

Building a Railway to Europe

Consequences of Chinese Investment to
Serbia's EU-Association Process

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Abstract

The issue addressed in this study is the consequences of China's investments in Serbia. The purpose of this topic is to examine the development of Serbia's alignment to the European Union (EU) association reforms. The theoretical framework comes from the diffusion and the dependency theory, which both build on previous research. The data is gathered primarily through official documents, news articles and interviews. High profile Chinese projects in Serbia were analysed through a process-tracing approach and are related to changes in Serbia's EU reform process. The EU alignment is analysed along with three indicators from the theory; public procedures and administration, the rule of law and foreign policy.

The practical implications of the results are a deepening understanding China's influence in Europe, particularly the EU-association process. Here Serbia is argued to be a "least-likely" case of the Western Balkan for Chinese influence, due to the country's prominent position in the EU-association negotiations. From the data there is an implied correlation between stagnation in Serbia's reform willingness and China's increased investments. Here China's values differ from the EU's, which hint to a possible causation between the stagnation and investments, as suggested by the theories.

Key words: Belt and Road Initiative, European Union, dependency, process-tracing, Serbia.

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Abbreviations

BRI – Belt and Road Initiative

CFSP – Common Foreign and Security Policy

COSCO – China Ocean Shipping Company

EBRD – European Bank for Reconstruction and Development

EU – European Union

EXIM Bank – Export-Import Bank (of the People's Republic of China)

FDI – Foreign Direct Investment

IFI – International Financial Institutions

IMF – International Monetary Fund

IPA – Instrument for Pre-Accession Assistance

MoU – Memorandum of Understandings

MS – Member State

NATO – The North Atlantic Treaty Organisation

NPAA – National Plan for the Approximation with the Acquis

PM – Prime Minister

SAA – Stabilisation and Association Agreement

SAI – Supreme Audit Institution

SNS – Serbian Progressive Party

1 Introduction

Since the launch of the Belt and Road Initiative (BRI) in 2013, China's presence in the Western Balkans has increased. This presence is a potential source of influence on Serbia's European Union (EU)-association process. From the outset Serbia appears to be the least-likely case for China's influence on their EU-association process in the region. Given Serbia's popular pro-European views and aim to join the EU in the foreseeable future, China's influence should be less apparent. The country is also seemingly well developed in the region, in comparison to other countries (The Guardian 2018; Le Corre 2018; Surk 2017). The predominantly Orthodox Christian country elected their first female and openly gay (and pro-European) prime minister in 2017 (Zivanovic 2017). Serbia was only the fifth country in the world to have a gay head of state being in stark contrast to the illiberal policies of China (Taylor 2019; Trimble 2017). Even though China has made a great deal of economic investment in Serbia, it is still far behind the investments by the EU (Zeneli 2019a). The Chinese attempts to gain influence in Serbia would be a bit like the American singer Frank Sinatra logic "If I can make it there, I'll make it anywhere" (Bernhard 2011).

Studies on the spread of autocratic values tend to divide authoritarian regimes as spreading their standards intentionally or unintentionally. Previous studies argues that China is spreading its values unintentionally through the process of *diffusion* when engaged economically with other countries. Here influence might be a goal, but it is not achieved through political commitment in the receptive country (Ambrosio 2010; Obydenkova & Libman 2014). A second considerably larger set of studies looks at the *dependency* created by the uneven trade relationship and how that influences the economically weaker country. Only a relatively small handful of studies have explored the Chinese involvement in countries (particularly African) and the resulting stall in democracy (i.e., Ant3nio & Ma 2015; Mason 2017; Mlambo et al. 2016; Uchegara 2009).

China's influence in Europe is still relatively unexplored, with a primary focus on the popular attitudes towards China. These studies are based on the notion that economic engagement leads to geopolitical consequences for the EU and also countries like Serbia (Le Corre 2018; Le Corre & Vuksanovic 2019). These various approaches cover both the mechanism behind and some of the possible outcomes of influence. Serbia is a fitting example to analyse, because of its ever-growing ties to China and support of the BRI.

The scarcity of information on China's activity in Europe and how it directly compares to the EU is problematic because it can promote a disillusion ideas about China's influence (both are often under or over exaggerations). This study attempts to bring clarity to China influence on Serbia's EU-association process. Here this study will analyse policy changes, whether or not they happen in

Serbia, and how they link to Chinese investments. This study explores the high profile project of the Budapest-Belgrade railway between 2013 and 2018.

1.1 Purpose - What is of Interest?

The Western Balkans is often described as being part of the European “neighbourhood” area due to its proximity to the EU. Not only is this one of the last conflicts zones in Europe, the six countries in the region are also in negotiations with the Union concerning future membership. Furthermore, the EU's interest in the region will probably increase with the Southern Gas Corridor (EIB 2018).

However, this thesis has decided to investigate Serbia out of the six Western Balkan countries, due to its unique relationship with China. Serbia, whose aim is to be an EU Member State (MS) by as early as 2025, receives more Chinese investments than any other Western Balkan country (The Guardian 2018; IMF 2018:33). China has promoted Serbia interest on Kosovo internationally. Belgrade recently claimed that they are one of Chinas best friends in Europe (Konrad-Adenauer-Stiftung 2018:20; Le Corre & Vuksanovic 2019). However, at the same time Serbia has been one of the forerunners in joining the EU (The Guardian 2018).

Moreover, this makes this thesis a *crucial case study*, as the paper has chosen a “least-likely” case (based on prior grounds) which are more unlikely to agree with previous expectations from the theory. However, aim is here not to disprove the theory, rather to strengthen it, because if “the theory [...] passe[s] a difficult test, [...] [then] we will have reason to support it with greater confidence” (King et al. 1994:209).

Compared to Russia appears China’s focus on Serbia to be primarily economically fixated, with little to no interest in politics, at least not openly (cf. Konrad-Adenauer-Stiftung 2018:32ff). The countries like Serbia on the Western Balkans welcome these investments which are mostly in infrastructure as they starved for investment after the war in the 1990s. A study done by the International Monetary Fund (IMF) shows that the infrastructure development in the Western Balkans is around 50 percent under the EU average (IMF 2018:13f). Chinese infrastructure investments are often claimed by China to be related to the BRI. Here the Chinese aim is to connect the Greek harbour Piraeus to the rest of the EU; China acquired a majority stake in the harbour in 2016. The port is meant to give China an independent way to transport goods into Europe. A railway through the Western Balkans would create a transit road directly into Central Europe (Brattberg & Soula 2018; BBC 2019b; Politico 2015).

For some, China’s increased presence been a source of concern. Could the Chinese influence on the EU-enlargement process in the Western Balkan and possibly also the EU itself be in the long-term? Both the EU Commission and Germany have raised concerns towards more Chinese investment in the region, which they fear can present longstanding consequences for European security (Konrad-Adenauer-Stiftung 2018:4ff, Heath & Grey 2018).

Posed this way, the ‘puzzle’ for this paper is whether China’s increased influence in Serbia is going to affect the country’s EU-enlargement reform process. The EU is trying to reform Serbia towards an alignment with European values. Can a non-democratic state help other states reform towards a more democratic path? The US-based research organisation Freedom House (2018) ranks democracy in both China and most countries in the Western Balkans clearly below the European average.

On the one hand, one can make the argument that where the money comes from does not matter. The important aspect is that Serbia receives much needed investment and that they bring positive results in the form of economic development, regardless of who is investing (Konrad-Adenauer-Stiftung 2018:6). Some Serbian ministers have even gone so far as expressed that Chinese investment will speed up the process for any Western Balkan country that have the ambition to join the EU (Karnitschnig 2017).

On the other hand, the source of the financial investment is inseparable from the investment, which gives political involvement. If an actor does not share the same values and views of the reform process, can this negatively influence the development? The question of Chinese influence is not hypothetical for the EU, since China already has joint projects on the continent (Grieger 2018:1, 3).

The aim here is to get an understanding of the consequences of China entering into Serbia, with the potential of future research for the Western Balkans. Thus the research question is:

How is the Serbian will to reform its policies towards gaining a potential membership in the European Union influenced by the access to rising Chinese funding?

What are the consequences of a large amount of ‘no strings attached’ investment from an authoritarian regime be on democratic development? This question will work as guidance for the text in structuring the analysis. Though most of the structure will be derived from the theory and method, theory defines both independent and dependent variable.

2 Theoretical Framework

The aim with this theoretical framework is to provide a tool for analysing the consequences of China's foreign policy towards Serbia. The choice of theoretical perspective for this paper is taken from *International Relation*, where theories about the effect of ideology in autocracies foreign policy try to unpack, amongst other things, the influence of authoritarian regimes. This research is about the implications of autocracies' foreign policy and its capability to impact political development in other states. The most active authoritarian states are often called the 'black knights' (Obydenkova & Libman 2014:347f).

This theoretical framework sets out to merge mainly three different scholars' theoretical arguments on how to understand the 'black knights'. Here, *autocracy promotion* will be focused on its *unintentional mechanism of influence* and then the *resulting dependency*. This theory does not try to uncover what kind of variables leads to successful democratic development, rather what "strengthens and advances autocracy" (Ambrosio 2010:376). This theory is intended to provide the reader with a summary of the literature and theoretical development. Previous research has emphasised China's involvement on the African continent. The two hypotheses are constructed out of the theory at the conclusion of this section.

2.1 Autocratic Peace

The first subfield of authoritarian regimes foreign policy ideology theory is the research on 'autocratic peace', which explores the clashes and collaboration between autocracies. Here similarities in ideology are argued to be the foundation for peace between authoritarian countries. These studies share similarities with the researchers arguing for a 'democratic peace'. This side of the literature mainly looks at "the cooperation and conflict between autocracies [...] [and] argue that common values limit the likelihood of conflicts among autocracies" (Obydenkova & Libman 2014:348). This logic is similar to that of democratic peace in which security can be defined out from certain norms and identity, which also influence what is perceived as a friend or a threat (cf. Hayes 2011:782).

The literature defines two cases where ideology can foster cooperation; 1) when there is an external or internal enemy; 2) when there is a competing ideology, that, if it is successful, could spread domestically (Obydenkova & Libman 2014:348). However, most autocratic regimes should, in the lack of strong constraints and transparency, feel a temptation to expand their territory, but they do not. Additionally, most autocratic regimes do not have a strong ideology and are more technocratic. Even so, they usually manage to cooperate against a common

enemy. Case in point the Latin America regimes, worked together in finding dissidents. Belonging to the same ‘normative community’ can cement relations between states (Peceny et al. 2002:19). Similarly, in democratic peace studies, a shared identity is argued to be visible amongst policymakers, which drives from the respect to democratic norms (Hayes 2011:779f). Foreign policy decisions carry audience cost in both democracies and non-democracies (Weeks 2008:59).

Studies have found some qualitative data suggesting an autocratic peace has developed in the post-WWII era. They also find it hard to point to an exact reason why, as conflicts seem to happen at random. One-party states such as China are perceived to have a negative influence on militarised interstate disputes (Peceny et al. 2002:25).

A counter-argument to autocratic peace is that ideology is not as homogenous amongst authoritarian regimes. Therefore scholars question their capability to tie the foundations for foreign policy solely on prevailing thought. In contrast to democracies, in which differences amongst authoritarian regimes are often too big to be a useful ground to find a mutual interest. There are further issues of ideological radicalisation, where two countries that share ideology could come into conflict with each other (Obydenkova & Libman 2014:348).

2.2 Autocratic Promotion

This second research on ideology focuses on authoritarian regime’s capacity to shape the development in other countries, particularly those that are undergoing transition. China and Russia are often called the ‘black knights’ because they are attempting to stop, slow down or even roll back the spread of democracy (Obydenkova & Libman 2014:349). If the sole focus is on countries that try to promote democracy, the full picture of international relations will not be captured and may be even romanticised. This is because the definition of some states is more of a potential ‘negative’ influencer on a positive democracy development (Tolstrup 2009:923). China here is described as one of the “authoritarian great powers” (Von Soest 2015:626).

The ‘recession’ in some democracies can be linked to the power and prestige gained by economic rising authoritarian states (Ambrosio 2010:376). There is a logic for authoritarian regimes to support other regimes in preventing a ‘democratic domino’ effect and thus protecting themselves (Bader 2015:23). Von Soest posits that China’s interest is not in spreading its system, but rather to preserve its stability and economic prosperity. From this perspective China’s cooperation projects shouldn’t be seen as active promotion of authoritarian communism. However, there is a tendency of Chinese support for existing regime and resisting change (Von Soest 2015:629f).

Obydenkova & Libman defines three types of driving mechanisms in the authoritarian regime’s foreign policy ideology. The first one is based on taking the “ideologically correct” decision when conducting foreign policy. This means that the domestic costs for not following the ideology will be too high. Secondly, a

regime can be motivated to stop the spread of democracy (especially when there are close ties between the countries), where the government pays little to no attention to its domestic ideology. The third driver is external approval of the administration. This can act with other governments to stop the spread of democracy, and unexpected alliances between countries can emerge. Important to note is that a regime does not necessarily only seek the external support by administrations that have the same ideology. This is mostly true for systems that rest on a more fragile ideology (Obydenkova & Libman 2014:349).

To a certain extent, the ideology of an authoritarian regime can be manipulated to fit the regime's needs, but only to a limit. Moreover, the context of the country will decide the interaction and consequently the influence. An authoritarian regime can choose to work within international organisations, though there are usually some kinds of limits for non-democratic countries. If they are too limited by international organisations, authoritarian regimes can decide to work together to contain or even roll back democracy (Obydenkova & Libman 2014:349). Triggered by a commonly perceived threat to their existence, they act. But it does not necessarily mean they are trying to strengthen the authoritarian rule through their foreign policy, it can also be focused on their survival (Von Soest 2015:624). Here authoritarian regimes are not 'rolling back' democracy. Rather, they try to maintain normalcy to preserve the situation in the receptive country — changes will then occur within the receptive regime, which will weaken the government's democratic values (Brownlee 2017:1327). China arguably favours stability in its partners and resists regime change as mentioned above.

The difficulty in analysing China's approach autocracy promotion is they subtlety, especially when compared to Russia. Chinese scholars argue that China may export some special 'characteristics', which may undermine democratic systems, without necessary promoting autocracy (Chou 2017:181f). However, the aim must not be to always try to create more authoritarian regimes; China was not supportive of Mali's development. The autocratic turn in Mali ran against Chinese investments and trade interest (Brownlee 2017:1340).

The aim is to preserve the legitimacy of the regime, so it does not become undermined. Here it becomes crucial to balance domestic approval and the power of the international community. Beijing would aim to support another regime in its foreign policy based on benefits that would be brought to China (Bader 2015:24). Furthermore, this would suggest that Beijing would be willing to support other kinds of regimes, for example, transitional regimes, if it would help to realise China's goals.

Tolstrup posits that some regimes push for democracy, while others pull against it. However, an actor can push and pull in both direction on democracy, depending on time and place, an actor's position is not always given (2009:624f). The foreign policy of China here becomes the independent variable, more specifically the Chinese economic activity in Serbia. This is because the focus is not on the international actors per se. Instead, it is on the effects of their actions (Tolstrup 2009:925). The purpose of this document is not to understand China's strategic interest or goals, rather the outcomes.

