

CHINA'S ECONOMIC RISE IN THE BALKANS: COULD CHINA  
CHALLENGE THE EUROPEAN UNION'S ECONOMIC INTERESTS IN  
THE BALKANS?

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## Executive Summary

The main objective of the study is to analyse the impact of the Chinese economic activities on the Balkan countries and the consequences for the Balkan and EU economies. In this context, we will first focus on trade and investment relations between China and the Balkan countries. We will then examine the European Union's response to the expansion of China's economic influence in the Balkans. Finally, we will draw some conclusions from China's and the EU's relations with the Balkans.

## Introduction

Looking back at European history, the Balkan Peninsula (here, the Balkans)<sup>2</sup> was the source of civil wars, invasions by outsiders, conflicts of interest, internal and external struggles, and nationalist movements. After the Second World War and during the Cold War, Bulgaria and Romania were occupied by the Soviet Union. Albania was ruled by the Communist Party, which was very close to Beijing. Another six Balkan states united under the rule of the central government of the Socialist Federation of Yugoslavia. The dissolution of the communist regimes greatly affected the stability that had prevailed in the Balkans since the end of the Second World War. This stability was shaken, and the region again became a powder keg and one of the most unstable regions in world politics. As a result, the Western Balkans became embroiled in a painful civil war.

During this unstable period, Brussels took an important step by launching the Stabilization and Association Process (SAP), an act of cooperation to stabilize relations between the EU and the countries of the Western Balkans. Subsequently, SAP was replaced by the Regional Cooperation Council in 2008.<sup>3</sup> While the United States was active in brokering the civil wars in the region in 1990s, it has since given tacit support for Europe's EU-centric policy in the Western Balkans. As outlined by the State Department, "...The United States is committed to supporting the countries of the Western Balkans on their path to European integration and membership in key European and Euro-Atlantic institutions. We are working with Western Balkan countries and our European partners to advance the governance...."<sup>4</sup> In plain language, Washington is more interested in cooperation with

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<sup>2</sup> The Balkans consists of the six Western Balkans nations, Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, Kosovo, and Serbia—all have a perspective to accede to the European Union and hence are also called 'enlargement countries'—as well as Bulgaria, Romania, Greece, and Turkey. For a more detailed historical background on the Balkans, see: Todorova, M. (1997) *Imagining the Balkans*. Oxford: Oxford University Press.

<sup>3</sup> European Commission. *Western Balkans*, EU trade relations with Western Balkans. Available [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/western-balkans\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/western-balkans_en) [Accessed 27 June 2023].

<sup>4</sup> U.S. Department of State. (2021) *U.S. Commitment to the Western Balkans*, Press Statement. Available at <https://www.state.gov/u-s-commitment-to-the-western-balkans/#:~:text=We%20are%20committed%20to%20helping%20the%20countries%20of%20energy%20development%20and%20combat%20corruption%20and%20organized%20crime.> [Accessed 27 June 2023].

Brussels in economic and security matters in the Balkans. This gives the impression that Washington and Brussels have agreed to cede the Western Balkans to the EU as an era of economic and political influence.

At the same time, Russia also has a strong interest in the Balkan states. This is because Moscow has long maintained close historical ties with its Slavic allies in the Balkans and has tried to prevent the region's integration into the European Union (EU) and the North Atlantic Treaty Organisation (NATO). However, Russia is currently embroiled in a war with Ukraine, which divides Moscow's interest in the region.<sup>5</sup> On the other hand, China is a new actor in the Balkans. As part of its One Belt, One Road Initiative, China created the Cooperation between China and Central and Eastern European Countries, which is already taking place in the 17+1 format (after the withdrawal of the Baltic states only 14+1), with 14 Central and Eastern European Countries (CEECs), nine EU members and five Balkan countries.<sup>6</sup> The initiative focuses on capital investment in strategic assets and new technologies in the core EU countries, complemented by large infrastructure projects on their periphery in the Western Balkans.

## Analysis

### *An Overview on the Economic Potential of the Balkan Countries<sup>7</sup>*

As a first step, we will compare the main macroeconomic indicators of Balkan countries with each other to understand where they stand and what are the differences among themselves. Table 1 compares the nine Balkan countries based on a set of three basic economic indicators, including GDP, per capita income, population, and unemployment rate in 2022.

TABLE 1: Important Economic Indicators for the Balkan Countries (2022).<sup>8</sup>

Country	GDP (current USD billion 2022)	GDP Per Capita Income 2022	Population 2022 (Million)	Unemployment Rate 2022 (%)
Albania	18.882	6,803	2.776	11.8
Bosnia and Herzegovina	24.528	7.585	3.234	14.1
Bulgaria	89.040	13.773	6.465	4.4
Greece	219.066	20,732	10.567	12.2
North Macedonia	13.563	6,592	2.058	15.1
Montenegro	6.096	9.894	616	15.4
Kosovo	9.429	5,351	1.762	-
Serbia	63.502	9.394	6.760	9.5
Romania	301.262	15.892	18.959	5.4

Source: World Bank. *Indicator*, GDP; Unemployment. Available at <https://data.worldbank.org/> [Accessed 21 Jan 2024].

<sup>5</sup> Council on Foreign Affairs (2023) *Russia's Influence in the Balkans*. Available at <https://www.cfr.org/backgrounder/russias-influence-balkans>. [Accessed 21 Jan 2024].

<sup>6</sup> Nine of the 27 EU countries remain in the club, which Beijing started in 2012: Bulgaria, Croatia, the Czech Republic, Greece, Hungary, Poland, Romania, Slovakia, and Slovenia. Five non-EU countries are also in Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia.

<sup>7</sup> Turkey's relations with Balkan states will be discussed in a separate working paper.

<sup>8</sup> Beijing does not recognize Kosovo and, therefore, has no official diplomatic relations. The legitimization and recognition of Kosovo is far too important a matter for Serbia – China's key ally in the Western Balkans – for Beijing.

