-intensive projects and are driven primarily by the desire to acquire companies in strategic industries, start-ups with high growth potential, competitive brands and new technologies.

5.2. China's steady reputation despite controversies

At the same time, China has become a significant creditor for North Macedonia by providing a preferential loan from its Export-Import Bank to build two highway sections; Shtip to Miladinovci, finished in 2019, and Kichevo to Ohrid where the construction is behind schedule and should be finished in 2023. The project has been marred by controversies because of the lack of an open and competitive public procurement procedure, corruption allegations, as well as a number of mistakes in the preparation and construction process, bringing the total value of the loan to EUR 909 million (EUR 200 million more than initially planned).⁶³

However, China's role in the inadequate project outcome was emphasized mostly in foreign media outlets and think

⁵⁹ ‘Some people do not believe, but everybody hopes for Chinese investments’, *Radio Free Europe*, 23 October 2013, <https://www.slobodnaevropa.mk/a/25145070.html/>.

⁶⁰ ‘Doing Business’ database, World Bank, accessed on 9 September 2022, https://data.worldbank.org/indicator/IC.BUS.DFRN.XQ?locations=MK&most_recent_year_desc=false.

⁶¹ ‘Foreign Investments Uncovered’, *Prizma*, April 2017, <http://investicii.prizma.mk/en/inv/Weibo-Group>. In the period 2009-2010 there was another greenfield investment announced, by a Sino-Korean consortium Haier-Triview, which also did not go through. More info is available here <http://investicii.prizma.mk/en/inv/Triview-and-Haier>

⁶² For more info see A. Krstinovska, ‘The Business Dimension of the Belt and Road Initiative: Case Study of Macedonian Companies’, Bitola, ESTIMA, 2020, p. 15, http://estima.mk/static/c2.2a1.15_xgfv9t3kenqscsdmit8/s1/files/rte/documents/NORTH%20MACEDONIA%20IN%20THE%20BELT%20AND%20%20%20ROAD%20INITIATIVE%20eng.pdf

⁶³ A. Krstinovska, ‘Exporting corruption? The case of a Chinese highway project in North Macedonia’, Prague, Association for International Relations – China Observers in CEE project, 6 November 2019, <https://chinaobservers.eu/exporting-corruption-the-case-of-a-chinese-highway-project-in-north-macedonia/>.

tank articles, while domestically the case was mostly associated with the local actors and their wrongdoings. Not only was China's reputation in the country not affected by this scandal, but even improved later on with the pandemic. According to a survey⁶⁴ in 2018, the proportion of respondents with a negative view of China was 28%, while 25% had a positive view. In comparison, the positive perception of the EU, the US and Russia stood at 50%, 38% and 32% respectively. In 2021, the percentage of citizens who had a positive perception of China increased to 38%, while in the case of the EU it dropped by 5%.⁶⁵

According to the same survey, a similar trend can be observed in the other Western Balkan countries, contrary to those in most EU members in CEE. Explained in part by the assistance China provided to the Western Balkans in the form of medical equipment and vaccines at a time when they were feeling abandoned by the EU.⁶⁶ At times it came as procurement and not donations, and by the end was much lower in value compared to the assistance from Western partners. However, China's assistance was timelier and easier to procure, certainly at the start of the pandemic when most needed.

5.3. The appeal of the Chinese approach

Due in part to China's propaganda, the impression Macedonian citizens have about how China handled the pandemic was far more positive than the picture of EU's discord and initial poor performance.⁶⁷ Chinese narratives contained a subtle allusion that the Chinese governance system was better suited to respond to crises like the COVID-19 pandemic than the Western liberal-democratic model.⁶⁸ However, although China is perceived as being a well-managed country, with functional and efficient governance allowing for quick decisions, the fact that it is

a non-democratic, one-party, authoritarian state where human rights are not protected is seen in a very negative light. This indicates that Macedonian citizens are aware of both the advantages and disadvantages of the Chinese governance model.

Nevertheless, amidst the global East-West polarization, China's rhetoric resonates well in North Macedonia due to several domestic factors; First, while Macedonian citizens tend to view democracy as the most desired system of governance, they do not perceive North Macedonia as being democratically governed and are not satisfied with the performance of the political system.⁶⁹ Second, the prospect of joining the European Union seems to be very distant, creating public disenchantment with the EU and paving the way for increased euro-skepticism. Third, China's close relationship with Serbia and the benefits that the latter is perceived to draw from their 'iron-clad friendship' remain an incentive for Macedonian citizens to desire a closer cooperation with China.

5.4. Expectations vs outcomes

However, in the past decade North Macedonia arguably failed to fulfil the expectations from this cooperation with China, not only at a central level but also at the subnational level where municipalities did not receive the expected economic benefits from their Chinese sister cities.⁷⁰ Instead, the pinnacle of cooperation has been the area of education and science, with over 40 joint research projects implemented in five years,⁷¹ multiple donations of equipment to schools and universities, with a growing number of Confucius classrooms and Chinese government bursaries.

⁶⁴ 'Western Balkans between East and West: Public Opinion Research in Bosnia and Herzegovina, Macedonia, Montenegro, Serbia', National Democratic Institute (NDI), November 2018, p. 11, https://www.ndi.org/sites/default/files/Download%20Report_1.pdf.

⁶⁵ 'Between East and West: Democracy, Disinformation and Geopolitics', National Democratic Institute, 4 January 2022, <https://www.ndi.org/publications/between-east-and-west-democracy-disinformation-and-geopolitics-central-and-southeastern>.

⁶⁶ B. Qalliu, 'Rama blames the EU for Albania's lack of COVID-19 vaccines', *Exit News*, 25 December 2020, <https://exit.al/en/2020/12/25/rama-blames-the-eu-for-albanias-lack-of-covid-19-vaccine/>.

⁶⁷ A. Krstinovska, 'Foreign Influence Operations: Analysis of the COVID-19 Pandemic in North Macedonia', Bitola, ESTIMA, October 2020, p. 22, http://estima.mk/static/c2.2a1.15_xgfv9t3kenqscsd

<mit8/s1/files/rte/documents/Influence%20operations%20EN.pdf>.

⁶⁸ Krstinovska, 'Foreign Influence Operations', p.23.

⁶⁹ C. Haerpfer et al. (eds.), 'World Values Survey: Round Seven - Country-Pooled Datafile Version 4.0.', Madrid, Spain & Vienna, Austria: JD Systems Institute & WVSA Secretariat, 2022, doi:10.14281/18241.18

⁷⁰ K. Janeva, 'Sister Cities Partnerships: Subnational actors in the cooperation between the Republic of North Macedonia and the People's Republic of China'. Bitola, Estima, June 2022. <https://bit.ly/3upuZun>.