2.3 The Mechanisms of Influence

The theoretical concept of ‘autocracy promotion’ is combined here with Soest’s (2015) model of *influence mechanisms*. Authoritarian regimes often have a bigger influence on a transitional country if there is a connection, like a land border or a strong trade, where ‘spill-over’ effects can occur (Obydenkova & Libman 2014:358). However, Beijing seems to be afraid of spill-over effects, where liberal ideas could be rooting in China through too open contact (Bader 2015:24). Von Soest argues that it is in the self-serving interests of the authoritarian regimes to engage in another country and try to control its connections (cf. 2015:628f). Likewise, Ambrosio’s argue that:

Democracy is not currently under threat from autocracy in the way that it was during the twentieth century: rather than aggressively spreading a particular form of government (for example, fascism or communism), countries such as Russia and China are more interested in creating global conditions under which democracy promotion is blunted and state sovereignty (understood as the ability of leaders to determine the form of government for their country) is further entrenched (2010:377).

Nevertheless, one should not overlook the ‘unintended consequences’ of authoritarian regimes; there are examples of an authoritarian regime accidentally helping a development increase democracy (Obydenkova & Libman 2014:360).

If there is a decline of democratic values, *diffusion* is often pointed to as one of the possible linkages. Diffusion as a concept assumes that different political entities will always influence each other with their policy choices because nothing happens completely independently in the modern international system. It is a constant process, not the outcome, where different interdependent policy choices strive towards greater homogeneity amongst the entities (Ambrosio 2010:377f). Here von Soest creates a model of the different kinds of ‘mechanisms of influence’, as seen in Table One (2015:629).

Table 1 *Mechanisms of influence.*

Type of <i>authoritarian influence</i>	The direction of influence (view from the receptive regime)
Unintentional	<i>Diffusion</i> ; ideas and policy from the other actor are slowly filtered down into the receptive state.
Intentional	<i>Learning</i> ; new political direction created.
	<i>Collaboration</i> ; agreed political direction.
	<i>Support</i> ; continued political direction.

Source: Adapted from von Soest 2015:629 and Obydenkova & Libman 2014.

Table One indicates how an authoritarian regime can try to influence other states. Actively *teaching* a particular type of authoritarian model is unusual, but

exists in some cases (for example Iran and Saudi Arabia). More common is a *collaboration* with other states, in a self-serving project, usually to gain external support. This is close to the concept of diffusion, but *collaboration* is only directed towards other authoritarian regimes. Furthermore, *support* is towards strengthening the already authoritarian rule in the receptive country. A different kind of influence is diffusion, when an authoritarian regime decides to narrowly focus on the economy and geopolitical interest, often with other regimes that mirror them. This is a way of encourage the spread of certain norms (Von Soest 2015:628ff).

From the perspective of the receptive regime (Serbia), the Chinese influence mechanism is labelled as ‘unintentional’ in the diffusion process. China’s aim is not to get directly involved in the political direction of a country. Rather, its purpose is more of a submissive/passive type influence. This can be traced to China’s belief in non-interference in sovereign states. Hence, China is more involved if it responds to Chinese interest, regardless of regime type in the country (Bader 2015:25).

Nevertheless, however ‘unintentional’ the diffusion process is, there has been a source of disagreement. One side argues that diffusion is the spread of behaviour and policies without any efforts made by either side. The other side argues that diffusion could include more conditions, with clear carrot-and-stick behaviours between actors. The third side which is what the position of this thesis argues, that a more middle ground between the other two and can be described as “allowing ‘change agents’ [...] to intentionally seek to disseminate a practice but stopping short of pressuring potential adopters” (Ambrosio 2010:378). Here China’s influence is still “unintentional” in the eyes of Serbia. But China may still favour a certain development in Serbia and promote this direction.

This study does not aim to see how “the use of pressure and force ... enact policy changes in another state” (Ambrosio 2010:378). Rather it is to understand “how the prior adoption of a policy or behaviour affects subsequent actors”, which in this case will be China’s activities/conducts in Serbia (Ambrosio 2010:378). Likewise, diffusion does not explain the nature of the behaviour of an authoritarian state. Instead, it attempts to explain how authoritarian regimes build a context where they protect themselves with delegitimised regime changes. The aim here is to see if it is happening and understand what factors lie behind the changes. Ambrosio develops this into two different mechanisms of diffusion; *appropriate* and *effectiveness* (2010:378f).

The mechanism of *appropriate* is adapting to a changed surrounding for the receptive regime. One way of diffusion is to create more favourable conditions for authoritarian regimes. New norms are established, which would lead to a decline of previous stigmas. These norms shape what kind of practices are legitimate; this process can go in both directions and are hence reversible. If there is a downward trend in democratic values, a new perceived balance of legitimacy, where democracy and autocracy seem equal in the receptive country could be achieved (Ambrosio 2010:377, 379f).

This is the case in the rise of the “Russian model” paradigm, which has weakened democracies and increased the resistance towards democratic pressure in some states (Ambrosio 2010:380f). Chinese influence is much more economical; Chinese scholars define the Chinese foreign policy approach as “influence without

interference” (Chou 2017:179). China is here acquiring friends internationally that can give China support based on China’s financial engagement in the country (which is a way of changing the conditions) (Mlambo et al. 2016:268). This is why the two hypotheses focuses on effects of Chinas foreign policy rather than its motivation.

The mechanism of *appropriate* dimension explains changes to norms and practice. It is usually what is recognised as legitimate, that is most probable to spread between actors. But “if this legitimacy is questioned, as alternatives become more accepted, or if [the] political cover is available, then it is more likely that actors will adopt norms and practices that run contrary to the dominant trend” (Ambrosio 2010:382). China has a history in stopping liberal interventions, which is a method to prevent the spread of liberal norms (Bader 2015:24).

Effectiveness is, on the other hand, is more about influencing without changing the conditions, outlining what is possible through the experience of others. Here China is seen as a teacher for other states, where it leads by showing how it has achieved impressive economic growth. This “China-model” will be an alternative to a democratic-capitalist; as some countries in Africa gives the impression to have taken inspiration here (Ambrosio 2010:379ff). It shall be noted that China’s involvement in shaping other countries is not only by the state and its state-owned enterprises but also by the quasi-state actors and non-state actors (Power et al. 2016:12).

Furthermore, Chinese foreign policy has adopted a strong ‘no-interventionist’ stance, which gladly gives investments or other assistance, without any demands on good governance. In contrast to Western aid, which generally comes with some strings attached regarding democracy or human rights development, Chinese support creates a “diplomatic cover for autocratic regimes” (Ambrosio 2010:383). This is also shown in China’s preference to do business with other autocratic countries, as shown in Cambodia, where political practices and forms of negotiation were well suited for China’s foreign policy. Not only did China realise its strategic interest, but it also managed to make it economically beneficial for the Chinese commercial part of the negotiations (Chou 2017:178). Here it is possible to question the pure goal of the economic investments, possibly other goals may lie underneath. However, the adoption of Chinese norms in a type of “China-model” happens without any direct political pressure; it is the success of China that leads them towards that path. Also inspiring is China’s ability to gain social and political control domestically (Ambrosio 2010:383).

Ambrosio adds five *contributing factors* to the two dimensions of diffusion, which can expand or strengthen the diffusion process; geography, linkage, international organizations, major power prestige, and reference groups (2010:384). In the case of China, “geography” is instead be thought of as “space”, which include a strong trade relationship (Beck et al. 2006:31f). China is also involved in several international organisations and is creating its own. They are pushing for sovereignty and glorifying “stability” as the highest political goal. This is deepened by the country’s ‘linkage’, their economic, social, organisation, communication and political exchange. With China’s economic rise, there is also a lot of prestige, which has made it an example for other policymakers. This further developed when the

country becomes part of ‘reference group’, when a state wants to archive similar results (Ambrosio 2010:385ff). Promoting autocratic norms in the different international organisation can here help authoritarian regimes, like the Shanghai Cooperation Organisation (Tolstrup 2009:925). There have been claims made in China that friendly alliances will reduce neighbour’s fears and increase small states dependence on China. This leads us to one possible outcome of the diffusion process (Irvine 2017:589).

2.4 Dependency

Dependence theory is not new, but it has come into a new light with China’s growing economic influence. The leading conclusion seems to be that China is not behaving in a new way compared to what previous global actors have already done (Mason 2017:84). But the aim is not to try to categorise China’s behaviour. Instead, the purpose is how China’s economic involvement is changing the internal development of Serbia. Here the concept of diffusion is utilised as a mechanism to understand the spread of autocratic ideas and norms (cf. Ambrosio 2010:378). To fully understand the *mechanism* of diffusion, the outcome of dependency in the receptive country must also be examined. If Serbia becomes more dependent on China economically, there will likely be an increase or strengthening the diffusion process and “may gradually weaken pro-democratic forces and strengthen the autocratic tendencies within the regime and amongst its supporters” (2010:385). The dependency is here argued to be a unique relationship, due to its more active use of an economic relationship.

This economic dependency will have possible strategic gains for China, but it will also more importantly for this study affect the liberal performance of the Serbian democracy (cf. Tolstrup 2009:924). Together with the previous discussion on ‘autocracy promotion’, dependence theory will help define what part of Serbia’s democracy is likely to be influenced (through diffusion) by China. Previous studies have mostly looked at China’s growing influence in Africa. Even if the local context is different to South-eastern Europe, some parallels are possible to make, first and foremost China is still the economic actor in both scenarios.

Mason argues that there are two new types of dependencies in African countries’ relationship with China. The first is a *self-imposed* dependency, as a means for regimes to actively counter western pro-democratic values. Here the aim at the receptive administration is to counterbalance the traditional loan givers with Chinese loans; though China has been a lot more cautious in supporting those kind of regimes with loans. The second version Mason argues is for an *oscillating* dependency, where restricted access to traditional loans makes it necessary for the receptive state to find new sources of finance. This is either from failed negotiation with the international loan givers or just limited resources available from the loan givers. The respective countries still primarily want to cooperate with the traditional global loan originators (Mason 2017:91). From this, it is possible to construct two

different areas where change might occur in the receptive country based upon dependence theory.

The first possible change in dependency within Serbia is *transparency*. There are concerns of Chinese companies being more prone to paying bribes in a way that Western companies would find hard to do, due to home market pressure. The instant credits from unconditional loans are a threat to transparency, where governments get more ‘flexibility’, which can lead to a stagnation in anti-corruption work. The build-up of a new economic dependency follows the logic of reducing another economic dependency, which can be tempting for regimes, especially if it also wants to escape transparency pressure (Uchehara 2009:106, 110). Many BRI projects often raises suspicion due to the lack of transparency and rational economic gains (Jaco 2017:7).

The African countries are doing this because they lack the knowledge to start the project by themselves and China has the success story behind them, which make it possible for them to accept China’s primary stake ownership in projects (António & Ma 2015:93). China here is acting as a reference point, in the lack of other formal international standards. When more adopt the practice the credibility and immunity of it practice grows (Ambrosio 2010:387). The same mechanism should be true for other European countries. More projects under Chinese ownership should help the credibility for future plans be approved by policymakers.

The *transparency* will mainly be seen changing within two fields; *public procedures and administration* and *the rule of law*. These are both two dimensions of democracy (Uchehara 2009:106, 110; Tolstrup 2009:927). China has been described as a ‘rogue donor’ because it pays little to no interest in how the regime acts towards its population. Infrastructure project funding has been accused of supporting corruption with lacking public procedures (Mlambo et al. 2016:262ff). In several African states, the non-interference policy from China has been attributed to a “direct challenge ... [to] the development of open, democratic governments” (António & Ma 2015:84). China and African countries have created principles of “peaceful coexistence”, which amongst other things state “non-interference in each other’s internal affairs”, such as the public administration and judicial system (Uchehara 2009:96). Several studies on African countries have shown that this kind of investments has led to a stall in democratisation (Mlambo et al. 2016:261).

The second likely alteration in Serbian policies relates to their *foreign policy*, which can be directly influenced by China. This argument fits with Bader’s study of China’s foreign policy. Beijing does not seem very interested and/or is not very successful in spreading its own system to developing countries. Rather, China is successful into getting states to agree with China on issues that China perceives as significant (2015:25, 30f). Such sensitive topics as the Dalai Lama and Taiwan are often a central part of the Chinese foreign policy (Bader 2015:25; Mlambo et al. 2016:268). These changes will most likely be seen in Serbia’s alignment with the EUs foreign policy and Serbia becoming more supportive of China’s position.

Countries can find themselves trapped in a new multi-dependency, where different external actors can be ‘pushing’ in different directions. China is here using its pulling power to secure support on issues that are important for China, like UN resolutions on human right abuses (Mason 2017:88, 93). There are plenty of shared

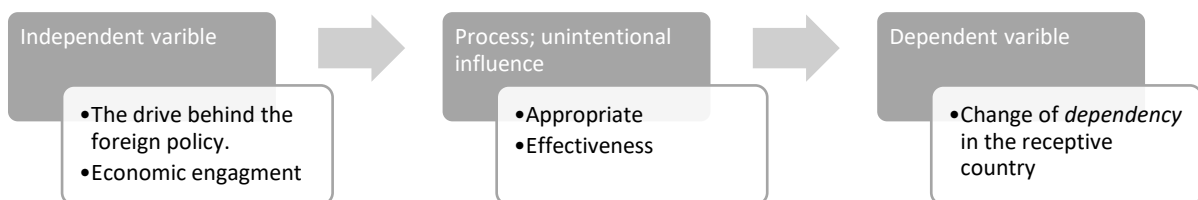
spaces beside geographic, trade, culture and military alliances. These can spread and share information and norms, which may be used by authoritarian regimes (Ambrosio 2010:385). This could become an issue for Serbia if the EU and China push Serbia in opposing directions and would be an apparent clash of interest. The countries dependent on China will develop in the long term a foreign policy more aligned with China and domestically will there be a stagnation in democratic development, especially concerning the transparency of public affairs and the rule of law.

2.5 Conceptualisation - How the Loans are connected to Transparency

With dependency, the ground for these two hypotheses are laid as it defines the dependent variables as Serbia’s anti-corruption work to include transparency (concerning public procedures and administration and the rule of law reforms) and foreign policy (cf. Waldner 2015:128). This is a vital part of a country’s democracy as previously mentioned. The variables below in Table Two make up the mechanism connecting the independent Chinese policy with the dependent variables.

The two dimensions of diffusion are appropriate and effectiveness. They are based on previous research and represent two different kinds of diffusion mechanism. The contributing factors here are treated as variables because they influence the two dimensions of diffusion (Ambrosio 2010:379; Decarlo 2018:236f). The text here argues that without the contributing factors there will be no diffusion process because there is no way it can happen if there is no contact between two different entities. Contributing factors are the variables that make up for the various kinds of interaction between two states. The foreign policy of an autocratic country will have a mixture of the three aims presented below, based on Obydenkova & Libman theorising (2014:349).

Table 2 *The conceptualisation of the theory.*



The process is unintentional in the eyes of the receptive regime but still leads to the undermining of the ruling regimes democratic values in the receptive country. A country or regime can change over time in its democratic values. Therefore, the state of dependency is important, because it measures the oscillation

in an actor's relationship to external actors. The primary limit for this table is that it measures what it is supposed to measure. Basing the table on previous studies is a way to prevent that issue.

