



智库丛书
Think Tank Series

China-CEEC Think Tanks Book Series

Stakeholders in China-CEEC Cooperation

Editors-in-chief

■ Huang Ping Liu Zuokui ■



中国社会科学出版社
CHINA SOCIAL SCIENCES PRESS

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Preface

China and Central and Eastern European Countries (CEEC) initiated the “16+1 Cooperation” framework in 2012, which is an important engine for the China-EU cooperation. CEE region is a highly open region with various stakeholders, who exert deep influences on political, economic and social development of CEEC.

There are three main categories of these stakeholders. The first category includes institutionalized stakeholders, such as EU and NATO. The second includes some important countries, such as USA, Russia, EU member, Turkey, Korea and Japan. The third includes non-state stakeholders, such as transnational enterprises, NGO and some regional organizations (OSCE, EBRD, Visegrad Group).

It will be very helpful for China to develop relationship with CEEC, if we can get full a picture about these stakeholders. The relationship between China and these stakeholders to some extent is key to China's interests in this region. Besides, China's global strategic layout (such as “The Belt and Road” Initiative), the future of China-EU relationship will also be affected by these stakeholders. In short, the research on stakeholders is beneficial to China's policy towards CEEC, EU and the world.

This book is part of the project financed by the Research Fund on China-Central and Eastern Europe Relation in 2015. This project is hosted by me. The scholars from CEEC, such as Poland, Czech Republic, Hungary, Romania, Serbia, Macedonia, Slovenia, Lithuania joined the project and submitted papers. These papers are mainly on the stakeholders in CEE region and the possible influences on China-CEEC cooperation. This book selected several papers with deep insights, concentrated on existence and effect of these stakeholders. Some of them also analyze the stakeholders' influences on China-CEEC cooperation.

Here, I would like to extend my thanks to Dr. Liu Zuokui, Director of the Department of Central and Eastern European Studies, and Director of the Secretariat Office of the 16+1 Think Tanks Network, Chinese Academy of Social Sciences for his careful organization of this book. Thanks are also given to my colleagues Ma Junchi, Ju Weiwei, Bing Xue, Zhang Tong for the selfless contribution to this book.

Huang Ping
Secretary General of the 16+1 Think Tanks Network,
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Chinese Academy of Social Sciences

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1. How can China Tailor a Successful Approach to the Western Balkans? A Comprehensive Analysis on the Role, Lessons from and the Potential Interaction with Influential Stakeholders in the Region

Anastas Vangeli *

Introduction

The Western Balkans (comprised of Macedonia, Albania, Serbia, Montenegro, Bosnia and Herzegovina, and Croatia) is an area where in terms of its population equals Beijing, and in terms of its GDP is somewhere between Yunnan and Xinjiang (ranked No. 24 and No. 25 respectively among Chinese administrative units). The region is obviously miniscule in size and influence, especially examined with regards to its relationship with an actor of the likes of China.

Defined by its relatively little comprehensive power compared to the rest of Europe, it has been historically shaped as a venue of global politics, but countries in the region were rarely seen as independent actors in global politics.

Hence, the region of the Western Balkans is in many ways defined by the relationships with the major foreign stakeholders, which Hadfield calls “patrons”.^① Adopting her terminology and work, this paper proceeds with an analysis of the matter in the following order. First, I critically analyze the construction of the region of the Western Balkans vis-à-vis the foreign stakeholders, putting an emphasis on the issue of “actor” of the countries in the region and the legacies and role of the international players. Then I provide an overview of the economic transformation of the Western Balkans, locating them in the global economic system. Then I provide case studies of the foreign stakeholders, their interests and experiences in the region. I firstly focus on what Hadfield calls “the primary patron”, that is the European Union (EU), while also taking in account the role of individual EU member states, Germany in the first place. Then I discuss what I call the “primary secondary patron”, that being the US, as well as the “secondary patrons”—Russia and Turkey. I conclude with some general assessments

* Polish Academy of Science.

