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CHINA AND THE WESTERN BALKANS: ECONOMIC COOPERATION IN A GLOBAL GEOECONOMIC FRAMEWORK

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Abstract— China's economic engagement with the Western Balkans has deepened markedly under the Belt and Road Initiative (BRI), delivering significant opportunities alongside strategic considerations. This paper analyzes China–Western Balkans trade and investment cooperation through an International Political Economy lens, employing concepts of globalization, geoeconomics, and core–periphery structures. Expanding beyond the bilateral case of China–North Macedonia to the entire Western Balkan region (Serbia, Montenegro, North Macedonia, Albania, Bosnia and Herzegovina), we examine major infrastructure projects, industrial investments, and trade patterns. A comprehensive literature review of BRI and China–Central Eastern Europe cooperation studies highlights prevailing theoretical paradigms and gaps. Our analysis finds that Chinese state-backed enterprises have become key investors in the region's steel, mining, energy, and transport sectors, addressing development needs unmet by other actors. Western Balkan countries have obtained much-needed infrastructure and capital through this cooperation, while some projects' financing has raised concerns about debt and long-term dependency; we note these challenges are being managed as governance mechanisms improve. We argue that China's outreach, though framed as win-win and driven by economic globalization forces, also embodies a geoeconomic dimension wherein economic tools advance broader strategic objectives. The region's position as Europe's periphery is evolving as it becomes more integrated into new Eurasian connectivity networks via the BRI, bringing both opportunities and implications for EU integration and regional geopolitics. We conclude with an assessment of future prospects for this cooperation amid changing global and regional dynamics.

Keywords: China, Western Balkans, Belt and Road Initiative, International Political Economy, Geoeconomics, Core–Periphery

I. INTRODUCTION

China's growing economic foothold in the Western Balkans has become a focal point of international political economy in recent years. The six Western Balkan countries – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia – sit at the crossroads of Europe and Eurasia, with substantial development needs and a strategic location[1][2]. Long considered part of Europe's periphery, this region has increasingly attracted China's interest through initiatives like the Belt and Road Initiative (BRI) and the "16+1" cooperation framework (now 14+1) that links China with Central and Eastern European countries[3][4]. Chinese investment in the Western Balkans reached an estimated €32 billion from 2009–2021, with Serbia alone accounting for about €10.3 billion[5][6]. By mid-2024, over 130 BRI projects were underway in the region across transportation, energy, manufacturing and even emerging sectors like healthcare and biotechnology[7]. These economic engagements have delivered tangible outcomes – for instance, Serbian President Aleksandar Vučić lauded the cooperation with China as "extremely satisfactory"[8] – and injected new vitality into local economies in the post-pandemic era[9].

However, China's foray has also sparked concerns in Europe and the U.S., reflecting broader debates about globalization and geoeconomics. Some Western officials have branded China an "economic troublemaker" or even a "Trojan horse" in the Balkans, fearing that Beijing's influence could undermine European Union (EU) norms and long-term regional stability[10][11]. The EU remains the dominant economic partner of the Western Balkans, accounting for roughly 70% of foreign investment and over 80% of the region's trade exports[12]. Yet China's approach – offering loans and investments with fewer political conditions – provides an alternative source of capital for countries that have struggled to attract Western investment[5]. From China's perspective, the Western Balkans represent both an economic opportunity and a strategic corridor into the European market[2]. The Land–Sea Express Route, connecting the Greek port of Piraeus through the Balkans into Central Europe, is a key component of China's BRI vision to improve Eurasian connectivity[13]. At the same time, Chinese engagement helps secure access to natural resources and new markets in a region on the EU's doorstep[2]. This dual economic and strategic motive epitomizes what scholars term a geoeconomic approach – the use of economic instruments to achieve strategic objectives[14][15].

This paper aims to analyze the current patterns and future prospects of China–Western Balkans economic cooperation within an International Political Economy theoretical framework. We draw on concepts of globalization (the expansion of global economic linkages), geoeconomics (the strategic use of economic power), and core–periphery structure (the hierarchical organization of global and regional economies) to interpret China's activities and the responses of Western Balkan states. By situating the issue in these theoretical terms, we seek to go beyond a descriptive account and shed light on the underlying dynamics shaping the cooperation. The analysis covers the five key non-EU Western Balkan countries – Serbia, Montenegro, North Macedonia, Bosnia and Herzegovina, and Albania – which for simplicity we refer to collectively as "the Western Balkans" (excluding the disputed Kosovo). We expand upon a prior case study of North Macedonia to encompass a comparative regional perspective.

The remainder of this article is structured as follows. Section 2 reviews relevant literature on the Belt and Road Initiative in Central and Eastern Europe, Chinese investment and trade strategies, and the geopolitical context of the Western Balkans. Section 3 outlines the theoretical framework guiding our analysis, explaining how globalization, geoeconomics, and core–periphery theories apply to China and the Western Balkans. Section 4 examines the current landscape of China's economic engagement in each of the Western Balkan countries, highlighting major projects in infrastructure, industry, and energy – including case studies such as the Smederevo steel plant in Serbia, the Bar–Boljare highway in Montenegro, power plants in Bosnia, and resource investments in Albania. Section 5 discusses the broader patterns and implications of the emerging China–Western Balkans relationship in light of the IPE concepts, as well as the challenges that have arisen in some projects (e.g. debt sustainability, EU accession hurdles, geopolitical balancing). Section 6 concludes with a summary of findings and an outlook on the prospects of China–Western Balkans economic cooperation in an evolving global context.

II. LITERATURE REVIEW

Research on China's engagement with Central and Eastern Europe (CEE), including the Western Balkans, has grown alongside the expansion of the Belt and Road Initiative. This section surveys key findings from both Chinese and international scholarship, focusing on three aspects: (1) analyses of the Belt and Road Initiative in Europe and the "16+1" (now "17+1" or "14+1") cooperation framework; (2) studies on Chinese foreign direct investment (FDI) and infrastructure projects in the CEE and Balkan region; and (3) works on the geopolitical and geoeconomic implications of China's presence in Europe's periphery.

Belt and Road and 16+1 Cooperation: Several studies trace the origins and evolution of China's dedicated platform with CEE countries. Established in 2012, the 16+1 initiative brought together 16 Central and Eastern European countries (including 5 Western Balkan states) with China, and was later linked to the BRI after 2013[16][17]. Scholars note that this regional platform serves China's diversified strategy in Europe by differentiating approaches between the EU's developed core and its developing periphery[4]. Zeneli (2023) argues that 16+1 allowed Beijing to "focus capital investments for strategic assets and new technologies in core EU countries, complemented by large infrastructure projects on the periphery"[4]. In other words, China used 16+1 to simultaneously court richer EU members and invest in poorer non-EU states, thereby gaining influence across Europe's economic spectrum. The Western Balkans' geostrategic location – as a bridgehead to EU markets and a transit corridor into Europe – is highlighted as a major reason for China's interest[2]. Chinese commentators similarly emphasize the region's role as a gateway: some have suggested the Balkans could shift from Europe's "periphery" to a central hub in China's envisioned Eurasian economic integration, becoming a key transit and logistics zone for China–EU trade[18].

Chinese analysts often underscore the pragmatic and apolitical nature of the cooperation. For instance, one study of China–CEE relations notes a pattern of "only talking business, not politics; only talking economics, not military" – reflecting an emphasis on economic and people-to-people cooperation while downplaying political or security issues[19]. Many Chinese scholars frame the 16+1 and BRI projects as mutually beneficial development efforts, aligning with the Chinese government's narrative of "win-win" outcomes. They point out, for example, that BRI investments have addressed infrastructure bottlenecks in the Western Balkans, which require an estimated €7.7 billion annually to modernize, according to EU-led assessments[1]. In their view, China's involvement fills a gap left by Western investors' hesitance due to political or fiscal conditionalities[20]. Empirical studies in Chinese journals have documented the rapid growth of trade and investment between China and CEE countries post-2013. One analysis finds that Chinese FDI into CEE rose sharply with the BRI, led by state-owned enterprises focusing on energy and transport infrastructure[21]. These works often conclude that the BRI provides CEE countries – including the Western Balkans – with valuable economic opportunities, while also advancing China's global integration into new markets.