More extensive economic relation with China is changing the values in Serbia through the process of appropriation (loans are creating a new context) and effectiveness (China's financial success is something to admire, perhaps even more when compared to some EU MS economic development). The economic linkage is changing for the Serbian regime, and more Chinese dependency can be beneficial for economic growth. Europe is still pushing for democratic reforms, but China is pulling Serbia in another direction with the loans and grants. This creates the following two hypotheses:

Hypothesis 1: The inflow of easily accessible Chinese loans encourage a different set of practices which results in a slowdown in the Serbian government's reform willingness in the areas that the Serbian administration perceived as less vital.

Hypothesis 2: Serbia's increased 'flexibility' and values from Chinese loans are clashing with the norms from the European Union enlargement policy.

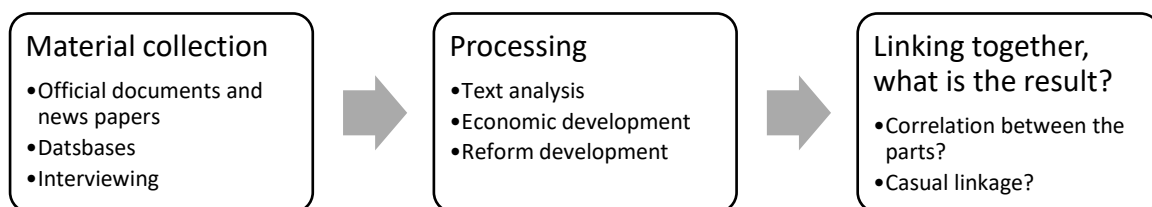
3 Method – How this Study will Analyse the Data

This paper examines the period between 2013 and 2018, with some newer material added later. The method used will be *process-tracing*. Data will be collected as motivated by the theory in the policy areas of China’s economic activity, transparency (public procedures and administration and the rule of law) and foreign policy.

There is no given way in how to answer China’s impact on the EU enlargement process in Serbia. This paper will, therefore, adopt a type of process-tracing approached inspired by Obydenkova & Libman (2014:350) with the weight of the study placed on the qualitative part. The term process-tracing comes from the use of historical conclusion with a case study as evidence (Bennett & Checkel 2015:5). The qualitative part divides into two sections, interviews and text-based. The analysis will utilise some quantitative data, because this will increase the explanation capacity of the study, either by having both parts confirming each other or diversify the results and getting a more coloured picture (Bryman 2012:633f). This is necessary because “[p]rocess tracing can only work if a sufficiently high level of accuracy, and reliability, can be reached on specific processes and events” (Vennesson 2008:237). This will strengthen the findings and conclusions from the study.

In the study of autocratic regimes there is an argument for both large N-studies and more qualitative studies. This study is more interested in the causal mechanism behind China’s presence in Serbia, hence the lean towards qualitative (cf. Obydenkova & Libman 2014:350).

Table 3 *The procedures of the analysis.*



3.1 The Data Collection Method

The first step in the analysis is gathering material with several sources being used. The data comes from official documents, press releases, interviews, published

books, non-governmental reports, scholarly publications, and media. At first, it can seem overwhelming but there is also a purpose for using different kinds of the source material. This is to try to provide an as accurate as possible picture of the development in Serbia.

The scope of this study stretches over five years (2013-2018). This is because China launched its Belt and Road Initiative in 2013, which included the Western Balkans. Additionally, EU documents are only available from the year 2018 or older (EU Commission 2019b; Le Corre 2018 & Konrad-Adenauer-Stiftung 2018:6). It is interesting to investigate this ‘crucial period’ because changes are more likely to occur under this period (Leupold 2016:85). Therefore, the search primary material concerns data from 2013 or newer, with some older to increase the understanding the specific Serbian context.

The official document comes primarily from the EU, but also other organisations such as Chinese Ministries, IMF and Serbian Ministries. The EU material divides into several different sources, namely; Statistical (from Eurostat), reports from various EU agencies and annual evaluations on the performance and development from the EU-commission. These last kind of papers come from the EU Instrument for Pre-Accession Assistance (IPA), which are easy to find under “key document” for every IPA country. Other IPA documents besides the yearly evaluations can be of value for this paper as well. The searches in the IPA database are based around China and themes from the theory.

There are some English language based newspapers and web portals that include Serbian news, for example, BalkanInsight Bosnia Daily, Ekapija, European Western Balkans. Some of these produce their own material; others translate Serbian news into English. Here publications will be used to find knowledge about the specific thematic subject and events, for example, the BRI.

The key statistical source is Eurostat for its economic data. It shall here be noted that some other sources of official statistics exist, based in both Serbia and China, but with great language barriers. Besides, Chinese statistic on Serbia are rather limited, as the country does not even show up as an option to search outward Chinese investment data on (cf. MOFCOM 2019).

Due to personal experience through meetings arranged with Swedish civil servants working at the foreign ministry (with the EU-enlargement on the Western Balkans). This allowed me to conduct three smaller semi-structured interviews, based on themes from the theory and empirical data gained during the text analysis. I have here tried to be as transparent as possible about the topic, without revealing the guiding hypothesis to the interviewees. The questions during the interviews were open-ended which gave the interviewee a chance to answer in their own words (Harvey 2011:433ff Legard et al. 2003:165f). The interviews will be an addition to the other material utilised in this paper.

The primary goal of these interviews is try to understand the development in Serbia from an EU perspective (changing attitudes towards the EU reforms) and any thoughts if there on China’s growing presence. No recordings were made during the interviews in an effort to encourage the interviewee to speak more freely (Harvey 2011:436f, Woliver 2002:678). This interview touch on topics that concern

the possibility of one country's relation to another, and therefore a recorder can make it harder for the interviewee to speak more spontaneously.

3.2 Disposition of the Analysis

A *content analysis* styled approach is suitable for the text analytic part, by first building an analytic frame from the theory and then applying systematically on the text material. The factors that were analysed in the material will come from the theory. They will also structure the analytic part of the text. Bryman defines content analysis as an “approach to the analysis of documents and texts that seeks to quantify content in terms of predetermined categories and in a systematic and replicable manner” (2012:290). Krippendorff argues for three kinds of definitions of content analysis that all create a different relation to the text; 1) the content to be inherent to the text; 2) the content to be a property from the source of the text; 3) the content to emerge from researcher's analysis of the text relative to a particular context (2004:19). Thus thesis will take a stance from the last of Krippendorff's relation to the text because while the diplomatic text produced by the EU might be very vague and therefore not very straight forward, more knowledge can be gained when put into the context of changes over time.

A way to develop the analysis is by looking at specific Chinese projects in the region and following them over time. The analysis will start with a small number of documents and add more material during the process. This will make it possible to find and follow suitable Chinese ventures (Bryman 2012:557, 559). This will be compared with the finding in the IPA evaluations and interviews to try to determent the consequences of the Chinese influence over the period. Specifically, this thesis is looking at changes in Serbia's progress concerning necessary EU-association reforms.

The *process-tracing* analysis will be applied on the content analysis together with the statistical material to construct the development of the Serbia reforms and Serbian-Chinese relationship. The aim is to use this most-likely case scenario to see changes over time; this can be defined as an *overtime-comparison*. This method gives the author the possibility to have some variance in the independent variable, because China may change, increase, or decrease its involvement in Serbia (Bennett & Elman 2007:176). Through systematically following the intermediate steps in a process, conclusions on the hypothesis can be made explaining the outcome of the process (Bennett & Checkel 2015:6). Here the chosen variables must be traceable in the historical context, which is done with the help of previous research. The theoretical prediction together with the empirical data makes it possible to deduce if the mechanism caused the events. Moreover, other explanations must here reliably be rejected during the analysis (Waldner 2015:128).

Process tracing is: ‘a procedure for identifying steps in a causal process leading to the outcome of a given dependent variable of a particular case in a particular historical context. (Vennesson 2008:231).

Obydenkova & Libman summarize the two sides of process tracing as “the establishment and evaluation of causal links ... [and] the importance of the links per se and their context” (2014:351). Furthermore, Vennesson (2008:231) sets up three different kinds of process tracing used by scholars:

- Increasing the scope of a theory by laying down the sequels of a variable (which gives us more variables to operationalise from).
- Studying a decision-making process and then measuring the independent and dependent variables.
- Discovering a ‘causal mechanism’ that connects an independent/casual variable with dependent variables, which is what this study sets out to do.

The aim is to understand the mechanisms between the three actors, and also “to assess the relative impact of certain variables, but also to get a better sense of the actors’ perceptions” (Vennesson 2008:235). This study aims not just to define a correlation, but also to understand the causal link between Chinese economic activity and Serbia's EU-association reform process.

The validity of the approach here can come from two different views; 1) positivist perspective where the aim is the “establishment and evaluation of causal links” and 2) an interpretivists’ perspective where the researcher focuses on “the importance of the links per se and their context” (Obydenkova & Libman 2014:351). Here the paper will more lean towards the later with the creation of links in a particular setting. This leads on to the conceptual preliminaries, which in turn gives this *casual graph* build after Waldner design elements (2015:131):

$$X \rightarrow M_1 \rightarrow M_2 \rightarrow Y$$

Chinese projects → *Diffusion of values* → *Changes in Serbia's reform policy*

The casual graph shows a cause and effect relationship, where independent variable X “running through intervening variables or mediators, M₁, M₂, and concluding with its terminal node, Y” (Waldner 2015:131). There can be more than one intervening variables or mediators, in this study will it there be both the diffusion process, which will explain the causal link. Though one should be careful of claiming an absolute certainly of a possible causal link, however, there can be a strong empirical indications.

3.3 Operationalisation

In this section, the text addresses the indicators that point to a new dependency and labels them based on the conceptualisation. The indicators come from the theoretical part. The questions asked towards the material in the analysis based on

the indicators; they will then help measure the variables (cf. Decarlo 2018:243ff). Indicators will here be from dependency and the four changes it causes in a receptive country.

The analysis tracks China’s economic activity during the period as it is the independent variable, with the main focus on prestige projects and important events. Changes in China’s involvement will have consequences on the diffusion mechanism. This will influence the two dimensions and the contributing factors (Ambrosio 2010: 378f, 384).

The 35 *Copenhagen criteria*’s from 1993 traces policy changes. These criteria guide a candidate country towards EU membership. Two central parts of the criteria’s are stable institutions that are guaranteeing the rule of law and a functioning market economy. During the process is the candidate country’s progress monitored by the EU Commission, which also includes potential extra requirements added by the EU (EU Commission 2016b).

Table 4 *Indicators and their definition for the analysis.*

Indicator	Definition and change.
Public procedures and administration	Slowing down or stalling in EU led reforms concerning democratic institutions (constitution, election, government, constitution, parliament) and public administration, especially concerning <i>transparency</i> .
The rule of law	Stagnation in anti-corruption work, less open public tenders and lacking <i>transparency</i> .
Foreign policy	Changing alignment from the EU and supportive of China and Chinese goals.

Source: Adapted from António & Ma (2015), EU Commission progress reports (2013; 2014; 2015; 2016; 2018) Mason (2017), Mlambo et al. 2016, Uchehara (2009).

This leads to the four indications built from dependency; transparency, public procedures and administration, the rule of law and foreign policy. These four indicators can, of course, be defined in several different ways, but here these classifications have been made from the dependence theory. The structure to analyse the EU Commission evaluation reports comes from the four indicators. They will indicate changes in Serbia that comes from the diffusion process and the changing Chinese interaction with Serbia.

3.4 Limitations

Limitations are divided into three different kinds; material selection, methods, and the casual relationship. The material selection is primarily hampered by the language barrier, which could skew the results when some sources are unattainable. To limit the risk of this is the area of research limited to one Western Balkan country. Additionally, with the process-tracing approach the sources are increased during the process, which means that the material decides direction and results.

The second limitation comes from the method of process-tracing; which has a limit in its *generalisability* to other cases. The primary way to counter this is the use of theory and hypothesis. If the hypothesis holds on a least-likely case, then the theory may be advanced and invite future research. By using more cases or *more independent material* the testing of a hypothesis becomes more solid (Bennett & Checkel 2015:13). This thesis aims to do the second option and use more than one type of source to strengthen the reliability of the results.

Lastly, the topic of the “autonomy of each case” is a possible limitation for this paper (Vennesson 2008:237). Here the issue is if the study measures what it is supposed to when other actors can be influencing the dependent variable (cf. Waldner 2015:131f). Particularly the relation between Serbia and Russia is strong, where Russia together with China are both described as ‘black knights’ (Konrad-Adenauer-Stiftung 2018: 32ff; Obydenkova & Libman 2014:347). It can here be hard to distinguish the different pulls from the two ‘black knights’ in Serbia because they might be sharing values and amplifying each other’s influences. There is no way to clearly remove the influence of other countries in Serbia; here the second hypothesis can help to counter misinterpretations with the focus on divergence in norms between the EU and China.

4 Analysis – Serbia’s Shift towards the East

There seems to be a consensus that the BRI will influence the internal politics of the EU. However, how the question of how will be is disputed. On one hand the BRI accused of being a threat to the political unity of the EU. The Chinese normative influence in Serbia is suspected to roll back the EU’s reform programme. On the other hand, the BRI is described as an opportunity for the countries in Eastern and Southern Europe to catch up with Western Europe (Grieger 2018:2). China’s reason for investing is partly attributed to its overcapacity in heavy industries (Makocki 2017). This text will follow the development of the Budapest-Belgrade railway as it is one of the major part of the BRI in Serbia. It will then be compared to the evaluation by the EU Commission on Serbia’s reforms progress. The text builds on process-tracing methods and takes its structure of events chronologically adding more sources along the way to test the two hypotheses.

4.1 Serbia Post-Conflict

After the violent breakup of Yugoslavia in the 1990s, Serbia is in a new geopolitical situation. The heavy NATO bombing had pushed the country in another direction compared to some of it’s the neighbours. One bombing campaign led by the US hit the Chinese embassy in Belgrade and ended up killing some Chinese staff. According to the US, this was a tragic accident due to out-dated information. China and Serbia were both suspicious of that claim, which in effect pulled the two countries closer together. China, was already against intervening in another sovereign state. Even before the incident China had started a domestic campaign against what they labelled as ‘American aggression’. This meant that the growing superpower China gained a connection in Europe (Roberts 2000:826ff).

Since Serbia’s arguably closest international ally since the 1990s had been Russia, is it a no bigger surprise that Serbia had no ambitions to join NATO (the memory of bombing corroborated that notion). The ties to Russia consist of three main parts: 1) Russia’s membership in the UN security council and hence blocking the outbreak country Kosovo’s official recognition; 2) historical, cultural and political, with the shared orthodox church; 3) energy, most of Serbia’s energy comes from Russia. For Russia is the Balkan a historical sphere of influence. Serbia and Russia have signed a free trade agreement, but it had no significant result on the trade between the two countries. Russia is Serbia’s 5th largest trading partner, with main focus on energy. Most likely Russia perceives the EU as one of its main

opponents in Serbia (Konrad-Adenauer-Stiftung 2018:32ff). However, Russia did not get involved in the 1990 turmoil in Serbia due to Russia's own internal issues at the time (Roberts 2000:802). In 2009 did Kosovo declare independence from Serbia, this has since been an ongoing part of the EU-negotiations for Serbia, to normalise the relation between the two nations (Interview 2).