① Amelia Hadfield (2014), “Conclusion”, in eds. Soeren Keil and Bernhard Stahl, *The Foreign Policies of Post-Yugoslav States: From Yugoslavia to Europe*, Palgrave, p. 244.

and the lessons and suggestions for China's foreign policy makers.

I. The Balkans as a "Playground" for International Players

After the end of the Cold War, the violent dissolution of Yugoslavia and the fall of the Albanian system, the region has lost any agency left whatsoever in terms of its role in global politics. With the absence of a strong local actor, the (Western) Balkans has become an intersection of a myriad of influences, interests and global agendas. Thus, foreign stakeholders and their actions in the region are often seen as key drivers of the regional politics and economy, considered to be at least important than local agency.

Analysts ascribe this condition to structural reasons, although for many this is part of the "fate" of the region, and congruent with its particular historical heritage and symbolic capital. Historically, the term Balkans has been associated with wars, instability and bad politics. The term "Balkanization" used to denote irreparable political fragmentation, has entered international dictionaries and has been widely used in political as well as scholarly discussions beyond the region. A tendency of a particular kind of Orientalism, named "Balkanism" has dominated the Western discourse on the region, but has been also internalized by domestic actors. As a result, not only have foreign stakeholders, sometimes even unintentionally, adopted a condescending position towards the region, but the countries in the region have been caught up in a perpetual cycle of self-depreciation as well.^①

Thus, the legacy of imperialism as well as of being imperial periphery, as well as the legacy of dissolution of empires have greatly shaped the region, and perhaps they are still shaping it. In the past, the region has been part of two great empires, the Ottoman and the Austro-Hungarian one, with the question of independent statehood being raised only in the 19th century and fully coming into being about a century ago. Most of the political borders of the region have been tailored and enacted through Congresses and Treaties in which the European powers had the main say. This, however, also entailed changes of political systems, cultural codes and mechanisms of belonging – with, for example, the Ottoman non-territorial millet system being overnight replaced with the system of nation-states as defined in the West. Hence, at its core, the Balkans is a region defined by its relations with foreign stakeholders or patrons.

Throughout the 20th century, the Balkans has remained an area of interest for the great European and global powers, being one of the main battlefields in the two World Wars. It was also an area with particular contention dynamics during the Cold War, with Yugoslavia becoming an exceptional actor in global politics, remaining non-aligned with neither the West nor the East Bloc, and Albania remaining an outlier and an extreme case. While it is wrong to assume a direct causality between the historical processes and

① A seminal work on this matter is the one by Maria Todorova (2009), *Imagining the Balkans*, Oxford University Press.

today's strategic relations due to the sheer complexity of the issues, it would be an even graver mistake to write off history as irrelevant. Certain path-dependent relationship of past and present developments clearly exists, although a thorough discussion is beyond the scope of this paper.

The Yugoslav dissolution was seen as a test for the European Union, which at the time was coming of age as a global actor. From the contemporary historical distance, many argue that European diplomats did not live up to the expectations. The subsequent Yugoslav Wars brought about even more intense international involvement and mediation, by international organizations (the UN), but also by individual countries. The wars in the Balkans were crucial for America's "unipolar moment" in the 1990s. The Kosovo crisis, the crisis in Macedonia in 2001 and the international response have further turned the region in what many pejoratively call a *de facto* protectorate.

In terms of the strategic landscape of the region, today there is a particular constellation of power in the region in which the stakeholders, the EU and the US, have the upper hand and often act as mentors, whereas the Western Balkans countries assume the role of followers. In the words of Keil and Stahl, way too often the Balkan countries are treated "as passive subjects of the EU's enlargement process and as 'playgrounds' of different international ideas on state-building (Bosnia), self-determination (Kosovo), economic reforms (all seven) and democratization (in particular Bosnia, Kosovo, Macedonia and Serbia)".^①

The contemporary name "Western Balkans" itself is a portmanteau created by EU officials to label the region of former Yugoslavia sans Slovenia, and Albania. Given the recent history and the troubled development of the region, the name Western Balkans has rarely been associated with success or good news in general. The latest dilemma in the definition of the region is whether to include Croatia as a part of it — in the official EU terminology, for instance, Croatia is considered to have graduated from the region by joining the EU, and is not taken any more as part of it. This logic adds on to the political rather than the geographic conceptualization of the Western Balkans.

