

“Chinese Economic Influence in Southeastern Europe: Challenges for NATO and EU Cohesion”

Abstract

This paper examines China’s expanding influence in Southeast Europe and the challenges it poses for EU and NATO cohesion. Focusing on Serbia, Montenegro and Greece, it highlights China’s use of infrastructure projects, loans, digital systems and cultural initiatives to strengthen its presence. While these engagements support regional development, they also create dependencies that may affect national decision-making. The paper suggests that addressing these effects requires enhanced EU - NATO cooperation.

Introduction

The countries of Southeast Europe (SEE) constitute a geopolitically critical region, which in recent years has become the scene of intense competition between regional and global actors. Among them, China has emerged as one of the key players exerting influence in the region, mainly through economic investments and strategic partnerships. This paper examines China’s growing economic influence in SEE and the consequences this may have for both the countries in the region and the European Union (EU) and the North Atlantic Treaty Organization (NATO).

The research question of this paper is: How is China’s influence in SEE shaped and what are the implications of this presence for the cohesion of NATO and the EU? To answer this question, the paper focuses on specific case studies: Serbia, Montenegro and Greece, and analyzes both China’s motives and the reasons why the countries in this region choose to cooperate with Beijing.

The aim is to assess the benefits and risks of the Chinese investments, to explore whether new forms of dependency are being created and to present the reaction of the EU and NATO to China’s rapidly growing presence in the area. Through a combined analysis of geopolitical, economic and institutional parameters, this paper attempts to shed light on the complex dynamics of a third country’s control in a region of crucial importance for European and Euro-Atlantic stability and security.

Chinese Influence in Southeast Europe: Motives and Strategy

China has, for the last few years, been steadily and stealthily, strengthening its economic and geopolitical footprint in SEE, using investments as tools to achieve broader calculated goals. A key tool is the Belt and Road Initiative (BRI), which aims to improve international connectivity and trade through investments in infrastructure such as ports, railways and energy projects. The area under study serves as a gateway to the rich markets of Central and Northern Europe, enabling China to integrate SEE into the BRI's network that connects Asia and Europe. At the same time, these countries are emerging economies with infrastructure and financing needs, which makes cooperation with Beijing particularly attractive¹.

The strategy behind China's sway combines geoeconomic and geopolitical tools and motives. Economically, these countries have deficiencies in basic infrastructure and limited access to financial capital. Loans from China may appear to be an attractive and quick opportunity for countries with limited access to capital, as they do not require political reforms like those often requested by the EU. However, Chinese financial support carries significant risks. China's lending practices often include confidentiality clauses, priority repayment provisions, and restrictions on debt restructuring, giving Chinese banks considerable leverage over borrowing states.² This dependence is also important for the cohesion of EU and NATO, as countries may face restrictions on independent decision making based on security and international relations issues.³

In addition to its economic interests, China also seeks to strengthen its political and cultural influence through soft - power tools. The establishment and operations of the Confucius Institutes, teaching Chinese language, hosting cultural events and the collaboration with other Chinese universities reinforce China's image as a non-threatening, culturally rich and technologically advanced partner.⁴ At the same time, the presence of these structures affects public and political perceptions of China in the countries of the region, indirectly creating political benefits and increasing its bargaining power. This strategy has raised concerns about the restriction of academic

¹ (Zeng, 2023)

² (Gelpern, Horn and Trebesch, 2021)

³ (Himmer and Rod, 2023)

⁴ (Sun, 2023)

freedom and the strengthening of its geopolitical role in areas where EU and NATO remain active but at a slower pace.

On the other side, the countries in question are turning to China to meet their development and financing needs, responding to delays and demands in the EU accession process.⁵ The ability to implement projects more quickly and the flexibility in accepting investments make China a preferred partner. At the same time, China's critical presence creates long term challenges which will be analyzed in greater detail in the following sections.

Overall, China's regional engagement combines economic, political and cultural tools to strengthen its roots in the area. While offering significant development benefits, it also creates challenges for maintaining European autonomy and cohesion of Euro-Atlantic institutions making the region a field of complex geopolitical dynamics.

Case studies: Serbia, Montenegro and Greece as critical examples of the China's influence

Serbia: Huawei and Smart Cities

Serbia has emerged as an important recipient of China's investments, mainly in the infrastructure and technology sectors. These partnerships are not limited to the economic sphere but also include crucial agreements aimed at strengthening long-term relations between the two countries. However, despite some initial positive results, serious issues have arisen that require attention.

The Chinese company Huawei has played a central role in the development of "smart cities" in Serbia. Through its "Safe City" program, Huawei has installed over 1,000 surveillance cameras in various cities such as Belgrade and Novi Sad, equipped with facial and license plate recognition technology.⁶ Despite official claims that they are necessary for public safety, the lack of transparency and the absence of a legal framework for the use of these technologies have raised concerns about the protection of personal data and its possible misuse by the authorities.