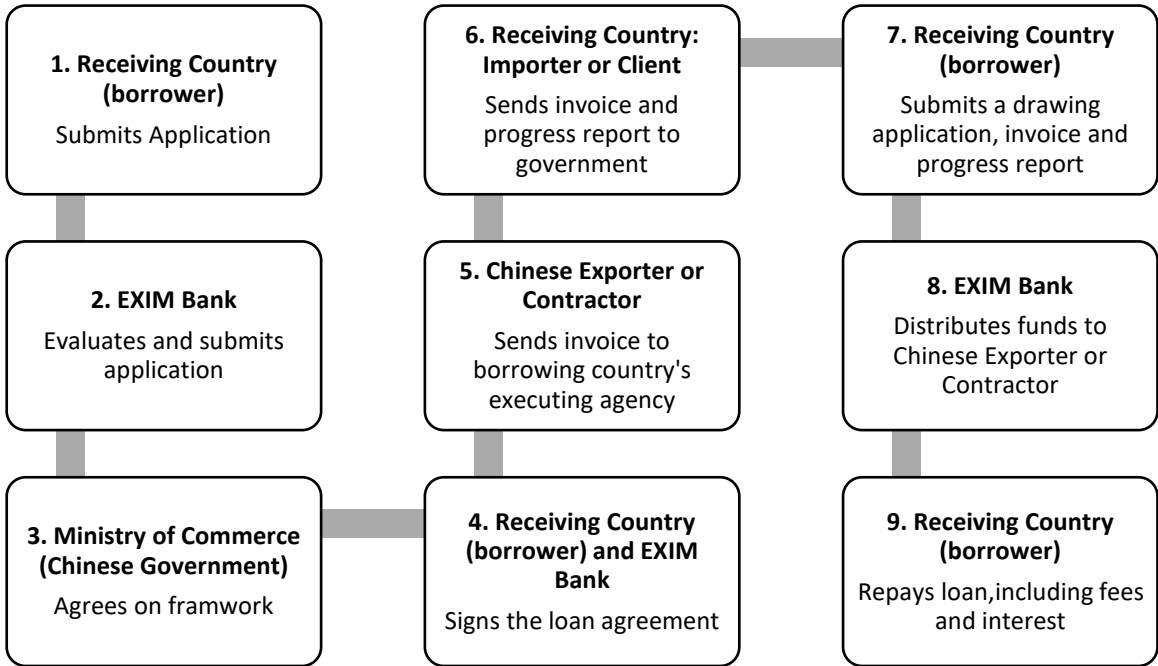
4.2 Serbia's First Steps along the BRI

During a time of low economic growth in 2012 made China an advance establish closer economic ties with Eastern and Southern Europe. Here countries like Serbia were valued for their geostrategic position along the planned BRI (Grieger 2018:2). Xi Jinping, president of China, unveiled the BRI in 2013 with the intention to link Central Europe with the Aegean Sea along the current *corridor X* railway line, which goes through Serbia (Levitin et al. 2016:2).

In 2013 were the IPA was focusing on improving institution within Serbia. One of these projects raised eyebrows when China helped Serbia improvements its customs enforcement. Serbia ended up buying more than was initially planned by the IPA program, with the help of a Chinese loan on 30 million USD (partly from the EXIM Bank). However, the loans helped Serbia harmonise customs rules with the EU (Ecorys 2013:32, 126). This could be the start of an *oscillating* dependency, where traditional loan gives are still preferred, but new ones are also used (Mason 2017:91). China helped Serbia attain the equipment, even if it was more than deemed necessary by the IPA. Serbia probably found it easier to buy more material with the funding available from China.

A vacuum was created when the USA started to lose interest in the region, which the EU (together with other Western donor countries) has not entirely managed to fill. This gave countries like China an opportunity (Interview 3, Surk 2017). However, China (and the EXIM Bank) is not necessary working against IPA goals, but with the primary objective on Chinese prosperity. Within a changing international system, nationalist factions of the Chinese leadership saw an opportunity to strengthen China's global power with the emphasis on national interest (Irvine 2017:588). With prestige comes also power in the international system, which can be seen in the layout of the EXIM Bank's loan structure. There is a lot of prestige that goes into signing a loan from EXIM Bank, as seen in step number four bellow in Table Five. This step usually includes high-level meetings between policymakers and representation from the EXIM Bank (Davies et al. 2008:18).

Table 5 Structure of EXIM Bank’s loan process.



Source: Adapted from Davies et al. 2008:19 and Ant3nio & Ma 2015:91.

The loan initiative is supposed to start with an application sent from the borrowing state. Moreover, the Chinese government is only involved in step number three, where it holds veto power (Davies et al. 2008:18). Though one can suspects that there exist interactions before step number one. This was the case when Xi Jinping launched the BRI, where the political initiative came from China. However, Serbia did reached out to the EXIM Bank to apply for the loans, the BRI seems to have been a wake-up call for Serbia to act.

In a meeting in Belgrade in December 2014, the Prime Ministers (PM) of Serbia, Hungary, and China sign a memorandum of understandings (MoU) that they intended to modernise the railway link (corridor X) between the Serbian capital and the Hungarian capital. The deal was worth 1.5 billion euro and financed by loans from EXIM Bank. The PM of North Macedonia was also present during the signing because the railway is supposed to be extended through Macedonia to the Chinese owned port Piraeus in Greece as part of the BRI (Levitin et al. 2016:10). The Chinese railway project is the most high-profile in Serbia. As a result, the Chinese construction project has resulted in the Serbian minister of Construction, Zorana Mihajlovic, to call “Serbia China’s main partner in Europe” (Le Corre 2018). Chinas involvement in Serbia is here still mostly economical.

4.3 Serbia’s EU Reforms

The IPA is the EU’s major tool for the neighbourhood policy. The aim is to assist the *enlargement countries* both financially and technically (EU Commission

2019a). The IPA consist of five thematic components, namely; Transition Assistance and Institution Building; Cross-Border Cooperation; Regional Development; Human Resources Development and Rural Development. The IPA is layout on a seven-year basis since 2007. (EU Commission 2016a). The current IPA II spans over 2014 and 2020 (EU Commission 2019a). The IPA aside, other possible European economic means of influence exist too. For example, the European Bank for Reconstruction and Development (EBRD), the EU MS direct support and private investment (cf. Interview 1). In 2013 was infrastructure improved in Serbia with the help of different loans seen as positive by the EU Commission, because it improved safety in particularly the rail network (EU Commission 2013b:30).

Serbia became an EU candidate country in 2012. Especially important to the EU Commission at the time was the Serbian government's adoption of the *National Plan for the Approximation with the Acquis* (NPAA) which cover the period 2013-2016. This was meant to give Serbia the detailed information to follow the obligations from the *Stabilisation and Association Agreement* (SAA) and also prepare the country for future law reforms (EU commission 2013a:3, 6).

The Serbian government has been committed to improving the rule of law despite the setbacks of 2012, in particular in the areas of judicial reform and the fight against corruption. (EU commission 2013:6).

Serbia was working rather progressively around 2013, where the opposition had taken power in the previous year's election (Interview 1). But, an independent study made in 2013 for the EU concluded that "[p]ublic confidence in the system is low indicated by the declining involvement of the private sector in government tenders" (Ecorys 2013:17). A major contributing factor was deemed to be the highly politicised institutional system which hindered progress (Ecorys 2013:17).

However, the EU Commission did still see some light in how Serbia was working with *the rule of law* area under the Copenhagen chapter 23 and 24. There was also a "proactive approach to investigations in the fight against corruption, including in high-level cases" (EU Commission 2013b: II). At this time Serbia was perceived as being rather politically motivated in making the reforms necessary to advance on its EU-association (Interview 1).

The EU wanted to decrease the political influence and corruption within the juridical system in Serbia, and a new strategy was adopted, with a similar aim as the previous (EU Commission 2013b:38ff). Corruption was deemed to be sheltered by not properly implementing laws and lacking public procurement with too many new public bodies (Ecorys 2013:16). China viewed is this as internal affairs of a country, not be of any bigger concern (cf. Uchehara 2009:96). Democracy will start to stagnate when corruption is not addressed (cf. Mlambo et al. 2016:261). At this point, changes in appropriate can change what is defined as an acceptable practice for the Serbian regime (Ambrosio 2010:377, 379f). Here the EU is closer geographically and with a stronger trade relationship to Serbia than China (Interview 1). The EU's influence, is therefore greater than China's. But China only has to strengthen trends within the regime and its supporters, not reform them (Ambrosio 2010:385).

Serbia did once again hold an election in 2014, and the Serbian Progressive Party (SNS) led by Aleksandar Vucic gained a majority, securing 158 out of 250 seats in the parliament. Their coalition partner received 44 seats in parliament. This gave them about 80 percent of the parliament, which seems to influence some of the voting behaviour, such as the use of “urgent procedures” (EU Commission 2014b:7f).

Transparency was again lifted in 2014 by the EU Commission, urging that this was one of the main political reforms needed for Serbia. However, the Serbian government does not seem to push hard for increased transparency; especially the ones concerning the political aspects of the Copenhagen criteria. These include campaign financing, the politicisation of public administration, and *conflicts of interest in public tenders* and the electoral process. (EU Commission 2014b:2f, 7, 9ff, 25). With the money coming in from the BRI the condition for public tenders did not change in Serbia: China is leading by example without changing the system in Serbia; old practices can, therefore, survive (Ambrosio 2010:379ff). There is a general sense of lacking implementation from the Serbian side by the Commission.

In 2014, some progress was reported within Chapter 23 of the Copenhagen criteria’s, specific with reforms on the appraisal of judges. Serbia had joined several vital international agreements according to the EU Commission. Moreover, Serbia was credited with a strong political determination to fight corruption, with several high-level cases piloted, but the EU Commission still saw widespread corruption as a reoccurring issue. Additionally, key legislative parts remained to be adopted, as the independence of judges and the Serbian government adopted an action plan based on the findings from NPAA (EU Commission 2014a:21, 28; EU Commission 2014b:1, 8, 40ff). Internal characteristics of the Serbian post-communist system are probably the source of the EU’s concerns and not anything created by external actors. It is the reforms of this political system that can be influenced by China and other actors. China need not necessarily have an opinion on the reforms, but can unintentionally influence them through their business practice (cf. Ambrosio 2010:379, 383).

4.4 Forward with the BRI Progress

Serbia’s activity in the region is noted as positive in 2015 by the EU Commission. They argue that good neighbour relations are an important part of moving forward with the EU reforms. One of these activities was the third annual *16+1 forum*, which was hosted by Serbia. The 16+1 includes the states of Central and Eastern Europe and China. Furthermore, the meeting allowed the Serbian PM to meet other leaders in the region. Perhaps more importantly, Serbia was able to meet the Chinese leaders. The Commission notices the ever growing ties between China and Serbia, where the Serbian PM also visited Beijing during the year for a celebration of the victory of World War Two, with Serbian military participating in the parade (EU commission 2015a:20f, 70, Grieger 2018:2). The meeting in Beijing also highlighted the increase work in harmonising customs between the countries (with

various workshops, meetings, and common action plans) which mostly goes along the BRI (MOFA 2015). This will arguably promote trade along the BRI, including ease of Chinese exports into Europe.

China, Hungary, and Serbia finally signed the Budapest-Belgrade railway agreement in 2015 as part of the 16+1 meeting. It has been estimated that Serbia's loan at the time was roughly 800 million euro, which accounted for about 8 to 7 percent of Serbia's GDP (EU commission 2015a:21; Levitin et al. 2016:3f). This sum explains the high ratio of high up meetings between the countries. For China is it possible that it was both building up new stable relations but also show China's prestige as a superpower internationally (Obydenkova & Libman 2014:349).

It is important to note that details for Serbia and Hungary are not the same, because both countries have entered into separate negotiations with China. Serbia had already begun the construction of the line as Hungary signed the project, using a 266 million loan from EXIM Bank to finance the construction (Kowalczyk 2018). The first part was to modernise a 30 km long stretch outside Belgrade with the Serbian PM attending; she said: "[t]his project [...] is the first cross-border project within the 16+1 framework [...] it is the first project between China and the EU, involving Serbia" (Reuters 2017a). The Serbian and Chinese Government did sign a MoU in November 2015 concerning the BRI. Later, there economic and technical cooperation between the two in the field of infrastructure was also signed (MGSI 2019b).

The Chinese approach to 16+1 follows previous experience gained from other multilateral cooperation's set up by China elsewhere (Grieger 2018:2). China is one of the main actors for bilateral lobbying for infrastructure investment on the Western Balkan (AETS 2015:23). The question is if this will increase China's capability to win tenders in other EU MS (Vörös 2018). The Chinese are building the railway between Belgrade and Budapest according to EU engineering standard; this will push the Chinese construction companies up the value chain (Makocki 2017). Economic collaboration over active authoritarian promotion is the character of Chinese foreign policy when compared to another autocratic regime, such as Russia. However, this does not mean that Chinese foreign policy has no forms of authoritarian promotion components, but to a rather limited extent. Building legitimacy – domestically and abroad – is what appears to drive China towards big infrastructure projects (cf. Von Soest 2015:631f). With the BRI and the 16+1 China has created its own international organisations. It is hard to call the 16+1 forum regional when it is supposed to connect the countries along China's international trade route. Every country has its bilateral relationship with China, and China seems to be one in control.

Still, the EU is the biggest economic actor in Serbia when looked at the source of Foreign Direct Investment (FDI) and Serbian exports market. But this would be to overlook other economic data, such as loans and import. Loans have a long term influence (Holzner & Schwarzhappel 2018:15f, 19). The share of Chinese companies involved in the venture will directly influence the interest paid on Chinese loans; more Chinese companies result in lowers the interest rate (Vörös 2018). It is here possible to see how a dependency could be built up between China and a third country.

Alongside its BRI project, China is investing in areas such as transport and energy. Here China is becoming an attractive partner because two major reasons; 1) the needs cannot be entirely fulfilled by the pre-association money and the International Financial Institutions (IFI) lending, 2) China has streamlined the application procedure and has a fast implementation (Sanfey & Milantovic 2018:42). This can be seen in table five. However, China is not the only player. For example, in 2015, the EBRD and Eximbank (based in Taiwan, not to be confused with EXIM Bank from the People's Republic of China) signed a MoU to increase co-financing and collaboration in areas like the Western Balkan (EBRD 2015). Interestingly, the EBRD decided to not work with the (confusingly similar named) EXIM Bank for this project.

The data on Chinese infrastructure investment can vary depending on sources (Grieger 2018:6). Likewise, China often co-financed developments that have a rather unclear economic goal, like the Serbia-China friendship bridge from 2014. A 15-year loan from EXIM Bank financed the bridge. High political exchange ran along with the project (Barlovac 2010; Eder & Mardell 2018). Here China's diffusion is within the *effectiveness* dimension, where China comes with prestige on how to create growth and launches new ventures. Besides, the higher-up political meetings help to create a reference point for the Serbian legislators (Ambrosio 2010:384).

Holding on to the economic part and adding an extra technical branch (that is the case between Serbia and China) creates an additional *linkage* between the two countries. The definition of *space* must here include both economic but also technical transfers (Ambrosio 2010:385). This creates more opportunity for diffusion to occur when the cooperation branches out. Serbia and China seem to be doing this "unintentional" politically, but with the goal of strengthening the BRI economically (cf. Von Soest 2015:629). However, this does not mean that China lacks any political ambitions in its foreign policy. Rather, China decides not to point to political paths of the country that receives the Chinese investments. But China could tender or favour certain economic parts, which would influence the EU-association.