These figures show that EU members Romania, Greece, and Bulgaria, which can be classified as middle-income countries, have the highest GDPs among the nine Balkan states. The group of Western Balkan countries include several low-income and developing countries in Europe, in addition to Serbia. Table 1 also shows that unemployment rates are relatively high in the Balkan countries, with the exceptions of Bulgaria and Romania. Unemployment is also a serious problem for the economies of the Balkan countries.

There is a reciprocal relationship between economic growth and employment. Rapid economic growth creates new jobs, but higher employment in turn leads to higher economic growth. Comparing the per capita income of the Balkan countries, EU members Bulgaria, Greece, and Romania had per capita incomes below the EU average of USD 37,150 in 2022.<sup>9</sup> Between the other six countries—Montenegro, Kosovo, North Macedonia, Bosnia-Herzegovina, Albania, and Serbia—there is not much difference in per capita income, which varies between USD 5,351 and USD 9,894 thousand. As the data shows, the Western Balkans is “the poorest homeland” in Europe. In terms of population, Romania, Greece, Bulgaria, and Serbia have slightly more inhabitants and would be considered medium-sized economies. Albania, Kosovo, North Macedonia, and Montenegro can be considered small and tiny states.

### ***China’s Trade Relations with the Balkan Countries***

Table 2 A in the annex shows that China's main export and import partners in the Balkans are Greece, Romania and, by a large margin, Bulgaria and Serbia. In contrast, apart from Kosovo (WB5), the share of these tiny Western Balkan countries in China's export earnings is very small and relatively insignificant. China's total exports to eight Balkan countries (excluding Kosovo) amounted to USD 108 billion and China's imports from the Balkan countries reached USD 34 billion. Consequently, the trade surplus in favour of China amounted to USD 74 billion in the period 2017-2022. In the same years, China's total exports to the three EU members Bulgaria, Greece and Romania amounted to USD 93 billion and imports from these three countries amounted to USD 28 billion. As a result, China achieved a trade surplus with the three EU members of USD 65 billion.

Table 2A in the Annex also shows the total amount of Chinese imports and exports to WB5, i.e. Albania, Bosnia and Herzegovina, Montenegro, Northern Macedonia and Serbia. Total export receipts amounted to USD 14 billion, while imports from these countries to China amounted to USD 6 billion.<sup>10</sup> This brings China's trade surplus with the WB5 to USD 8 billion in 2017-2022. The total Chinese trade surplus with all Balkan countries amounted to USD 74 billion from 2017 to 2022. Greece (64.4%), Romania (23.3%) and Bulgaria (3.0%), accounted for the largest share of this trade surplus, together accounting for almost (90.7%) of China's trade surplus with the three Balkan countries. The rest of the trade surplus (9.3 %) was distributed among the other WB5 countries.

### ***Composition of China’s Exports to the Balkan States***

Table 2 A in the appendix also shows the breakdown of the top three export products from China to the nine Balkan countries from 2017 to 2022.<sup>11</sup> Looking at China’s exports to the Balkan

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<sup>9</sup> World Bank. *Indicator*, GDP. Available at <https://data.worldbank.org/indicator/GDP>. [Accessed 21 Jan 2024].

<sup>10</sup>Trade statistics for Kosovo are not provided by the International Trade Center, *Trade Map*.

<sup>11</sup> At first glance, China’s interest and presence in Kosovo may appear virtually non-existent. Beijing does not recognize the country, and there are no official diplomatic relations. The legitimation and recognition of Kosovo is

countries by commodity, two main commodity groups, electrical machinery and equipment, etc. (SITC 85) and machinery, mechanical equipment, etc. (SITC 84), account for 40% of total imports from China. These groups mainly include capital-intensive and high-tech products. The impact of the Chinese export offensive in the Western Balkans is limited and mainly based on exports of capital intensive and high-tech products.

### ***Composition of China's Imports from the Balkan Countries***

Additionally, Table 2 A in the appendix demonstrates the breakdown of the three main Chinese import products from the Balkan countries from 2017 to 2022. The main products imported from the Balkan countries to China have low value added: e.g., primary products, natural resources, raw materials, and mineral ores. Only Romania exports and imports manufacturing products to and from China; therefore, there are intra-trade relations between China and Romania. Other Balkan countries export minerals, intermediate products such as copper and articles thereof; Ores, slags and ashes, Iron and steel; Wood and wood products; charcoal.<sup>12</sup> It is obviously indicated that there are inter-trade relations between China and WB5 countries. It means that China and WB5 exporting and importing different kinds of commodities.

## **The European Union's Political and Economic Relations with the Balkan Countries**

Before we start to discuss the trade relations and investment flows between the European Union and Western Balkan countries, let us briefly give an overview over the current political relation between two partners.

### ***Political Relations***

At the EU summit in Thessaloniki in 2003, Brussels declared that all SAP countries are potential candidates for EU membership.<sup>13</sup> Since then, the EU pursues a policy of supporting the gradual integration of the countries of the Western Balkans into the EU.

On 1 July 2013, Croatia became the first of the seven countries in the region to join the EU. Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia are official candidates. Accession negotiations with Montenegro and Serbia are already underway and negotiation chapters have been opened. Negotiations with Albania and Northern Macedonia are also ongoing and Kosovo's application for EU membership was submitted in December 2022. Kosovo still has the status of a potential candidate, as it is not recognised by five EU countries.<sup>14</sup>

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far too important a matter for Serbia – China's key ally in the Western Balkans – for Beijing to attempt a different approach.

<sup>12</sup> Trade with Kosovo is not included in foreign statistics.

<sup>13</sup> European Commission (2003). *Press Release*, The Thessaloniki Summit: a milestone in the European Union's relations with the Western Balkans. Available at [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_03\\_860](https://ec.europa.eu/commission/presscorner/detail/en/IP_03_860). [Accessed 21 Jan 2024].