Regardless of the general feeling of stagnation and underperformance, today, all countries are on the way to be integrated in EU (Croatia is already a member), and the European integration process is at least formally listed as their top strategic priority. Except Serbia, all other countries also aspire to join NATO (Croatia and Albania are already members). These strategic choices were mostly decided through an elite consensus. This might not have been a result of an ideological orientation of the elites towards the politics and the models of the West, but simply a strategic decision, or in some cases, either opportunism or lack of choice. In the process they enjoyed a varying support by the respective countries' populations, so far, there has been only one plebiscite held in Croatia, and that one showed a relative division of the population on joining the EU.

① Soeren Keil and Bernhard Stahl, *The Foreign Policies of Post-Yugoslav States: From Yugoslavia to Europe*, Palgrave, p. 244.

The processes of reform and intense diplomatic interaction have attempted to restore local agency in the region, albeit not always on the level of the state. One of the major avenues to achieve this has been the strengthening of civil society in which the financial support and guidance provided by Western governments, foundations and NGOs has played a key role. Civil society in the Balkans has received abundant resources, financial, human and technical, and in fact has emerged as a particular actor and shaper of policy processes, and in the most cases, it has strategically and ideologically backed the agenda of the EU and the US.

At the level of the population the pro-Western sentiment is perhaps less dominant since the emergence of the global financial crisis in 2008, which has weakened the power of the West and had a disillusioning effect on the people of the Balkans. The void left behind by this, however, has not been filled with enthusiasm for alternative paths (such as Russian or Turkish led Eurasianism), nor has stimulated sovereign pursuit of independent path. Instead, the most dominant feeling, at least in the former Yugoslav countries has remained to be the nostalgia for the lost shared country (called “Yugo-nostalgia”), which perhaps can be also defined as a nostalgia for the lost sense of security, belonging to a stable and strong country, and a nostalgia for the political culture in which prominent were narratives of the bright future ahead.

II. Failed Economic Transformation: the European Super-periphery

In order to understand the relationship between the Western Balkans countries and the stakeholders (or “patrons” in the region), one must also take the post-1989 economic history of the region and its economic relations into account.

The political turmoil and the wars in the region had extremely negative effects on the national economies in the Western Balkans. Not only they severed the regional and international trade relationships through cutting off routes or provoking sanctions and contributed to the deep fragmentation of the former common Yugoslav market, they also had a devastating effect on the physical and labor capacities. Factories were destroyed, and a large number of workers were either killed, injured or displaced, or mobilized in the armies. The subsequent transition years in the Western Balkans have resulted in multi-layered processes of economic loss. Economies shrank constantly, the production capacities declined and skilled labor migrated abroad. Today, as a result, to use the terminology of the global financial establishment, the countries of the Western Balkans are decades behind the advanced European economies. They also lag significantly behind the countries that joined the EU in 2004.

The systemic changes that brought about the economic devastation were inevitably intertwined with the broader global processes, in which different foreign actors and stakeholders had particular role to play. The first and most important change was ideological — in the minds of the people and in the public debate, Western neo-liberalism

defeated socialism. This was greatly driven by the increasing influence of Western ideas and the decline of domestic and international socialism. It is important to mention that the particular economic ideas that became the new mainstream in the region were not those of the European welfare state, but rather the ones of market fundamentalism, hence the sharp shift in the envisioning of the new societies, and the way they were built.

This process, however, at its inception was framed as part of the road of “Westernization” and was driven by market fundamentalist ideology, as well as a sharp critique of the former socialist models. Key role in the process was played primarily by the EU, European national-level actors, the US and domestic pro-western actors who provided the ideological justification of the process. No reforms could be done without the supervision and guidance of foreign experts, and no important government decision on the economy could be done without approval and/or the assistance of Western governments, transnational and supranational institutions, and the global financial establishment (such as the IMF and the World Bank).

