

# Summary

June 14, 2022



Österreichisches Institut für Internationale Politik  
Austrian Institute for International Affairs

## Workshop

### Third powers and Authoritarian Challenges in the Western Balkans

In cooperation with the Austrian Marshall Plan Foundation, the U.S. Embassy Vienna  
and the Johns Hopkins University SAIS Foreign Policy Institute.

Dem BMLV im Rahmen des Kooperationsprojekts BMLV/DIONSihPol – oiip zur  
Verfügung gestellt.

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**Washington D.C., June 14, 2022, 09.30am-13.00pm**

**(Hybrid event: in-person and Zoom)**

### **Executive Summary**

Russia's full-scale invasion of Ukraine on February 24 followed its failure in systemic competition with the West by economic and political means. In the Western Balkans, Russia and China so far still (mostly) stick to a more restrained form of autocracy promotion and autocratic diffusion, complicating democratization processes promoted by the EU and US. This workshop wanted to explore the subject from three angles.

- The first session was going to address how China aims to inspire and gain influence with its successful state-led economic model, particular loan and investment policies – discussed as “corrosive capital” – as well as strategic cooperation with some countries in the region. Notably, authoritarian leaderships in Belgrade and Banja Luka have already been strengthened.
- The second session aimed to see a debate on Russia's approaches to cement its influence and resist Euro-Atlantic integration of Western Balkans states. It wanted to highlight energy dependence, support for autocratic, separatist, and anti-EU forces, and Russia's remaining support base, particularly in Serbia, Bosnia-Herzegovina and Montenegro.
- The third session intended to discuss the consequences of this new systemic competition and transatlantic responses, including on sensitive issues such as Bosnia-Herzegovina's sovereignty and territorial integrity, and the normalization of Serbia-Kosovo ties.

09.30 – 9.45 **Welcome and introductory remarks**

Wolfgang Petritsch, OIIP and AMPF

Dan Hamilton, SAIS

Vedran Dzihic, OIIP

In his opening remarks, Wolfgang Petritsch reminded that Russia and China have to be evaluated separately. He emphasized that their goals and approaches differ in certain respects. As one example, he argued that China does not want to weaken the EU the way Russia indeed does.

Following on, Vedran Dzihic ventured that security issues should be on top of everyone's agenda again. He also noted that one key problem for the region was the EU's policy of "stabilitocracy", and argued that both Brussels and the Western Balkans needed to have a vision again going forward.

9:45 – 10.45 **Session 1: China's impact on democratization in the Western Balkans – Authoritarian model and corrosive capital**

Chair: Michael Haltzel, SAIS

Kick-off comments by

- David O. Shullman, Atlantic Council
- Stefan Vladislavjev. Foundation BFPE for a Responsible Society
- Thomas Eder, OIIP

Starting off his comments David Shullman argued that China's main focus in the region is economic. China sees the region as a conduit to the EU market. Among Chinese investment projects he noted the Budapest-Belgrade railway. The new Chinese economic presence does indeed have some positives for regional development, Shullman maintained, but there are also some crucial negatives, a lack of transparency or open bidding in public tenders. He summed up these negatives with the term "corrosive capital", holding that this is the real issue with Chinese financing, not the often-discussed issue of "debt trap diplomacy".

According to Shullman, China has a symbiotic relationship with illiberal regimes, which secure that China is portrayed positively in regional media. The prominent "safe city" projects in Serbia with massive use of surveillance technology are noted as having important implications for democratic development. Shullman emphasizes that the Western Balkans are even more important for China, because Beijing's "Belt and Road Initiative" has supposedly failed in other parts of Central Eastern

Europe. Shullman closed by calling for constructive stakeholders in the region to be bolstered, so they might also demand more from China and other third actors.

Stefan Vladisavljev stated right away that China does business in the Western Balkans as it does in the Global South. The second point he wanted to make is that there is a very broad political consensus in Serbia on relations with China. The opposition does not criticize China either, partly because it built relations when it was in power, partly because its leaders work with the Chinese Communist Party's "United Front Work Department" or for Chinese consultancies.

Vladisavljev divides the rise of Serbia-China relations into three phases: the "economic rise" from 2009 to 2016, the new "political presence" since 2016-, and China becoming the largest single-state investor as well as a household name and as popular as Russia (and pushed as much in government media) since 2020. Vladisavljev reminded that many Chinese-funded projects in the Western Balkans are 100% demand-driven. He also noted problems, namely that loans are not competitive and not transparent particularly in the negotiation period.