<sup>14</sup>The EU is fully committed to the EU integration of the Western Balkans. This is a shared strategic objective that unites the whole region and the EU. Accession talks are underway with Montenegro and Serbia. In March 2020, the Council agreed to open accession negotiations with North Macedonia and Albania. Bosnia and Herzegovina and Kosovo are potential candidates for EU membership. See European Union External Action (2022). *Strategic Communications*, The EU and the Western Balkans: towards a common future. Available at [https://www.eeas.europa.eu/eeas/eu-and-western-balkans-towards-common-future\\_en](https://www.eeas.europa.eu/eeas/eu-and-western-balkans-towards-common-future_en). [Accessed 21 Jan 2024].

No matter their status, however, the fact is that all states are still sitting in the waiting room in Brussels, hoping to become a full member of the EU. The general opinion in Brussels is that these six countries lag behind most of Europe in terms of living standards, infrastructure, and economic development. According to the declaration of the EU-Western Balkans Summit in Tirana on 6 December 2022, the EU expects the Western Balkan countries to align themselves with European values and principles in accordance with international law. The EU also demands that the Western Balkan partners fully comply with their commitment to the primacy of democracy, fundamental rights and values, and the rule of law, including the separation of powers.<sup>15</sup>

As Barbara Lippert has pointed out, “None of the six applicants from the Western Balkans is even close to being ready for accession.... For none of the six is the ultimate goal of membership in question. But they are all caught in a vicious circle of bad governance and socio-economic malaise.... Accession is not expected before 2030.”<sup>16</sup> In plain language, the six countries are not ready to be accepted as full members of the EU for the time being.

### ***EU’s Trade Relations with Balkan Countries (2017-2022)***

Diagram 1 illustrates that the EU is the most important trading partner for all Western Balkan countries. It accounts for more than two-thirds (65.8%) of the region's total trade, while the region's share of total EU trade was only 1.4% in 2022. The share of other countries in exports and imports is relatively low compared to the EU. China had the highest share of total imports after the EU (11.5%) and a relatively small share of total exports (3.2%) in 2021.

The EU accounted for 81% of total Western Balkan exports and 57.9% of imports. About 57% of Greek exports and 57% of imports are intra-EU trade.<sup>17</sup> This is also the case for 66% of Bulgarian exports and 61% of imports,<sup>18</sup> and 74% of Romanian exports and 74% of imports from EU Member States in 2021.<sup>19</sup> Table 2B in appendix shows that Total EU trade volume with the Balkan countries amounts to USD1.754 trillion over the period 2017-2022. EU exports to the Balkans amount to USD 990 billion and imports from the Balkan countries amount to USD 764 billion, resulting in a trade surplus of USD 226 billion over the same period (2017-2022).

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<sup>15</sup>European Council (2022), *Statements and remarks*, Tirana Declaration. Available at <https://www.consilium.europa.eu/en/press/press-releases/2022/12/06/tirana-declaration-6-december-2022/>. [Accessed 21 Jan 2024].

<sup>16</sup>Lippert, B. (2021), The EU after Brexit: Renewed Debate about Enlargement and Deepening. *Stiftung Wissenschaft und Politik*, SWP Comment 2021/C 12, 01.02.2021. Available at <https://www.swp-berlin.org/en/publication/the-eu-after-brexit-renewed-debate-about-enlargement-and-deepening>. [Accessed 21 Jan 2024].

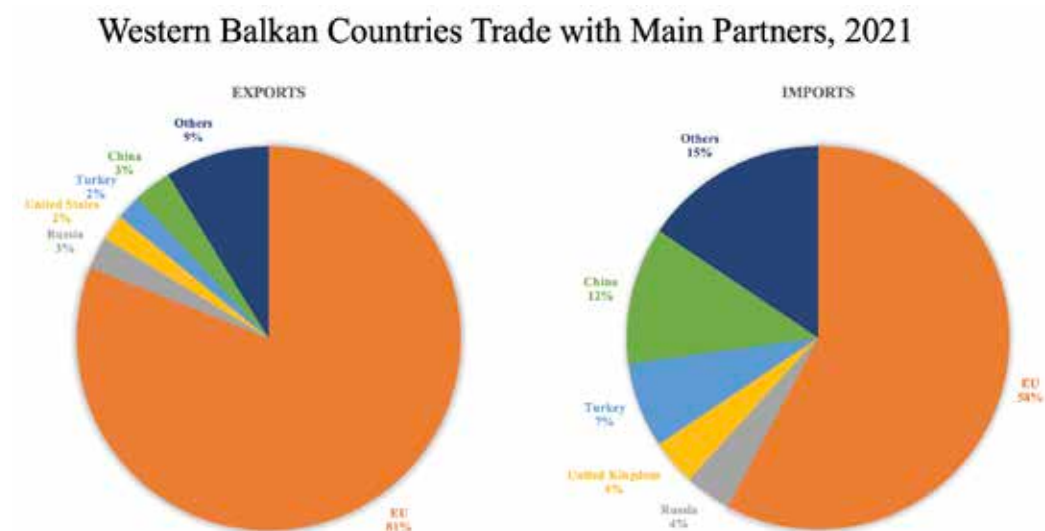
<sup>17</sup>Greece's main export partners are Italy, 11%, and Germany, 8%, while outside the EU, 4% goes to Turkey and 4% to the United States. The leading importers are Germany, 12%, and Italy, 9%, while outside the EU, 8% comes from China and 6% from Russia. Trade and economy, see European Union, *Country Profile*. Greece. Available at [https://european-union.europa.eu/principles-countries-history/country-profiles/greece\\_en](https://european-union.europa.eu/principles-countries-history/country-profiles/greece_en) [Accessed 21 Jan 2024].

<sup>18</sup>Bulgaria's main export partners are Germany 16%, Romania 9%, and Italy 7%, while outside the EU 6% goes to Turkey and 3% to China. Its leading import partners are Germany 12%, Italy and Romania 7%, while outside the EU 7% comes from Turkey and 6% from Russia. See European Union, *Country Profile*. Bulgaria. Available at [https://european-union.europa.eu/principles-countries-history/country-profiles/bulgaria\\_en](https://european-union.europa.eu/principles-countries-history/country-profiles/bulgaria_en) [Accessed 21 Jan 2024].