Among experts and policy makers now there is a consensus that the reform process in the Balkans was of very questionable success. For several years after the dissolution of Yugoslavia, the economic situation of the region was in fact worsening.^① In the beginning of the 21st century, for a moment the Western Balkans countries started noticing better economic performance. Nevertheless, the 2008 global financial crisis has again slowed down the economic recovery, and cemented the region as a European super-periphery. As the Economist Intelligence Unit noted in 2012, it was precisely the Balkan countries that “suffered the most from the global recession of 2008-2009”.^② At the same time, the Western Balkans remains a region insecure when it comes to energy supply, being dependent on Russian imports.

Trade

Due to the cycles of economic decline and stagnation, and the misbalances that emerged as a result of the dissolution of the Yugoslav common market, the countries in the region became import-dependent when it comes to the trade of goods – even in sectors where they have been previously net exporters. Today, all countries in the region have significant trade deficit. The trade deficit due to lack of competitiveness is perceived as a key structural problem and impediment to growth, which also contributes to rising current account deficits and causes a negative spiral effect.

Most of the trade of the Western Balkans, including most of their imports come from the EU countries. On average, the EU in total accounts for 2/3 of the trade of the Balkans

① For details see the study of the Wilson Center, https://www.wilsoncenter.org/sites/default/files/Franjo_Stiblar_WWICS.docx.pdf.

② See <http://www.economist.com/blogs/easternapproaches/2012/06/balkan-economies>, http://viewswire.eiu.com/index.asp?layout=VWArticleVW3&article_id=1059118890®ion_id=1510000351&country_id=1320000332&refm=vwCtry&page_title=Latest+analysis.

countries. Detailed data on trading partners can be found in the Appendix of this paper.

An important share in the economic exchange with the EU plays “near-shoring”. During the last two decades, practices such as outward processing trade made the Western Balkans region become part of the cross-border value chains, such as in the textile industry (the so called ‘*lohn system*’ of wholesale clothing production). Due to the cheap labor and other costs of production, the relative proximity and the lowering barriers for the flow of goods as the countries in the region develop closer relations with the EU, a number of producers from Western Europe now export pre-made products and raw materials to the Western Balkans countries, and import back the ready-made products — often intended for the Western European markets (such as German, Austrian, Dutch, Swiss textile companies). These type of cooperation results in significant economic activities and exchange, in which producers from the Western Balkans do add value in the process and produce local jobs and stimulate the backbone economy. However, the largest gain at the end is still registered on the side of foreign companies, with limited gains for local producers and little to no improvement of the condition of local labor.^① Similarly, the Balkan countries are also being considered as destinations for outsourcing of business from European companies, particularly in the service sector (especially in information technologies). However, they are yet to live up to their potential.

Tourism is a significant sector of the economy, especially in Croatia and Montenegro which lie on the Adriatic coast. Montenegro in particular manages to attract some investment in tourism capacities, which comes predominantly from Russia. Macedonia demonstrates certain ambition too, but is far from catching up. Cooperation in tourism is certainly an important segment of the economic cooperation of the Western Balkans countries and foreign stakeholders for the national and local governments.

The biggest traders with the Western Balkans have an important stake in the region, and are closely observing the prospects of the deepening of the China-Balkans relations. In some ways, they see China as a competitor. Historically, the first country to experience this challenge in terms of trade with the Balkans has been Turkey. Turkey is a one of the largest trading partners of the Western Balkans countries, and a large share of its exports to the region where have cheap consumer goods, such as cheap textiles, household items and simple technological products. However, as the bilateral trade between China and