⁷¹ P. Klincarski, From economically and politically moderate, to educationally omnipresent and strong: China's influence in N. Macedonia, in '360 degrees', 10 May 2022, <https://360stepeni.mk/od-ekonomski-i-politichki-umerena-do-obrazovno-seprisutno-jaka-vlijanieto-na-kina-vo-s-makedonija/>.

The mismatch between the 'expectations' on the Macedonian side and the 'outcomes' creates an impression that the cooperation is predominantly China-driven. This is in part, due to the lack of the capacity in the public administration to propose and implement initiatives that may benefit North Macedonia, as well as the lack of interest, expertise and funding for civil society to act as a watchdog and hold the government accountable on China-related policies. China is not an important topic in Macedonian media outlets, which do not have an interest nor the capacity to prepare analytical China-related news items. Thus, there is a gap in the information space which can be skillfully used by Chinese entities to place content promoting Chinese perspectives, such as op-eds signed by the Chinese Ambassador or TV content sponsored by their Embassy.

Media outlets should engage more in analytical and investigative reporting on China-related topics in order to provide more relevant information, sustain a public debate and help the citizens to build informed views.

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5.5. Policy recommendations

Despite the limited benefits thus far, Macedonian citizens continue to have a favorable opinion of China not because of 'the material impact of the cooperation, but because of the sense of possibility that China inspires'.⁷² China compensates the under-delivery of economic outputs with a strong public diplomacy and propaganda outreach, which was especially visible during the pandemic. A regular presence in national (traditional) media, activities by the Confucius Institute, donations in key sectors, and the building of long-term partnerships through joint research projects and scholarships are the main tools which contribute to anchoring a positive perception of China.⁷³ The messages through these channels put forward official Chinese positions, portray an entirely positive image of China and leave out any negative aspects, making it difficult for citizens to build an informed opinion.⁷⁴ In such a context:

The government should proactively increase the transparency of its China-related policies and define specific objectives and a policy framework for the future. This would provide an entry point for civil society and media to monitor and assess the cooperation and its benefits or risks for North Macedonia.

Universities should envisage the creation of independent China/Asia-studies programs, free of Chinese government influence, in order to support the development of domestic expertise.

⁷² A. Vangeli, 'China in Southeast Europe: A Regional Perspective', in A. Vangeli, A. (ed), *The Role of China in Southeast Europe*, Athens, Friedrich Ebert Stiftung, p. 10, <https://library.fes.de/pdf-files/bueros/athen/19416.pdf?fbclid=IwAR3WrzxwovN RipMSqkAxW4AaGgVByDOzTDbEmIBiFUWLRfg5yPVi CK03Bss>.

⁷³ Krstinovska, 'Understanding the tools, narratives and impact of China's "soft power", 2022.

⁷⁴ Krstinovska, 'Understanding the tools, narratives and impact of China's "soft power", 2022

6. China's long journey in Romania: from hope, to disappointment, to distancing

ANDREEA LEONTE

6.1. Economic charm offensive

Ten years ago, when the 16+1 mechanism came into being, China charmed Romania with its economic development. Emerging from the global financial crisis of 2008 and plagued by a lack of infrastructure and decades-long underinvestment, Romania looked towards China, the center of the world in terms of infrastructure construction, hoping it could replicate a similar path. A decade later, the state of Romania's infrastructure and exports to China remain the same, but the ties have seen on a continuous downward trend, while China's charm is nowhere to be found.

In the first years after the launch of the China-CEEC cooperation format, China's secret charm was a combination of its economic mirage, and the individual and party-level relations maintained by Beijing in Romania. The Prime Minister Victor Ponta at the time, the main proponent of stronger relations with China, wanted to raise bilateral relations⁷⁵ to the level of a Strategic Partnership, a move that was never implemented, mainly as a direct consequence of him losing power and leaving no one else to promote ties with China.

In 2013, Ponta set up an inter-ministerial committee to monitor the implementation of the projects announced in the 13 MOUs signed with Chinese companies at the 16+1 forum in Bucharest, but all were eventually abandoned, in spite of Romania's openness to FDI.⁷⁶ There are numerous factors that led to their failure, from political instability in Romania and lack of sufficient interest from China, to opposing interests in negotiations, leading to years-long impasses, stagnation and disengagement.

Over the past decade, economic ties have stagnated, with the exception of imports from China, which have grown constantly. Romania's trade deficit with China now exceeds USD 5 billion, accounting for over a fifth of the total deficit (21.2%). China is ranked 4th among import partners and 20th among export destinations. Attempts to increase exports to China have been tenuous, unstructured and not well supported by the government, leading to no notable results.

With regards to FDI, National Bank of Romania (BNR) data shows that the stock of Chinese FDI in Romania exceeded EUR 100 million in only 3 years; 2013, 2015 and 2020, and China never exceeded the position of the 20th largest investor in Romania⁷⁷. Chinese companies do not dominate any key economic sector, although Romania has been trying since 2010 to convince Chinese investors to invest in energy, infrastructure and agriculture. The only exception remains the telecoms sector, where Huawei equipment is used in the 3G and 4G networks of most telecom providers.

Some of the most important acquisitions of factories and investments made by Chinese companies in Romania have been acquired indirectly, by acquiring Western companies with a presence in Romania. For example, COFCO acquired the Dutch company Nidera and thus gained a cereal terminal in the Port of Constanta, and ChemChina bought the Italian company Pirelli, which had factories in Romania. Nevertheless, greenfield investments by Chinese companies have been rare, one recent example being the fridge factory built by Haier in Ploiesti.

In the banking sector, the Bank of China entered Romania in October 2019, although the intent for cooperation in the banking sector dates back to 2004, when a first framework cooperation agreement was signed⁷⁸ between EximBank Romania and China Eximbank (followed by a second one in 2014), setting a communication channel for domestic

⁷⁵Ponta Victor: Am propus ridicarea relației dintre România și China la nivelul cel mai înalt pe care România îl are, acela de Parteneriat strategic, *Guvernul României*, 2.07.2013, <https://gov.ro/ro/media/declaratii-de-presa/victor-ponta-am-propus-ridicarea-relatiei-dintre-romania-si-china-la-nivelul-cel-mai-inalt-pe-care-romania-il-are-acela-de-parteneriat-strategic1377845247#null> (last visit: 16.09.2022).

⁷⁶ "EximBank semneaza un Acord de Cooperare Financiara cu China Eximbank," *EximBank.ro*, 28.01.2014, <https://www.eximbank.ro/eximbank-semneaza-un-acord-de-cooperare-financiara-cu-china-eximbank/> (last visit:

16.09.2022).