<sup>19</sup>Romania's main export partners are Germany 23%, Italy 11% and France 7%, while outside the EU 3% goes to Turkey and the United Kingdom. Its import partners are Germany 21%, Italy 9% and Hungary 7%, while outside the EU 6% come from China and 4% from Turkey. European Union, *Country Profile*. Bulgaria. Available at [https://european-union.europa.eu/principles-countries-history/country-profiles/romania\\_en](https://european-union.europa.eu/principles-countries-history/country-profiles/romania_en) [Accessed 21 Jan 2024].

The most interesting feature of EU's trade with Balkan economies lies in the breakdown of trade by production sector. Table 2.B in the Appendix shows the breakdown of EU's three main exports to and imports from the Balkan countries in the period between 2017 and 2022. According to the International Trade Center Classification System (SITC) (Table 4 in the Annex), we can draw the following conclusions when looking at EU exports to and imports from the in 2022. So, the EU imported from the Western Balkans mainly machinery and equipment (19.9 %), mineral products (15.2%), base metals (13.8%) and chemicals (11.5%). The EU's exports to the Western Balkans were mainly: mineral products (19.8%), machinery and appliances (18.2%), chemicals (9.6%), and base metals (9.2%).<sup>20</sup>

DIAGRAM 1: Western Balkan Countries Trade with Main Partners, 2021



Source: Eurostat (online data code: Comext data code: DS-056697)

The EU's main export partners in the Balkans are Bulgaria (14.8%), Greece (20.2%) and Romania (42.7%), which account for almost 78% of total EU exports to the Balkans, and WB5 covers the remaining 22% of EU exports to the region, of which Serbia (11.6%) accounts for the largest share.

In terms of imports from the Balkan countries, Balkan's is the EU's main and leading import partner, followed at a large distance by three other countries: Greece (14.8%), Bulgaria (18.9%) and Romania (43.4%) over the period 2017-2022. The Three EU members in the Balkans amounted 77% of total import from the EU. WB5's share is 23%, of which the main part is taken by Serbia (11.2%). The EU's share of the total trade surplus with Greece (37.2%), Bulgaria (1.0%), Romania (39.2%) and the WB5 countries (Serbia (12.8%), Bosnia and Herzegovina (4.0%), Albania (3.5%) and Montenegro (2.3%). North Macedonia is the only country with a trade surplus with both China and the EU. It had a trade surplus with China of USD 124 million and with the EU of USD 7.2 billion in the period of 2017-2022.

<sup>20</sup> European Commission, *Trade, Western Balkans*. Available at [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/western-balkans\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/western-balkans_en) [Accessed 21 Jan 2024].

Table 3 in the Appendix shows comparatively the trade balance of three countries, namely China, the United States and Germany, with the WB5. Interestingly, Germany and the United States maintained a trade deficit with the WB5 in 2019 and 2021. Germany's trade deficit with the WB5 is USD 2.4 billion and that of the United States is USD 1.6 billion in the same years. China, on the other hand, has a moderate trade surplus of almost USD 4.0 billion. Clearly, China has benefited more from trade with the WB5 than the United States and Germany in the same years.

In summary, the EU as whole remains the most important trading partner and plays a most dominant role for both the EU-Balkan countries and the Western Balkan countries, far ahead of China.

### **Chinese and Other Foreign Direct Investments in the Balkans**

In contrast to the EU, more and more countries are siding with the Chinese because they are investing generously in their countries with their own savings accounts with the largest foreign exchange reserves in the world. At the same time, Beijing wants to demonstrate its own successful economic development. China is a country that does not let itself be dictated to by the West, that goes its own way, at its own pace, with its own political system. Meanwhile, China is investing on all continents for the first time in its 4,000-year history. Beijing is building railways, dams, and power plants. Its all-encompassing project is the global New Silk Road, which stretches as far as Greece, Turkey, Panama, or Senegal. It is the largest infrastructure project in the world since the construction of the Great Wall, which began in the 7<sup>th</sup> century BC.

In the Balkans, the Chinese company COSCO has been operating two container terminals in Piraeus since 2009. Since the Chinese have operated the port, three times as many goods have been handled here per annum. Piraeus is becoming the strongest port in the world. The fact that the port of Hamburg is stagnating is also due to Piraeus. The Chinese are in the process of building a railway line from Piraeus to Budapest. This will make it cheaper for not only Hungary but also Austria and Southern Germany to unload goods in Piraeus instead of shipping across Europe to Hamburg as before, only to have to take a train back to the interior of Europe.

If you look at the map, from Piraeus and Athens across to Macedonia and Skopje via Belgrade to Budapest. The first section of the planned railway line between the two capitals is already being built by the Chinese: 350 kilometers for about EUR 2.6 billion. The travel time between Budapest and Belgrade will be reduced by three hours. Both of these projects are part of the New Silk Road.

### **A Comparison of Chinese, European and American Foreign Direct Investments in the Balkan Countries**

In this section, we will look at Chinese, European, and US foreign direct investments in the Balkans as a whole over the period 2005-2022.<sup>21</sup>

**Greece:** In 2021, the stock of FDI in Greece reached USD 49 billion. FDI in Greece comes mainly from European Union member states (Germany, Luxembourg, the Netherlands, Belgium, and Italy). In fact, FDI from the Eurozone accounts for 75.8% of total inflows per year. Major non-EU

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<sup>21</sup>The data comes from the following sources: American Enterprise Institute, *China Global Investment Tracker*. Available at <https://www.aei.org/china-global-investment-tracker/> [Accessed 21 Jan 2024]; Standard Bank, *Trade Club*. Available at <https://www.tradeclub.standardbank.com/en/> [Accessed 21 Jan 2024].



investors include Switzerland, Hong Kong, Canada, and the United States. Their Investments are mainly concentrated in manufacturing, information and communications, wholesale and retail trade, transport and warehousing, and financial services.

The total amount of Chinese investment in Greece from 2005-2022 was USD 10.25 billion, of which USD 6.798 billion was invested in the transportation sector and USD 2.31 billion in the energy sector.