Thomas Eder first made three points about the Chinese scholarly discourse on the Western Balkans. Firstly, Chinese authors argue that China had a clear focus on economic interests in the region, on acquiring contracts for state-owned enterprises, and using the region as a launching pad into the EU market. Secondly, Chinese experts criticize local politics, supposed corruption and rule of law issues, and frequent changes of government. Stability – as in Vučić's Serbia – supposedly brings more Chinese-funded projects. They criticize that some countries do not identify with the Chinese development model and that there are "unfriendly voices" in the public discourse. Thirdly, according to Chinese scholars, China's activities in the region contribute to the Western Balkans accession to the EU – its projects in the region supposedly further economic development making accession more likely. The Chinese government favors this outcome, Eder argues, in order to gain influence within the EU via these states that China has built up deep ties with.

Eder then went on to recount two points about a recent OIIP study of his with colleague Vedran Džihic on "systemic competition" between China and the EU in the region. The first is that China brings corrosive capital and a different set of economic practices due to the lack of reform conditionality, transparency and accountability connected to its funding. These practices are said to develop attraction due to the success of China's economic model at home, and this model is argued to now be in competition in the Western Balkans with the liberal-democratic market economies of the EU. The second point is that China encourages autocratizing governments through its political

example, while Beijing also promotes authoritarian values internationally in order to gain legitimacy and prestige for its form of government. When autocratizing governments are isolated and sanctioned by the West, Eder maintained, they can often count on Chinese economic support. Eder closed by calling China's behavior the facilitation of "autocratic diffusion", and also noted that fresh opinion polling connects favorable ratings for China with lower support for democracy and EU accession.

The Chair of the session Michael Haltzel opened up the discussion after the kick-off comments by asking how Serbia can remain between two stools, and what Serbia's goals really are. Wolfgang Petritsch asked about the role of Huawei in the region.

On the Huawei question, Stefan Vladislavljev noted that the cooperation with Serbia is long-standing and started with the successful and inspiring story of a manhunt that China was able to complete due to its technological prowess. Serbia then wanted the same capabilities. As for the "safe city" projects in Serbia, relevant capabilities are supposedly not yet in use, as they are not yet covered by Serbian regulations.

Laura Thornton commented that Chinese information operations on Twitter have been very COVID-19-focused and also directed against NATO. David Shullman also highlighted that China is offering itself as more of a security partner to the region. Senada Šelo Šabić contributed by recounting some Chinese projects in Croatia, following China's involvement in the Pelješac bridge, including a public tender that had been revoked on a rail project with a Chinese company interested. She also ventured whether China might be pulling back from the 16+1 regional cooperation platform.

Liviu Voinea called attention to the fact that debt sustainability is not only related to the debt to GDP ratio, but also the maturity of pertinent loans. Donika Emini pointed to some emerging Chinese influence even in Kosovo, which Beijing does not recognize. Chinese-friendly programs on television are promoted, and also relevant for everyday life, Chinese online-shopping platforms are accessible, while Amazon is not.

On security issues broadly, Stefan Vladislavljev responded that Serbia is diversifying its arms imports by also buying Chinese weapons – for example Chinese air-defense systems instead of the Russian S-300. He also commented that Serbia is currently not introducing 5G at all instead of choosing a provider (and dealing with the Huawei issue on this front).

11.00 – 12.00

## **Session 2: Russia's resistance to Euro-Atlantic integration of the Western Balkans**

Chair: Vedran Dzihic, OIIP

Kick-off comments by

- Senada Šelo Šabić, The Institute for Development and International Relations, Zagreb
- Ivana Stradner, FDD / AEI
- Dimitar Bechev, Oxford and Carnegie (via Zoom)
- Paul Stronski, Carnegie

Senada Šelo Šabić opened her remarks by stating that Bosnia-Herzegovina remains the best option for Russia to create a disturbance in the Western Balkans; a cheap and easy option. She noted that China supported Russia on the issue of the new High Representative, and wondered whether the two of them might block a new UN mandate for Bosnia. On the other hand, she sees positive initiative from the new German government and a new resolution in the German parliament.

According to Ivana Stradner we see the same Russian script in the Western Balkans, Moldova and Georgia. Stradner agreed that the most comfortable location for Putin to challenge the West is Bosnia. As for the Russian leader, he is said to create crises to then maneuver himself into the position of mediator. Stradner claimed that both Moscow and Belgrade want to see Serbia on the path to EU accession so it gets EU funds. Russian investments are supposedly very strategic, and such in media organizations very important. The “info war” is to be seen as part of Russia’s military strategy, a part also visible in the Western Balkans. Another aspect of Russian funding highlighted by Stradner are the streams of money flowing to orthodox churches. Finally, she problematized Russian-Serbian defense sector cooperation, as well as a bilateral cyber security agreement.