⁷⁷ Matura, T., "China and Central Europe: Success or Failure?," *Dialóg Campus Budapest*, 2020, https://nkerepo.uni-nke.hu/xmlui/bitstream/handle/123456789/15944/839_China_and_Central_Europe.pdf (last visit: 16.09.2022).

⁷⁸ Emergency Ordinance No 25 of 31 March 2021 on amending and supplementing certain regulatory acts in the field of public procurement, published in the OFFICIAL MONITOR No 346 of 5 April 2021.

companies wishing to initiate business relations. The same year, EximBank Romania had established a framework partnership with two insurance institutions for export and OFDI credits.

6.2. China's image is on a downward spiral

The lack of investments and tangible progress or achievements in the economic sphere has led, soon after the departure of Victor Ponta from the prime ministership in 2015, to disillusionment with China and an understanding that the expectations from a decade ago were exaggerated. Some successors opted to skip either 16+1 summits or the two BRI forums, even though Romania had signed a BRI memorandum with China.⁷⁹ Regardless, no BRI project has been implemented in Romania.

This slow disengagement later changed to an active policy of distancing from China. In 2019, the Romanian government banned Huawei and ZTE from its 5G network, first by signing an MoU with the US (2019) and then by implementing a 5G law (2021), ended negotiations (2019) with China General Nuclear Power for its investment in the Cernavoda Nuclear Power Plant (2020), restricted⁸⁰ the access of Chinese companies to public tenders (2021), and sent only a trade minister at the 17+1 video summit, in 2021.

In 2021, the right-wing government adopted a memorandum⁸¹, that later became law, stating that companies from non-EU countries that don't have an agreement with the EU regarding access to the European public procurement market can be excluded from infrastructure bids.

This signaled the end of Romania's attempts to woo Chinese investors. Given the absence of significant Chinese economic stakeholders, in practice not much has changed at all.

6.3. A total lack of socio-political charm

Ties with China were never strong, as public opinion had an ambivalent position from the start. While admiring its economic development, most people still associate China with communism and Romania's communist past. The majority of Romanians firmly support⁸² the country's Euro-Atlantic outlook and its positioning towards the West, through its EU and NATO membership. According to a recent survey⁸³, 77% of Romanians believe that Romania should be heading West in terms of political and military alliances, while only 10.4% believe the direction should be towards the East (i.e. Russia, China), meaning there is no affinity for China's socio-political model.

China's image in Romania has mostly deteriorated since 2013⁸⁴, due to a combination of news about US-China tensions, Western criticism of China, Beijing's human

⁷⁹ "Emergency ordinance draft amending and supplementing public procurement legislation," *Agenția Națională pentru Achiziții Publice (ANAP)*, 2021, <http://anap.gov.ro/web/proiect-de-ordonanta-de-urgenta-privind-modificarea-si-completarea-legislatiei-in-domeniul-achizitiilor-publice/> (last visit: 16.09.2022).

⁸⁰ Roman, M., "SONDAJ Încrederea românilor în NATO, UE și SUA a crescut masiv / Susținere pentru bazele militare americane în România / Biden e liderul global cu cea mai mare încredere / Putin, popular în rândul tinerilor datorită platformei Tik-Tok," *G4Media.ro*, 26.01.2022 <https://www.g4media.ro/sondaj-increderea-romanilor-in-nato-ue-si-sua-a-crescut-masiv-sustinere-pentru-bazele-militare-americane-in-romania-biden-e-liderul-global-cu-cea-mai-mare-incredere-putin-popular-in-randul-tin.html> (last visit: 16.09.2022).

⁸¹ Editorial, "Neîncrederea publică: Vest vs. Est, ascensiunea curentului naționalist în era dezinformării și fenomenului știrilor false – Ediția a IV-a. Capitolul 1: Securitate militară. Capitolul 2: Vest vs. Est, Încrederea în țări și lideri internaționali," *INSCOP Research*, <https://www.inscop.ro/ianuarie-2022-neincrederea-publica-vest-vs-est-ascensiunea-curentului-nationalist-in-era-dezinformarii-si-fenomenului-stirilor-false-editia-a-iv-a-capitolul-1-securitate-militara-capi/> (last visit: 16.09.2022).

⁸² Annual Foreign Direct Investment Reports, "Investițiile străine directe în România," *National Bank of Romania*, <https://www.bnr.ro/PublicationDocuments.aspx?icid=9403> (last visit: 15.09.2022). In 2020, the BNR changed its FDI calculation methodology, considering the country listed as the final investment destination. As a result, the recorded value of investments with Chinese capital increased considerably compared to previous years, to 1110 million EUR (668 million EUR being greenfield investments), but representing only 1.2% of total FDI in Romania.

⁸³ In 2013, nearly three quarters of the Romanians surveyed (73%) agreed with Romania's decision to promote major Chinese-funded investment. See: *Calea Europeana*, "Sondaj: Jumătate dintre români cred că proiectele chineze în România se vor realiza doar parțial," *Caleaeuropeana.ro*, 02.12.2013, <https://www.caleaeuropeana.ro/sondaj-jumatate-dintre-romani-cred-ca-proiectele-chineze-in-romania-se-vor-realiza-doar-partial/> (last visit: 26.09.2022).

⁸⁴ "Ease of Doing Business in Romania", *The World Bank*, 2020, <https://archive.doingbusiness.org/en/data/exploreconomies/romania> (last visit: 10.10.2022).

rights abuses and its assertive actions in its region, the origin of the pandemic in China, China's rhetorical support for Russia's invasion of Ukraine and numerous failed investments.

Almost all news articles published in Romania on China are translated from Western sources, so the tone of coverage is mostly critical. While China Radio International and Xinhua publish in Romanian, they have a very limited reach and lack the capacity to shape the opinions of the general public, who show limited interest in, let alone affinity for, China.

While the main left-wing party, the Social Democratic Party (PSD), used to be the traditional proponent of closer ties to China, it no longer calls for strengthening these ties with China either.

Within the Romanian government there is a desire to prevent a further deterioration of relations. According to an internal memo from the Ministry of Foreign Affairs, led by technocrats, Romania does not intend to leave the 14+1 cooperation format. This shows an important difference in attitude and strategy between the politicians in the executive and legislative structures.

6.4. Policy recommendations

Albeit not marred by any particular tensions, China and Romania relations have reached an all-time low, with no rehabilitation plan on either side. As a testament to the changing perception of China in Romania, two parliamentarians from right-wing parties joined IPAC this year, almost 2 years after its creation.