**Bulgaria:** The total stock of foreign direct investment amounted to USD 57.6 billion at the end of 2021. The most important investment countries are Austria, Germany, Switzerland, the Netherlands, and Italy. FDI flows are mainly in the real estate, manufacturing, and financial and insurance services sectors.

Chinese investment in Bulgaria totaled USD 460 million in the period from 2005–2022, of which USD 250 million was in the transport sector and USD 210 million in the real estate sector.

**Romania:** The total stock of FDI amounted to USD 108.7 billion at the end of 2021. According to the National Bank of Romania, the main sectors receiving FDI are manufacturing, construction, real estate, trade, and financial and insurance services.<sup>22</sup> The main investing countries are the Netherlands, Germany, Austria, Italy, and the Republic of Cyprus. A total of USD 2.11 billion worth of Chinese investment was devoted to energy investment in the period from 2005–2022.

**North Macedonia:** The total stock of foreign direct investment was estimated at USD 7.3 billion in 2021. According to the Central Bank of North Macedonia, the United Kingdom and Austria are the main investor countries, followed by Greece, the Netherlands, and Slovenia. Manufacturing is the sector that attracts the most FDI, ahead of finance and insurance.<sup>23</sup> China’s total stock of FDI in North Macedonia amounted to USD 650 million, of which USD 490 million in the transport sector and USD 160 million in the real estate sector in the period from 2005–2022.

**Albania:** The stock of foreign direct investment reached USD 10 billion in 2021. Investments are concentrated in the extractive industries, energy, banking and insurance, information and communication technology, and real estate sectors. Central bank data show that the Netherlands, Italy, and Turkey were the top investing countries in the first three quarters of 2021.<sup>24</sup> Chinese investment was not recorded in Albania.

**Bosnia and Herzegovina:** The total stock of foreign direct investment was estimated at USD 9.5 billion in 2021. The largest investors in Bosnia and Herzegovina are Austria, Croatia, Serbia, Slovenia, and the Netherlands. The sectors attracting the most foreign investment in the country are manufacturing, banking, telecommunications, and trade. Chinese investment amounted to USD

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<sup>22</sup> Standard Bank, *Trade Club*. Foreign Direct Investment (FDI) in Romania. Available at [https://www.tradclub.stanbicbank.com/portal/en/market-potential/romania/investment?clear\\_s=y.#](https://www.tradclub.stanbicbank.com/portal/en/market-potential/romania/investment?clear_s=y.#) [Accessed 21 Jan 2024].

<sup>23</sup> Standard Bank, *Trade Club*. Foreign Direct Investment (FDI) in North Macedonia. Available at [https://www.tradclub.stanbicbank.com/portal/en/market-potential/north-macedonia/investment?clear\\_s=y](https://www.tradclub.stanbicbank.com/portal/en/market-potential/north-macedonia/investment?clear_s=y). [Accessed 21 Jan 2024].

<sup>24</sup> Standard Bank, *Trade Club*. Foreign Direct Investment (FDI) in Albania. Available at [https://www.tradclub.stanbicbank.com/portal/en/market-potential/albania/investment?clear\\_s=y](https://www.tradclub.stanbicbank.com/portal/en/market-potential/albania/investment?clear_s=y) [Accessed 21 Jan 2024].

3.05 billion, divided between USD 1.98 billion in the energy sector, USD 1.04 billion in the transport sector, and USD 110 million in the metals sector over the period from 2005–2022.

**Montenegro:** The stock of FDI was estimated at USD 6.3 billion in 2020, with a per capita investment rate among the highest in Europe. The sectors attracting the most FDI are tourism, real estate, energy, telecommunications, banking, and construction. Data from the Montenegrin Investment Promotion Agency show that the main investing countries are Russia, Italy, Norway, Austria, Hungary, and the United Kingdom. Chinese investment in this small country totaled USD 1.128 billion from 2005–2022, of which USD 1.102 billion was for the transport sector and USD 100 million for the energy sector.

**Serbia:** In 2021, the total stock of FDI amounted to USD 52.8 billion. Serbia remains the second largest recipient of FDI among transition countries after the Yugoslavian Federation. Approximately 70% of investments in Serbia come from the European Union, followed by Russia, Switzerland, and Hong Kong. However, there are also inflows from various FDI source countries, including Austria, Germany, and Hungary as well as from the Russian Federation and the United States. Serbia is one of China’s best friends in Europe and Belgrade has developed strong economic and political ties with Beijing since 2017. Serbia recorded the highest FDI among the Balkan countries from China at USD 17.27 billion, spread across investment sectors such as transportation (USD 8.45 billion), utilities (USD 4.12 billion), energy (USD 2.2 billion), and metals (USD 2.08 billion) over the period from 2005–2022.<sup>25</sup>

In conclusion, from our investment analysis, the main investments in the Balkans come mainly from EU member states and other European countries, distributing different production and financial sectors.<sup>26</sup> The total amount of Chinese investment in all Balkan countries reached USD 34.806 billion in 2022. The highest Chinese investments are in Serbia and Greece. It is interesting to note that Chinese investments in all Balkan countries in the period from 2005–2022 are almost exclusively focused on infrastructure investments, especially in the transport and energy sectors.

## Conclusion

The comparison of China's and the EU's economic activities in the Balkans clearly shows that the EU still dominates over China in trade and investment sectors.

China’s major economic offensive against Europe has already begun, and China is on its way to gradually expand its economic dominance in Europe. Europeans are more divided than ever in determining their common goals. Following Britain’s exit from the European Union, France and Germany have been fighting for supremacy of the EU. Meanwhile, the semi-developed countries of the EU feel neglected and are resisting Brussels. It goes without saying that the less advanced countries in the EU need more investment and expect economic and financial solidarity from the larger and richer economies, rather than mere rhetoric such as “a strong, united EU” and

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<sup>25</sup> American Enterprise Institute, *China Global Investment Tracker*. China’s Investments in Serbia Available at <https://www.aei.org/china-global-investment-tracker/> [Accessed 21 Jan 2024].