① Labor issues are an under-researched and under-emphasized aspect of the relations between the Western Balkan countries and the stakeholders. This is partially a result of the neo-liberal paradigm that dominates the mainstream discourse and overlooks labor as a particular category of analysis. However, labor issues are especially important in order to grasp the condition of the people and move beyond numbers and large-scale processes. Labor market problems are a key structural problem that all countries in the Western Balkans face. On the surface this is manifested as a high level of unemployment rate (reaching up to more than 30%) combined with a low employment rate (around 50%) and a substantial grey/informal labor market, which perpetuates precarious work, poverty, inequality and insecurity, but also evasion of taxes on the side of employers. After the financial crisis, the region is gradually becoming a new cheap labor destination, where there are not low costs of production and subsidies for investors, but also low labor standards.

the Western Balkans has been expanding, Chinese goods overtook the Turkish ones. However this is not always framed as a negative occurrence — as one Turkish expert has put it, now Turkish producers are forced to move up the chain of production and produce higher quality goods (i.e. instead of cheap garment, they now shift towards designer clothes for export).

Investment and Finance

The relatively weak economic condition has made the Western Balkans countries chronically thirsty for investments and financial support. Given the neoliberal overtone of economic reforms in the Western Balkans, attracting FDI was framed as the major way to achieve economic growth. This was done on the expense of bolstering domestic investment. However, as both domestic and international observers point out, FDIs never flowed as desired. This was primarily due to the lack of political stability, but also a myriad of other reasons, most of them to be traced to the domestic political conditions and relations, and the inadequacy of the reform process. Hence, the nature of the stakes here is two-fold. The stakeholders care about their investments, the process and outcomes of reforms, which extends to both the political and economic realm.

The traditional investors and thus stakeholders in the region are the EU and European countries. The banking sector is dominated by European banks, and to a lesser extent Turkish and Russian banks. Most of the FDIs have gone to the service sector, which also has contributed to the deindustrialization process. As a result, next thing was what some experts call a process of “premature” transformation, the asymmetrical and rather fast expansion of services at the expense of industry and agriculture. This was again an unintended consequence of the processes of alleged Westernization of the economy.

Moreover, as the formerly integrated Yugoslav market socialism, as well as the Albanian socialist model did not increase the production capacities and laid off a huge number of workers. This process was accompanied by privatization of a number of other state assets. Often the investors in the strategic sectors were foreign companies, making international stakeholders in the process have a more tangible role (For example, Deutsche Telecom has gained a prominent presence in the telecommunication sector directly or through its subsidiaries). Moreover, more competitive products from the EU countries have started dominating the markets in the region, thus providing further disadvantage to the local producers i.e., in the food sector. In addition, deindustrialization has been an ongoing process, meaning that in most of the countries until very recently, or even today, on average, more industrial capacities are shutting down.

A significant portion of the investments have come in fact in the form of mergers and acquisitions, or privatization of formerly publicly owned companies, often in strategic sectors such as national telecom operators. This process has been uneven in the region, some countries opened their economies significantly, and very fast, such as Croatia, Macedonia. Others are very late, such as Serbia. By 2015, however, all of the Western Balkans economies are fully open and desiring of foreign capital. More and more

privatizations are announced. Thus, outside-actors remain closely observing the new developments and opportunities.

When it comes to financial arrangements, most of the Western Balkans countries have been piling up debt and all of them are considered to be part of an unflattering group of countries that might sooner or later get into a debt crisis. The Jubilee Debt Campaign has explicitly mentioned that Macedonia, Croatia and Montenegro might spiral out of control at any moment, Serbia is at risk of government external debt crisis, and Albania and Bosnia is at risk of private-sector debt crisis.^① The countries of the Western Balkans have received loans from the World Bank and the International Monetary Fund.

They have received other forms of financial aid from a myriad of other institutions, the most significant being the EU and USAID, as well as European (including non-EU national governments). The loans and other form of financial inflows into the Western Balkans countries have significant political strings attached, making the nature of the stakes in this sector also focused on reforms, good governance, more reasonable public expenditures, openness and transparency, further liberalization of the economy and advancing democracy and human rights.