⁵ (Garcia Herrero, 2025)

⁶ (Haxhixhemajli, 2025)

A critical issue is that Huawei, as the provider of the know-how, manages not only the installation and maintenance of the systems, but also the storage and analysis of the data collected. This creates a situation where Serbia's technological and operational dependence on the monopolization by Huawei is deep, with the result that in the event of withdrawal or restriction of cooperation, Serbia would face significant difficulties in managing and utilizing these systems.

Montenegro: “Debt Trap Diplomacy”

Montenegro is a prime example of a country where China's influence has been built through economic and technological vulnerability rather than through direct political orientation. The construction of the Bar - Boljare highway, financed almost exclusively by a Chinese loan, increased public debt to unsustainable levels and created clear leverage for Beijing.⁷ Although Montenegro later managed to renegotiate certain terms with European support, its dependence on China's capital remains, as the debt still accounts for a significant percentage of the country's GDP.

China's influence, however, is not limited to infrastructure financing. In recent years, the University of Montenegro's collaboration with a Chinese research center linked to the Chinese military in areas such as artificial intelligence, cryptography, and cybersecurity has raised concerns in the US and Euro-Atlantic institutions.⁸ For a country that has been a member of NATO since 2017 and hosts the Western Balkans Cyber Capacity Center, such collaborations raise risks of know-how transfer and potential dependence in critical technology areas.

The case of Montenegro confirms that even states fully integrated into Western security structures are not immune to Chinese influence strategies. NATO, traditionally focused on the military dimension of security, has limited tools to address economic and technological forms of dependence among its allies. Thus, China's presence in Montenegro highlights the need to develop more comprehensive Euro-Atlantic support and oversight mechanisms to limit the geopolitical risks arising from the infiltration of

⁷ (Alili, B. and Ethem, H. (eds.), 2025)

⁸ (RFE/RL's Balkan Service, 2025)

third powers into Southeast Europe.

Greece: The difficult balance between alliances and economic needs

Greece's relationship with China goes beyond economic cooperation and is entrenched in a broader geopolitical environment shaped by US - China competition. During the Greek economic crisis, China became a major investor through the BRI, most notably with COSCO's acquisition of a majority stake in the port of Piraeus, transforming it into a key maritime and logistics hub in the Eastern Mediterranean.⁹ In 2018, Greece formally joined the BRI, and in 2019 it participated in the 17+1 format¹⁰, signaling a noticeable shift toward closer engagement with Beijing.

Despite the investment benefits, the Greek government recognizes that participation in China's programs poses risks to the country's sovereignty and security. Trade relations are significantly unbalanced: Greek imports from China, mainly machinery and electronics, have increased significantly, while Greek exports remain limited.¹¹ At the same time, China has invested in vital sectors such as infrastructure, technology, and digital services, including the use of Chinese telecommunications equipment. Academic cooperation through Confucius Institutes and research programs reinforces China's position but raises issues of transparency and academic freedom.

Greece faces the dilemma of how to maintain economic cooperation with China without jeopardizing its ties with the US and the EU. Piraeus serves as a key hub that could turn the country into a battleground between the US and China.¹² To address these risks, the Greek government is implementing de-risking measures, strengthening Foreign Direct Investment (FDI) screening¹³, and seeking to maintain a balance between China and its Western allies.

Despite COSCO's control over a large part of the port, Greece maintains a partial autonomy, seeking to combine economic benefits with security and geopolitical stability. Greece's policy towards China reflects realistic planning; It recognizes the

⁹ (Stroikos, 2023)

¹⁰ It has since become 14 + 1 format, after Lithuania, Latvia and Estonia withdrew

¹¹ ("China (CHN) and Greece (GRC) Trade")

¹² (Nektaria Stamouli, 2025)

¹³ Joint Ministerial Decision 64260/2025 – FEK 6009/B/11-11-2025

economic importance of cooperation, while at the same time preserving ties with the US and the EU, strengthening Euro-Atlantic resilience in a highly competitive global environment.

Implications for NATO and the EU and the reaction of the West

China's growing presence in SEE is creating a complex geo-strategic environment, where economic expansion, technological impact, and military cooperation directly affect the cohesion of both the EU and NATO. Traditionally focused on military security, NATO is now called upon to address the challenge of an environment where economic and technological power are equally critical to security¹⁴. China's presence through investments, loans, and technological cooperation creates different vulnerabilities in each country in the region, affecting the Alliance's operational readiness and political cohesion.