<sup>26</sup> Economic and Investment Plan for the Western Balkans 2021-2027: The Economic and Investment Plan identifies ten investment flagships and allocates a substantial financial package of up to €9 billion in EU funds, with a potential to mobilize up to €20 billion of investments through the Western Balkan Guarantee Facility. The Plan supports investments in sustainable transport, clean energy, environment and climate, digital future, competitiveness of the business sector, and human capital development.

“abandoning isolated national approaches” or “improving the EU's brand” to satisfy and encourage.

Moreover, the EU’s reluctance to accept the membership of the six Western Balkan countries has, on the one hand, paved the way and the space for China's economic offensive throughout the Balkans. China is expanding its economic influence by throwing its economic weight around in Eastern, Southeastern, and Central Europe as well as in the EU.<sup>27</sup>

Powerful EU countries, such as Germany, believe that China is undermining European unity. In an interview with *Wirtschaftswoche*, former German Chancellor Merkel made a clear statement on this topic: "From Beijing, Europe is more of an Asian peninsula."<sup>28</sup> China’s new friends in Greece and Hungary are grateful and are becoming more and more insolent towards Brussels. Indeed, Hungarian Prime Minister Viktor Orban has said that “Central Europe needs money for new roads and pipelines. If Europe is not able to provide enough capital, we will get it in China.”<sup>29</sup> Former Greek Prime Minister Tsipras has put it even more succinctly: “China is helping us. Why shouldn’t we accept the help? [...] Greece remains China’s gateway to Europe.”<sup>30</sup> Indeed, this is not China’s only door to Europe. In the other countries of Central and Eastern Europe—including several EU members—the doors are wide open for China. Although the EU remains the most important trading partner and investor in the region, these six countries urgently need more foreign capital and development aid in the form of foreign direct investment and loans to overcome the current serious economic and social problems. The nine EU member states of the 14+1 see themselves as part of the EU and expect large capital inflows in the form of foreign direct investment and/or financial capital from the wealthy countries of the EU due to solidarity between member states. If this group of countries were not sufficiently supported by the wealthy countries of the EU, they would be forced to obtain the necessary financial assistance from China, or elsewhere.

### **Author Biography**

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<sup>27</sup> Bundesverband der Deutschen Industrie (2019). *China: Partner and Systemic Competitor*. Available at <https://english.bdi.eu/article/news/china-a-partner-and-competitor/>. [Accessed 21 Jan 2024]

<sup>28</sup> Sieren, F. (2018) *Zukunftst? China!* Munich: Penguin Verlag. p.26

<sup>29</sup> Ibid. p.25

<sup>30</sup> Ibid. p.25.

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## APPENDIX

TABLE 2A: China's Exports to and Imports from the Balkan Countries, 2017-2022 (in Millions USD)

TABLE: 2A	2017	2018	2019	2020	2021	2022	TOTAL	Exi/Ex total) (%)
<b>CHINA'S EXPORTS</b>								
<b>GREECE All Products</b>	4,781	6,542	7,740	7,037	11,181	12,988	50.269	100,0
SITC 85	553	609	654	1.019	1.819	2,304	6.958	13.8
SITC 61	321	634	1.191	799	1.611	1,951	6.507	13.0
SITC 84	1.062	1.520	1.379	1.295	1.505	1,751	6.512	13.0
								39.8
<b>BULGARIA All Products</b>	1,167	1,443	1,555	1,547	2,313	2,852	10.877	100.0
SITC85	219	305	295	319	557	769	2.464	22.7
SITC 84	237	278	297	304	460	506	2.082	19.1
SITC 94	46	59	84	104	168	174	635	3.4
								45.2
<b>ROMANIA All Products</b>	3,777	4,510	4,575	5,126	6,709	7,397	32.094	100.0
						<b>TOTAL</b>	93.240	
SITC 85	828	1,075	1,045	1,185	1,753	1,956	5.886	18.3
SITC 84	894	1.030	1.027	1.203	1.617	1,482	7.842	24.4
SITC 90	274	344	393	317	421	319	2.068	6.4
								49.1
<b>NORTH MACEDONIA All Products</b>	78	108	135	157	224	235	937	100.0
SITC 85	25	34,	40	43	59	72	270	29.1
SITC 84	20	22	23	39	46,	51	201	21.7
SITC 87	3	5	6	10	13	13	50	5.4
								56.2
<b>ALBANIA All Products</b>	454	542	601	571	592	704	3.464	100.0
SITC 84	61	79	92	86	104	130	552	15.9
SITC 85	55	77	69	72	69	80	422	12.2
SITC 94	38	42	55	51	48	49	283	8.2
								36.3
<b>MONTENEGRO All Products</b>	133	178	114	113	96	219	853	100.0
SITC 39	12	35	23	18	11	68	167	19.6
SITC 85	34	43	23	14	10	12	136	16.0
SITC 84	17	6	6	9	8	8	54	6.3
								41.9