Of particular importance here is the role of the EU. Its financial support is to serve the reform process. In the Enlargement Strategy 2013, it has outlined a comprehensive reform plan to boost “competitiveness, investments, growth and jobs” in the region, and tackle a broad spectrum of other issues. The main source of EU funding for candidate countries is the Instrument for Pre-Accession Assistance (IPA II 2014-2020) which is aimed “to support reforms and their sustained implementation in the rule of law area, to strengthen democratic institutions and good governance as well as socio-economic development”.^② In terms of development funding in the region, the key institutions are the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

III. Primary Regional Patron: the European Union

The construction of the region of the Western Balkans, as argued above, has been done in relation with its European prospects. When talking about the Balkans, it is assumed that we talk about part of Europe, but a part that is in many ways unique and special, and needs further “Europeanization”. Consequently, one of its characteristics is that it remains a region of great importance for the EU, and the Union remains the most significant strategic stakeholder in the region when it comes to all matters, including the regions’ relations with China.

By 2015, all the countries in the Western Balkans have manifested a clear

① http://jubileedebt.org.uk/wp-content/uploads/2015/07/The-new-debt-trap_07.15.pdf.

② http://ec.europa.eu/enlargement/pdf/key_documents/2013/package/strategy_paper_2013_en.pdf.

aspiration to join the Union, and are in different stages of accession (see table 1). EU and the accession process have become part of everyday political culture, and all domestic policies have a clear European component. The EU reciprocates the European orientations of the countries of the region with an open door to their accession, once they fulfill all the conditions required to join the Union. Historic milestones on the road to EU membership of the Western Balkans were the establishment of the Stabilization and Association Process in the 1990s and in particular the Thessaloniki Summit in 2003, where the EU under the Greek presidency gave a firm commitment to the Western Balkans countries' EU accession. An important development has been the visa liberalization for their citizens (except for Kosovo), granted in 2009 for Macedonia, Montenegro and Serbia, and in 2010 for Albania and Bosnia and Herzegovina, who can now freely travel into the Schengen area – although migration crises have often prompted discussions on potential abuse and eventual abolishing of the visa free travel.^①

Table 1: The EU accession process

	SAA signature	Applied for membership	EU Candidate status	Negotiations started	Visa liberalization	Accession
Albania	2006	2009	2014	X	2010	X
Bosnia and Herzegovina	2008	X	X	X	2010	X
Croatia	2001	2003	2004	2005		2013
Kosovo	Expected 2015?	X	X	X	X	X
Macedonia	2001	2004	2005	X	2009	X
Montenegro	2007	2008	2010	2012	2009	X
Serbia	2008	2009	2012	2014	2009	X

The EU accession process has been framed as a process congruent or even overlapping with the process of state-building and nation-building, which in turn made the EU positioning itself as a more or less a stakeholder over a broad spectrum of policy areas, varying from core state issues to the management of less important ones. As regards the former, EU police missions in Bosnia, Kosovo and Macedonia were crucial in establishing security and the basic rule of law. Its training and guidance for the public

① The Balkans has been traditionally an emigration region. Huge number of citizens of the countries in the region, in the past few decades have decided to migrate to the EU. Many of them come from socially marginalized groups. As the attitude towards migrants in the EU has been sharpening, migrants from the Balkans are being targeted by governments as well as by right-wing political structures.

administration in candidate countries has aimed to refashion all aspects of governance at various levels. EU has actively supported and supervised comprehensive reforms related to the liberalization of the economy, building functional parliamentary democracies, decentralization of the political systems, and a virtually endless list of other policy issues. A convenient overview of the scope and the nature of the stakes of the EU in the Western Balkans countries can be gathered by having a glance over the 35 chapters of the *acquis* that are being negotiated with candidate countries during the process of accession. The countries are expected to commit to reforms in all of them, and once they reach a satisfactory level they are considered as “closed”.