Romania went from being one of the strongest proponents of engagement with China in 2012-2015 to being one of the most active CEEC countries in distancing itself from China. But unlike countries like the Czech Republic or the Baltic states, it did not engage in any criticism of Beijing's human rights policies, nor did it seek to strengthen relations with Taiwan.

The Romanian authorities should pay more attention to cooperation at the local level, in the form of MoUs, twinning agreements or partnerships between Chinese and Romanian municipalities, universities, state agencies and other public institutions, which should be centralized in a publicly accessible national register. Furthermore, bolstering the domestic research capacity on China and the broader Asia-Pacific region should be prioritized.

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7. Serbia and China – Steel-Strong Friendship

VUK VUKSANOVIĆ

7.1. Introduction

Sino-Serbian ties have experienced a historically unprecedented upswing in recent years. The typical description flaunted by the two sides is one of a 'steel friendship', including the recent statement from Serbia's Ambassador to China, Maja Stefanović, who referred to the 'steel-strong' friendship between the two countries.⁸⁵ Within this partnership, Serbia has been a major recipient of Chinese capital.

The partnership will continue, but there will also be a downside as the Chinese capital degrades the environment, the rule of law, and labor standards, impacting the local communities in cities that are recipients of this Chinese capital. However, despite these controversies, the Chinese charm offensive has worked out, as the perception of China in Serbia is overwhelmingly positive.

This situation is largely the product of an illiberal tilt in Serbian politics, as Serbian elites push for a pro-China narrative to promote themselves among their constituents. The Serbian general elections of 2022 demonstrated that Beijing would continue to be a major partner for Serbia, and this status will be strengthened further with the war in Ukraine.

7.2. Chinese Capital is Welcome

Regarding the objective metrics, such as the 'Doing Business' profile devised by the World Bank Group, Serbia is ranked in 44th place with a 75.7 ranking on the 'Doing Business Score'.⁸⁶ It remains unclear how much this environment contributes to the arrival of Chinese capital. In the case of a country like Serbia, the political enabling by the incumbent elite is more important than the regulatory business environment.

Still, the country did see an increase in the influx of Chinese capital. By late 2021, according to publicly available data, investments from China into Serbia exceeded EUR 3 billion, and Beijing's infrastructure loans exceeded EUR 8 billion.⁸⁷ Between 2010 and 2020, China accounted for 4.28% of FDI in Serbia, after the EU (67.58%), Russia (9.33%) and Switzerland (5.21%).⁸⁸ In the city of Zrenjanin, based on a 2018 agreement, the Chinese tyre manufacturer Linglong is constructing a factory with an estimated project value of USD 1 billion, making it the largest greenfield investment in Serbia.⁸⁹ At the beginning of February 2022, at the bilateral meeting, during the opening ceremony of the Beijing Winter Olympic games, Chinese President Xi Jinping and his Serbia counterpart Aleksandar Vučić pledged to sign a free trade agreement. The agreement's ambition is to boost bilateral trade from the current USD 5.3 billion to USD 8 billion, and later to USD 10 billion.⁹⁰

⁸⁵ 'Serbian Ambassador: Friendship between Serbia and China 'steel-strong'', *N1*, 14 July 2022, <https://rs.n1info.com/english/news/serbian-ambassador-friendship-between-serbia-and-china-steel-strong/>, (accessed 05 August 2022).

⁸⁶ 'Ease of Doing Business in Serbia', *World Bank Group*, 2022, <https://archive.doingbusiness.org/en/data/exploreeconomies/serbia>, (accessed 14 September 2022).

⁸⁷ Vuk Vuksanovic, 'A factory showed the uglier face of Sino-Serbian partnership', *Euronews*, 10 December 2021, [https://www.euronews.com/2021/12/10/a-](https://www.euronews.com/2021/12/10/a-factory-showed-the-uglier-face-of-sino-serbian-partnership-view)

[factory-showed-the-uglier-face-of-sino-serbian-partnership-view](https://www.euronews.com/2021/12/10/a-factory-showed-the-uglier-face-of-sino-serbian-partnership-view), (accessed 08 August 2022).

⁸⁸ 'Strane direktne investicije 2020 (Foreign Direct Investments 2020)', *EU Delegation in the Republic of Serbia*, 2022, <https://europa.rs/strane-direktne-investicije-2020/>, (accessed 15 September 2022).

⁸⁹ *Ibid.*

⁹⁰ Branislav Urosevic, 'Serbia to sign free trade deal with China by year-end - Vucic', *SeeNews*, 7 February 2022, <https://seenews.com/news/serbia-to-sign-free-trade->

While, in theory, the free trade agreement with China would allow Serbia to attract new investors, Serbia is struggling with a deficit in trade with China, and it is dubious that Serbia can penetrate the large and demanding Chinese market.⁹¹ In total trade figures, between 2010 and 2021, China was Serbia's third largest trading partner (EUR 4.47 billion), after the EU (EUR 30.28 billion), and countries included in the Central European Free Trade Agreement (CEFTA) (EUR 4.67 billion), a trade agreement implemented by the governments of Southeast Europe.⁹² In terms of export structure, China's position was stronger in this period, being the fourth destination of Serbian products (EUR 822 million), behind the EU (EUR 13.94 billion), CEFTA countries (EUR 3.4 billion) and Russia (EUR 840 million).⁹³ However, in 2021 China accounted for 43% of the entire Serbian national deficit, with more than 70% of Serbian exports to China being copper from the RTB Bor, owned by Chinese Zijin Mining.⁹⁴

7.3. Controversies Do Not Harm the Chinese Image

There is a downside. As the 2022 research by the Belgrade Centre for Security Policy (BCSP) determined in three cities that are recipients of Chinese investments, Smederevo, Bor and Zrenjanin, Chinese projects have a detrimental impact on environmental safety and public health. These projects are also marred by the rule of law and labor rights violations. In some communities like the city of Zrenjanin, the sudden arrival of the large Chinese community, known for its refusal to integrate with the local community,

threatens fragile inter-ethnic relations in a multi-ethnic environment.⁹⁵ Despite all the controversies surrounding the Chinese projects, the Chinese charm offensive continues to work. The government controls the information narrative, and the population refrains from resisting for fear of losing its livelihood if the Chinese capital pulls out.