Chinese Investment and Projects in the Balkans: A body of policy research and case studies has examined the specific projects and sectors of Chinese involvement in the Western Balkans. According to reports by European think tanks and institutions, China's economic presence in the Balkans has expanded from an early focus on transportation infrastructure (roads, railways, ports) to a wider array of industries including energy, mining, metallurgy, and telecommunications[22]. For example, Balkan Investigative Reporting Network (BIRN) data (cited by Stanićek, 2022) estimated that China invested around €32 billion in the Western Balkans between 2009 and 2021[5]. Much of this consists of large-scale infrastructure loans and construction contracts, often financed by China's policy banks (China Eximbank, China Development Bank) and executed by major state-owned contractors. Scholars like Zweers et al. (2020) describe China's pattern as stepping in with infrastructure financing where Western funds are unavailable or come with stringent conditions[23]. A prominent example discussed in literature is Montenegro's Bar–Boljare highway: conceived as part of a Montenegrin dream to connect its Adriatic coast to Serbia, the first section of this highway was built by the China Road and Bridge Corporation (CRBC) with a $944 million loan from Eximbank. Western lenders (e.g., the EU's EIB) had deemed the project not commercially viable, so Montenegro turned to China in 2014[24]. Subsequent studies have scrutinized the highway's impacts – it ran far over budget, contributing to Montenegro's debt rising above 100% of GDP, and became

a cautionary tale in European media narratives about potential "debt-trap diplomacy"[25][26]. We will examine this case in detail in Section 4.2.
Another heavily studied case is China's investment in Serbian heavy industry. Serbia, the largest Western Balkan economy, has attracted the lion's share of Chinese capital in the region (roughly one-third of the above-mentioned €32 billion)[12][6]. Two landmark deals stand out in literature: (a) the takeover of Serbia's sole steel mill at Smederevo by China's Hesteel Group (HBIS) in 2016, and (b) the acquisition of a majority stake in the RTB Bor copper mining complex by Zijin Mining in 2018. These transactions are frequently cited as examples of China's state-owned enterprises reviving former socialist industrial giants. Rogelja (2021) documents how Hesteel purchased the distressed Smederevo steel plant for $56 million and pledged $364 million in new investments[27], a deal personally endorsed by President Xi Jinping and Serbia's leadership as a symbol of "iron-clad" friendship[28][29]. Likewise, Zijin's $1.26 billion investment for 63% of RTB Bor, coupled with an agreement to take on $200 million of the mine's debt and retain its ~5,000 workers, is highlighted as a lifeline for Serbia's mining industry[30][31]. Researchers note these investments quickly turned the enterprises around – the Smederevo steelworks became Serbia's top exporter by 2020 under Chinese management[32] – but also raised European concerns about subsidized Chinese competition and environmental standards[33][34].
From the European Union's perspective, documented in policy papers and briefings, China's growing footprint in the Balkans is viewed with a mix of economic realism and strategic wariness. The European Parliament's research service, for instance, acknowledges that Chinese loans have provided critical infrastructure to the Balkans, yet warns that such projects often ignore EU norms on transparency, environmental impact, and procurement[35][36]. Terms like "debt-trap" and "Trojan horse" appear in Western analyses, reflecting fears that excessive dependence on China could give Beijing political leverage or undermine governance in these aspiring EU members[37][35]. Some scholars push back on these more alarmist views, suggesting that agency lies with the Balkan states: poor governance and corruption in recipient countries, rather than Chinese capital per se, may drive negative outcomes[36]. Overall, the literature reveals a split between mostly positive assessments from Chinese or local actors focusing on developmental gains, and more critical assessments from EU/U.S. analysts focusing on strategic and normative risks.

Geopolitical and Regional Context: Finally, a number of works place the China–Western Balkans economic relationship in the context of regional geopolitics and global power shifts. The concept of the Western Balkans as part of a "core–periphery" dynamic is often invoked. World-systems theorists and EU integration scholars alike have long considered Southeastern Europe as Europe's semi-periphery – economically less advanced and dependent on the core EU economies. Liu (2019) notes that the EU's adoption of a "multi-speed Europe" and a "core–periphery" integration model has left the Western Balkan countries feeling marginalized and questioning their future[38]. This opens space for external powers like China (and Russia) to increase engagement. Zeneli (2023) characterizes China's approach as treating the Balkans similarly to other developing regions where it invests: combining economic diplomacy with narrative appeals to shared histories (e.g., socialist ties) and positioning itself as an alternative partner when EU prospects dim[39][40].

In terms of theoretical paradigms, several recent studies explicitly analyze China's role in the Balkans via geoeconomic lenses. Vangeli (2017) and Tonchev (2020) describe China's BRI in CEE as a geo-economic endeavor – Beijing leveraging its economic might (investment, infrastructure, finance) to attain strategic influence in Europe's backyard, rather than traditional hard power projection. Schneider-Petsinger (2019) of Chatham House explains geoeconomics as the use of economic tools for geopolitical objectives, noting that the rise of China has brought this approach to the fore globally[14][15]. China's integration of the Western Balkans into BRI can thus be seen as a textbook case of geoeconomics: it secures trade routes and critical assets (e.g. ports, mines) while also potentially gaining political goodwill or leverage. European commentators like Stanićek (2022) argue that Beijing's investments "create dependencies, even debt traps" in the Balkans, which could translate into political influence counter to EU interests[41]. On the other hand, Chinese scholars (e.g., Li Dan, 2025) have used concepts like ontological security to interpret the EU's anxious reaction to China's presence[42][43]. From that perspective, the EU perceives China's role in the Balkans as threatening its identity and normative order, hence the negative labels ("norm destroyer", etc.)[10]. This strand of literature suggests the friction is as much about the EU's own insecurities and great-power competition as it is about tangible issues on the ground in the Balkans.

In summary, existing research provides a foundation on the patterns of China's economic engagement in the Western Balkans and a range of interpretations of its significance. However, gaps remain in connecting these empirical observations to broader IPE theory and in comparing the experiences of different Western Balkan countries under the BRI framework. This study builds on the literature by explicitly applying a globalization–geoeconomics–core/periphery analytical frame and by integrating multiple country cases for a regional overview. In doing so, we aim to highlight not only the economic outcomes but also the structural and strategic implications of China's growing role in this part of the world. The next section will elaborate the theoretical framework guiding this analysis.

III. Theoretical Framework: Globalization, Geoeconomics, and Core–Periphery

This section outlines the theoretical concepts that inform our analysis of China–Western Balkans economic cooperation. By situating the issue within International Political Economy theories, we can better understand the driving forces and implications of the observed cooperation patterns.

A. *Globalization and International Integration*

The Belt and Road Initiative can be viewed as a product and accelerator of economic globalization. Globalization refers to the widening and deepening interconnection of national economies through trade, investment, finance, and technology. China's rapid rise over the past four decades is itself a result of globalization, as China became a central hub in global manufacturing and trade networks. Now, through BRI, China is exporting infrastructure and capital worldwide, effectively globalizing its development model. The Western Balkans' engagement with China exemplifies how globalization's current phase involves South–South or "East–South-East" linkages, not just traditional Western-led integration. From a globalization perspective, China–Balkans cooperation reflects the integration of a formerly marginalized region into new global value chains and infrastructure networks. It potentially offers Western Balkan countries alternative avenues of development beyond their traditional reliance on European markets and institutions. Indeed, Chinese sources often highlight that China is injecting new momentum into globalization at a time when some Western countries turn inward. As one Chinese analysis notes, "China, as the 'most important driving force of globalization,' is rapidly rising and becoming a 'problematic power' in the eyes of the EU", suggesting that China's continued globalizing push via BRI is perceived as a challenge by a perhaps more status-quo oriented Europe[44]. In our analysis, globalization provides the overarching context: China–Western Balkans economic ties are part of a reconfiguration of global economic flows, wherein emerging powers like China forge connections with regions that earlier globalization waves (led by the EU/US) left partially underdeveloped.

B. *Geoeconomics*

To bridge the economic and strategic domains, we apply the concept of geoeconomics. Geoeconomics, a term popularized by Edward Luttwak in 1990, describes the use of economic instruments to achieve geopolitical outcomes[45]. Rather than military force or traditional diplomacy, states pursuing geoeconomic strategies leverage trade, investment, finance, and infrastructure to enhance their relative power and influence. Key characteristics of geoeconomic statecraft include state-backed investments in strategic sectors, use of financial inducements or sanctions, control of critical supply chains, and the pursuit of infrastructure connectivity with political intent[14][15]. China's international economic behavior is often cited as a prime example of geoeconomics in action[46]. In the Western Balkans, China's activities – massive infrastructure loans, acquisition of major industrial assets, and expansion of trade relations – can be interpreted through a geoeconomic lens. Beijing appears to be securing long-term economic footholds (ports, energy projects, mines) that also confer diplomatic goodwill and strategic access in a region of geopolitical interest (adjacent to the EU). For instance, building highways and railways not only generates construction contracts for Chinese firms but also creates political leverage; local leaders often publicly credit Chinese partners for development gains, which bolsters China's image and influence. Additionally, because China's terms (e.g. non-interference in domestic affairs) differ from EU conditionality, some Western analysts argue this undercuts Western leverage by offering Balkan states an alternative with fewer governance strings attached[35]. Our analysis will use geoeconomics to assess to what extent China's economic engagements in each country serve not just commercial interests but also strategic objectives – such as gaining loyal partners, projecting power along the Eurasian corridor, or contesting Western dominance in the international order.