In the past decade, although at different speeds, all the Western Balkans countries made important steps towards EU accession (see table 1). However, the perception is that after years of efforts, there is an obvious enlargement fatigue when it comes to the rest of the Western Balkans countries. After completing the enlargement rounds in 2004, 2007 and 2013, the unforeseen developments in new member states (continuous struggle with transitional maladies in Bulgaria and Romania as well as Croatia even after the accession, democratic backsliding in Hungary, and fear of these experiences spreading elsewhere), but also the effects of the global financial crisis and in particular the Greek crisis, Ukraine, and the ongoing migration issues have made the EU more inward-looking and worry about the costs of enlargement. Moreover, there are often signs of stagnation or regression in these countries, and in the case of Macedonia there is a name dispute with Greece, which affect the accession process in a negative way.

Considering the overall developments in the past few years, think tankers and experts claim that there will be no new enlargement of the Union until 2020. That enlargement is downgraded even in the institutional design of the European Commission while under Barroso there was a particular DG Enlargement, and under Juncker there is a joint DG Neighborhood and Enlargement. Hence, some now use the “Restern Balkans” to denote the pause in terms of EU accession of the countries in the region. As Dejan Jovic argues, from a birds-eye point of view, it now seems as the EU, having encircled the remaining few non-members, is now consolidating its position around them.^①

This does not mean that the EU is retreating from the Western Balkans. On paper, the EU remains highly involved and concerned about developments in the region. Its outlook and expectations for substantial reforms are based on normative ideals. Its interests and stakes in the region are comprehensive. The approach as described in the Enlargement Strategy of 2013 is called “fundamentals first” which takes rule of law at the heart, followed by strong economic governance that will transform the Western Balkan countries into functional and competitive market economies, development and advancement of democratic institutions and processes, pursuit of good-neighborly relations and regional cooperation, and overcoming bilateral disputes. EU still remains actively involved in mediating regional issues (such as the Serbia-Kosovo negotiations)

① <http://europeanwesternbalkans.com/2015/07/29/instead-of-enlargement-restern-balkans-in-consolidation/>.

and in internal political crises (such as in Macedonia in 2015). The EU has also started paying a special attention to stimulate economic growth and bolster the economic integration in the region.

The EU also considers itself as a stakeholder in the foreign affairs of the Western Balkans countries. Recently, it has attempted to streamline the foreign policies of the countries towards Russia in the wake of the Ukraine crisis and the sanctions against Moscow. Here, Serbia, Macedonia and Bosnia proved a particularly challenging case, as they decided not to support the EU-imposed sanctions on Russia. More of this will be discussed in the section on Russia.

The EU is also closely observing the advancement of China-Balkans relations, on bilateral level, but also within the context of 16+1. The concern for some Brussels diplomats here is that some of the projects undertaken in cooperation with China that, for example, circumvent public procurement and bidding procedures (such as the highways construction in Macedonia and Albania). According to them, this is an implementation that challenges European norms and standards, and might also unfairly take away projects from European companies. Another concern is that a stronger involvement of China in the region might end up weakening EU's leverage secured through the "strings attached" on financial aid and loans, an important instrument of EU conditionality for candidate countries.

However, although initially skeptical and hawkish, EU officials are gradually becoming more comfortable with the idea that China might bring new developmental impetus in the region that will benefit everyone, including the EU as a stakeholder.

IV. Germany

European interests in stakes in the Balkans, however, cannot be analyzed only through the EU lens. As foreign policy is one of the least integrated policy areas in the Union, individual member states have their own interests and relations with the Western Balkans countries, which add more layers to the picture. For the purpose of conciseness, I outline the positions of Germany below – the most active foreign policy actor inside and outside Europe, and briefly discuss Austria, Italy, and Greece (neighboring countries and part of the EU17) although significant players are other neighboring countries (Slovenia, Hungary, Bulgaria and Romania). Their role becomes increasingly important, not only because of their own bilateral affairs with the countries in the region but also because of the assumed "re-nationalization" of the enlargement and the neighborhood policy of the EU, in which member states have an increasingly important say, often as important as the common voice of Brussels.

Of all European countries, Germany has had most interest in how regional affairs in the Balkans' development. Germany is also the largest investor and the leading trade partner of the Western Balkans countries, and its strategic positioning towards the region