4.5 Continuing the EU Reform Program

The EU Commission noted in 2015 that there are still issues with corruption in Serbia, but that transparency has improved it in certain aspects, such as *public tenders*. However according to the Commission, there was not enough resources diverted to the strategies within the IPA, such as the NPAA (EU commission 2015a:33, 36, 52, 54).

This is also when we get a clear indication from the EU that Serbia is not following all of its transparency commitment from the SAA. The government has not consulted the National Assembly (parliament) on its finances and budget framework. The suggested law on annual financial statements on the budget has been neither discussed nor adopted by the Parliament during the past three years.

(EU Commission 2015b:8). Here Serbia gives the impression of testing the flexibility of the current situation, which can come from the influx of loans hurting transparency (Uchegara 2009:106). In keeping with two strong financial sources, this gives further indications of a new dependency for the Serbian regime. A situation of oscillating dependency can here emerge between the two strong economic sources when creating new policies (Mason 2017:91). Here the conditions are being changed for Serbia, which can lead to policy changes.

The EU Commission criticised the 16+1 summit in Belgrade, arguing that Serbia did not follow the freedom of assembly and association when “the authorities prohibited demonstrations of members of Falun Gong, arresting and expelling a number of EU citizens” (EU commission 2015a:56). This is a situation where Serbia is probably acting because underlying influence/pressure from China.

The Commission saw some vague progress in 2015, which was enough to settle an action plan in September 2015 for the opening of Chapter 23. However, most issues still existed, such as the independence of judges (EU commission 2015a:49). The EU is still willing to push forward with Serbia. The normalisation with Kosovo is constantly a part of the negotiations (Interview 1; Interview 2). This EU efforts to preserve stability in the region can explain their interest by dangling an alluring future EU membership in front of Serbia. Therefore, opening new negotiation parts creates a sense of progress, even at a time when reform progress is slacking.

4.6 The Chinese Investments

The year 2016 start out bleakly for China, with the EU being ever more critical towards its BRI flagship investments. However, this was not the case on the fifth annual 16+1 meeting, where Li Keqiang, Chinese PM, refiled the BRI with a new package of 10 million euro in funds for investments in infrastructure (Stanzel 2016:1).

The Western Balkan's export to China is mostly focused on commodities, such as Serbian iron ore. A Chinese company successfully acquired the Zelezara Smederevo Steel Works in 2016 (Grieger 2018:5f). Xi Jinping visited Serbia for the first time the same year as the 46 million euro acquisition of the steel mill (Le Corre 2018). The three-day state visit marked not only Xi Jinping first visit to Serbia, but also the first official visit by a Chinese president in 32 years. During his visit, the construction of a Chinese culture center was announced with the aim to promote Chinese language and culture. Even given that, Serbian public awareness of China is deemed to be low (Konrad-Adenauer-Stiftung 2018:35). Vucic, the PM at the time, argued during the meeting with Xi that China would help create jobs and improve living standards in Serbia (Le Corre & Vuksanovic 2019). Any politician would probably want to create jobs, and China's economic success is probably an aspirational goal. This is making China into a reference when a solution is needed. This is most likely boosting China's opportunity to influence without changing any condition (Ambrosio 2010:379, 386ff). The EU Commission highlighted that

Serbia once again has strengthened its economic ties to China and urged to some caution:

In June, the Chinese President paid a three-day visit to Serbia, during which agreements on business infrastructure, health, culture and education were signed. Serbia needs to ensure that those agreements are compatible with the EU standards on matters including State aid, public procurement, rail safety and interoperability. (EU Commission 2016c:81).

However, the deal to buy Smederevo Steel, one of Serbia's major employers and the country's second-largest exporter at the time was critical for Serbia (Levitin et al. 2016:6). The Chinese company, Hesteel (HBIS Group), bought the Smederevo plant from the Serbian state. Since then output and the number of employees increased. The Chinese Ministry of Trade has been involved in training the workers at the plant (Ekapija 2018a; Ralev 2018a). In 2018, HBIS Group is Serbia's largest exporter (Ekapija 2019). The Chinese company is worried about potential EU quotas on Serbia, as a non-EU member, as a result of the US-China trade dispute and they have been reaching out to the Serbian government. Nevertheless, the success of the Smederevo plant has been transformed into a symbol of good China-Serbia relations. The Serbian government is now interested in more investment and deepening cooperation (Ekapija 2018b; Ekapija 2018c).

The Budapest-Belgrade railway is a prestige project for China, and it has created approval abroad. However, attempts to circumvent public tenders has led to an EU investigation of it, in which Hungary at the end had to open to a public tender. (Grieger 2018:7). But China has still managed to sell in the BRI project as it is now seen as a part of Serbia's national EU strategy by the Serbian government (MGSI 2019b). The railway shows a different view on public procedures between the EU and China. This difference might depend on the timing; China might push for open tenders at another time, but there is a clear clash of values here (Tolstrup 2009:925). But this seems to be a pattern that also occurs in other places (António & Ma 2015:84). China is here not only amplifying trends in Serbia (lacking public tenders), it is also changing the conditions for it when they provide alternative loans to IFIs (Ambrosio 2010:377, 379f).

The railway line is planned to add another track along the existing 350 km track, with the capabilities for passenger and freight. In total there would be 184 km of new tracks in Serbia and 166 in Hungary. The entire route was at the start to be built by the China Railway Construction Corporation (CRCC). Currently travel time between Budapest and Belgrade takes eight hours and the aim to reduce the time to less than three hours with speeds reaching up to 200 km/h. Originally was the construction meant to take two years, starting 2016 and finish in 2018 (Levitin et al. 2016:10). This slow implementation was an unintended consequence, which China probably would have wanted to do without because it is hard to see how it would benefit China. But it can also have been China overpromising to meet domestic demands of progress (Obydenkova & Libman 2014:360).

Serbia is standing out among the Western Balkan countries with its high amount of Chinese FDI (Grieger 2018:6). Recently, China has shown an interest in using European subcontractors in Serbia (Levitin et al. 2016:2). This can be a way

for China to test ownership of different companies, but it is also increasing the linkage between the countries, which creates more diffusion and strengthens dependency (Ambrosio 2010:385; Mason 2017:91).

Table 6 *The Chinese Investments in Serbia since 2013.*

Year	Month	Chinese Entity	Value of investment or contract in million USD	Sector	Subsector	Part of BRI
2013	January	China Communications Construction	850	Transport	Autos	
2013	June	Shandong Gaosu	330	Transport	Autos	
2014	September	Sinomach	1,200	Energy		X
2016	June	China Communications Construction	230	Transport	Autos	X
2016	June	Sinomach	230	Energy	Gas	X
2016	October	Huawei	170	Technology	Telecom	X
2016	November	Power Construction Corp	220	Transport	Autos	X
2016	December	Hebei Steel	120	Metals	Steel	X
2017	January	Hebei Iron	120	Metals	Steel	X
2017	January	Sinomach	720	Energy	Coal	X
2017	October	Shanghai Electric	210	Energy	Gas	X
2017	November	China Communications Construction	520	Transport	Autos	X
2017	November	Sinomach	310	Utilities		X
2017	November	China Railway Engineering	350	Transport	Rail	X
2017	December	Shanghai Electric	140	Energy	Alternative	X
2017	December	Power Construction Corp	230	Energy		X
2018	January	Minmetals	110	Metals		X
2018	July	China Railway Engineering, China Communications Construction	1,090	Transport	Rail	X
2018	August	Zijin Mining	1,260	Metals	Copper	X
2018	August	Shandong Linglong	990	Transport	Autos	X
2018	September	China Communications Construction	260	Other		X

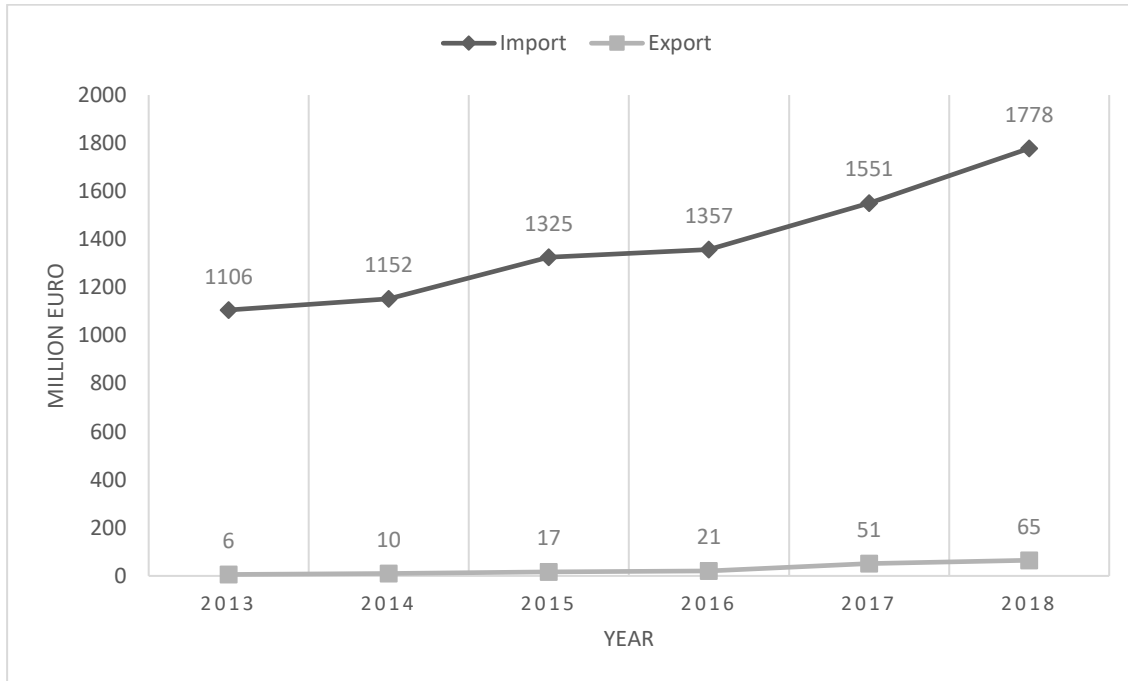
Source: American Enterprise Institute 2019 in comparison with BalkanInsight (2015; 2018), Grieger (2018) and IMF (2018), Le Corre (2018) Le Corre & Vuksanovic (2019) and Levitin et al. (2016).

Comments: All investment since 2013 are claimed to be connected to the BRI, and there seems to a trend of increasing investment in Serbia. Manufacturing is part of the BRI, though mostly to gain Chinese export of goods (cf. BBC 2019c)

The high-level meetings within the 16+1 group work as guidelines for the Serbian administration, especially Bucharest 2013, Belgrade 2014 and Beijing 2015 (MGSI 2019b). Between 2005 and 2016 trade tripled between China and Serbia. Beijing's willingness to invest in Serbia is motivated by "state-led decisions, with the politicization of investment, subsidy and contract decisions, rejecting the EU's model of open and transparent bidding procedure" (Le Corre 2018). Nonetheless,

trade between the two countries is highly imbalanced, with China exporting vastly more to Serbia than it is importing from Serbia (Le Corre & Vuksanovic 2019). The table below shows this has been a trend throughout the period.

Table 7 Serbia's import from China and Serbia's export to China.



Source: Eurostat 2019.

Even though the trade in-balance is decreasing, China's share of the trade is still massively more than Serbia. Serbia's export to China, now over 3 percent of the import from China in 2013 was under 1 percent (author's calculations). Still, the value of Chinese import is increasing faster than the value of Serbian exports. The economic relationship is gaining China's self-interest but seems also to be turning it into more political influence through investments in Serbian industry. This has the potential of altering the direction of policy development in Serbia, which would result in modifications in the EU-association process (the EU and China have already shown that they have different views on public tenders in Serbia).

The Chinese FDI in Serbia is vastly bigger than Russia's share in 2017. In fact, the Russian share of all the FDI in Serbia was, for example, smaller than that of Sweden. Of course, FDI can change on a year-to-year basis (due to large acquisitions), but China is in the top three with the EU countries and the US (World Bank 2019). Russian state-owned and private enterprises both seem to struggle to make a profit in the region, which would indicate that much of their economic power comes from energy (Bosnia Daily 2019b:11). However, this is not to neglect the important Russian energy export. As mentioned earlier, it shows that Russia has been part of Serbia's economy for a long time. Although Russia is not taking an active role in developing the Serbian economy, like say the Chinese infrastructure projects (cf. Le Corre 2018). It is important to note also that Russia has, like the EU, put up conditions on its funds, including changes in Serbia's governing style.

This is not to neglect Russia's influence on leader succession in Belgrade since the early 2000 (Surk 2017). Serbia has strong ties with Russia and is making an increasing effort to persuade other countries to de-recognize Kosovo (Interview 3). Here China and Serbia have found common ground in their negativity towards "separatist regions". This external support is a natural part of Chinese foreign policy (Mlambo et al. 2016:268; Obydenkova & Libman 2014:349). This indicates that Russia does not hold any greater interest in changing the economic conditions in Serbia, which can slow down development. But the lack of investment in Serbia's economy points to this overall being a neglected area of interest for Russia, but Russia is still politically active in Serbia, and this seems to align with Chinese political goals.

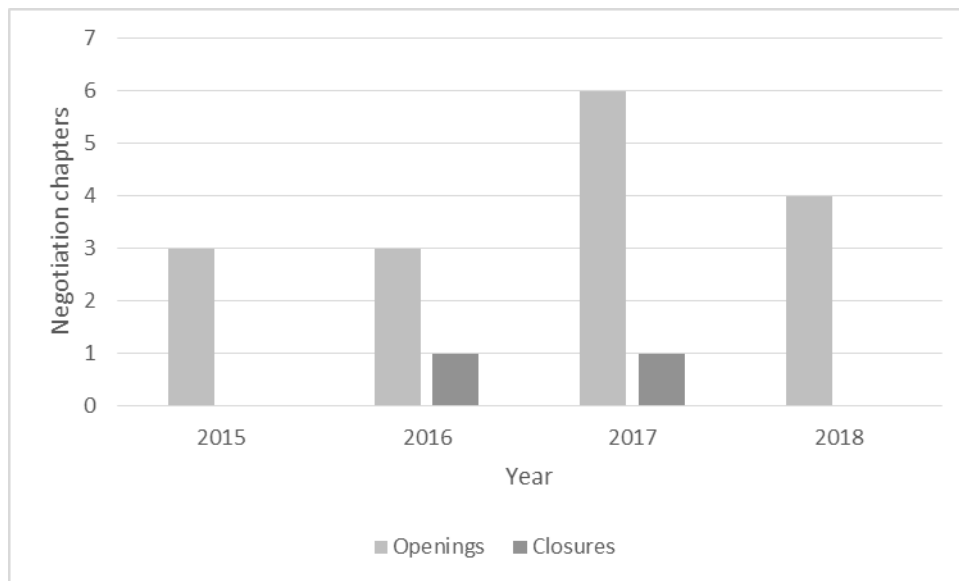
4.7 The Slowdown in EU Reforms

Serbia held an early national election again in April 2016. Vucic and the SNS stayed in power. The election was more directed towards stabilising the government and weakening the opposition because most members of the government kept their positions (BalkanInsight 2016). The EU continued to press for more progress from the SAA, such as transparency, particularly concerning the registration process and campaign financing. Furthermore, the quality of law-making lacked according to the same EU Commission paper, with absent effective oversight and transparency of the process. The EU recommended that Serbia stop the frequent use of 'urgent' procedures (last minute changes to parliament program). These urgent processes were negatively influencing other transparency policies from the previous year, such as public hearings and informal parliament group meetings. Alignment between the NPAA and budget lacked during both 2016 and 2018 (EU Commission 2016c:4, 7, 9; EU Commission 2018b:9).