7.4. It is the Locals Who Do All the Work

Indeed, the perception of China has not suffered. One of the main reasons why the Chinese charm offensive worked was that the Serbian leadership wanted it to work. Since April 2012, under the leadership of the Serbian Progressive Party and President Aleksandar Vučić, Serbia has experienced a constant decline in its democracy and rule of law. In that environment, the ties with China deter the West from criticising the Belgrade government. At the same time, the collaboration with China is marred by a lack of transparency. Serbian leaders use hyperbolic praise of China to portray themselves to their constituents as the ones enabling the attraction of easy Chinese capital.⁹⁶ As such, the main source of the pro-Chinese narrative is not the campaign orchestrated by the Chinese government but pro-government media in Serbia.⁹⁷

As a result of this approach, particularly during the COVID-19 pandemic, 75% of Serbs in 2020 believed China provided the most medical assistance to Serbia during the pandemic, and in 2021, 33% thought that China was the biggest aid donor to Serbia. In late 2020, 16 % of Serbs thought China was the country's greatest friend, second only to Russia with 40%;⁹⁸ in 2021, 77% of Serbs

[deal-with-china-by-year-end-vucic-772141](#), (accessed 08 August 2022).

⁹¹ Stefan Vladislavljev, 'China-Serbia Relations Enter a New Phase', *The Diplomat*, 19 July 2022, <https://thediplomat.com/2022/07/china-serbia-relations-enter-a-new-phase/>, (accessed 08 August 2022).

⁹² 'EU glavni trgovinski partner Srbije (infografik) (EU, the main trading partner of Serbia (Infographic))', *EU Delegation in the Republic of Serbia*, 28 July 2022, <https://europa.rs/eu-glavni-trgovinski-partner-srbije-infografik/>, (accessed 15 September 2022).

⁹³ Ibid.

⁹⁴ Vuk Vuksanovic, "The Dragon Lands in Belgrade: The Drivers of Sino-Serbian Partnership," *The National Interest*, 19 March 2022, <https://nationalinterest.org/feature/dragon-lands-belgrade-drivers-sino-serbian-partnership-201294>, (accessed 15 September 2022).

⁹⁵ Vuk Vuksanović and Maja Bjelos, 'Geopolitics is Local – Ramifications of Chinese Projects for Human Security in Serbia', *Belgrade Centre for Security Policy (BCSP)*, 30

June 2022, <https://bezbednost.org/en/publication/geopolitics-is-local-ramifications-of-chinese-projects-for-human-security-in-serbia/>, (accessed 09 August 2022).

⁹⁶ Vuk Vuksanovic, "Light Touch, Tight Grip: China's Influence and the Corrosion of Serbian Democracy," *War on the Rocks*, 24 September 2019, <https://warontherocks.com/2019/09/light-touch-tight-grip-chinas-influence-and-the-corrosion-of-serbian-democracy/>, (accessed 09 August 2022).

⁹⁷ Stefan Vladislavljev, "Big Brother: Serbia's Media Are Creating Nation of China Lovers," *Balkan Insight*, 26 March 2021, <https://balkaninsight.com/2021/03/26/big-brother-serbias-media-arecreating-nation-of-china-lovers/>, (accessed 09 August 2022).

⁹⁸ Maja Bjelos, Vuk Vuksanovic and Luka Steric, 'Many Faces of Serbian Foreign Policy: Public Opinion and Geopolitical Balancing,' *Belgrade Centre for Security Policy (BCSP)*, November 2020, p.13, <https://bezbednost.org/en/publication/many-faces-of->

considered Chinese influence in the country positive.⁹⁹ Despite China's positive reputation in Serbia, there is no proof that Chinese normative power plays any role in this. China's positive reputation appears to be more related to the domestic environment and the actions of local Serbian actors. This helps explain why Serbia, alongside Hungary, is one of the rare places in wider Central and Eastern Europe where the Chinese charm offensive has worked, unlike the rest of the region where there is disappointment in the promise China used to hold for the region.¹⁰⁰

As Serbia went through general elections (presidential, parliamentary and local elections) in April 2022, collaboration with China was a useful trump card for promoting Serbian leadership.¹⁰¹ The war in Ukraine has even augmented the Chinese clout in Serbia, as Serbian ties with Russia are under duress because of the Russo-Western hostility. In that context, the Serbian leadership is more inclined to play the Chinese card, and both Beijing and Belgrade feel they have leeway to strengthen their ties.¹⁰²

7.5. Policy recommendations

The Chinese charm offensive in Serbia is a success and will continue to be so as long as the ruling party in Serbia wants it to be. The described situation will not change until credible and well-organised political opposition challenges the Serbian government or the EU is willing to challenge the Chinese projects with their funds and investments.

If the EU wants to counter the Chinese presence in Serbia, it needs to provide an alternative to the Chinese capital influx in Serbia both in terms of European companies investing in old industrial facilities that employ the local population and access to infrastructural funds.

Serbian civil society needs to be encouraged to pressure the policy-makers to negotiate collaboration with China on less harmful terms to local communities.

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[serbian-foreign-policy-public-opinion-and-geopolitical-balancing/](#), (accessed 13 September 2022).

⁹⁹ 'Srbija i svet: ključni nalazi iz istraživanja javnog mnjenja' (Serbia and the World: The Key Findings from the Public Opinion Survey), *CeSID*, 31 May 2021, <http://www.cesid.rs/istrazivanje/srbija-svet-kljucni-nalazi-iz-istrazivanja-javnog-mnjenja/>, (accessed 13 September 2022).

¹⁰⁰ Eter Glurjidge Soso Dzumukashvili, 'The fading "charm offensive": Is China losing its game in Central and Eastern Europe?', *New Eastern Europe*, 2 April 2021, <https://neweasterneurope.eu/2021/04/02/the-fading->

[charm-offensive-is-china-losing-its-game-in-central-and-eastern-europe/](#), (accessed 15 September 2022).

¹⁰¹ Stefan Vladisavljev, 'China's Role in the Serbian 2022 elections Campaign', *9DASHLINE*, 23 February 2022, <https://www.9dashline.com/article/chinas-role-in-the-serbian-2022-elections-campaign?rq=Vladisavljev>, (accessed 15 September 2022).

¹⁰² Vuk Vuksanovic, 'With All Eyes on Russia, Serbia Nourishes Ties With China', *The Diplomat*, 21 March 2022, <https://thediplomat.com/2022/03/with-all-eyes-on-russia-serbia-nourishes-ties-with-china/>, (accessed 08 August 2022).

8. Slovenia and China in calm waters of bilateral economic relations

Nina Pejič and Tinkara Godec

Perceptions of China in Slovenia were steady until the Covid-19 crisis, which rocked the relations both due to the pandemic and changes in governance. While Slovenia does not keep up with the CEE exchange tied to China, we can detect a positive trend of small, but consistent trade growth, successful political and diplomatic relations, as well as enhanced cultural exchange activities.