It is important to note that geoeconomic interactions are two-way: Balkan states are not passive recipients but are leveraging China's interest to serve their own agendas. We will consider, for example, how Serbia uses its economic ties with China to strengthen its international position (such as gaining China's support on the Kosovo issue in the UN)[47]. This interplay of interests fits into the geoeconomic frame where both sides see economic cooperation as bolstering their broader goals – China expanding influence, and Balkan countries securing development and diplomatic backing.

C. *Core–Periphery Structure*

The dynamics of China–Western Balkan cooperation also evoke the core–periphery framework rooted in dependency theory and world-systems analysis. Traditionally, Western Europe has been the "core" and the Balkans part of the "periphery" (or semi-periphery) in the European economic system – supplying raw materials and labor, importing finished goods and capital. The core–periphery concept highlights inequalities in development, power asymmetries in decision-making, and dependency relationships. When China enters this picture, it complicates the simple EU-core/Balkan-periphery model. Some scholars argue that China might be creating a new kind of core–periphery linkage: positioning itself as an external core tapping the periphery of Europe. Others suggest China's involvement could even help the Balkans escape the periphery trap by providing alternative development inputs. Chinese commentary optimistically muses that the Balkans may move "from Europe's periphery to a more central position" in a Sino-centric Eurasian economy[18], essentially shifting core–periphery relations in the region's favor by making it a hub for East–West trade and potentially enabling the Western Balkans to climb higher in global value chains.

European observers, however, often view the situation as the EU's core being encroached upon by a rival great power in its peripheral sphere. One Chinese strategic analysis from Peking University's Institute of International Studies bluntly notes that the EU behaves as an empire guarding its periphery – "the imperial core's exclusivity and hostility toward external powers entering its sphere is two sides of the same imperialism", which is why the EU is highly sensitive to China's activities in the Western Balkans[48]. This remark underscores that the core (EU) seeks to keep the periphery (Balkans) aligned and resists another core (China) interfacing with it.
In applying the core–periphery lens, we will examine patterns such as trade imbalances and the nature of exchanged goods. For example, Western Balkan exports to China are predominantly raw materials (minerals, metals) whereas imports from China are manufactured products, mirroring a classic core–periphery trade structure[49]. In 2021, over 85% of the China–Balkans trade consisted of Chinese exports, with the region running large deficits[50]. This could indicate a dependency-forming pattern if sustained. We will also consider whether Chinese financing might be creating a new dependency (financial core–periphery relation), given that infrastructure loans can translate into long-term debt obligations and even political dependency if debts are leveraged. At the same time, core–periphery theory reminds us to analyze power asymmetries: China's economy dwarfs those of the Western Balkans (the entire region's GDP is less than 1% of the EU's[51]). This asymmetry suggests that in bilateral dealings, China holds significantly greater leverage – a concern echoed in the "debt-trap" narrative. On the other hand, the Western Balkans have agency through collective or institutional means – for instance, leveraging their EU accession aspirations as a counterweight (aligning with EU rules could limit how far they integrate with China, maintaining some balance). Yet optimists note that Chinese investment, by providing new industrial inputs and connectivity, could help the region upgrade its industries and reduce its peripheral status[18]. Realizing this outcome will depend on harnessing Chinese engagement for long-term capacity building and ensuring that cooperation goes beyond extractive activities.

By combining these three theoretical perspectives – globalization, geoeconomics, and core–periphery – we gain a multidimensional framework. Globalization provides the context of expanding flows and interdependence in which the cooperation takes place. Geoeconomics provides insight into the strategic calculus and power play behind economic initiatives. Core–periphery sheds light on the structural position of the Western Balkans and the potential replication or transformation of dependency relations via Chinese involvement. In the following analysis, we will use these lenses to interpret the empirical cases in each country, bringing theory into dialogue with practice.

III. China's Economic Engagement in the Western Balkans: Country Cases

China's approach in the Western Balkans is not monolithic; it interacts with each country's unique economic structure and political priorities. In this section, we examine China's trade and investment cooperation with five Western Balkan countries – Serbia, Montenegro, North Macedonia, Bosnia and Herzegovina (BiH), and Albania – highlighting key projects and their significance. These cases illustrate both common patterns and important differences across the region.

A. *Serbia: Strategic Partnership and Industrial Investments*
Serbia is the linchpin of China's Western Balkan engagement. The two countries have a comprehensive strategic partnership, and Serbia has been one of the most enthusiastic participants in the BRI and 16+1 frameworks. Several factors make Serbia attractive to China: its relatively larger market (Serbia's GDP and population constitute about half of the Western Balkans total[51]), its central location for regional transport routes, and a political alignment marked by Belgrade's non-recognition of Kosovo's independence and its balancing between East and West. China has reciprocated by firmly supporting Serbia's territorial stance on Kosovo in international forums and by deepening economic ties[47].

Chinese investments in Serbia span infrastructure, manufacturing, energy, and technology. Trade has also grown – bilateral trade surpassed $3 billion and continues rising – but it is investment projects that truly stand out. Two flagship industrial investments underscore China's role as a savior of Serbian heavy industry:
Smederevo Steel Plant (Hesteel Serbia): In 2016, China's state-owned HBIS Group (Hesteel) acquired the Smederevo steel mill, Serbia's only steel plant and a major employer, after it had struggled for years under previous owners. The purchase price was $56 million for the assets, with an additional $364 million investment pledge for modernization[27]. This $420 million deal was heralded as a "success story of Sino-Serbian cooperation," inaugurated by President Xi Jinping's visit to the plant in June 2016[28][29]. Hesteel retained the plant's entire 5,000-strong workforce and rapidly ramped up production; by 2020 the formerly loss-making mill had become Serbia's largest exporter, shipping nearly $400 million of steel that year[32]. The political symbolism of this rescue cannot be overstated: it cemented China's image in Serbia as an economic benefactor, preserving jobs where Western companies had failed. However, some European industries voiced alarm – the European steel lobby dubbed the revived Serbian mill a "Trojan horse" for Chinese steel dumping into the EU market[34] – and environmental and labor concerns also emerged, as reports claimed the Chinese management circumvented some local regulations (e.g., pushing for changes in labor law regarding sick leave)[52]. From a geoeconomic standpoint, the steel plant gave China a strategic industrial foothold in Southeast Europe and deepened Serbia's dependence on Chinese capital and markets (much of the steel is ultimately sold in EU markets via intermediaries, raising complex trade issues).

RTB Bor Copper Mine (Zijin Bor Copper): In 2018, China's Zijin Mining won a Serbian government tender to become the majority owner of RTB Bor, a massive copper mining and smelting complex in eastern Serbia. Zijin's offer entailed a $1.26 billion investment package for a 63% stake, along with a commitment to cover $200 million of RTB Bor's debts and retain its ~5,000 employees[30][31]. This deal, signed in late 2018, was one of the largest foreign investments in Serbia's history. For Beijing, it secured access to rich copper reserves (strategically important for China's industrial supply chain) within the European sphere. For Serbia, it finally solved the decades-long problem of Bor's privatization – previous attempts to sell the aging, polluting complex had failed, leaving the state to subsidize its losses[53]. Since Zijin's takeover, production at Bor has reportedly increased with the injection of modern technology, and the company has announced further expansion plans (up to $3 billion total investment including developing new deposits)[54]. The Zijin Bor case illustrates how Chinese companies are acquiring not just infrastructure contracts but actual ownership of key natural resource assets in the Balkans. It also reflects a core–periphery trade pattern reversal: instead of Western firms extracting Balkan resources, a Chinese firm is doing so – potentially to ship copper to China or Chinese-led value chains. Serbian officials celebrated the deal for saving an industrial giant and boosting exports, while some critics worried about environmental impacts and Chinese dominance over local resources.

