

# Helsinki bulletin



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Stage is set: Ceremony after the signing of the agreement on modernisation of Beograd–Budimpešta railroad, 2015 VESNA LALIĆ / RAS

## CHINA: A NEW GLOBAL PLAYER IN THE BALKANS

The international order is shifting largely in the ongoing geopolitical transition. China plays a major role in this process being among the leading global powers. Once Western democracies had faced the consequences of uncontrolled capitalist globalization China emerged as the main globalization promoter and beneficiary. This is evident in its action plan that rests on ambitious infrastructural initiatives, economic assistance and projection of its geostrategic power. China-centric financial institutions such as the Asian Infrastructural Investment Bank (AIIB), the new

BICS Investment Bank and the Silk Road Bank are playing important roles in this context. In parallel, China has launched major initiatives at home: consolidation of Xi Jinping's power, the struggle against corruption and, generally, centralization.

China is being perceived as a country wide open to the world, growingly energetic and going after accumulation of power. For the time being Chinese interests are mostly of economic nature. It systematically cultivates and adjusts its policy

so as to influence the way it is being perceived worldwide.

Patiently and calculatingly, China gradually moves towards Europe. For now it accumulates its presence in the countries of Southeast Europe, mostly in the Balkans. As it turned out, in its strategy – far less transparent and aggressive than Russia’s – Serbia emerged as one of its most reliable partners.

Following in the footsteps of Yugoslavia’s good relations with China, all regimes in Serbia – after Yugoslavia’s disintegration – have been trying to keep the same course in their relations with Beijing. When in the first decade of the 21st century it became clear that Serbia’s accession to the EU would take longer than expected after Milošević’s fall, the country turned towards the East in its foreign policy. During the presidency of Boris Tadić the policy of reliance on “four pillars” was formulated: four pillars included Brussels, Washington, Moscow and – China. Then Tomislav Nikolić and Aleksandar Vučić specifically relied on that “fourth pillar.”

Every regime in Belgrade not only prides itself on alliance with a huge country and a rising star at global plan but also has pragmatic reasons of its own for strengthening such relationship: China, along with Russia, is one of the two UNSC member countries opposing Kosovo’s independence (in principle, Beijing is against every separatism because of its domestic problems, mostly because of Tibet but other potential independence movements in its West with Muslim population as well).

Over the past couple of years, economic dimension of the two countries’ political closeness has become more and more evident. Serbia’s attempt to ensure reliable sources of financial assistance to its almost devastated economy on

the one hand<sup>1</sup> and China’s plan for investing its overflowing foreign currency reserves in regions as close as possible to the EU market on the other turned out as a common interest.<sup>2</sup>

China and Serbia have signed documents on strategic partnership even twice: for the first time in 2009 at the time of Chinese President Hu Jintao and Serbia’s Boris Tadić, and then in 2016 during President Xi Jinping’s visit to Belgrade hosted by Serbia’s Tomislav Nikolić.<sup>3</sup>

China’s more radical approach towards Europe was made official in the “16 plus 1” format: it includes 16 countries of Central and Southeast Europe (the summit meeting of the groups under Chinese leadership was held in December 2016 in Belgrade, and by the end of each of following years in capitals of one of member-states); this, plus One Belt One Road Initiative (better known as the 21st century Silk Road), the most ambitious project of incumbent head of state Xi Jinping, focused on connecting infrastructures of Far East and Europe through maritime and continental routes.

In the meantime China has been gradually joining in local economic and infrastructure projects. It not only built a bridge over the Danube connecting Zemun with Belgrade’s outskirts of Borča, but also made the biggest – and, to Serbia most important – investment in “the eternal loser,” the Smederevo Ironworks (in 2016); besides, Chinese investors are involved in highway construction of the Corridor 11, in revitalization

1 „Chinese Dragon Develops Serbia,” a headline run by the Politika daily precisely pictures the general belief about China’s economic role in Serbia. Politika, December 23, 2017.

2 Through a set of bureaucratic mechanisms the EU has been trying for years to keep China at distance not only when it comes to imports of Chinese goods that that have overflowed world markets, European included, but also – and especially so – in the matter of investments in industrial infrastructure. .

3 [www.blic.rs/...kina...opartnerstvo...sporazum/pl4/jnve](http://www.blic.rs/...kina...opartnerstvo...sporazum/pl4/jnve).

of the Thermoelectric Plant in Kostolac and have developed plans for the construction of a thermoelectric plant “Kostolac 2.”

