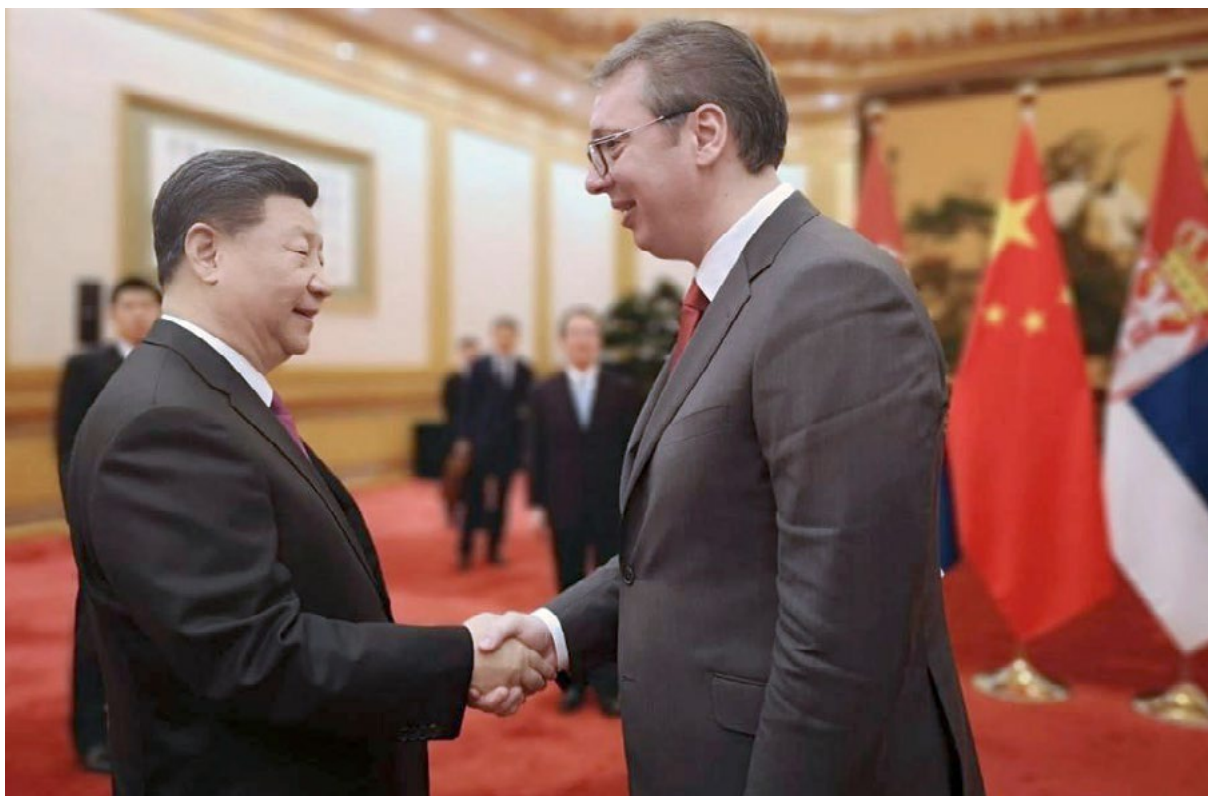


# Helsinki bulletin



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Xi Jinping and Aleksandar Vučić

photo: Presidency of Serbia

## SERBIA AND CHINA: AN EVER-TIGHTENING EMBRACE

The war in Ukraine, its prolonged duration and uncertain outcome greatly contribute to changes in the geopolitical map of the world and position of the key actors in it.<sup>1</sup>

The unique response of the Western Euro-Atlantic community to the Russian aggression against Ukraine (February 2022) and

the closing of ranks within it have been one of the important characteristics of realignment, grouping, lines of polarization and potential alliances aiming to find an appropriate place in the newly created circumstances. The dynamics of the process has also brought the new geostrategic term “global South”, which should indicate the positioning of the broad belt of countries in Asia, Africa and South America towards the

1 The effects and consequences of the October escalation in the Middle East after the Hamas terrorist attack on Israel will only be seen in the coming period.

Euro-Atlantic community of states and peoples, colloquially known as “the West”.<sup>2</sup>

The gravity centre of the geostrategic partnership of that informal group, “beyond the influence of the US dollar and the US Navy”<sup>3</sup>, and much wider than the BRICS economic platform (China, Russia, Brazil, India, South Africa and, since August 2023, Iran, Saudi Arabia, Egypt, the United Arab Emirates, Ethiopia and Argentina) is represented by Beijing with its growing ambitions. According to many commentators and analysts, the Chinese totalitarian leader, Xi Jinping, is actually the biggest strategic beneficiary of the global upheaval caused by Russia’s brutal attack on Ukraine.

A peculiar demonstration of the newly acquired power of the “central empire” took place in Beijing in mid-October. The marking of the 10th anniversary of China’s vision of the “Belt and Road” global order was attended by the leaders of 130 countries. A large Serbian delegation, led by the President of the Republic, Aleksandar Vučić, also joined this year’s biggest global economic and political meeting, thus confirming the mutual “iron-clad friendship”, as is often emphasized by both sides.

The host’s treatment of the guest considerably exceeded the geopolitical importance of Serbia (not to mention its size) which, apart from President Xi Jinping’s meeting with

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2 In the previous period, the terms denoting global differences and the dividing line were “East-West” and “North-South”. In terminology, the designations “developing countries” and “the Third World” have also been used.