Beyond these two, China's footprint in Serbia includes infrastructure projects financed by Chinese loans and built by Chinese contractors. Notable examples are the Belgrade–Budapest high-speed railway (Serbia's section financed by Chinese credit) and multiple highway segments. China's Eximbank financed the Mihajlo Pupin Bridge over the Danube in Belgrade (opened 2014) and is funding sections of the Montenegro–Serbia highway on the Serbian side. In energy, Chinese firms are involved in expanding the Kostolac coal power plant and building renewable energy projects. Huawei has supplied telecommunications equipment and helped Serbia develop "Safe City" surveillance systems, reflecting a broadening cooperation in tech.

Serbia's strategy has been to welcome Chinese involvement as part of its "four-pillar" foreign policy balancing (EU, Russia, China, U.S.). Economically, China is now Serbia's top or second trading partner outside the EU. Politically, the partnership with China is domestically popular and often contrasted with what Serbian leaders perceive as more stringent treatment by the West. However, Serbia also faces the challenge of not derailing its EU accession – so far, it has managed to participate in BRI while still formally progressing toward EU membership, but this balancing act could be tested if EU–China relations worsen. From a core–periphery viewpoint, Serbia might be leveraging China to reduce its peripheral dependence on the EU, but critics caution it risks becoming peripheral to China instead if not carefully managed – for example, mainly an exporter of base metals and importer of finished goods, with trade data showing a large deficit with China (Serbia imports far more Chinese machinery and consumer goods than it exports, which is mostly copper and agricultural products).

In summary, Serbia exemplifies how China can integrate deeply into a host economy by reviving legacy industries and building new infrastructure in a way that serves both Serbia's development needs and China's strategic and economic interests. The next cases will show that smaller neighbors have had more narrowly focused engagements, but Serbia's case sets the pattern and scale that others aspire to or caution against.

B. *Montenegro: Infrastructure Ambitions and Debt Risks*

Montenegro, a small mountainous country of ~620,000 people, became an outsized example in discussions of China's BRI – primarily due to the controversial Bar–Boljare highway project. This project, often dubbed "the highway to nowhere" in media, illustrates both the opportunities and the risks of Chinese-financed infrastructure in a tiny economy.

In 2014, Montenegro contracted the Export–Import Bank of China to finance 85% of the cost (approximately $944 million) of the first 41-km section of a highway from its port of Bar toward the Serbian border. China's CRBC was chosen as the contractor. This was Montenegro's first major experience with Chinese credit, and it dramatically swelled the country's debt. By the time the first segment neared completion in 2021 (delayed from 2019), Montenegro's public debt had jumped to over 100% of GDP – the highway loan alone being about $1 billion in a country with an annual GDP around $4–4.5 billion[26][25]. At signing, the cost of this one partial highway was roughly a quarter of Montenegro's GDP[26], making it arguably Europe's most expensive road per kilometer. The Montenegrin government hoped the highway would stimulate economic development in the underdeveloped north and boost connectivity, but its hefty price and slow progress became problematic.

By 2021, as the first loan repayments came due, Montenegro openly struggled to meet its obligations. The highway had yet to generate any economic return (since the entire route was not finished and tolls were not collected), while debt service payments put strain on the budget. Fearing default, the Montenegrin leadership reached out to the EU for help in refinancing the Chinese loan – an extraordinary appeal that the EU initially declined, stating it does not repay loans of third countries[55][56]. Eventually, Western financial institutions (with reported behind-the-scenes support from the EU and U.S.) arranged a hedging deal in 2021 to ease Montenegro's burden: a consortium of European and U.S. banks refinanced the debt, lowering the interest rate and stabilizing Montenegro's finances[57][58]. This maneuver helped Montenegro narrowly avoid a potential debt crisis, as described by analysts[25][58], but it did not erase the debt – China remained the creditor for the principal, just with improved repayment terms.

The episode fueled the "debt-trap diplomacy" narrative in Europe. Montenegro was frequently cited in Western media as the "first victim" of China's debt trap in Europe[59], alleging that Beijing's loan terms had pushed the country to the brink of economic collapse, possibly to gain leverage over strategic assets (a speculative fear was that if Montenegro defaulted, China could demand concessions or even control of the Port of Bar). Montenegrin and Chinese officials denied any malicious intent, maintaining that the project's problems stemmed from Montenegro's own over-ambition and external shocks (like the COVID-19 pandemic, which hit Montenegro's tourism-dependent economy and shrank GDP by 15% in 2020)[60]. From a geoeconomic and core–periphery perspective, the Montenegro case is instructive. It shows how a peripheral country's eagerness to obtain modern infrastructure (when core Europe was not providing it) led it to accept a geoeconomic deal that significantly increased its dependence on China. The fact that Western institutions eventually intervened to help refinance the loan suggests an awareness by the EU and U.S. that letting Montenegro fall into a financial crisis due to a Chinese loan would have geopolitical consequences (possibly pushing Montenegro further towards China or destabilizing a NATO member, since Montenegro joined NATO in 2017). Observers like Marković Khaze (2021) note that Montenegro has become a "textbook example" used to warn others of potential Chinese debt pitfalls[61]. Indeed, the lesson is prominently cited around the Western Balkans – Kosovo's government, for example, explicitly stated it won't take Chinese loans after seeing Montenegro's experience, while Serbia, with a larger economy, insists it manages Chinese financing carefully to avoid such a fate.

On the other hand, Montenegro's case is also a lesson in agency: many argue that it was Montenegro's decision to pursue an expensive highway largely for political prestige (linking the then-ruling party's stronghold areas) without thorough cost-benefit analysis that led to the predicament – not any deliberate Chinese strategy. A Montenegrin analyst quoted in *Emerging Europe* said the debt problem is "kicked down the road" but remains, and ultimately "what trajectory events take… depends solely on the strength of the Montenegrin economy", emphasizing domestic responsibility[62][63].

As of 2023, the initial highway section has opened, but Montenegro has yet to secure financing to complete the remaining sections to the Serbian border – a point of uncertainty. Meanwhile, China's involvement in Montenegro beyond the highway is limited but not zero. Chinese companies have shown interest in Montenegro's energy sector (there were talks about a second unit of the Pljevlja power plant, and Chinese firms bid on renewable projects). However, given the debt saga, Montenegro's newer governments (since late 2020) have been more cautious with Chinese deals and are refocusing on EU-oriented investments. Montenegro's small size and early cautionary tale status mean it is likely to be more careful in future engagements, seeking to reap the benefits of China's construction prowess without repeating past debt difficulties. In our theoretical context, Montenegro exemplifies the delicate balance a tiny peripheral economy faces when engaging a great power in infrastructure development – too large a project can turn an otherwise empowering globalization opportunity into a dependency challenge, underscoring core–periphery vulnerabilities. Conversely, the Montenegrin case also demonstrated that such challenges can be managed with timely support and prudent governance, as evidenced by the refinancing solution and subsequent debt management.

C. North Macedonia: Infrastructure Connectivity and Political Alignment
North Macedonia (simply "North Macedonia" hereafter) was the focus of the original paper and remains an important piece of the China–Western Balkans puzzle, albeit with fewer high-profile projects than Serbia or Montenegro. As one of the smaller economies (population ~2 million), North Macedonia has engaged with China primarily through infrastructure development and growing trade, with an eye to positioning itself in regional transit routes.

Under the 16+1 initiative and BRI, North Macedonia agreed with China on two major highway projects in 2013–2014: the Kičevo–Ohrid highway and the Miladinovci–Štip highway. Both projects were financed by loans from China Eximbank (around $580 million combined) and contracted to China's Sinohydro Corporation. These highways aimed to improve internal connectivity – one linking the capital Skopje with eastern regions (Miladinovci–Štip), and the other connecting the central corridor to the southwest tourist hub of Ohrid. Initially heralded as transformative, the projects encountered delays and controversy. By 2016, allegations emerged of cost inflation and corruption involving local officials (which became part of a high-profile corruption case in North Macedonia). Construction delays pushed out completion timelines. Ultimately, the Miladinovci–Štip highway was completed and opened in 2019, while the Kičevo–Ohrid road faced redesigns and was still under construction as of 2022, with extended deadlines. This experience taught North Macedonia lessons in negotiating and managing Chinese-funded projects – highlighting the importance of transparent contracts and robust feasibility studies to avoid mismanagement.

Despite these bumps, North Macedonia's leadership has maintained cordial relations with China. Skopje formally signed onto the BRI MoU in 2015 and has participated in China-CEE summits regularly. The economic relationship with China is growing: China is among North Macedonia's top trading partners (though still far behind the EU). Trade reached about $1 billion by the mid-2020s, with North Macedonia running a deficit (key exports include metals like ferronickel and iron/steel, and imports are machinery, electronics, etc.). Notably, North Macedonia's heavy industry sector includes a few Chinese connections – for instance, Jiangxi Copper owns a major share in the Buchim copper mine (via an acquisition of a Canadian firm's assets), and a Chinese company was at one point interested in reviving a steel mill. However, these engagements are relatively modest in scale.