Chapter 23 *Judiciary and fundamental rights* were open for negotiations on the 18th July 2016. Currently 16 out of 35 negotiation chapters are open and two have already provisionally been closed. The negotiation stated in 2014, and the first openings were made in 2015 (European Council 2019). The table below shows when a chapter has been open and closed. Notable is that there was a slowdown in 2018 in the amount opened and closed compared to the previous year. It is still too early to say if this is a new trend based on that material. But it should still be seen as a political signal, possibly the EU is arguing that the reform pace is going too slow. Moreover, the impression during the interviews was that Serbia's pace of reforms is stagnating (cf. Interview 1; Interview 2).

Furthermore, Serbia has lowered its goal to establish a Supreme Audit Institution (SAI) to oversee public expenditure when a new strategic plan for 2016-2020 replaced the old for 2011-2015 (INTOSAI 2018, OECD 2019). This connects with stagnation in other economic reforms, like the public tenders.

Table 8 Serbia's chapter openings and closures.



Source: European Council 2019.

Comment: Some “easier” chapters were closed rather soon after they were open. The major focus since the start has been the normalisation to Kosovo (cf. European Council 2019).

In 2018 the EU Commission acknowledged that Serbia was facing several challenges with its implementing of Chapter 23. These were the same mentioned earlier during previous years and again called for a reformation of the Serbian Constitution (EU Commission 2018a:23f). The last period is to a certain extent characterised by a decline in reform progress in Serbia, with delays occurring in its reforms (Interview 1). This indicates a change within the regime, due to exposure to different ways of conducting business, which can be a trigger (Brownlee 2017:1327).

The EU Commission concluded once again in 2018 that democratic institutions need to strengthen and transparency of public administration (EU Commission 2018a:7). The table below presents the changes in the Commission language over the period for this study. No annual EU Commission report was produced for 2017 presumably because internal EU affairs or the Serbian presidential election that year, where previous PM Vucic was elected president (cf. EU Commission 2018b:3, 5; MEI 2019).

Table 9 The use of language in IPA evaluation report concerning the ‘Functioning of democratic institutions and Public Administration Reform’.

Category Year	Constitution	Elections	Parliament	Government	Public administration
2013	Largely in line, but should follow recommendations.	Should implement recommendations.	Improved <i>transparency</i> , but needs more independence.	Actively pursued EU integration.	Reform hampered. More <i>transparency</i> needed.
2014	Serbia should consider changes to its constitution.	Inclusive and transparency, but should follow recommendations.	The parliament needs more independence in its work.	Engaged with the EU, but needs to involve parliament more.	The country is progressing in reform, but lacking in <i>transparency</i> .
2015	Changes have yet to be revised.	Should implement recommendations.	Somewhat more engaged and some improvements to <i>transparency</i>	The government remained active in the EU process, parliament is now more involved, but needs to respect independent regulatory bodies.	Moderately prepared, good progress.
2016	Changes have yet to be revised.	Should implement recommendations, especially the once concerning <i>transparency</i> .	More engaged and progress made. But more <i>transparency</i> needed.	EU still the primary goal. Needs to respect independent regulatory bodies.	Moderately prepared, good progress.
2018	Serbia has not yet adopted changes for alignment with European standards.	Should implement recommendations, especially the once concerning <i>transparency</i> .	Needs to enhance <i>transparency</i> and inclusiveness.	Reaffirm the EU as a strategic goal. Serbia needs to strengthen <i>transparency</i> and inclusiveness.	Moderately prepared, some progress. Serbia should implement recommendations from 2016.

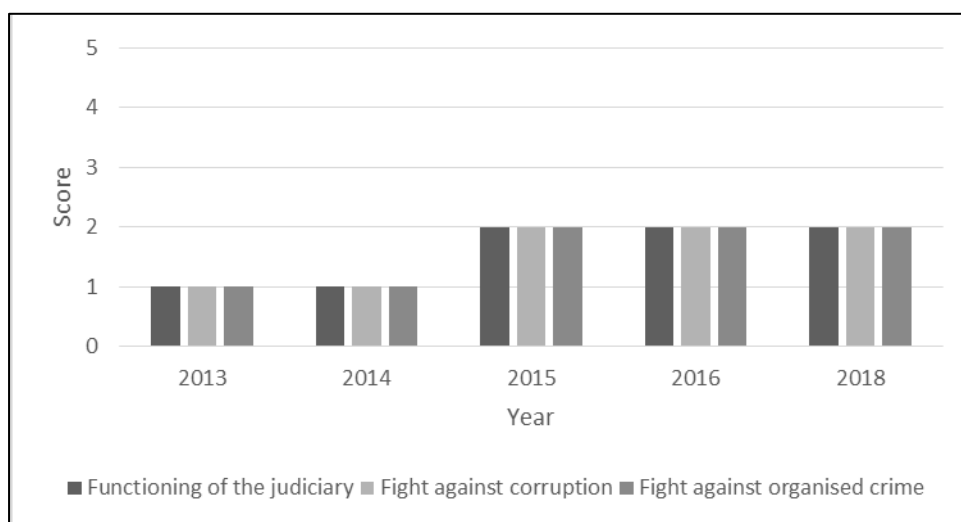
Source: EU Commission progress reports (2013; 2014; 2015; 2016; 2018).

Comment: This table highlights two of the four main indicators; transparency, and public procedures and administration. Public administration reforms have progressed the most but are hampered by the transparency of the overall political system and what seems to be a lower “energy” to follow the EU reform program by the Serbian government.

To measure the development within an area of the 35 Copenhagen Criteria do Sanfey & Milantovic develop five benchmarks’, this is possible due to the standardised language used in the EU Commission reports in the chapter evaluations (2018:8). This makes it possible to score the Serbian progress on a five-point scale;

1. At an early stage
2. Some level of preparation
3. Moderately prepared
4. Good level of preparation
5. Well advanced.

Table 10 *The rule of law progress, Chapter 23 and 24.*



Source: EU Commission progress reports (2013; 2014; 2015; 2016; 2018).

Comments: The graph indicates a possible slowdown in the reforms, as seen in table 9. The highest score in this table is two, and in Table 9 would be three for “public administration” (Moderately prepared). All components of law reforms follows the same level of preparation; this also corresponds to the political elements shown in Table 9, where there is a “jump” in improvements between 2014 and 2015. This was linked to the start of membership negotiations in 2014 (European Council 2019).

A breakthrough seemed to happen in 2018 with a reformed Constitution sent out for opinions by the Serbian government. But it is still unclear what this will lead to. Sadly the government has a track record of not fulfilling reforms all the way. Serbia again was recommended in 2018 to the NPAA (EU Commission 2018b:9, 12f). The changes seem to have happened within the regime, with a slow change in values, because the government has been unchanged over the period, with SNS in power (Brownlee 2017:1327). There is a negative sliding on the overall democratic system in Serbia, where media freedom is particularly decreasing (Freedom House 2019). This resembles the result in Table 9 and 10, where there is some development between 2014 and 2015. However, in 2016 we see an urge to

increase the transparency in the political system, which indicates the political system is the source of the decline.

At the same time “the current processes occurring in Serbia is ‘power consolation’, where a lot of power moves towards the governing party; SNS” (Interview 1). Vucic, in conflict with the Serbian constitution, has gained executive power and his party being rather dominant in Serbian media (Freedom House 2019). Serbian development is partly due to the failure of the previous governments to capture the ‘hopes and energy’ amongst the population and efficiently dealing with corruption (Interview 1). China is not necessarily promoting its values, rather helping the Serbian regime to resist change (Von Soest 2015:629f). This can have created spill-over effects into the Serbian regime within the diffusion process as discussed by Obydenkova & Libman, which leads to more similar policies between two entities (2014:358).

Now it has to be remembered that China is just one of several economic players. But with Ambrosio contribution factors on diffusion there could be a leap in the impact of the Chinese regime on Serbia when the “space” is reduced between the two entities (2010:384). Here parts of China’s way of conducting politics becomes a more accepted part of political thinking in Serbia changing what is perceived as legitimate, which is among other things shown with the rollback in the implementation of an SAI (cf. Ambrosio 2010:382).

4.8 The Public Tenders

The anti-corruption work had to be ‘stepped up’ according to the EU Commission in 2018. Nonetheless, infrastructure was suddenly named as one of the areas predominantly exposed to corruption. The Commission concluded that more controls were needed to tackle issues regarding amongst other things state-funded projects (EU Commission 2018b:21, 26).

The estimated cost for the railway between Serbia and Hungary has later landed on 2.5 billion euro in 2017 (compared to 1.5 billion in 2014), and concerns have been raised that it cannot be made profitable with current passenger and cargo potential. A possible risk with EXIM Bank loans is that Serbia and Hungary running default on the loans. The main issue occurs with tenders in 2017, where the EU wants open tenders, and China only gives loans if Chinese companies are involved in the construction (Levitin et al. 2016:10; van Pinxteren 2017). The Chinese funded infrastructure is the project directly awarded by the Serbian government to the contractor (Makocki & Nechev 2017; Shepard 2017). On the one hand this can be because China knows to construct this kind of project (António & Ma 2015:93). However, on the other hand, it can be because the Serbian system is not necessarily merit-based and is rather who know what that matters (Interview 3). Serbia is here in a dependency which involves both the know-how, but also to against reforming public tenders.

The railway venture has existed since the establishment of the 16+1 format. The issue from the start for the railway was the lack in passenger, for a high-speed

line of this size to break-even, roughly 6 million passenger are needed. But the population for Budapest and Belgrade combined is about 3.1 million, with currently less than 100 000 yearly bilateral rail-commuters (Kratz & Pavličević 2016).

Hungary, as an EU MS, has have had to redo the procedure into a more open tender. This gives a vital insight into the project, which probably wouldn't be possible otherwise. Friends to the political leadership in Hungary bought railway construction companies, raising suspicious (even if the constructions were supposed to be undertaken by Chinese contractors). In 2017 there were reports of delays and maybe more crucial money issues. The concerns came from a Hungarian government report that concluded a doubled of the cost of the structure to a staggering 3.6 billion USD. The Hungary government tried to hide this at first but failed. Furthermore, the report determined that it would take the Hungarian and Serbian government combined between 140 to 2400 years to break even, with the current setup of the Chinese loan interest. As a final nail into the coffin, China did not promise more traffic on the line, because alternative lines into Europe might be used (Pivarnyik 2017; Vörös 2018). This kind of "flexibility" that comes with a Chinese venture becomes rather clear here; especially the flexibility granted towards the receptive country's government (Uchegara 2009:106).

The railway was described as having the potential to become the main transport line between Europe and China (and possibly all of Asia) when the plans debuted 2015. However, the plans were highly over exaggerated, especially in Chinese media. The actual speed on the new line will be about 160 km/h, not the promised 200 km/h. Furthermore, the plans overlook the link between Budapest to Greece through Macedonia. Here the tracks are reportedly even less well developed and need extensive work if they were ever to become usable. According to employees at China Ocean Shipping Company (COSCO), the Chinese company operating the port in Greece, there is no need for further transport capability. This leads to the conclusion that the remaining issues along the line will overshadow any improvements made between Budapest and Belgrade (Vörös 2018).

Following the media coverage on the BRI in Hungary resulting in calls for an open tender did the *Delegation of the European Union to China* release this statement:

The Commission is called to analyse the compliance of public projects with any EU law that may be of application and to assess each case by its own merits [...] The EU has not taken any action against this infrastructure project. It is standard practice for the Commission's services to assess the compliance of major public contracts with EU law. [...] We are certain the Chinese leaders understand that the EU must ensure the application of all relevant laws in its territory, just as China does within its borders. In doing so, the EU would like to see China applying in its own procedures the same principles of transparency, non-discrimination and equal treatment, including for foreign companies, that are applied in the EU (EEAS 2017).

Following this the EU Commission in 2017 launch an investigation into the Belgrade-Budapest railway on its compliance to EU law, with a primary focus on Hungary. Serbia as a country with the prospect of future membership in the EU has looser rules than Hungary and cannot be struck down on as hard. The issue concerning the Commission was the tender procedure. According to EU rules,

failure to comply could result in fines and even reverse infringements when concerning public contracts (Bjelotomic 2017).

On the 16+1 meeting in Budapest in late 2017 Hungary shifted in their policy and opened for public tender on the railway with a statement by the Hungarian prime minister, who also argued that Europe should not close the door to China. Nonetheless, a Hungarian-Chinese non-profit organisation will build the 152 km stretch of Hungarian railway (Novak 2017). Here we see a clear clash of interest between the EU and China. Hungary, and arguably also Serbia, is stuck in a kind of multi-dependency and defend China and its interest. China is probably more focused on the areas that interest them (Mason 2017:88, 93). China and the two European countries probably work out of common interest, rather than China trying to strengthen or create an authoritarian rule (Von Soest 2015:624). The change in *appropriates* has occurred because China has made it possible for the two European countries to go against current trends when dealing with public tenders (Ambrosio 2010:379, 382). China is also influencing through quasi-state actors and non-state actors, like the different construction companies (Power et al. 2016:12). This development hasn't happened in a vacuum (other political development outside matter), but when talking about public tender reforms in Serbia so does China seem to be a central player, which can be seen in how China is so involved (Hungary defending China against the EU on a 16+1 meeting).

Besides the underestimation of the cost of the rail link, the Hungarian side gives an insight into the financing. Chinese loans from EXIM bank will cover 85 percent of the venture, while the Hungarian government stands for 15 percent. The situation is probably similar in Serbia; the loans are not cheap but presumably cheaper than market price. Both the Serbian and Hungarian side suffer from delays, though in accordance to EU law, Hungary is further delayed due to public tenders, which means completion date is pushed back to around 2023 or 2024 (Vörös 2018). Providing loans that covers 85 percent of the cost is seemingly not an unusual business practice by EXIM Bank on the Western Balkans and there exist accusations of legislation approval being rushed through national parliaments (Bosnia Daily 2018:1).

Chinese state-controlled media has been negative towards the EU "interventions" while promoting Serbia as a positive example of how work is progressing, with further construction starting in November 2017 (Suokas 2017). However, the EU Commission deemed that Serbian transport legislation partly aligned with EU-law in 2018 and that the slow progress on infrastructure project was a concern (EU Commission 2018a:36). Here different approaches exist on what a good way of building infrastructure in Serbia as is suggested by Hypothesis Two. The EU and China evidently state their differences quite openly, indicating a dissimilarity in *the rule of law* and *public procedures and administration*.

In 2018 the EBRD gave funding as part of European aid for a part of the corridor X railway in Serbia. However, this resulted in a public tender, available on the EU website. The project name is *JSC Serbian Railway* (TED 2018). Another part of the JSC railway went under tenders controlled by the Serbian administration and was rewarded to *China Railway International Co. Ltd* and *China Communications Construction Company Ltd*. Here is also described how "[t]he

project is part of the most important infrastructure projects in Serbia implemented in cooperation with People's Republic of China, Russian Federation and [the] Republic of Hungary within the 16 + 1 initiative” and claims speeds up to 200 km/h will be achieved (MGSI 2019a).