There is yet another aspect of Serbia’s present regime’s close relationship with its Chinese partners. Chinese authoritarian regime under full control of the Communist Party of China and its leader Xi Jinping over economic and political spheres<sup>4</sup> is almost an ideal type of government the Serbian Progressive Party and its leader Aleksandar Vučić.<sup>5</sup>

## HISTORICAL OVERVIEW

In late 1970s SFR of Yugoslavia was among first countries China, having proclaimed its policy of openness to the world (and domestic reforms), reestablished relations with (President Tito paid a long visit to China in 1977, and then President Hua Guofeng returned visit to Yugoslavia). In mid-1980s when Chinese economy was rather capacitated for stepping at the international market, China saw Yugoslavia as a good channel towards its economic expansion in Europe, i.e. the EU. With this in mind Chinese Premier and one of creators of domestic and foreign policy reforms Zhao Ziyang paid a visit to Belgrade in 1986.

4 According to well-informed sources, having consolidated his power at the Congress of the Communist Party of China in autumn 2017, President Xi Jaoping fully renewed the state control over economic and social trends, including control over internationally renown companies such as Ali Baba. .

5 „Political parties are means of harnessing a nation’s energy, talents and potentials in an orgnized way for general progress. In this context the Communist Party of China is a good model the Serbian Progressive Party can and wants to learn much,“ wrote Vice-president of SNS Main Committee Marko Đurić, Novi magazin, December 21, 2017;

As Yugoslavia has disintegrated in the meantime China tried to find other avenues towards Europe such as Czechoslovakia and Poland. As the two countries were admitted to the EU in the mid-2000s Belgrade and Serbia once again became attractive venues.

On the other hand, Belgrade and then FR of Yugoslavia isolated at the time managed to find ways and means for keeping “Chinese connection” (Mirjana Marković, most influential “first lady, launched the idea about construction of China Town in Belgrade, which was fading as years went by but has never been abandoned).

Bilateral cooperation was again strengthened in the last decade of the 20th century when Belgrade authorities realized that membership of the EU was a carrot-and-stick matter preconditioned by radical domestic reforms and, especially, renouncement of Kosovo. During Tadić’s presidency with Vuk Jeremić as his foreign minister China was proclaimed the “fourth pillar” of Serbia’s foreign policy (along with EU, US and Russia).

## PRESENT REGIME’S RELATIONS WITH CHINA

In 2012 Tomislav Nikolić and Aleksandar Vučić set themselves at a trodden road. Judging by all, China had already developed its strategy for “conquest of the European fortress” at the time.

It was in same year that the format “16 plus 1” was established. Or, to put it simply, China will be attending these meetings like a wealthy banker and creditor offering a billion (or two) dollar loans to European countries for a variety of projects.<sup>6</sup>

6 All of the 16 countries are former socialist countries; by choosing them as its economic partners and allies, China seems to count on “shared memory” of a

Three years later Serbia hosted the third summit of the grouping. The Chinese Premier attended the occasion. To the Serbian leadership, barely two years in power at the time, that was a major foreign policy gain.<sup>7</sup> Most important of many agreements signed was the one on modernization of the Belgrade-Budapest railway. The press was told that the railway for trains running 200 km/hour was supposed to be constructed by 2018.

However, realization of the project has not begun yet. Apart from the fact that implementation of all plans announced is being delayed in Serbia, this time it is the Chinese side to “blame” for a delay: in order to reach Europe in has to respect and adopt European standards.

Namely, all misunderstandings China has been facing on its road toward trenching itself economically (and, as of recently, politically) in Europe derive from the EUs strict criteria and standards applicable to all eager to do business on its territory. For instance, all major enterprises and procurements are preconditioned by transparent tenders, investments have to meet technical-technological standards, there should be no dumping pricing, and scores of other regulations and procedures have to be respected, especially those against corruption.

And all this applies to modernization of the Belgrade-Budapest railway (Hungary in a EU member-state). At the sixth summit meeting of the group held in Budapest in November 2017, Serbia’s Premier Ana Brnabić shared her expectation that Brussels would soon give “a green light” to modernization of the

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one-party past. This may serve for better understanding of its economic and political style. .

7 „Your three-day visit contributed to smiles on the faces of citizens of Belgrade. I believe that saying that they are delighted with everything your visit brought to them would not be exaggeration,” said Aleksandar Vučić, Radio-Television of Serbia, November 18, 2014.

Belgrade-Budapest railway.<sup>8</sup> About the same European “control mechanism” applies to the Smederevo Ironworks, not so much because it tries to sell its steel at lower prices as due to suspicions that steel produced in China could be sold in Europe via Smederevo.<sup>9</sup>

## CHINA’S INTERESTS

While Serbia’s interest in a partnership with China is understandable for many reasons, the Chinese side of the “strategic partnership” also rests on several pillars. The most important of all is Serbia’s geostrategic position and its neighbor in the South – Greece.