<b>BOSNIA AND HERZEGOVINA All Products</b>	79	110	115	120	137	185	746	100.0
SITC 84	15	23	22	21	37	43	161	21.6
SITC 85	20	24	25	20	19	65	173	23.2
SITC 40	2	3	5	5	7	7	29	4.0
								48.8
<b>SERBIA All Products</b>	546	729	1,033	1,624	2,242	2,177	8.351	100.0
SITC 84	144	193	286	470	772	755	2.620	31.4
SITC 85	148	204	277	337	477	489	1.932	23.1
SITC 73	16	17	35	88	152	146	454	5.4
								59.9
						TOTAL	107.591	
<b>CHINA'S IMPORTS FROM BALKAN COUNTRIES</b>	2017	2018	2019	2020	2021	2022	TOTAL	Exi/Ex T
<b>GREECE All products</b>	427	565	725	774	973	833	4.297	100.0
SITC 30	112	145	159	243	258	258	1.175	26.4
SITC 25	142	172	244	170	254	153	1.135	28.3
SITC 26	14	49	67	106	77	101	515	
<b>BULGARIA All products</b>	965	1,149	1,164	1,371	1,798	1,272	7.719	100.0
SITC 74	590	698	645	739	777	253	3.702	53.5
SITC 26	75	81	69	48	182	155	610	7.0
SITC 85	70	83	92	111	145	150	651	7.7
<b>ROMANIA All Products</b>	1,821	2,170	2,326	2,638	3,507	3,075	15.537	100.0
SITC 85	433	613	669	723	883	851	4.172	26.6
SITC 87	201	186	237	370	653	353	2.000	13.2
SITC 84	269	331	368	448	522	412	2.350	15.6
								55.4
<b>NORTH MACEDONIA All Products</b>	87	49	147	227	371	176	1.057	100.0
SITC 72	49	6	83	114	228	50	530	54.5
SITC 38	1	1	8	25	40	32	107	8.5
SITC 85	2	14	19	29	39	38	141	11.7
								74.7
<b>ALBANIA All Products</b>	198	108	103	81	164	186	840	100.0
SITC 26	182	91	80	58	91	154	656	76.8
SITC 72	4	0	1	2	40	5	52	7.1
SITC 61	2	3	4	4	6	6	31	6.7
								90.6
<b>MONTENEGRO All Products</b>	67	42	43	57	11	47	267	100.0

SITC 26	63	38	40	54	6	42	243	91.4
SITC 22	2	2	2	1	2	2	11.0	4.0
								95.4
<b>BOSNIA AND HERZEGOVINA</b> <b>All products</b>	57	77	77	73	138	123	545	100.0
SITC 62	9	18	15	14	36	26	118	21.8
SITC 44	26	28	24	23	36	59	196	32.5
SITC 87	3	6	9	10	12	9	49	9.5
								63.8
<b>SERBIA</b> <b>All Products</b>	212	225	361	498	985	1.375	3.656	100.0
SITC 26	16	23	32	145	381	897	1.94	26.1
SITC 74	21	16	187	293	304	186	1.007	36.0
SITC 85	29	46	41	50	103	102	371	11.8
						<b>TOTAL</b>	33.918	
<b>CHINA'S TRADE BALANCE with BALKAN STATES</b>	2017	2018	2019	2020	2021	2022		Tbi/TBt
GREECE	4,356	5,978	7,015	6,263	10,207	12,156	45.975	64.4
BULGARIA	202	294	391	176	514	1,580	3.157	3.0
ROMANIA	1.956	2.341	2.248	2.488	3.201	4,323	16.557	23.3
NORTH MACEDONIA	-9	59	-12,	-70	-147	55	-124	0.3
ALBANIA	256	434	498	490	428	518	2.624	4.0
MONTENEGRO	66	136	71	56	85	172	586	0.5
BOSNIA AND HERZEGOVINA	21	33	38	48	-1	63	202	0.0
SERBIA	334	505	672	1,126	1,257	802	4.696	4.5
					<b>TOTAL</b>		73.673	100.0
	2017	2018	2019	2020	2021	2022	<b>TOTAL</b>	
<b>TABLE 2B:</b>								
<b>EU/27-EXPORT</b>								
<b>GREECE</b> All products	27,196	31,153	31,490	31,138	38,342	40,667	199.985	
<b>SITC 84</b>	2,467	3,064	2,961	2,796	3,725	3,462	18.475	
<b>SITC 30</b>	2,537	2,633	2,535	3,024	3,679	3,439	17.847	
<b>SITC 85</b>	1,862	2,288	2,253	2,255	2,977	2,939	14.574	
<b>BULGARIA</b> All Products	20,804	23,168	22,821	20,994	27,065	31,892	146.744	
<b>SITC 85</b>	2,256	2,715	2,733	2,679	3,444	3,995		
<b>SITC 84</b>	2,360	2,704	2,708	2,493	2,998	3,172		
<b>SITC 87</b>	2,175	2,485	2,349	1,992	2,636	3,025		
<b>ROMANIA</b>	60,411	68,504	67,269	64,506	78,763	83,973	423.426	

<b>All Products</b>								
<b>SITC 85</b>	8,904	10,168	9,865	9,798	11,365	12,209		
<b>SITC 84</b>	7,972	9,267	8,759	8,179	9,259	9,821		
<b>SITC 87</b>	7,336	8,741	8,265	7,128	8,550	8,570		
<b>ALBANIA All Products</b>	3,307	3,711	3,494	3,274	4,273	4,545	22.604	
<b>SITC 27</b>	411	557	439	310	495	555		
<b>SITC 85</b>	245	252	255	267	330	382		
<b>SITC 84</b>	256	314	256	261	317	334		
<b>NORTH MACEDONIA All Products</b>	4,475	5,290	5,174	4,496	5,878	6,752	32.065	
<b>SITC 27</b>	621	807	766	422	974	1,856		
<b>SITC 85</b>	529	688	676	638	756	806		
<b>SITC 84</b>	337	377	390	342	432	411		
<b>MONTENEGRO All Products</b>	1,146	1,345	1,306	989	1,260	1,755	7.801	
<b>SITC 27</b>	175	234	222	109	221	606		
<b>SITC 84</b>	116	111	116	101	110	123		
<b>SITC 87</b>	127	142	139	80	76	116		
<b>BOSNIA AND HERZEGOVINA All products</b>	6,229	6,792	6,655	5,959	7,606	8,720	41.961	
<b>SITC 27</b>	642	694	807	529	859	1,406		
<b>SITC 84</b>	566	583	599	487	631	687		
<b>SITC 85</b>	401	418	435	420	530	579		
<b>SERBIA All Products</b>	15,371	17,835	17,752	17,273	21,910	25,036	115.177	
<b>SITC 27</b>	1,424	1,228	1,280	977	1,961	3,674		
<b>SITC 85</b>	1,625	2,117	2,085	2,097	2,489	2,733		
<b>SITC 84</b>	1,885	2,173	2,154	2,273	2,690	2,616		
							TOTAL	989.763
<b>EU/27 IMPORT</b>	2017	2018	2019	2020	2021	2022		
<b>GREECE All products</b>	14,487	16,638	16,489	17,603	22,383	25,729	113.329	
	14,486,546	16,637,601	16,486,816	17,603,103	22,382,736	25,729,373		
<b>SITC 27</b>	1,529	1,833	2,043	1,544	2,928	5,486		
<b>SITC 76</b>	1,258	1,285	1,115	1,188	1,556	1,996		
<b>SITC 30</b>	933	1,378	1,436	2,435	2,335	1,661		
<b>BULGARIA All Products</b>	18,758	21,007	21,014	20,648	27,035	35,797	144.259	
<b>SITC 27</b>	386	750	736	699	1,733	5,736		