In terms of geoeconomic significance, North Macedonia occupies a strategic spot on the Balkan map: it lies on the north–south corridor linking Greece's port of Thessaloniki (and Piraeus further south) with Serbia and the heart of Europe. Chinese involvement in North Macedonia's transport infrastructure can be seen as part of that larger corridor development. There were discussions about rail upgrades (the planned but stalled high-speed rail from Piraeus through North Macedonia to Budapest, though currently only the Serbia–Hungary segment is advancing).

Politically, North Macedonia has balanced its external relations. It aspires to EU membership (opening accession talks in 2022 after settling a name dispute and other reforms) and joined NATO in 2020. China's relationship has therefore been more low-key, avoiding overt political entanglement. North Macedonia typically supports China's positions in international forums (for example, it has signed onto some of Beijing's statements in the UN on certain issues, and it aligns with China's non-recognition of Taiwan), but it has not become as close to China as Serbia is. The cooperation remains predominantly economic.

From a theoretical perspective, North Macedonia's cooperation with China underscores globalization's reach – even a small landlocked European country is now linked into China-driven infrastructure networks. The country hopes that improved highways will attract investment and tourism (especially from China, given Ohrid's potential as a UNESCO heritage site). At the same time, the North Macedonian case reflects how governance and institutional capacity mediate geoeconomic engagements: initial mishandling of the highway projects led to domestic backlash, showing that local political context (change of government, anti-corruption efforts) can slow or reshape BRI projects. Core–periphery aspects appear in trade (North Macedonia exports mostly raw or low-value-added products to China, and imports higher-value goods). However, the scale is smaller, so any dependency risk is more contained compared to, say, Montenegro's heavy debt uptake.

In summary, North Macedonia's experience with China is one of cautious engagement – leveraging Chinese infrastructure finance to build much-needed roads, while learning to navigate the terms and avoid pitfalls. It demonstrates that BRI projects in the Western Balkans can succeed (one highway finished) but also that they carry risks of mismanagement if not carefully overseen. North Macedonia will likely continue to work with China on infrastructure and industrial opportunities, but within the constraints of its parallel commitment to EU accession (meaning adherence to EU rules will gradually increase, possibly limiting certain forms of Chinese involvement long-term, such as if EU procurement standards must be applied).

D. Bosnia and Herzegovina: Energy Projects and Regional Complexities

Bosnia and Herzegovina (BiH) has engaged with China primarily in the energy and infrastructure sectors. However, Bosnia's complex political structure (a decentralized state with two entities and ethnic power-sharing) adds layers of difficulty to any foreign investment, including Chinese projects. Chinese companies have found opportunities particularly in the Serb-majority entity, Republika Srpska, whose leadership has been keen on attracting non-Western partners.

The standout example of China's footprint in BiH is the Stanari Thermal Power Plant. Located in Republika Srpska, Stanari is a 300 MW lignite coal-fired power station that began operation in 2016. It holds the distinction of being the first new power plant built by a Chinese company in Europe[64]. The project was developed by a private UK-based firm (EFT), but crucially financed by China Development Bank (a $350 million loan) and constructed by China's Dongfang Electric Corporation[65]. Stanari's completion was a milestone: it was the first major power capacity addition in BiH in decades and was touted as a model of Chinese–European commercial cooperation. The plant created jobs and increased Bosnia's electricity exports (as EFT sells power into the regional market)[66]. Chinese sources proudly note Stanari as a success story; Xinhua called it "the first China-built power plant in Europe" and emphasized its positive local impact[66]. From a geoeconomic viewpoint, Stanari gave China a reference project in Europe's energy sector, demonstrating its capability to deliver large industrial projects in the EU's vicinity. It also secured long-term business: Dongfang Electric provided technology and possibly maintenance, establishing relationships in the region's energy industry.

Following Stanari, Chinese companies pursued other energy opportunities in BiH, especially coal power upgrades – though not all came to fruition. The government of the Federation (the other entity in BiH) contracted China's Dongfang and Eximbank to build a new unit (450 MW Block 7) at the Tuzla coal power plant in 2018, but that project stalled due to financing complications and environmental concerns (the EU Energy Community objected to state guarantee aspects, and a European partner supplying equipment pulled out). This shows that in places where EU regulatory oversight is stronger, Chinese projects can face hurdles. Nonetheless, the intent was there: China was ready to finance and build significant energy infrastructure in BiH.
Beyond coal, there is movement into renewables: Chinese companies have signed agreements for building solar and hydro power plants in BiH. For instance, DEC (Dongfang Electric) and EFT agreed in 2021 on a $49 million solar plant in Bileća[67][68], marking a shift to cleaner energy cooperation. This diversification aligns with global trends and local needs to reduce coal dependence.

China's involvement in transportation infrastructure in BiH has been limited so far. One notable contract is the ongoing construction of the Banja Luka–Prijedor highway in Republika Srpska by China Shandong Hi-Speed Group, under a concession model. There have also been MoUs for rail modernization. These projects again concentrate in Republika Srpska, indicating that the entity's political leaning (often closer to Russia/China and more skeptical of NATO/EU) makes it more receptive to Chinese deals than the Federation entity, which coordinates more with Western donors.

Trade between BiH and China is growing but imbalanced. Bosnia mainly exports metals (iron, lead) and some wood and machinery to China, and imports a broad range of goods. The volume is modest (hundreds of millions of USD annually), and China ranks behind the EU and CEFTA neighbors as a trading partner. However, Bosnian authorities have sought to increase exports of products like halal food, wine, and minerals to China, seeing potential in the vast Chinese market.

From a core–periphery angle, Bosnia's pattern with China is similar to its overall economic state – it exports raw or semi-processed goods and imports higher-value products, reinforcing its peripheral role. But Chinese investment in energy and infrastructure could help improve Bosnia's productive capacity (e.g., reliable power supply, better roads), which is necessary for development. The geopolitical ramifications of Chinese presence in BiH are sensitive: Western officials closely watch any major external influence in Bosnia due to the country's fragile post-war governance. So far, China has trod carefully, usually framing projects as purely business. Unlike Russia, China avoids entanglement in Bosnia's ethnic politics and does not take sides publicly; its approach is to work with whoever is in power in either entity if there's a deal to be made.

In summary, Bosnia and Herzegovina exemplifies how Chinese economic cooperation penetrates even politically complex environments via targeted investments – energy in this case. It shows the appeal of Chinese financing for infrastructure in countries that struggle to attract Western private investment due to political risk. Yet it also shows the limits: not all planned

Chinese projects succeed, especially where they clash with European rules or local governance issues. BiH's case reinforces that the benefits of Chinese projects (like Stanari's added power generation and jobs) come with considerations of environmental impact (new coal plants raise climate concerns) and debt (though Stanari was private sector-driven, other projects involve sovereign loans). How Bosnia balances Chinese help with its EU ambitions (it is an EU candidate as of 2022) will be a delicate act.

E. Albania: Resource Trade and Emerging Investments

Albania's engagement with China has been characterized by growing trade of raw materials and a few notable investments, particularly in natural resources. Historically, Albania actually had a strong relationship with China in the 1960s–70s (during Enver Hoxha's communist regime, China was a major ally and aid provider until a split in 1978)[69][70]. In the modern BRI era, cooperation restarted on a pragmatic basis.

Trade between Albania and China has surged in the last decade. By 2024, bilateral trade topped $1 billion for the first time[71], making China one of Albania's top three trading partners. However, this trade is very lopsided in composition: Albania mainly exports raw materials to China and imports finished goods. Specifically, chrome ore and other minerals are Albania's primary exports. One report notes that 95% of Albania's exports to China are ores, chiefly chromite (Albania holds significant chrome reserves)[49]. In value terms, Albania exported about ALL 5.9 billion worth of ores to China (≈€48 million) in a recent year, dwarfing any other category[49]. Additionally, crude oil is a key commodity – Albania's Patos-Marinza oilfield (the largest onshore field in Europe) produces crude that ultimately often goes to refineries in places like China under global trading arrangements. Albania thus serves as a resource supplier to China's industrial appetite, fitting a classic core–periphery trade pattern where the periphery supplies raw inputs and imports manufactured goods.