Serbia needs investment for its economy, and this has awarded them with economic growth. The railway construction will give short term income, which dictates that at least 46 percent of all goods and services must come from Serbia, which is seen as good in the eyes of Serbia, they are contributing to the railway. The possibility to take out fees from a more used railway in the future is also appealing to the Serbian government (Kratz & Pavličević 2016). Xi Jinping has argued that China is creating a win-win situation in Serbia (Surk 2017). Chinese construction companies use around 50 percent Chinese material when building infrastructure in Serbia (Le Corre 2018). However, Serbia’s neighbouring country Kosovo is also landlocked, and don’t have any railway at all, but still manage to cover its transport needs (Interview 2). This indicates that a high-speed railway might not necessarily be the most useful investment for Serbia. Here China might have influenced the Serbian perspective on what they need, but it could also be a way to create a new self-inflicted dependency, to counterbalance the EU by Serbia. Most likely has it turned into a combination of both, where the Serbian administration gained some leeway against the pressure to follow the EU-association reforms.

While Hungary opened for tenders in November 2018, the Serbian government continue on the previous path and made more financial means available for the railway (Raley 2018b). Serbia’s economy is doing quite fine due to its foreign investment, like the investment and loans coming from China (Interview 3). President Vucic visited Beijing again in November 2018 to sign a three billion USD package deal of military and economical purchases (Le Corre 2018). The money goes to a new factory, infrastructure, and mines. Vucic described it as “[t]he contracts we signed dramatically change the position of Serbia; we will be the port for Chinese investments throughout the region” (BalkanInsight 2018). China is seemingly increasing its involvement in Serbia. The investments are both civilian and military, which suggests even closer space between the two entities.

The Hungarian loan spans fover 20 years, and one could, therefore, expect something similar for Serbia (cf. Kowalczyk 2018). The railway would not be the first time the Serbia or China would be involved in large scale infrastructure projects without public tenders (Shepard 2017). Bader has criticized China’s ability to preserve an autocratic system; it can certainly help existing regimes to stay in power. But China is still bound by pre-existing structure and hence is China mostly amplify already existing trends. That said, China is undergoing major changes, and their strategies might change over time (Bader 2015:31). This leads to the deduction that China is not altering the inner workings of Serbia, but Chinese practices and opinions on a specific topic will affect over time. This can partly be to seek external support, but it is also a way for China to do the “ideological right thing” in Serbia, showing China as a global power (Obydenkova & Libman 2014:349). However, ‘ideology’ is a very loose term here; it can be more about displaying China’s growing technical achievements (cf. Surk 2017).

From the outset, it seems like the railway scheme was the creation of Chinese diplomacy, but this overlooks the political goals of Serbia. This is because Serbia has a vital need to improve its infrastructure ranking 119th of 144 countries in the world 2016. Of course, Serbia doesn't need high-speed rail to improve its ranking, but Serbia has successfully managed to negotiate down the plans to medium speed, less expensive option. The label of "high-speed" is still attached to the project but seems to serve more Chinese interest, to prove China's technology advancements (Kratz & Pavličević 2016). The architect behind Serbia's BRI infrastructure is a Serbian company in cooperation with a Chinese firm (MGSI 2019b).

Moreover, in 2017 did Zorana Mihajlovic, Serbia's minister for construction, transportation and infrastructure claimed that "[i]t would not be immodest or wrong to say that Serbia is China's main partner in Europe" (Surk 2017). The dependency on China has been beneficial for the Serbian administration, in the way that China is more than willing to help the Serbian regime to escape transparency issues (Uchehara 2009:106, 110). Serbia's loan debt to China is still relatively low with only 12 percent of their GDP compared to their neighbours (some reaching as high as 70 to 80 percent), but this can change (Zeneli 2019b). This would also indicate that Serbia is probably under a lesser amount of Chinese influence than its neighbours.

It is in China's interest to create new strategic partners (like Serbia) because they have the future possibility to support Chinese interest within the EU. One explanation of why a country like Serbia would approach China is a more negative attitude towards the EU with a high priority on national interest. However, a higher of Chinese (or EU) investment does not correspond to higher popular opinions of either (Grieger 2018:3f). Here there is a clear difference between the elites and the population. While the elites can see China as a reference point in how to develop economically, the population only acknowledge China as a major power. The population of Serbia is overall positive towards the BRI but only deems China's impact as "somewhat" or "a little" according to a recent study. Though, there is a belief that China will become more important for Serbia over time amongst the population, but it still ranks after the EU. There are also other actors that matter, but the popular consensus is that China's economic importance for Serbia will be harder to overlook as times goes on (Ambrosio 2010:379ff; Le Corre 2018).

Chinese media paints a different picture where China already "outshines" Europe together with Russia and that "the steel mill [Smederevo] fits into a string of high-profile investments that raised China's esteem across the Balkan" (South China Morning Post 2018). This seems to fit into the theoretical argument that China wants to gain external support for its domestic audience, and this is part of the aim with their foreign policy (Obydenkova & Libman 2014:349).

The Chinese format of cooperation is rather asymmetric, with China as the agenda setter, but this can be a challenge within the 16+1 group due to China's own normative bases and voluntarily. This can give the 16+1 genuine forms of cooperation, though it is in the structure of 16+1 embedded to work around the BRI project. China is within the cooperation following principles such as "consensus-based decision-making, inclusiveness, non-conditionality, voluntarism, and win-

win results” but with “bilateral project-based implementation, with multilateralism not seen as an aim, but rather as a tool to enhance bilateral ties” (Grieger 2018:2). China is pushing its interest, but also smaller countries like Serbia seems to be able to push, even if the country might seemingly lack in both political and economic strength (Kratz & Pavličević 2016). Here the Serbian regime probably saw an opportunity, which was granted by China stance on issues like transparency, which can have been an incitement to start the modernisation of corridor X.

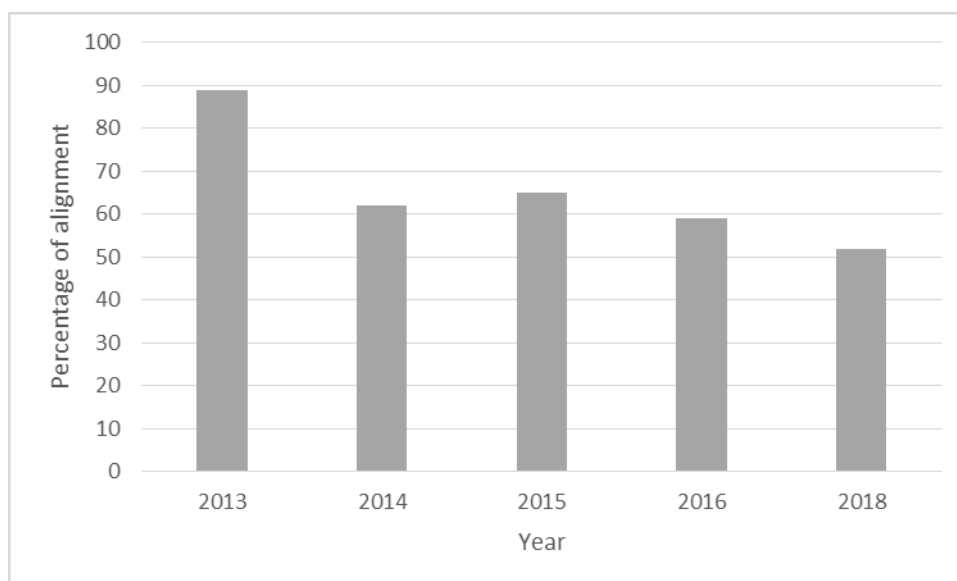
China works to promote economic integration along the BRI and endorses certain values too (Makocki 2017). In 2018 the now president elected Vucic called for more Chinese investment, particularly in metal business (Le Corre 2018). This can be an expression for how regimes avoid democratic reforms when easier options are available; this can lead to more state-led model after Chinese model instead of a market –model in the long turn (Makocki 2017). Some have described China as a neo-colonisation, and exporting its projects (Zeneli 2019b). Chinese scholars argue that China has the potential of exporting some special ‘characteristic’ according to its ventures (cf. Chou 2017:181f). Beijing wants Serbia to embrace the more state-led development model (Surk 2017). But China is here probably still interested in taking care of its investments and not push too hard (Brownlee 2017:1340).

4.9 Policy Shifts in Serbia and More in China

Infrastructure has lost some of its status as a way to display spheres of interest, though it still has the possibility of being used as a channel for normative and political influence. This is why “China may not aim to export any ideology, but with every large project its state-led model spills over and, in the Balkans, it also increases the risk of undermining the EU’s reformist agenda” (Makocki 2017). Johannes Hahn, European Commissioner for European Neighbourhood Policy and Enlargement Negotiations, has noted China’s growing interested in the region and warned that China is creating a ‘Trojan horse’ with its infrastructure project on the Western Balkan for the EU (Heath & Gray 2018).

The negative development for *the rule of law* and *public procedures and administration* corresponds to Serbia’s alignment with the EU on foreign issues as shown below in table 11. China is not spreading its system, rather building up support to resist change in a more democratic development (Von Soest 2015:629f). This leads to changes in the EU’s Common Foreign and Security Policy (CFSP) as one of the indicators of dependency. China had already shown that it could influence the EU MS. For example when Greece blocked an EU statement on human rights in China, following a crackdown on dissidents and activist by Beijing. A source of concern was the COSCOs investment in Greece. Geng Shuang, Chinese foreign ministry spokesman, said at the occasion “[w]e express appreciation to the relevant EU country for upholding the correct position” (Reuters 2017b). Here a new state of dependency seems to be able to change countries foreign policy, and a change is visible in Serbia’s foreign policy as shown below.

Table 11 Alignment with EU Foreign, security and defence policy (Chapter 31).



Source: EU Commission progress reports (2013; 2014; 2015; 2016; 2018).

Comment: The alignment with EU foreign policy has decreased, China cannot be deemed to be the only reason for this, but a contributing factor (cf. Makocki 2017). But Serbia has taken a different stance than the EU on China-related issue (EU Commission 2016c:80). Serbia is now close to 50 percent alignment. The EU's CFSP is arguably a central part of what makes EU an external actor and would be of interest for China.

Serbia's visa-free scheme is different from the EUs; it does, for example, include China (EU Commission 2018b:37). The reason why the Serbian visa-policy does not follow EU policy is probably due to Serbia's Kosovo politics, where the visa-policy works as a carrot to encourage other countries to de-recognise Kosovo as a sovereign state (Interview 3). The visa-free scheme with China was the first of its kind by any European country (Pavlicevic 2016:12).

The presence of Chinese companies is high in Belgrade, with more Chinese nationals than many other European cities (Le Corre 2018). The Western Balkan region is attracting more interest from Chinese investment, partly because of the countries potential of becoming an EU MS (Jacimovic et al. 2018:1195). However, Western Europe is still receiving the bulk of Chinese investment in Europe (Zeneli 2019a). But the effects are assumingly felt greater on the Western Balkan since the economic size difference.

China is still felt to be "remote" to the Serbian public. However, China is now only under Germany when Serbians rank "credible investors", which means China scores higher than USA, Russia, and the EU (as a whole). This might be because of the anti-Western attitudes in Serbia's politics (after the NATO bombings), which draws it closer to China and Russia. President Vucic has been eagerly expressing the close bond between the two countries and hopes to receive more visits from Xi Jinping (Le Corre & Vuksanovic 2019). The attitudes in the public mind-set indicate that China has risen in prestige, reference point and its economic linkage (Ambrosio 2010:384ff).

Nevertheless, the development in Serbia is not one-sided, and there is tension in the public on government policies. Protest against the SNS, Vucic and the democratic development took place during 2019. Vucic and his party, however, are still pulling strong in the polls, but there are accusations about buying peoples' votes (SVT 2019). The Serbian opposition now boycotts parts of the political process in the country (Interview 3). Chinese support has a tendency to prefer the status quo, with few to non-regime changes, which guarantees that policies are not changed (Von Soest 2015:629f). But China is changing some of the economic conditions in Serbia. Leaders at the trade union of the Smederevo mill has complained that the Serbian government, in its eagerness to attain foreign investment, is demolishing labour laws (Surk 2017).

China has started to become a more politically active player in Serbia in at least three different ways. Firstly, China has started to support both Vucic and his party; SNS (Bosnian Daily no. 4423 2018:10). Secondly, China registered the first independent Chinese think-tank institution in the continent in 2017 for the 16+1 cooperation for promoting the BRI in Eastern and Southern Europe (Sanfey & Milantovic 2018:42). Thirdly, China, Russia, and Serbia have also set up a National Council for the Coordination of Cooperation (Bosnian Daily no. 4423 2018:10). China is creating a new instrument besides the loan to influence. The aim seems to stop or challenge the spread of norms that China does not necessarily agree with (Bader 2015:24). China's involvement is expanding, but mostly along the lines of the BRI, including the BRI's supporters.

China is a political actor but has nothing against countries joining the EU or NATO (Interview 2). But Serbia's anti-NATO attitude is probably not seen as negative by Beijing. In 2018, the Serbian president Vucic described the relationship between China and Serbia as to be made out of steel. Furthermore, Li Manchang, the Chinese ambassador to Serbia stated that Serbia is not only participating in the BRI, but is also supporting the BRI (B92 2018; Konrad-Adenauer-Stiftung 2018:4ff). Chinese scholars have judged Serbia's position on "Chinese core interest" as particularly valuable, whereas some EU MS hold a different stance on the matter (Pavlicevic 2016:13).

The increased Chinese FDI into Europe has prompted the EU to establish a new mechanism to monitor FDI (BBC 2019a). Strategic assets in the MS is to be protected when targeted by third country companies (EU Commission 2019c). The outflow of Chinese capital seems to be changing global politics, and in March 2019 the EU described China as a strategic competitor and a systemic rival (BBC 2019).

The EU Commission continued to see strengthening economic bands between Serbia and China in 2018 and has also noted that Serbia is an active supporter of BRI (EU Commission 2018b:85). So far China has mostly been interested economically in Serbia, but this might change over time. This is however logical from Serbia's perspective, because they need investments and who else will give it? It is also hard to judge the size of China's actorness in Serbia, but it is probably one of the biggest after the EU (Interview 1). It is estimated to take as much as 60 years, post-economic crisis, for Serbia to economically "catch up" to the EU (a more optimistic scenario puts it at 40 years, while the worst case is 200 years). Hence, it is not surprising that the Chinese loans are an attractive option (cf.

Sanfey & Milantovic 2018:5). Likewise, corruption is still a huge issue for the Western Balkan countries, but also moving out of low wage jobs; this can give the regimes an incitement to keep the wages low and keep the factories in the country (Interview 3). Political stability is a concern for western companies who wants to do business in Serbia (Sanfey & Milantovic 2018:17).

Furthermore, China is attractive for Serbia “because of the flexibility of the Chinese model, China-backed projects can be aligned with local political cycles” (Makocki 2017). The economic dependence on China is most likely a factor, as the list of investments shows in Table Six. Almost 90 percent of all Chinese infrastructure projects in the Western Balkan have started from 2013, with state-owned Chinese companies as primary players (Holzner & Schwarzhappel 2018:17). China is criticised for paying little to no interest if a country is be able to cope with the loans burden. The pressure to transfer things into Chinese ownership is also a concern of the EU Commission, China is deemed to the potential of becoming a new source of instability for the region (Financial Times 2019).