<b>SITC 74</b>	1,866	1,820	1,377	1,465	2,043	3,275		
<b>SITC 85</b>	1,983	2,448	2,477	2,422	2,699	2,813		
<b>ROMANIA All Products</b>	48,946	55,818	53,385	48,627	59,604	65,469	331.849	
<b>SITC 85</b>	10,501	11,898	11,293	10,973	12,919	12,965		
<b>SITC 87</b>	8,739	10,492	9,915	8,768	9,594	11,365		
<b>SITC 84</b>	4,737	5,792	6,018	5,331	6,276	6,216		
<b>ALBANIA All Products</b>	1,845	2,229	2,218	1,992	2,641	3,415	14.340	
<b>SITC 64</b>	523	600	575	475	548	634		
<b>SITC 27</b>	172	271	292	219	354	609		
<b>SITC 62</b>	230	270	274	252	256	305		
<b>NORTH MACEDONIA All Products</b>	5,236	6,246	6,378	6,125	7,371	7,933	39.289	
<b>SITC 38</b>	1,438	1,538	1,709	1,606	2,360	2,919		
<b>SITC 85</b>	732	1,015	1,025	1,153	1,342	1,406		
<b>SITC 72</b>	215	271	276	221	391	519		
<b>MONTENEGRO All Products</b>	185	219	199	183	320	1,474	2.580	
<b>SITC 27</b>	-	-	-	-	-	1,255		
<b>SITC 26</b>	29	28	24	28	134	30		
<b>SITC 76</b>	48	79	71	61	87	87		
<b>BOSNIA AND HERZEGOVINA All products</b>	4,548	5,316	4,788	4,578	6,591	6,940	32.761	
<b>SITC 84</b>	353	407	411	409	540	629		
<b>SITC 85</b>	327	412	427	453	633	601		
<b>SITC 73</b>	248	325	338	307	464	560		
<b>SERBIA All Products</b>	11,047	12,837	12,861	12,576	16,535	19,492	85.348	
<b>SITC 85</b>	1,671	2,137	2,435	2,577	3,224	3,551		
<b>SITC 27</b>	674	799	638	545	1,147	2,301		
<b>SITC 84</b>	702	873	988	987	1,178	1,353		
							763.751	
<b>EU's TRADE BALANCE with BALKAN STATES</b>	2017	2018	2019	2020	2021	2022	<b>TOTAL</b>	
<b>GREECE</b>	12,709	14,515	15,004	13,535	15,959	14,937	86.659*	
<b>BULGARIA</b>	2,046	2,161	1,807	346	29	-3,904	2.485*	
<b>ROMANIA</b>	11,465	12,687	13,885	15,878	19,158	18,505	91.578*	

NORTH MACEDONIA	-763	-955	-1,204	-1,627	-1,494	-1,181	-7.224*	
ALBANIA	1,463	1,481	1,276	1,282	1,632	1,130	8.264*	
MONTENEGRO	961	1,126	1,107	806	940	281	5.221 *	
BOSNIA AND HERZEGOVINA	1,681	1,476	1,867	1,381	1,015	1,780	9.200 *	
SERBIA	4,324	4,998	4,892	4,696	5,376	5,543	29.829	
						TOTAL	226.012	

Source: International Trade Center, Trade Map ([www.trademap.org](http://www.trademap.org)), author's own calculations.

TABLE 3: China's Trade with Western Balkan Countries: A Comparison with US and Germany, 2019–2021 (In million Euro)

Years	2019			2020			2021		
COUNTRIES	China	USA	Germany	China	USA	Germany	China	USA	Germany
Albania									
EXPORT	537	77	260	501	50	257	500	83	307
IMPORT	92	52	146	71	43	146	139	60	148
BALANCE	445	25	114	430	7.0	111	361	23	159
Bosnia									
EXPORT	103	54	875	106	19	785	116	44	954
IMPORT	69	97	786	64	89	775	117	145	952
BALANCE	34	-43	89	42	-70	10.0	-1.0	-102	2
Montenegro									
EXPORT	102	16	119	99	32	103	82	10	111
IMPORT	39	3	20	50	5	27	10	7	25
BALANCE	63	13	99	49	27	76	72	3	86
Serbia									
EXPORT	923	149	3.187	1.423	144	3.087	1.896	180	3.885
IMPORT	322	318	2.261	437	411	2.261	833	574	2.838
BALANCE	601	-169	926	-986	-258	826	1,063	-394	1.047
North Macedonia									
EXPORT	120	34	1.260	137	38	1.038	190	39	1.246
IMPORT	131	259	3.207	199	144	2.813	314	151	3.481
BALANCE	-11	-225	-1.947	-62	-106	-1.775	-124	-112	2.235
CHINA-WB 5	China	USA	Germany	China	USA	Germany	China	USA	Germany
Export	1.785	370	5.701	2.266	335	5.270	2.784	421	6.503
Import	653	816	6.420	821	791	6.022	1.413	1.108	7.444
Trade Balance	1.132	-446	-719	1.445	-456	-752	1.371	-687	-941

Source: Western Balkans: EU trade relations with the Western Balkans. Facts, figures, and latest developments. [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/western-balkans\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/western-balkans_en); International Trade Center, Trade Map ([www.trademap.org](http://www.trademap.org)), author's own calculations.