8.1. Economic Relations with China

Slovenia is the 11th most economically complex country in the world,¹⁰³ making it less dependent on a single large trading partner or export product. As with other trade partners, trade between Slovenia and China has been growing; total imports and exports from China have increased almost twofold since 2012.¹⁰⁴ Currently, China is Slovenia's most important trade partner in Asia (ranking 13th among Slovenia's other partners in 2019), higher than Russia and the US.¹⁰⁵ The Covid-19 crisis affected trade extensively, as imports from China nearly quadrupled from approx. EUR 1.15 billion in 2020 to EUR 4 billion in 2021, mostly due to imports of protective equipment and medical devices.¹⁰⁶ Although increasing, trade between Slovenia and China is still heavily unbalanced: in 2021, for

example, Slovenia imported almost ten times more from China than it exported there.¹⁰⁷

In 2020, Slovenian investments in China amounted to approx. EUR 80.5 million, while Chinese FDI in Slovenia amounted to approx. EUR 273 million, a small fraction of approx. EUR 16 billion of total FDI inflows into Slovenia. Chinese FDI also flows into Slovenia through subsidiaries of Chinese companies in Luxemburg, Cyprus, Germany, Austria, and Hong Kong, although the country sourcing the investment cannot always be determined due to limitations in accessing ownership schemes.¹⁰⁸ As of 2020, there were 86 companies with Chinese ownership in Slovenia.¹⁰⁹ Some of the most prominent examples include Hisense's acquisition of Gorenje, which significantly increased Chinese FDI in Slovenia, as well as Fotona, Outfit7, Tam-Europe, Elaphe, Dinos, Javna razsvetljava, Acies Bio, and hotels Kompas and Lovec. Huawei entered the market in 2016, and is planning to establish a regional logistics hub for 19 CEE markets in Slovenia.¹¹⁰

Slovenia lies at the intersection of two European logistical corridors, and its geographical position makes it an entry point to CEE countries through the sea port of Koper.¹¹¹ Overall, Slovenia ranks high in openness to FDI; its FDI restrictiveness index 2019 was the lowest after

¹⁰³Atlas of Economic Complexity, 'Country & Product Complexity Rankings,' n.d., <https://atlas.cid.harvard.edu/rankings>

¹⁰⁴ Statistical Office of the Republic of Slovenia, 'Exports and imports by countries, Slovenia, annually (cumulative data),' n.d.

¹⁰⁵ T Piriš, 'Slovenska gospodarska diplomacija po svetu: Pismo s Kitajske,' (24 December 2019), <https://www.gov.si/novice/2019-12-24-slovenska-gospodarska-diplomacija-po-svetu-pismo-s-kitajske/>.

¹⁰⁶ KPMG, 'Chinese investments in Slovenia,' *KPMG poslovno svetovanje d.o.o.*, Ljubljana, 2021.

¹⁰⁷ Statistical Office of the Republic of Slovenia, 'Exports and imports by countries,' n. d.

¹⁰⁸ Bank of Slovenia, 'Neposredne naložbe – Direct investment,' Year 25, No. 1, October 2021, pp. 11, 25, 27.

¹⁰⁹ Statistical Office of the Republic of Slovenia, 'Poslovanje podjetij po državah nadzora, Slovenija, letno,' n. d., <https://pxweb.stat.si/SiStatData/pxweb/sl/Data/-/3075820S.px/table/tableViewLayout2/>.

¹¹⁰ S R Maček, 'Huawei plans logistic hub for Central, SE Europe in Slovenia,' *Euractiv* (11 June 2021), https://www.euractiv.com/section/politics/short_news/huawei-plans-logistic-hub-for-central-se-europe-in-slovenia/.

¹¹¹ Centre for International Cooperation and Development, 'Slovenia Country Profile,' n.d., <https://poslovniportal.si/en/doing-business-slovenia/i-slovenia-country-profile>.

Luxembourg.¹¹² However, Slovenia is a small market which lacks large companies, compared to other, entrepreneurially more diverse markets.¹¹³ Thus, Slovenia prioritizes niche sectors for internationalization (green development, health and pharmaceutical fields) focusing on technologies where innovation leaps can be made.¹¹⁴ Moreover, Slovenia does not take a serious interest in participating in regional, bilateral or national projects within the 16+1 Initiative. It has, however, successfully promoted cultural exchange and sports cooperation with a special emphasis on winter sports, as well as university-level, people-to-people exchange.

8.2. China's image in Slovenia

Slovenia did not draw significant benefits from the 16+1 Initiative or the Belt and Road initiative, which reflects on the lack of political discourse. Janša's administration between 2020 and 2022 brought a short-lived change in the political and public discourse, pushing China down the list of national and EU priorities,¹¹⁵ and was critical of human rights issues, including Hong Kong and Taiwan.¹¹⁶ Janša opted out of participation in the 16+1 summit in 2021 and supported the declaration of G7 and NATO identifying China as a key strategic competitor.¹¹⁷ Moreover, the Slovenian MFA revised Slovenia's National Foreign Policy Strategy, in which China is now identified as

offering opportunities for economic cooperation, but also as Slovenia's systemic and strategic rival.¹¹⁸

Parliamentary elections in 2022 brought about a return to the pre-Janša engagement with China; friendly political relations in support of economic cooperation. There are three reasons for this reorientation. Firstly, Slovenia's foreign policy goals in connection to China rest mainly on economic goals. Golob's government is following German pragmatism, and China as a topic is discussed in economic terms. Similarly, the Slovenian Ambassador in China maintains a common European stance, acknowledging the recent geopolitical tensions between the EU and China.¹¹⁹ Political relations are warm, low-key and steady in terms of political visits exchange and high-level talks.¹²⁰ Secondly, Slovenia represents a tiny fraction of Chinese investment and activities within the CEE and has not received a lot of public attention, which could influence political action. However, while views of China have largely stayed the same,¹²¹ Slovenia's perception of China's power has changed since 2012. Namely, 61% of Slovenians saw China as more powerful than the EU in 2018, compared to 48% in 2012. Although this cannot be characterised as an improvement or deterioration of China's image in Slovenia, it shows that Slovenians are starting to perceive China as an important power.

Lastly, China's own messaging in Slovenia has been subdued. When Speaker Pelosi visited Taiwan in August 2022, there was barely any active messaging in Slovenia

¹¹² OECD Data, 'FDI Restrictiveness,' n. d., <https://data.oecd.org/fdi/fdi-restrictiveness.htm>.