The year 2018 results in several setbacks concerning FDI in the EU for China; however, this was not the case in the Western Balkan where everything continued as previous years. The Belgrade-Budapest connection might not have yielded any greater result as yet, but the construction is ongoing, and it has brought investments into Serbia (Le Corre & Vuksanovic 2019). However, there is a growing mismatch between expectation and outcome for the Chinese projects (Grieger 2018:4). This might be why China is branching out to other forms of influence, like party funding and military equipment. Also, the wide arrange of ventures shown in Table Six does not necessarily appear to have a clear connection to BRI, even if China argues that. According to Hypothesis One, is China making its mark in Serbia and as the theory is suggesting it is through strengthening tendencies that already exist within the country. There is also, as Hypothesis Two is concerned, a difference in interest between the EU and China.

Some argue that the growing Chinese influence can partly come at the same time as a decreasing Russian influence in the region, due to the country’s economic performance (where EU and the US have not changed much). This might be true for some Balkan countries, but it overlooks its political engagement and strong cultural presence, particularly in Serbia (cf. Bosnia Daily 2019a:10). Others argue politically that the US is moving out of the region. American companies’ presence might still be unchanged, but the political interest and knowledge are lacking from the US (Interview 3). This goes along with what an EU official suggested to a reporter in 2019, that they had “overestimated Russia and underestimated China” (Financial Times 2019). This indicates that after the US is politically leaving the region, both in commitment and awareness, and thus leaving a void that the EU cannot fill by itself so other actors are moving in to fill the void (Interview 3). For Serbia, this results to a stagnation in its EU-association progress.

5 Conclusions

The process-tracing approach made it possible to follow the Serbian reform progress in relation to the Serbian-Chinese connection. Here the goal was not to uncover the number of Chinese loans, rather what effect they may have on Serbia and their EU-association progress. Therefore the analysis of the railway between Budapest and Belgrade was a good approach, because it is a high-profile Chinese project in Serbia, funded by mostly Chinese loans. Public procedures, especially tenders, were an area of concern in regards to the EU-association. This period also sees a stagnation, if not even backward trend in some area of reforms. Transparency and the rule of law reforms give the impression of stagnation, while common foreign policy alignment with the EU is going in clearly the opposite direction of an EU consensus.

The research question was answered, together with the two hypotheses constructed out of theory. As Hypothesis One suggests, a slowdown in reform in Serbia seems to correlate with the action of taking Chinese loans and therefore changing the willingness of the Serbian regime's attitude towards EU-association reforms. Furthermore as Hypothesis Two suggests, this process seems to not only be a correlation but also a causation, because of the clear clashing in EU-China values. However, this is not with a hundred percent certainty, but the theories suggest the increased “flexibility” as part of the new *dependency* could be behind this development. The mechanism of *diffusion* has created this new dependency. This gives the suggested “causal graph” according to Waldner (2015) design:

The BRI → Increased flexibility → Stagnation in Serbia's reform policy

There seems to be a power vacuum in the region which the EU has a hard time to fill, as both the political and economic development in Serbia is aligning with Chinese and Russian interest. China has arrived with strong economic muscles and increased their investments in Serbia. The economic influence appears to translate into political influence, which fills the void left by other international actors. The independent variable of China also seems to change over time, becoming increasingly more political. However, both the EXIM Bank and the 16+1 group has clear political components from the start, like the frequent political meetings amongst politicians.

The result was in line with previous research, particularly China's influence in non-European countries. Here Ambrosio (2010) *diffusion model* shows how a more passive execution of influence will actively promoting political policy changes. China is able to build up a dependency in Serbia, which changes Serbia's behaviour. Posed this way, it becomes visible that the new funding source gives “flexibility” for the regime.

Serbia was treated as the “least-likely case” for Chinese influence on its EU-association process, due to its high ambitions in joining the EU. However, the empirical part suggests that Chinese influence exist, even if it is not always caught by the Serbian public (cf. Le Corre 2018). It has even gone as far as the 16+1 format “semi-jokingly” characterised as 15+1+1, due to Serbia’s active support of the BRI (Pavlicevic 2016:12). China has gained a strategic and supportive partner in Serbia, which grants Serbia a “leader” or “champion” within the 16+1 format. To some extent can Serbia now be characterised as Euro-sceptic (Grieger 2018:3f). However, there are other Balkan countries with a higher debt in relation to their GDP to China, and here the influence from China could be even higher, but maybe less politically outspoken. China is being blamed for leading a “loan-trap diplomacy”, which assumingly would be more prominent in other Western Balkan countries (Brattberg & Soula 2018). This leads to questions about other similar cases and possibly “more-likely cases”, where the diffusion process should be even greater. Indeed, the “judges are still out”, on China or another authoritarian states could be trying to create its own enclave in Europe.

Furthermore, this opens up three different types of future research. Firstly, to explore the Chinese influence in other Western Balkan states, as stated above. Secondly, comparisons with other non-democratic actors ability to change policies in the Western Balkan countries. There seems to be a clear linkage between economic success and influence for China, but political engagement might also be important. Different actors might have different characteristics as highlighted by the Konrad-Adenauer-Stiftung (2018) study. Thirdly, the regime in the receptive country is also a source for future analysis; especially the regimes willingness to cooperate with China (given EXIM Bank’s loan structure in Table five). During the entire period Serbia had the same ruling party and people in leading positions, which could influence the success of China’s influence.

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7 Appendix

7.1 Interview Notes

Interview one

Interviewee: Civil servant at the Swedish Foreign Ministry.

Date: 2019-03-29.

The language used during the interview: Swedish

The notes taken during the interview were translated and then made into this transcript.

Firstly I did a short presentation of my research topic and the use of this material.

Q: How would you describe the development in Serbia during the past five years?

A: Here the first thing that comes to mind is the start of the EU membership negotiations around 2013/2014. Serbia was very goal-focused in the beginning and with a lot of energy. Kosovo was an important question from the start. Membership negotiations allowed Serbia to work with the EU in a new way from previously. Since then Serbia has held several elections which has taken some focus away from the reform process and slowed down. It has not gone backwards, just stagnated in the speed of the reforms in some areas. Reforms in the rule of law is an area of focus for the EU. There have been several delays, especially around the last two years.

Q: How would you describe the internal political landscape?

A: One of the current processes occurring in Serbia is ‘power consolation’, where a lot of power moves towards the governing party; SNS. Essential for understanding the current situation is the fall of Milošević [president of Yugoslavia until 2000] and the period following him. Where a lot of discontent amongst the population led to a shift in power, connected to a lot of hope and energy, which wasn’t captured by the parties that came to power, corruption is one issue that is often mentioned in this regard. 2012 is a significant year, where the elections resulted in a regime change, the opposition took over.

Q: Do any other issues currently exist for Serbia?

A: One example is issues when it comes to media freedom and the freedom of expression. Transparency in media ownership, violence against journalists and links between media and the governing party. This evaluation is based on reports from the Commission.

Q: What is China's core involvement in Serbia?

A: China appears for the moment to focus on the economy when it comes to Serbia, but this might change over time.

Q: What is the motivation for Serbia with getting China involved in its economy?

A: Serbia needs investment, and no one else is supplying it in large enough quantities. It is easy to say that this might have some consequences, but what are Serbia's options?

Q: What is the major reform issue for Serbia?

A: One major reform effort is the constitutional changes, the EU will report on this later this year.

Q: What other international actors could you think of in Serbia?

A: Some actors are mainly economically active, but the major ones are; EU (including all the member states), Russia, Turkey, the Gulf States, China, USA, EEA-countries (mostly Norway).

Q: How big would you judge China to be of an actor?

A: Hard to tell. It is probably one of the bigger ones, but it is hard to know. Much has been said on the subject, but not necessarily fact-based. There is a lot of high political exchange between Serbia and China, but also with Russia and the EU. If we count on foreign exchange, so is Brussel probably the most significant source of foreign exchange visits.

Q: How big is the financial support and investment to Serbia?

A: Here we first need to separate those two. First, of course, there is the support that comes through IPA and also separately from the member states. Just the Swedish foreign ministry distributes about 110 million Swedish kronor per year to Serbia. Secondly, there is private investment from companies, which can vary a lot and is separate from Swedish government and the EU.

Interview two

Interviewee: Civil servant at the Swedish Foreign Ministry.

Date: 2019-04-11.

The language used during the interview: Swedish

The notes taken during the interview were translated and then made into this transcript.

Firstly I did a short presentation of my research topic and the use of this material.

Q: How would you describe the development in Kosovo during the past couple of years?

A: In 2008 Kosovo declared independence, and since then a lot of focus has been put on how to normalize the relations between Kosovo and Serbia. The relationship has had its ups and downs. In an agreement signed in Brussels in 2013 between Kosovo's and Serbia's prime ministers at the time, Hashim Thaci and Ivica Dacic, they pledged to work towards normalization of relations between the two countries. The work has been both political and technical, such as recognising each others' license plates and school degrees. This provides the two countries with an opportunity to find common ground. One particular aspect of the Brussels Agreement was the establishment of an association of Serbian municipality in Kosovo, which is yet to be implemented. Lately we have not seen as much progress in the technical areas as we might wished. Last year, the presidents of Kosovo and Serbia raised the idea of land-swaps between the two countries, which has been given a lot of focus on the political agenda since.

Q: What other issues besides the relation to Serbia are prominent in Kosovo?

A: Besides normalization of relations with Serbia, the EU-integration process is central for Kosovo. This, however, partly ties to the relation with Serbia as normalization between the two countries is a condition for future EU-membership. Five EU member states do still not recognize Kosovo's independence. Kosovo's EU-integration process has been going slowly but with some progress. Today, Kosovo is a potential candidate country. Challenges remain, for instance within the field of rule of law. In order to support Kosovo in this field, the EU has launched a rule of law mission in Kosovo, EULEX, which still has some executive functions.

Q: How would you describe the internal political landscape?

A: Currently the biggest parties are the PDK and the LDK. LDK is known for its non-violence stance during the conflict. PDK was formed by some of the figures of the former KLA, including president Thaci. The party AAK was formed by prime minister Haradinaj, who also belonged to the KLA. There are a number of parties representing ethnic groups such as Srpska Lista, which represents Kosovo serbs. Currently, PDK, AAK, Srpska Lista, NISMA and a number of smaller parties form a coalition government.

Q: Where is the emphasis in the Swedish work with Kosovo?

A: The main focus for Sweden is to support Kosovo's EU-integration process, politically and through Sweden's bilateral reform cooperation. This financial support is roughly 100 million SEK per year; it goes towards economic development: democracy, human rights and rule of law; and protection of the environment and climate. There is Swedish personnel in the OSCE and EULEX missions as well as KFOR. Sweden has recognized Kosovo's independence since 2008.

Q: How would you describe the infrastructure in the country?

A: The road infrastructure is generally good but possibly needs some modernization in certain areas. There are railway lines but these are in need of rehabilitation. There is an EU-project planned within the connectivity agenda, to support this. They do have an international airport. Kosovo is a small, land-locked country which limits its needs when it comes to infrastructure.

Q: Which international actors are present in Kosovo?

A: Numerous actors are involved in the country besides the EU, for example various UN-bodies, OSCE, USA, various international civil society organizations and countries like Sweden (with an embassy in the country). UNMIK, which was mandated by resolution 1244 to help ensure peace and stability in Kosovo after the war, is still present today. The NATO-force KFOR still has some presence in the country.

Q: How would you describe China's presence in the region? Is China an actor in the region?

A: China is an actor, which has mostly been focusing on investments and loans in the area of infrastructure, including within the Belt and Road initiative. But China is not as expressive as other countries politically.

Q: What will be important for Kosovo going forward?

A: The normalization with Serbia will be key, including for ensuring long term stability in the region. Another priority is Kosovo's EU-integration process. The two issues are slightly connected as progress towards the EU requires normalisation of relations with Serbia. Another question for Kosovo going forward is the economy, where an improvement of the socio-economic conditions would be welcome as well as finding economic models to secure the country's future economic development.

Interview three

Interviewee: Civil servant at the Swedish Foreign Ministry.

Date: 2019-04-15.

The language used during the interview: Swedish

The notes taken during the interview were translated and then made into this transcript.

Firstly I did a short presentation of my research topic and the use of this material.

Q: How would you describe developments in the Western Balkans in recent years?

A: Some countries are moving forward with their EU accession, such as North Macedonia. But other countries are moving in the opposite direction. One major change comes from the USA, with lesser engagement and knowledge. This has left a gap that others try to fill. Here the EU has perhaps struggled to do so; this has, in turn, left the field open for other actors to try to increase their influence. This can be an economic instrument to try to influence, political party financing and establishing media houses. The other actors can try to destabilize the EU and USA.

Q: How would you describe the development specifically in Serbia?

A: Serbia belongs to the group of countries on the Western Balkan where the developments sadly don't go in the right direction. Particularly troublesome is the development within the political chapters of the Copenhagen criterias, such as the rule of law, media and freedom of expression. It is a worrying trend where it is not moving forward and maybe even backward in some areas. There are strong ties to Russia and an increasing effort to make other countries to de-recognize Kosovo. There is generally a lot of focus on Kosovo in Serbian politics. Internally is it politically tense, with the opposition boycotting parts of the political system. Economically speaking Serbia is doing quite well much thanks to foreign investment coming in from China and the United Arab Emirates. The visa-liberation goes against EU politics. However, this can be related to the Kosovo question.

Q: Where is the emphasis in Swedish work on the Western Balkans region?

A: Sweden supports the EU accession with aid aimed at democracy, human rights and the rule of law. These are areas vital to become an EU member state. It is also important to make the countries in the region work more together with each other.

Q: Which actors are present in the region?

A: Russia, China, Turkey, the Gulf countries (Saudi Arabia and the United Arab Emirates), but also the EU and USA. Other financial actors are Switzerland, Japan, and Norway; they are all big donor countries.

Q: Has China become a more tangible player?

A: China has recently become a more palpable actor. Before China was hardly even talked about in the region. China is mostly involved in construction, such as infrastructure and loans.

Q: How would you assess how the need for infrastructure modernization looks in the Western Balkans?

A: There is a very high demand for infrastructure in all countries on the Western Balkans. The road network has improved — non-existing rail network in some countries, especially in-between countries. Very few people travel by rail. There have been improvements in the highway between Pristina and Tirana, which cut the travel time from about 7 hours down to about 2.5 hours. Similar improvements are the road between Skopje and Pristina. These road used to have more holes than tarmac. Improving the infrastructure is part of making the countries working more together as a region. Today is it even hard to fly in-between the countries, and usually, you have to fly over Wien, Istanbul or some other country.

Q: Where are there future challenges in the region?

A: Emigration is the biggest future issue for the countries in the region. Young educated people are leaving. People hold a low belief in a better future if they stay in the countries and this is accompanied by low trust in the government. There is a belief that the system is not merit-based, rather it is corrupt, and it depends on who you know. The environment and demographics are two other future issues. The governments are not delivering, which is the cause of the slow EU accession process. Other actors are an issue for the EU, Russia holds a particularly strong position here in the Kosovo question, with their political ambitions and membership in the UN Security Council. Democracy and freedom of the media are two topics that will continue to be important. There has been economic growth, but this has a downside. Many companies decide to move their production there because of the low wages; this could potentially help in keeping the wages down.