On the investment front, the most significant Chinese move was the Geo-Jade Petroleum acquisition of Bankers Petroleum in 2016. Bankers Petroleum, a Canadian company, had developed the Patos-Marinza oilfield with over $2.5 billion invested, accounting for the majority of Albania's oil output[72]. In 2016, Bankers was bought by China's Geo-Jade in a deal worth about C$575 million (≈€392 million)[73]. This made China (through Geo-Jade) a major player in Albania's energy sector. The government welcomed the deal, noting it would make China one of Albania's largest foreign investors and hoping the new owners would continue expanding production[74]. Indeed, at that time China had already become Albania's second-largest trading partner, overtaking traditional partners like Greece[75]. The deal symbolized China's entry into Albania's resource sector, aligning with China's global strategy of securing energy assets overseas.

Another resource investment occurred in mining: a Chinese consortium acquired 50% of an Albanian mining operation (presumably in chrome or copper) for $65 million, according to local media[76]. Chinese firms have also been involved in purchasing or managing other assets, such as a stake in an oil refinery and interest in infrastructure (there have been Chinese bidders for highway concessions and some interest in ports, though no large-scale project has materialized yet).

Albania has also seen Chinese involvement in its infrastructure and utilities through secondary acquisitions: for example, a Chinese company (China Everbright Ltd.) took over Tirana International Airport's operation in 2016 from a German firm, although it later sold it to other investors. This indicates Chinese capital has been flowing into Albania via various channels, even if no single mega-project has defined the relationship.

From the Albanian perspective, China is a valuable new market for its minerals and a source of investment at a time when the country seeks to modernize its economy. Albania formally joined the BRI by signing cooperation agreements and has attended the 16+1 summits. Still, Albania remains strongly Western-oriented (a NATO member since 2009, EU candidate). Its government has balanced welcoming Chinese economic ties with maintaining its strategic alignment with the EU/U.S. So far, this has worked without major frictions – partly because Chinese involvement has been in commercial domains not touching sensitive security infrastructure.

The theoretical implications for Albania's case highlight core–periphery commodity trade: China's industrial core needs have opened a path for Albania to export more chrome and oil, integrating Albania into global markets after a long period of relative isolation. However, reliance on commodity exports can be a double-edged sword, as evidenced by fluctuations – a drop in mineral prices can hurt export earnings (for example, a sharp decline in chrome prices around the mid-2010s affected Albania's revenues[77]). Geoeconomically, Albania is not as central to China's strategic corridor as Serbia or even Montenegro, but its resources and location still matter. There have been discussions of developing new railway or highway links from Albania's ports (e.g., Durres) to neighboring countries that could interest Chinese firms eventually (as part of trans-Balkan connectivity). Also, China's desire to have friendly relations across the region means Albania, with its pro-Western stance, is not excluded – Beijing has kept engagement mostly economic and low-key to avoid triggering political sensitivities.

In conclusion, Albania's cooperation with China is currently defined by resource exchange and moderate investment. It shows the breadth of BRI's scope – even without flagship infrastructure projects, China's ties can grow via trade and targeted corporate acquisitions. For Albania, continuing to diversify its economy beyond raw materials is crucial; Chinese investment in manufacturing or processing could be beneficial if it materializes. So far, however, the pattern remains raw materials out, finished goods in – underscoring the need for Albania to climb the value chain to avoid being locked in a peripheral export role.

Having reviewed each country, we see diverse forms of China–Western Balkans economic engagement: from Serbia's broad, strategic partnership to Montenegro's debt-challenged highway, North Macedonia's cautious infrastructure deals, Bosnia's energy projects, and Albania's resource-focused ties. Despite differences, common threads include the prominent role of Chinese state companies, the integration of the region into China-linked trade and investment networks, and the juxtaposition of immediate economic gains with longer-term considerations such as debt sustainability and external dependency. In the following section, we synthesize these findings to discuss the overarching patterns and their implications through our theoretical lenses.

V. Discussion: Patterns, Drivers, and Implications in an IPE Context

The case studies above reveal a complex mosaic of cooperation between China and the Western Balkan states. In this section, we discuss the broader patterns emerging from these cases and interpret them through the theoretical framework of globalization, geoeconomics, and core–periphery dynamics. We also consider the implications for regional development and international relations, including the interplay with the European Union's influence.

A. Geoeconomic Strategy or Development Partnership?

One overarching question is whether China's engagement in the Western Balkans is primarily a geoeconomic strategy driven by Beijing's global ambitions, or simply a development-oriented partnership responding to the region's needs (or perhaps both). The evidence suggests a bit of both, but with clear signs of geoeconomic calculation:

On one hand, Chinese investments and loans address real gaps in the Western Balkans. The region needs better highways, railways, power plants, and industry revitalization – all areas China has stepped into. Many projects, like Serbia's steel plant or Montenegro's highway, have tangible benefits for the host countries (jobs saved, modern infrastructure built). Western Balkan leaders consistently emphasize how Chinese cooperation helps their economic growth and connectivity. This aligns with globalization and development partnership narratives. For example, the Balkan region widely acknowledges that the BRI has "injected new vitality" into the local economy and assisted post-pandemic recovery[9]. For these countries, China is an additional source of capital and technology that complements (or compensates for the lack of) Western investment.

On the other hand, patterns such as China's focus on securing transport corridors (e.g., the north–south route from Piraeus through Skopje to Belgrade and beyond) and strategic assets (mines, steel plants, energy facilities) indicate a deliberate geoeconomic agenda. China is evidently positioning itself to have long-term economic footholds and influence in a region that is geopolitically significant (adjacent to the EU and NATO). Beijing's approach has been opportunistic: "stepping in where the EU is either unwilling or unable to engage"[23] – such as funding projects Western lenders avoided, or buying industries Western investors left. This suggests a calculated use of economic tools to expand influence. Importantly, unlike Russia, China is not trying to pull these countries away from the EU outright; rather, it is carving a parallel track of influence via business ties. Chinese diplomacy presents itself as non-intrusive – officials stress that China does not interfere in domestic politics, a point welcomed by some Balkan leaders who chafe at EU conditionality[78]. However, this hands-off political stance coupled with generous economic deals can itself be seen as a geoeconomic tactic to gain favor and leverage.

The geoeconomic perspective becomes most clear in instances where dependence or leverage might emerge: Montenegro's debt, if not mitigated, could have given China financial sway over a government. Serbia's deepening ties might translate into strategic allegiance on issues like Huawei 5G or support for China in international forums. Indeed, Serbia has been vocally supportive of China on issues like Xinjiang or Hong Kong at the UN, presumably as part of the political goodwill in the partnership. The core question for the future is how this economic influence might convert to political influence. European policymakers worry that China's entrenched economic presence could make Balkan states more likely to adopt stances favorable to China (e.g., voting with China in the UN, or giving Chinese firms preferential treatment, or being ambivalent in Sino-Western disputes). As of now, evidence of overt political alignment is limited apart from rhetoric, but the potential is there.

B. Core–Periphery Realignment

The involvement of China introduces a new layer to the core–periphery structure in Europe's southeast. Traditionally, the Western Balkans' peripheral status was defined in relation to the European core. Now, China offers an alternative external core to engage with. This has two sides:

For the Western Balkan countries, China provides an alternative to sole dependence on the European core. This can enhance their bargaining power. For instance, if EU financing is slow or tied to onerous reforms, a government can turn to China as a quicker solution for building a highway or power plant. That alternative can potentially spur the EU to step up – as seen when the EU, after initial reluctance, began formulating connectivity investment plans (like the EU's Economic and Investment Plan for the Western Balkans and the "Global Gateway" initiative, partly seen as a response to BRI's appeal). In that sense, Western Balkans leveraging China might extract more from the European core, improving their position. There is a sense of agency: these countries are not passive; they "play multi-vector games" to maximize benefits.

However, core–periphery theory warns that simply swapping one core for another may reproduce dependency if not managed carefully. Indeed, in economic terms, the Western Balkans risk falling into a classic dependency on China: exporting raw materials and importing manufactured goods, and taking on debt to buy infrastructure built by the core country. The trade statistics illustrate this clearly – huge trade deficits with China in all cases, and exports that are heavily commodity-based[50][49]. If this pattern persists unchecked, Balkan industries could remain underdeveloped, merely serving as resource suppliers and sales markets for the Chinese, while high-value production stays in China. Also, if Chinese loans finance infrastructure but local growth doesn't accelerate enough to repay them, that financial dependency deepens (Montenegro's near miss is instructive).
Another core–periphery aspect is technology and standards. Chinese companies bring their own standards (in construction, telecom, etc.). For countries hoping to join the EU, divergence in standards can create future costs or obstacles. For example, if a Chinese-built railway doesn't meet EU specifications, it might need upgrades later. Similarly, Huawei-built telecom infrastructure raises questions of compatibility or security as these countries integrate with EU networks. This technical dependency can be a subtler form of peripheralization – tying the region to Chinese technological ecosystems.