¹¹³ Statistical Office of the Republic of Slovenia, 'Podjetja po dejavnosti (SKD 2008) in velikosti glede na število oseb, letno,' n. d., <https://pxweb.stat.si/SiStatData/pxweb/sl/Data/-/1418801S.px/table/tableViewLayout2/>

¹¹⁴ A Suhadolnik, 'Slovenia and China: 30 years of diplomatic relations (12 May 2020), <https://news.cgtn.com/news/2022-05-12/Slovenia-and-China-30-years-of-diplomatic-relations-19X4MyJE9TW/index.html>.

¹¹⁵ N Pejič, 'Slovenian Presidency is Likely to Push China from Top EU Priorities,' CHOICE (30 August 2021), <https://chinaobservers.eu/slovenian-presidency-is-likely-to-push-china-from-top-eu-priorities/>.

¹¹⁶ T Godec, 'Sino-Slovenian Relations Off to a Rocky Start in 2022,' CHOICE (17 February 2022), <https://chinaobservers.eu/sino-slovenian-relations-off-to-a-rocky-2022/>.

¹¹⁷ Global Times, '2022', China 'deeply shocked' as Slovenia's 'Trump' Janez Jansa plays Taiwan card for 'political gain', (19 January 2022) <https://www.globaltimes.cn/page/202201/1246431.shtml>. STA, '2022', Slovenian-Chinese Business Council Warns of Negative Effects from Janša's Comments on

Taiwan (22 January 2022), <https://www.total-slovenia-news.com/business/9487-slovenian-chinese-business-council-warns-of-negative-effects-from-jansa-s-comments-on-taiwan>.

¹¹⁸ Slovenia, 'Zunanja strategija Republike Slovenije,' 2021. https://www.gov.si/assets/ministrstva/MZZ/Dokumenti/strateski-in-programski-dokumenti/strategija_ZP.pdf

¹¹⁹ Suhadolnik, loc. cit.

¹²⁰ The visit of Ambassador Huo: Government of the Republic of Slovenia, '2022', 'State Secretary Raščan receives Special Representative for 16+1 Cooperation' (29 April 2022) <https://www.gov.si/en/news/2022-04-29-state-secretary-rascan-receives-special-representative-for-16-1-cooperation/>. And Yang Jienchi: President of the Republic of Slovenia, '2021', Predsednik sprejel Yanga Jiechija (26 May 2021), <https://www.up-rs.si/up-rs/uprs.nsf/objave/20F625AB45E5012BC12586E1004346D2?OpenDocument>.

¹²¹ 39% viewed China positively in 2016 and 2018 (European Commission, 'Special Eurobarometer 451,' 2016; 'Special Eurobarometer 467: Future of Europe Report,' 2017; 'Special Eurobarometer 479' 2018.)

from the Chinese side, apart from a few tweets,¹²² and an op-ed by the Chinese Ambassador to Slovenia, Wang.¹²³ On topics where China is directly challenged, the public response is also timid. When the President of the Slovenian-Chinese Business Council, called on Ambassador Wang and China to stay neutral in the Russian invasion of Ukraine,¹²⁴ the response in the Slovenian media consisted of an agreeable reply by Ambassador Wang,¹²⁵ but no discussion in the wider media landscape.¹²⁶

8.3. Appeal of China's governance model

Slovenian attitudes towards the EU are positive,¹²⁷ but in the context of rivalry between liberal democracies and China's authoritarian state capitalism, Slovenia represents an interesting mix. While the majority of Slovenians prefer security over freedom, this percentage has been decreasing. Moreover, fewer Slovenians would choose a strong leader over democracy in 2020, compared to 2015. Based on public opinion polls, Slovenia increasingly feels at ease with liberal democracy, and the potential to feel closer to China's socio-political and governance models is decreasing. While China's socio-economic and political model is not viewed very favourably, it is also not viewed as unfavorably as in some other CEE countries, e.g. Latvia, Lithuania or Estonia.¹²⁸

8.4. Policy recommendations

Connected to China's (lack of) charm in Slovenia, we have identified three patterns of mutual behaviour; the lack of comprehensive public messaging on both sides, expanding economic relations with increasingly specialised cooperation, and a stale political climate. Chinese activities in Slovenia are growing, but remain modest in comparison to other CEE countries. Its

economic, political and cultural activities are mainly just a normal part of any country's diplomacy efforts.

Slovenia should focus on its biggest problem: a lack of knowledge and resources for cooperation with a major power. There is a knowledge gap in the Slovenian research domain with regards to in-detail FDI data, needed to assess the state of economic cooperation. Trade between the two is growing, but we face a lack of strategic understanding of the Chinese state-capitalist economic model. Being thoroughly informed in the future would help Slovenia prepare for increasingly complicated bilateral relations between the EU and China.

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¹²² T Godec, 'How China Reacted to Nancy Pelosi's Taiwan Visit in CEE - Slovenia,' CHOICE (16 August 2022) <https://chinaobservers.eu/how-china-reacted-to-nancy-pelosis-taiwan-visit-in-central-and-eastern-europe/>.

¹²³ S Wang, 'Načelo ene Kitajske je predpogoj in temelj zunanjih odnosov,' Dnevnik (6 August 2022), <https://www.dnevnik.si/1042994353/mnenja/odprta-stran/nacelo-ene-kitajske-je-predpogoj-in-temelj-zunanjih-odnosov>

¹²⁴ Ž Vavpotič, 'Prošnja Kitajski, naj ostane nevtralna,' Delo (20 March 2022), <https://www.delo.si/sobotna-priloga/prosnja-kitajski-naj-ostane-nevtralna/>.

¹²⁵ S Wang, 'Prošnja Kitajski, naj ostane nevtralna (2),' Delo (26 March 2022), <https://www.delo.si/sobotna-priloga/prosnja-kitajski-naj-ostane-nevtralna-2/>.

¹²⁶ T Godec, 'Slovenia: Keeping silent, so far,' In *Backing Russia on Ukraine: China's Messaging in Central and Eastern Europe*, Czech Republic: Association for International Affairs, 2022, https://chinaobservers.eu/wp-content/uploads/2022/05/CHOICE_policy-paper_Backing-Russia-on-Ukraine_04_web.pdf.

¹²⁷ European Commission, 'Special Eurobarometer 394,' 2012; 'Special Eurobarometer 451,' 2016; 'Special Eurobarometer 467,' 2017; 'Special Eurobarometer 479,' 2018; 'Special Eurobarometer 500: Future of Europe Report,' 2021; 'Special Eurobarometer 517: Future of Europe Report,' 2021.

¹²⁸ M Hafner Fink and M Malešič, 'Slovensko javno mnenje 2015,' 2016, Ljubljana: University of Ljubljana, Slovenian Social Science Data Archives.

