The Belt and Road Initiative (BRI) is one of the most ambitious and magnificent development strategies of today, advocating for China to connect the world as it once did in the past. Since its inception in 2014, the BRI has been expanding. It currently covers more than 70 countries on five continents. Acceptance of the initiative around the world varied from country to district – while some accepted it as a vehicle for development and growth, others were quite wary as they viewed it as an attempt by China to further position itself as a global power.

BRIs are actually two initiatives in one – the Belt Initiative covers land and rail routes, while the Road covers maritime routes. Together, they provide a large network of routes connecting participating countries. The primary focus of the BRI is the construction and development of infrastructure in participating countries in Asia, Europe and Africa – seaports, airports, roads, railways and pipelines. However, while infrastructure is in focus, the initiative is also focused on other projects – such as educational programs.

From a financing perspective, a significant amount is invested by Chinese companies involved in the projects. Participating countries are also expected to contribute. As they are mainly developing countries, which often do not have enough resources, they take loans from China and its banks and corporations. Sometimes they are unable to repay these loans, which is why China is accused of so-called debt diplomacy. Namely, China has been accused of extending loans knowing that they cannot be repaid – which gives China a significant influence on indebted countries or even an excuse to seize valuable assets.

An example that is often cited is a port in Sri Lanka, funded by China. When Sri Lanka was unable to refinance the loan (and many say it was obvious that it could not be refinanced), Sri Lanka handed over the port to the Chinese for a period of 99 years. However, many believe that such accusations are exaggerated, and that these are only isolated cases resulting from the debtor’s reckless conduct.

As for Europe, the BRI is welcome in Eastern Europe and the Balkans, with Western European countries being more cautious (with the exception of Italy). Before Italy joined the BRI, 16 European countries were already members – 11 from the European Union and five from the Western Balkans (the 16 + 1 platform).

Effectively, all Balkan countries (together with the countries of the former Yugoslavia) are members of the BRI. The countries of the Western Balkans have been especially warmly welcomed by the BRI. Regional economies are far behind the EU, given that infrastructure is in very poor condition, so any kind of investment is especially welcome. Chinese investments have filled this gap by working to build roads and railways across the region (such as a new highway in Montenegro intended to connect the Montenegrin coast to the central part of the country and Serbia in the north, or the Pelješac Bridge in Croatia, or Tirana airport in Albania, where Chinese firms have a concession).

In addition, two large industrial complexes have been taken over by Chinese companies in

Serbia – Zelezara Smederevo (formerly owned by US Steel, which re-transferred ownership to the Serbian government), and RTB Copper Mine and Smelter, the largest copper company in the Balkans.
From a strategic perspective, WB6 countries are a great opportunity for China. First, they are not part of the EU and are therefore not subject to the rigorous control procedures that Chinese investments currently face in the EU and other Western countries, while benefiting from various trade agreements with the EU and the rest of the world.
Secondly, they are in close proximity to the port of Piraeus, Greece, currently operated by the Chinese. Also, given the state of their economies, labour costs are much lower than in the EU. Last but not least, all Balkan countries are on track to become EU members. Considering the impact in these countries, in the future, this could also provide China with EU influence.
At first glance, the EU does not seem too pleased with China’s presence in the Balkans. There are concerns that Chinese money comes with leverage and that China will gain strategic influence in the region.
Several regional projects have already raised concerns in Brussels. For example, by taking over the Smederevo steel plant, Hesteel became subject to control of EU state aid. The current project to build a coal-fired power plant in Tuzla, Bosnia and Herzegovina, is also under review as it is not in line with the EU’s energy strategy and state aid. The European Union has also launched a law-enforcement procedure relating to the Hungarian part of the high-speed rail line, which is supposed to link Belgrade and Budapest, investigating whether the project violated the procurement law.
All this is not surprising given that the EU has recently been on the same path as the US in terms of its access to Chinese investments. The EU has approved a new screening framework for foreign direct investment aimed at “protecting European security, public order and strategic interests”.
Given the status of the “thirsty” economies of the Balkan region, the EU clearly has the means to compete with China. For example, EU funds can be used to provide grants, apparently cheaper and perhaps larger than Chinese loans.
However, any EU assistance comes with some requests, until China submits requests. In addition, in March 2019, Italy became the first G7 country to join the BRI. In total, 29 memorandums of cooperation were signed in the banking sector, a partnership between a Chinese construction company and Italian ports and fruit exports from Italy to China. The agreements also include cooperation among media outlets as well as in the fields of science and technology. This move by Italy has raised concerns in the rest of the EU and the US.
It is certain that China is present here with the intention of remaining as a strong strategic partner of the Western Balkan countries and as a global power. Time will tell how the rest of the world will adapt to these facts.