In Serbia, military cooperation with China, the purchase of Chinese weapon systems, and joint exercises are increasing the operational interoperability between Belgrade and Beijing.¹⁵ Although Serbia is not a NATO member, its geo-strategic position at the center of the Western Balkans means that any involvement by China affects areas where the Alliance operates, such as Kosovo. KFOR forces, responsible for stability, depend on the absence of external factors that could upset the balance. China's military presence and technological interconnection create operational vulnerabilities for NATO.

In Montenegro, economic relations with China, mainly through loans for major infrastructure projects, have created a dependency that could translate into political pressure. The risk of a debt trap, where the country may be forced to cede critical infrastructure, tests European security and stability. The economic dimension of China's influence is now a crucial issue for NATO and the EU, as control over critical infrastructure can affect transport, communications, and energy networks.

Greece, as a full member of NATO and the EU, faces different challenges. COSCO by becoming a major shareholder of Piraeus, it has integrated the port into the BRI

¹⁴ (Cottey, 2025)

¹⁵ (Cvetkovic, 2025)

network, making it the main entry point for Chinese goods into Europe.¹⁶ The port's vital importance for the movement of goods and logistics in the European market creates potential vulnerabilities in the operational planning of allies. At the same time, China's diplomatic influence, as demonstrated by Greece's veto in 2016 of a joint EU statement that supported the International Court's ruling on the South China Sea, highlights the ability of economic power to translate into political influence, affecting the cohesion of the EU¹⁷.

The West has begun to develop multidimensional strategies to address these challenges. NATO is now focusing on strengthening technological security, critical infrastructure protection, and cybersecurity, while enhancing cooperation with Indo-Pacific partners to improve strategic readiness. The EU is promoting the "Global Gateway"¹⁸ for sustainable and transparent infrastructure, strengthening Foreign Direct Investment (FDI) screening mechanisms¹⁹, and setting standards for environmental, social, and governance transparency. The US, through initiatives such as the "Clean Network", is restricting the participation of untrustworthy suppliers in critical technologies and is working with countries in the region to strengthen network and data security.²⁰

Despite these measures, the West's response faces challenges: delays in integrating candidate members, weak institutions in some countries, and limited experience in managing foreign investments have left room for China to strengthen its position.²¹ The diversity of China's calculated standing requires coordinated action by the EU, NATO, and the US to develop a coherent security policy that considers new forms of strategic dependence.

Overall, the situation in SEE shows that Europe and NATO need to move faster and in a multidimensional way. Chinese investments, military cooperation, and technological penetration create vulnerabilities that cannot be addressed by military means alone. An effective response requires a clear strategy, coordination among allies, and a combination of political, economic, and technological measures to ensure security,

¹⁶ (Brattberg et al., 2021)

¹⁷ (Stroikos, 2023)

¹⁸ (European Commission, 2023)

¹⁹ (European Commission, n.d.)

²⁰ (U.S. Department of State, 2020)

²¹ (Tenev, 2025)

cohesion, and independence in the region.

Conclusion

China's presence in SEE is a prime example of how an emerging global power uses economic means to promote geopolitical goals. Through investments in infrastructure, technology and financing, Beijing is building ties that go beyond the purely economic sector, yielding political benefits and creating new forms of institutional penetration and dependence.

This intervention is not without risk. Financing terms, lack of transparency in contracts, legal clauses and practices favouring China's technical expertise can undermine labour protection, transparency and the principles of good governance promoted by the EU. The cases raising concerns about a debt trap or lack of compliance with European standards, highlight systemic risks to the European integration in the region.

At the same time, China's infiltration is testing the Euro-Atlantic cohesion. NATO now faces the need to incorporate the risk assessment and economic dependencies of its allies. The presence of China's interests in critical infrastructure such as ports, transport and telecommunications networks, raises issues of interoperability, supply chain security and potential military or logistical use in times of crisis. Furthermore, the different economic relations of member states with Beijing can create political divisions within NATO and the EU, making it difficult to adopt a unified strategy towards external challenges.

Similarly, the EU is trying to regain political ground through active policies, but the effectiveness of these measures depends on the ability of European partners to coordinate with NATO or offer alternative, sustainable solutions for the development needs of countries in SEE. The challenges for the EU and NATO are not only economic, they are also institutional and value based. A successful response must combine competitive investment, respect for transparency rules and legal standards and strengthening the resilience of local institutions.

In conclusion, China's influence in SEE offers short term benefits for development but creates long term challenges for the strategic autonomy of the countries involved and for the cohesion of Euro-Atlantic institutions. The response must be two-fold: a)

strengthening the economic and institutional resilience of the countries in the region to reduce vulnerability to dependencies and b) close off EU-NATO coordination on screening policies, investment alternatives and strategic communication. Only in this way will the Euro-Atlantic community be able to maintain its authority and security in a region that is becoming increasingly important geopolitically.

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