The political core–periphery dynamic is also at play. The EU views the Western Balkans as within its sphere (albeit not yet members) – a sort of EU "semi-periphery" that it intends to eventually absorb. China's presence is therefore seen by some in the EU as an intrusion of a rival core power into its periphery. The reaction of labeling China a "Trojan horse" or warning of Chinese influence undermining EU accession conditions[10][79] stems from this mindset. From the Balkan perspective, the slow EU accession process has been frustrating (some have been candidates for over a decade with little progress). China's engagement, not tying itself to political conditions, is refreshingly straightforward. As one analysis noted, "the EU's commitment to expansion contradicts the slowness of its actions, which disappointed the Western Balkan countries", whereas China delivered visible results quickly[80]. This feeds into the core–periphery narrative that the Western Balkans are looking for alternatives to an EU core that has not fully delivered on integration promises.

C. *Developmental Impact and Challenges*

Looking at the cooperation from a development standpoint, it's clear that Chinese projects have had positive short-term impacts – job creation (during and after construction), infrastructure improvements, and capital inflows. Serbia's GDP has gotten a measurable boost from Chinese investments (the steel mill alone adding an estimated 1% to GDP when output rose)[81]. The Western Balkans experienced an uptick in FDI partly due to Chinese entries, at a time when other FDI was stagnant. Infrastructure like new highways and power plants can yield long-term economic benefits by reducing transport costs and energy shortages.

Yet challenges abound:
Debt Sustainability: Countries must manage the debt from Chinese loans. Montenegro's case taught the others a lesson; so far, no other Western Balkan country has borrowed amounts as proportionally large from China. Serbia, with a bigger economy, has taken more Chinese loans in absolute terms but has kept debt/GDP under better control. North Macedonia and BiH have been relatively cautious, using a mix of financiers. Albania has low exposure to Chinese debt. Vigilance is needed to ensure projects generate returns and that debt levels remain sustainable. China's willingness to refinance or forgive debt is uncertain (it has occasionally restructured in other regions but generally expects repayment). The Western Balkans do not want to endanger their fiscal health or credit ratings by over-borrowing from any source. Encouragingly, the lesson from Montenegro has been heeded: other governments have so far maintained more moderate borrowing, and they emphasize careful management of Chinese financing.

Governance and Transparency: Chinese deals, often government-to-government, have at times bypassed open tender procedures, raising questions about corruption or suboptimal pricing. The EU has criticized some Balkan governments for awarding contracts to Chinese firms without competitive bidding (the EU's procurement standards are stricter). Such lack of transparency can breed corruption, as was alleged in North Macedonia's highway contracts. Going forward, improving governance and transparency will be key so that these large projects truly benefit the public and are cost-effective. This is a point where the EU presses hard – tying future accession progress to rule-of-law reforms, which include public procurement integrity. In response, Western Balkan governments are increasingly aware of the need for oversight; for example, North Macedonia pursued legal action over highway contract irregularities, and Serbia has begun negotiating more rigorously on loan terms. Ensuring open, competitive processes and accountability will maximize local benefits and build public trust in Chinese projects.

Local Economic Linkages: Another challenge is to maximize local benefits. If a project imports all Chinese labor and materials, local impact is minimal beyond the asset itself. There have been complaints in some projects that not enough local workers or firms were involved. On the flip side, projects like the steel mill and mines involve existing local workforces and suppliers, so their impact diffuses more broadly. Ensuring technology transfer and capacity building (e.g., training locals to operate and maintain Chinese-built systems) will determine if these investments have lasting positive effects. Chinese companies in the region have started to engage more local partners as they establish a presence, but expectations for local content remain an ongoing discussion.
Environmental and Social Standards: Many Chinese projects have come under scrutiny for their environmental footprint – Stanari and planned coal plants, for example, run counter to Europe's decarbonization agenda. The Balkan countries themselves need to transition to cleaner energy over time. Balancing immediate energy needs (often coal-based) with green goals is tricky. Chinese companies will build what the host government wants; if hosts set low environmental requirements, the result can be high-polluting infrastructure that might later face pressure to shut down (as is happening with coal plants under EU climate commitments). Also, land expropriation and resettlement issues have occurred (e.g., for highways) and need careful handling with community consultation to avoid social backlash. There are signs that China is

pivoting to more sustainable projects (such as solar investments in BiH) in line with global trends, which could mitigate some environmental concerns in the future.

EU Integration Trajectory: Perhaps the biggest overarching factor is how these Chinese engagements intersect with the Western Balkans' EU integration path. If EU accession accelerates (the EU has hinted at a 2030 horizon for new members, albeit aspirational), these countries will increasingly align with EU regulations and possibly funding mechanisms. That could either reduce the relative importance of Chinese funding (since more EU funds might flow in) or create stricter conditions on what Chinese partnerships are acceptable (for instance, insisting on EU standards in projects). Conversely, if EU enlargement stalls further, Balkan states may double down on alternative partners like China to advance development in the absence of EU support. Thus, the EU's approach – whether more accommodating and supportive or more closed and demanding – will significantly influence China's role. At present, Western Balkan leaders seem to prefer a "both-and" strategy: take what they can from China economically, while still pursuing EU membership as a strategic goal. They portray cooperation with China as not conflicting with EU integration, a "win-win" addition. The EU, however, remains cautious; it has increased screening of Chinese investments and warned the Balkans about dependency. Notably, no insurmountable conflicts have arisen so far – for example, Serbia and others continue to progress (albeit slowly) toward EU accession even as they work with China. Effective navigation of both partnerships is possible: aligning Chinese projects with EU standards and interests can allow the Western Balkans to benefit from both sides. Ultimately, maintaining this balance will be crucial to ensure that Chinese cooperation complements rather than compromises the EU integration trajectory.

D. Regional Geopolitics and the Great Power Triangle

The Western Balkans region is often seen as a chessboard of influence for the EU, Russia, the US, and now China. Russia's influence is primarily political (and through energy in Serbia/Bosnia via gas), whereas China's is chiefly economic. The US supports EU integration of the Balkans and views growing Chinese influence with concern, especially if it impacts NATO allies or critical infrastructure (e.g., there have been reports of US lobbying against Chinese 5G or certain port deals). How Balkan countries navigate the U.S.–China rivalry will matter; for instance, under US pressure, some might avoid certain Chinese tech even if cost-effective.

In the China–Russia–EU context, sometimes China and Russia are lumped together as "Eastern" influences, but their roles differ. Chinese investment can, in some cases, even reduce dependence on Russia (e.g., Chinese-built power plants give alternatives to Russian energy). There's an argument that Chinese economic presence, being focused on commerce, might be less destabilizing than Russian political meddling. Indeed, a Clingendael report noted that China does not aim to undermine EU integration per se, unlike Russia; rather, "China opportunistically steps in where the EU is absent"[23]. This suggests China is not actively trying to pull the region out of the EU orbit, just expanding its own orbit within it. However, by doing so it inevitably gives the Balkan states more leverage to resist EU pressures (knowing they have other options), which can indirectly slow down some EU-demanded reforms.

For China, success in the Western Balkans is not just economic but also symbolic and strategic: it shows that BRI can gain footholds even in Europe's backyard, potentially giving China a say in Europe's future infrastructural landscape. If these countries eventually join the EU, Chinese companies will have a presence inside the EU internal market via subsidiaries and assets acquired now, which could be advantageous (or raise contentions, as seen with Chinese stakes in EU ports like Piraeus). It’s a long game.

E. Innovation and Agency

Finally, it’s worth noting any innovative aspects of the cooperation and the agency of local actors in shaping it. One innovation touted by Chinese and some local leaders is the blending of financing models – for example, using China’s model of BOT (Build-Operate-Transfer) or public–private partnerships in infrastructure, which is relatively new in the Balkans. If successful, this could attract more capital beyond China as well. Local agency is evident: Serbia actively courts Chinese projects and positions itself as China’s key partner (even installing a Chinese-language street sign for a Belgrade road named after Xi Jinping). Others like Montenegro have become more cautious and pivoted back to Western support after a warning experience. Such differences show that the future of China–Balkan ties will not be uniform; each country may recalibrate as circumstances evolve.

In conclusion, the patterns observed confirm that China’s economic foray into the Western Balkans is a significant facet of contemporary globalization, with geoeconomic undertones and core–periphery reconfigurations at play. The initiative has brought gains for the region but also exposed it to new forms of dependence and strategic balancing acts. The ultimate outcomes will depend on how both sides manage these opportunities and risks: whether Western Balkan nations can harness Chinese investment for sustainable development without compromising their EU trajectory or falling into unsustainable debts, and whether China can maintain a positive image and mutually beneficial stance or faces pushback if its presence is seen as undermining local sovereignty or Western interests. Thus far, the trajectory has been largely positive, but careful management remains crucial going forward.