Dimitar Bechev maintained that there is a risk of overplaying the Russian role, and that Russia’s economic footprint is actually rather limited. He also argued that local elites actually favor the status quo, and that he does not expect a revisionist scenario with a military dimension.

The final kick-off comment was delivered by Paul Stronski, who commented that EU and US fatigue on Ukraine was an important development. He noted that the US is not coordinated on the Western Balkans, with policy delegated down to the Ambassador level. Stronski holds that for Russia the Western Balkans are one avenue to assert itself, and, once again, sees Bosnia as the location where Russia can cause a lot of distraction. He highlights a new gas agreement with the region, with a good

price, and long-term. Having said all that, the Western Balkans are supposedly only a second-tier issue for Russia. Perhaps it will not be the Kremlin, but other problematic Russian actors that could cause trouble in the Balkans, such as Orthodox oligarchs and nationalist organizations.

Opening the discussion portion of the session, Wolfgang Petritsch raised the question whether the accession of the Western Balkans states might “ruin” the EU by expanding the “Orban-camp”. Perhaps a staged accession with reversible steps could be a solution. For Edward Joseph the whole notion of engaging with Russia in the Western Balkans when it is actually an adversary is difficult to reconcile. Stefan Vladislavljev ventured a comment that around the Serbian elections there was actually a feeling that the country might distance itself from Russia, but the EU supposedly did not offer enough in return.

Responding to Edward Joseph, Paul Stronski maintained that even though it might appear pointless now to engage with Russia on the Western Balkans, the West will eventually have to engage Russia, even on the issue of Bosnia-Herzegovina at the UN. He also argued that Russia does not care about the Western Balkans’ EU accession, because it can get Orban on side anyways.

Ivana Stradner emphasized the core issue of corrupt leadership in the Western Balkans states. She sees the EU as very generous with its funds, while sanctions would actually be needed. To her, the new “democracy promotion” would be fighting corruption. Stradner also mentioned that Putin is building up far-right groups in Serbia as proxies.

According to Dimitar Bechev local elites are really calling the shots in Western Balkans development, not the EU and not Russia.

Senada Šelo Šabić closed out the session by arguing that if Western Balkans leaders are threatened, they will create renewed chaos to profit from it. She also problematized that actually the region only seems to receive attention when there is conflict.

12.00 – 13.00

**Session 3: Transatlantic response to autocratic third powers in the Western Balkans**

Chair: Dan Hamilton, SAIS

Kick-off comments by

- Donika Emini, CiviKos Platform / BiEPAG
- Edward P. Joseph, SAIS
- Cengiz Günay, OIIP

In his opening kick-off comment, Edward Joseph stated that Serbia has the ability to preserve the status quo, that it has crucial leverage, because five EU member states still do not recognize Kosovo. According to him, step-by-step approaches to the Western Balkans do not work and the West should not be under any illusions – including about “Open Balkans”, as trade does not equal trust. What needs to be done, Joseph maintained, is to take away Serbia’s leverage. Greece should be convinced to recognize Kosovo’s independence – its Foreign Minister having already said this was possible due to the ICJ’s 2010 decision on Kosovo. The other hold-outs among the EU member states would then supposedly follow.

Donika Emini started off by claiming that the US was key on the Western Balkans, as the EU would not take decisive steps. She highlighted the Russian ambassador parading with Vučić as well as the “humanitarian center” in Niš, supposedly a Russian military intelligence hub. Emini argued that instead of fighting Vučić, the West needs to “start from scratch”. According to her it is crucial that EU and US align and that they understand their strategic leverage. Unfortunately, a crack between them continued with “Open Balkans” and the “Berlin process”. Finally, she maintained that the West should not fight Russia and China with their tools.

The final kick-off comment speaker, Cengiz Günay, mainly argued that the EU should go back to what it is good at, which is to say that it should seek and support interlocutors in the civil societies of Western Balkans states.

In the discussion, Dan Hamilton held that frozen conflicts are festering wounds, which actually mean that the region remains violent. He also raised the question what to do with EUFOR. Senada Šelo Šabić responded by saying that on defense issues NATO should take over. Stefan Vladislavljev ventured that the adoption of sanctions might lose the region to the EU.



Donika Emini maintained that blackmailing in the region should stop, and that Serbia has to be named and shamed. She argued that the Russia-Ukraine war should be seen as the moment to take action also in this region, as Serbia continues to sit on the fence.

Wolfgang Petritsch provided the final comment, opining that the region needed “Balkans papers” comparable to the “Panama papers” and a relentless focus on corruption. Talk of war, he continued, is exactly what the nationalists want.