Namely, as the world’s biggest ship manufacturer and owner, Greece and the biggest producer of all sorts of goods, China, have been in tight economic hug for long (though Greece is not a part of the “16 plus 1” format): while China is transporting more than 50 percent of its products by Greek vessels, Greece’s tankers are carrying 60 percent of oil China needs. Besides, Chinese partners have a years-long concession of the Port of Piraeus (having invested in it billions of dollars), and the shortest road from the port leads through Macedonia and Serbia; of the two Serbia is a more important partner – spatially and economically (like Bulgaria, Macedonia is also included in the “16 plus 1” grouping).

In this context, investments in Balkan infrastructure – highway and railway connection with Europe’s North – is China’s crucial economic interest.<sup>10</sup> On the other hand, the fact that Serbia,

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8 Newscast, TVN1, November 27, 2017.

9 Still, the Smederevo Ironworks ended their first fiscal year with a loss of profit.

10 Having this in mind, the idea about construction of the Morava-Vardar-Salonika channel (ex-president Tomislav Nikolić, Ambassador to China Milan Bačević and (ex-foreign minister) Ivan Mrkić have been



Macedonia, Montenegro, Albania and Bosnia-Herzegovina “hunger” for potential investments makes it possible for China to impose the rules of business on its poor Balkan partners (even if called strategic).

All investments made in Serbia are actually loans (lent through EXIM Bank) that are rather payable considering low interests. However, contracting parties of projects are all Chinese – which means implementation of Chinese technique and technology, building materials and even Chinese labor force.<sup>11</sup> In brief, these are conditions that are (usually) not negotiable.

## CONTROVERSIES ABOUT “16 PLUS 1” FORMAT

Controversies about final outcomes and goals of the cooperation with 16 countries of Central and Southeastern Europe have not stopped ever since China initiated it in 2012, despite the fact that all analysts agree that China needs these countries as a bridge to the EU and its huge market with 500 million people, technological and scientific capacities and potentials. They all agree that through these countries that dramatically hunger for investment capital China wants to pin Europe to its “belt and road.” And no one has any doubts about China’s, as a globalization

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dreaming about may not be as magalomaniac as it seems at a first glance.

11 According to some well-informed sources, only local agricultural producers benefited from revitalization of the Kostolac Thermoelectric Plant – by selling food products to Chinese; further on, experts in engineering argue that construction works on the bridge connecting Zamun and Borca are below satisfactory standards.

“torchbearer,” true interests – which are not only economic but also geopolitical.

And the above is the main point of all controversies. Given that the group of 16 European countries is multifaceted when it comes to their strategic positioning – some are EU member-states, some are not, some are in NATO, others are not – suspicions (mostly Brussels’) are about potential provocations for yet another division within the EU.

Some guess on the other hand that considering the time (2012) when this transcontinental and trans-regional platform was established, which corresponds to the time of Russia’s more radical movement towards Europe – and especially its intervention in Ukraine and annexation of Crimea – this is all about China’s wish to place itself “in between” and thus help to have a balance of sorts established between Moscow and the EU.

Some experts in Far East argue that the latter is not true. In an interview with Ljubljana-seated Delo daily Taiwanese scholar Dr. Lai I-chung says that China actually does just the opposite: it helps to have Russia’s influence on Central and Eastern Europe spread: continental corridors (highways and railways) from Far East would mostly lead through Russian territory, the same as pipelines, which would in fact just increase energy dependency on Russia.<sup>12</sup>

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12 Delo, 11. novembar 2017

## CONCLUSION AND RECOMMENDATIONS

Serbia has not managed to find its way in the maze of geopolitical shift. With no strategic “plan for the future” of its own, more and more questionable orientation towards membership of EU, and unfinished transition Serbia will be growingly exposed to external influences and dependent on interests other than its own.

The policy of reliance on “four pillars” (EU, US, Russia and China) is too ambitious and unrealistic for a small and underdeveloped country such as Serbia. Against the new geopolitical background Serbia obviously counts on the position of a transition country (the “belt and road” project, Turkish pipeline, etc.) and that is, as things stand, still a faraway prospect. Cooperation with China is not disputable but the absence of a strategy based on Serbia’s objective advantages and possibilities is.

Besides all the above-mentioned projects and plans Serbia has with China what should also be taken into account, say, is that out of the group 16’s trade with China that has amounted to 58 billion dollars 80 percent belong to Poland, Czech Republic, Slovakia, Hungary and Bulgaria. Serbia is among the rest (11) sharing 20 percent of that really big cake.