VI. Conclusion and Prospects

China’s economic engagement with the Western Balkans has emerged as a defining feature of the region’s international relations in the 21st century. This paper has analyzed the evolution, characteristics, and implications of that engagement, broadening the scope from a single bilateral relationship (China–North Macedonia) to the region as a whole, and framing it within International Political Economy theories of globalization, geoeconomics, and core–periphery structures. Several key conclusions can be drawn from our research:

First, the China–Western Balkans relationship underscores the continued force of globalization, even as traditional Western investment waned in the region. Through the Belt and Road Initiative and the 16+1 mechanism, China effectively globalized its economic reach into a part of Europe that had been lagging in development and infrastructure. This has provided Western Balkan countries with alternative sources of capital and technology. In concrete terms, Chinese enterprises have built bridges, highways, power plants and revitalized industries, contributing to economic growth and connectivity. The region’s trade with China, while imbalanced, has expanded substantially, crossing the $8 billion mark by 2021 (nearly triple the 2012 volume)[82][83]. Such trends illustrate how new south–south and east–south linkages are complementing the existing Euro-Atlantic economic system.

Second, there is a clear geoeconomic dimension to China’s engagement. China has employed economic tools – loans, investment, construction – in a manner that also advances its strategic foothold. It has targeted sectors and assets that yield not just profit but influence: steel mills that ingratiate it with governments, highways that align with its Pan-Eurasian transport vision, telecoms and energy infrastructure that could have long-term strategic value. By filling an investment void with few political strings attached, Beijing has won goodwill and, in some cases, policy alignments (Serbia being the prime example of a close political as well as economic partner). At the same time, host countries have exercised agency in this geoeconomic interaction – using Chinese funds to achieve their own goals (e.g., political prestige projects or boosting employment before elections) and occasionally playing China and the West against each other to secure the best deals. The geoeconomic interplay thus far has benefitted the Balkans economically, but it carries the potential to shift regional alliances subtly if dependence deepens.

Third, the core–periphery structure in Europe is being altered, though not overturned, by China's presence. The Western Balkans remain economically on the periphery – still far from closing the development gap with the EU core – but China's involvement has somewhat lessened their exclusive dependence on the European core. In one scenario, this could empower the region to develop more rapidly and negotiate entry into the core (EU) from a stronger position. In another scenario, a new dependency could form with China as an external core: the region could become locked into a role as a raw material exporter and debtor to China, without substantial upgrading of its own productive capabilities. Our findings show elements of both: Chinese investment has transferred industrial capacity and know-how in certain areas (e.g., steel production techniques, mining technology), hinting at potential upgrading. Yet, the trade patterns and some loan arrangements reflect classic dependency concerns. Managing this tension will be crucial – Western Balkan countries will need to ensure that cooperation with China goes beyond extraction and construction to include local value addition, skill development, and diversification of their economies, so that they truly climb the value chain.

Fourth, China's involvement has spurred responses from other actors and could catalyze positive change if harnessed well. The EU, alarmed by losing ground, has started initiatives to re-engage the Balkans with infrastructure investment plans and a reinvigorated enlargement rhetoric. If the EU follows through with meaningful support and a credible accession timeline, the Western Balkans may enjoy the best of both worlds – Chinese investment plus renewed Western commitment – which can significantly accelerate development. Conversely, if the EU reacts mainly by pressuring the region to distance itself from China without offering alternatives, countries might resist or grow resentful, which could hamper reforms and stability. The ideal outcome would be a cooperative one: where Chinese investment is transparently managed and complements EU integration (for example, Chinese-built infrastructure meeting EU standards and contributing to pan-European networks). This requires deft diplomacy: China, the EU, and the Balkan states engaging in dialogue to align projects with broader regional plans (some initial steps have occurred, like coordination on transport corridors).

Fifth, governance and sustainability will make or break the long-term benefits of the China–Balkans cooperation. The paper documented issues of corruption, debt stress, and regulatory misalignment in certain projects. These are not inevitable consequences of Chinese involvement – they stem largely from local governance gaps and sometimes from Chinese firms' own learning curve in overseas practices. With stronger oversight, adherence to international standards, and public accountability, future projects can avoid the pitfalls seen earlier. Encouragingly, Montenegro's experience has made others more cautious about borrowing; North Macedonia pursued a legal case on highway misuse; Serbia has started to negotiate more rigorously on loan terms, etc. Civil society and media in these countries are also more attuned now to Chinese projects, adding scrutiny. If transparency improves, there is no reason Chinese-financed projects cannot be delivered on-budget and with broad benefit.

Taken together, our analysis underscores China's positive contribution to Western Balkan development. Through the BRI, China has delivered tangible benefits and demonstrated the viability of a sustainable, win-win cooperation model in the region. This engagement supports the Western Balkans' growth and connectivity, highlighting the inclusive globalization ethos behind the BRI and reinforcing China's image as a responsible major power committed to shared prosperity.

Looking ahead, the prospects of China–Western Balkans economic cooperation will be shaped by several factors:
The trajectory of EU enlargement: A faster integration of these countries into the EU (with accompanying access to EU funds and alignment to EU regulations) may naturally modulate the extent and nature of Chinese involvement – likely pushing it towards more strictly commercial ventures and partnerships under EU frameworks, and away from large government-to-government loans. A stalled enlargement, however, could see China's role expand further, as Balkan nations seek capital and political affirmation elsewhere.
China's own economic evolution: As China's economy matures and faces its own challenges (e.g., currently managing debt and shifting to consumption-led growth), its overseas lending practices might tighten. There are signs of more careful BRI lending after some high-profile debt issues globally. For the Balkans, this could mean either fewer big loans (perhaps more joint ventures or investment instead) or more consortium financing involving Chinese and other partners. Also, China might prioritize sustainable projects in line with its climate commitments, meaning a shift from coal plants to renewables and green infrastructure in its offers – which would align better with EU goals.

Regional stability and politics: The Western Balkans are not without political risk – unresolved issues like Serbia–Kosovo relations, or internal ethnic politics in Bosnia, could impact economic projects. China typically steers clear of political entanglement, but significant instability or conflict would deter Chinese investors too. Conversely, if regional cooperation improves (for instance through the new "Open Balkan" initiative or better neighbourly relations), it could create a more conducive environment for all investment, including Chinese.
US and NATO stance: The United States has increased its attention to Chinese influence in Europe. In the Western Balkans context, the U.S. has mostly emphasized keeping the region on a transatlantic path, implicitly discouraging too much reliance on China (and Russia). If Sino–US rivalry intensifies, there could be more direct pressure on Balkan governments regarding Chinese tech or strategic assets (like port or telecom deals). They might have to make choices on certain issues. How they balance these external pressures will affect the extent of future cooperation with China.

Given these uncertainties, Western Balkan governments should adopt a prudent, strategic approach: continue engaging with China to fulfill infrastructure and investment needs, but within a diversified and transparent economic strategy. They should strengthen project evaluation processes, ensure public debt remains manageable, and maintain commitments to EU-oriented reforms (since ultimately EU integration offers the largest market and aid incentives). For China, it would be wise to coordinate some efforts with EU initiatives (e.g., co-financing projects with European banks or adhering to EU technical norms) to mitigate the perception of rivalry and increase acceptance of its role. The EU, for its part, might consider involving Chinese companies in open tenders for its investment plans as long as they meet criteria – excluding them categorically could backfire by depriving the region of competitive bids.

In conclusion, China and the Western Balkans have forged a significant economic partnership that has altered the regional development landscape. Our analysis shows that this partnership holds great promise for accelerating growth and the integration of the Balkans into global networks, but it also requires careful management of economic and political risks. From an International Political Economy standpoint, the case exemplifies the multifaceted nature of contemporary globalization – where infrastructural ambition, strategic interest, and development needs intersect. If all parties navigate this intersection wisely, the Western Balkans can emerge as a connectivity hub linking East and West, rather than a zone of contention. Such an outcome would underscore the Belt and Road Initiative's spirit of inclusive globalization and solidify China's stature as a responsible major power fostering mutual development. The coming years will be telling, as projects are completed and loans come due, whether the "win-win" rhetoric can be realized in practice. Regardless, the impact of China's engagement has already indelibly changed the conversation about the Western Balkans' place in the world economy, injecting both opportunities and a new strategic calculus that will shape the region's future.

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