9. Conclusions and Recommendations

While there is a growing body of literature on China's presence in Southeast Europe, its appeal in the region is researched to a much lesser extent. Hence the focus of this policy paper on China's secret charm, which may not be fully captured by figures pertaining to trade and investment. In fact, China's appeal seems to go beyond economic cooperation for reasons that are presented below. A key finding of the research team is that, overall, Southeast Europe is more susceptible to China's 'secret charm' than other parts of Europe. This can be attributed to a lower degree of economic development, but also to weak national institutions and a shortage of capacity in the region.

Trade and Investment

China's economic heft is its main strength and the core of its appeal in the region. It is acknowledged that all SEE countries need, even if to varying degrees, substantial upgrading of their infrastructure and industrial base. This is why a decade ago they all expressed interest in economic cooperation with China's, in the hope that they would attract Chinese investment and, at the same time, would expand their access to the huge Chinese market.

However, with a few exceptions, China's economic presence in Southeast Europe is marked mostly by construction contracts executed by Chinese companies and based on Chinese loans or, in one case, on EU funding. Some countries report negligible or no Chinese involvement in infrastructure development, while failed projects or the rejection of Chinese companies in public tenders have also been recorded. By and large, the level of Chinese FDI in the region is short of initial expectations.

The second key expectation of SEE countries, relating to trade with China, is also being met to a limited extent. Exports to the Chinese have largely been on the rise, but this is at the expense of growing trade deficits, which point to an increasingly likely dependency on China. This is an uneven relationship: SEE countries import from China high-tech equipment and machinery, whereas exports are mostly made up of raw materials, agricultural produce and low added-value manufacturing goods.

China's image

As for China's image in Southeast Europe, the research points to a wide range of perceptions, but generally they are more positive than in other parts of Europe. Serbia stands out as the most China-friendly country in the region, while Romania appears to be at the other end of the spectrum. Notably, views of China are quite different in the two BiH entities, with a marked split between perceptions in the Federation and Republika Srpska.

There is a diffuse positive image of China as an economic superpower, and most SEE countries would like to emulate its high growth rates – until recently, at least. In some cases, the positive mood is shaped by history. In Serbia's case, the 1999 bombing of Belgrade is still a vivid memory; in Albania, traditionally close relations between Beijing and Tirana during the Cold War still have a bearing.

As for the pandemic, China embarked on a large-scale 'mask diplomacy' campaign in 2020. Subsequently, it promoted Chinese vaccines in the Western Balkans, due to the unavailability of western vaccines immediately after the spread of the coronavirus in the region. Yet, with a few exceptions, Beijing's COVID-related public diplomacy has had limited results in Southeast Europe.

China's governance model

Overall, SEE citizens are aware of China's political system and the majority of them are unlikely to support the adoption of Chinese governance standards. Despite some grievances about the efficiency of western democracy and delivery by the EU, SEE societies do not feel enchanted by China's one-party system and state capitalism model. In fact, the vast majority of SEE countries have made their political choice as to where they want to belong.

At the same time, the research has shown that human rights issues in the PRC do not attract much attention and are not a prominent theme in national media across the region. In addition, there is limited evidence of shifting public sentiment caused by controversies surrounding projects with Chinese involvement. They relate to a lack of transparency about the terms of Chinese investment,

frequent budget overruns, strain on national financial resources, direct contracts without public tenders, low environmental and labour standards, etc.

In general, SEE governments are wary of criticising China, mostly because of its economic and political weight. Left-leaning parties appear to be more receptive of Chinese governance standards than right-of-centre political formations, but this can also be attributed to signs of underperformance on the part of the EU. Delays and ambivalence as to the European prospects of the Western Balkans certainly are negative factors. This may explain an interesting correlation between diminishing support for Serbia's EU membership bid and the high degree of approval of close relations with China.

Patterns of promotion of China's appeal

The main vehicle of China's appeal in Southeast Europe have been expectations of economic gains, considerably enhanced – until recently - through the China-CEE cooperation format. One of China's strongest points has traditionally been its strategy to portray itself as a strategic investor, who does not intervene in the domestic politics of SEE countries. However, with the exception of Serbia, China is increasingly seen in the region as having overpromised and underdelivered.

China's soft power has been playing out fairly successfully in Southeast Europe. Cultural diplomacy is a key element in Beijing's toolkit, with soft-power campaigns in SEE mostly carried out through numerous Confucius Institutes/Classrooms and Chinese cultural centres across the region. In addition to its economic presence and government-to-government approach, China has established partnerships at sub-national level, in an attempt to increase its outreach. Many soft-power activities fly mostly under the radar of researchers, media and national/local authorities.

The role of media is worth highlighting. While there is a growing sense of "more talk than walk", the media coverage of China's economic weight and technological prowess has a strong element of hype, if not outright manipulation. In a number of cases media coverage is uncritical and content offered by Chinese media is merely recycled by SEE media outlets.

A common feature across the region is the lack of adequate China knowledge, which leaves plenty of room for ill-founded assumptions or less-than-optimal agreements. In addition, insufficient capacity at the level of public administration is a significant impediment to pursuing countries' interests in relations with Chinese companies, banks or cultural institutions. This lack of agency is underlined by the fact that much too often the

agenda of cooperation is set by China, in areas of interest to China and on China's terms.

Key recommendations

With a view to the findings listed above, the following recommendations applying to the whole region have been formulated:

1. SEE governments should: (i) proactively work towards increasing the transparency of projects with Chinese involvement in order to ensure a considerably improved cost-efficiency ratio; and (ii) allow civil society to scrutinise China's influence.
2. Training should be provided to reporters in SEE countries on China-related issues. Particular attention should be paid to: (i) the "Chinese way of doing business", which tends to follow domestic Chinese standards; (ii) obtaining information about projects through right-to-information initiatives; (iii) recognising Chinese propaganda. International foundations specialising in this area should be targeted for related programmes.
3. Acquiring China knowledge is of crucial importance, but this should not be an exclusively China-driven process, e.g. through Confucius Institutes and Classrooms – instead, it should be in the hands of SEE national authorities, academia and civil society. Furthermore, SEE governments would benefit from regularly updated public registers of actors in their countries cooperating with Chinese counterparts.
4. All the SEE countries would benefit from devising well thought-out and comprehensive China policies. National economic development plans should factor in China as a potential source of investment capital and a huge market to be targeted, but these blueprints should be based on sound cost-benefit analyses and not merely on facile assumptions. It should be abundantly clear that China is primarily after its own national interests – and so should be SEE countries as well.