3 Writing about the Global South as a new geopolitical phenomenon, commentator Boško Jakšić points out that this is a geostrategic partnership “beyond the reach of the US dollar and the US Navy”. It is a bloc that could become the biggest threat to the US interests”. *Politika*, 28 July 2023.

Aleksandar Vučić, was also expressed with typically Chinese symbolic gestures: Serbian was also one of the official languages of the meeting, the main TV station CCTV broadcast a 3-minute story about Serbia-China relations and the like. In this way, Beijing demonstrated how much it appreciates Serbia’s stance when the Chinese regime is criticized in international organizations and at the relevant meetings over Hongkong, Tibet and the position of Uyghurs in Xinjiang, or over Taiwan. Aleksandar Vučić himself also reminded the host about this: “Under the conditions of significant pressures on the Republic of Serbia, our country is the only one in Europe which has never joined the declarations that criticize and attack China over any issue... we have always been on China’s side and the single-China policy and that will remain so”.<sup>4</sup> In the same way, China “safeguards” Serbia’s territorial integrity and sovereignty in the UN Security Council when it comes to Kosovo.

The Chinese President certainly appreciates Belgrade’s position on the international scene when China’s anti-democratic moves are criticized. However, his message to Aleksandar Vučić also contained an almost open invitation to join the bloc which is, as Xi believes, headed by him: “Facing profound changes in the world unseen in a century, the two sides should view the bilateral relations from a strategic and long-term perspective, and firmly support each other’s core interests and major concerns, as well as each other’s development paths”.<sup>5</sup> He also said that “the bilateral relations have withstood the changes in the international landscape over recent years” and are a model of friendly relations between China and European countries.

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4 *Politika*, 18 October 2023.

5 *Politika*, 19 October 2023.

The warning given by the *Nedeljnik* Foreign Policy Editor, Željko Pantelić, that Serbian citizens should “worry about the fact that Belgrade is increasingly turning toward the society led by Beijing and Moscow”,<sup>6</sup> will probably have no echo in the public: the majority of Serbian citizens supports the current government’s attitude towards Russia and China (looking at both countries as unquestionable friends); moreover, according to public opinion surveys, the most popular foreign statesmen are Xi Jinping and Vladimir Putin.

During the stay of the Serbian delegation in Beijing, 16 agreements on various forms of cooperation were signed. And skeptics would add that the country borrowed an additional four billion dollars. The most important signature was placed on the Free Trade Agreement between the two countries, the preparation of which took many years. However, it still causes controversial comments primarily due to the signatories’ huge disproportion in their size, economic power and import-export imbalance.<sup>7</sup>

## CHINA: IN CRISIS BUT STILL POWERFUL

Paradoxically, the marking of the significant jubilee of the “Belt and Road” project took place at the time of China’s deep internal crisis, unprecedented since 1989 (a military intervention in Beijing and the massacre of students at its Tiananmen Square). The economic indicators, due to which China used to be considered the phenomenon of an unprecedented economic growth for decades, are now showing the signs of a worrisome

slowdown; a low annual growth rate of GDP, demographic decline, stagnation of the real estate market, unemployment of the young and educated, in particular, as well as the increased influence of the state (that is, the Communist Party) in manufacturing companies complete the current gloomy picture of the “world’s largest factory”.

This is partly due to China’s two-year rigorous “zero-COVID” policy, which implied the total lockdown of multi-million cities – from Wuhan (in early 2020) to Shanghai (in the spring of 2022) and numerous industrial plants. It turned out to be at a very high cost.

International economic experts cannot agree on whether this slowdown is caused by the transition or systemic disruption of the Chinese economy. Moreover, nobody dares to predict whether the crisis will last three or thirty years.

At the end of 2022 and the beginning of 2023, despite two full decades of the respected rule that the head of state and party cannot serve for more than two terms – Xi Jinping began his third term with the undisguised wish to put the party, state, economy and citizens under absolute control. Although on the path to his top position and omnipotence, Xi Jinping successfully removed all potential competitors and formed the new leadership team of his own choice, there are signs of an internal political imbalance from the ladder of power hierarchy (which is, in China, made up of various closed circles of influential political, economic and intellectual elites) with which Xi will still have to deal.<sup>8</sup>

<sup>6</sup> *Nedeljnik*, 19 October 2023.

<sup>7</sup> During 2022, Serbia’s imports amounted to 4.98 billion dollars, while its exports amounted to only 1.17 billion dollars, *Danas*, 16 October 2023.

<sup>8</sup> In July, Foreign Minister Qin Gang, supposedly Xi’s favourite, was ousted without explanation, while at the end of the summer, Defence Minister Li Shangfu was also ousted without explanation,

However, regardless of the current difficulties, China still has an enormous economic and financial power (in addition to a growing military one) so as to work on the realization of its vision of a (new) international order.<sup>9</sup> Xi Jinping spoke for the first time about the germ of the idea about building a mega-trade zone with the accompanying transport infrastructure along the strategic East-West route (conditionally, along the medieval “silk road”) at the Nazarbayev University in Kazakhstan in 2013. During the last 10 years, this platform, which is officially called the “Belt and Road Initiative”, was extended to Africa and South America, including 150 countries and 30 international organizations.<sup>10</sup> In other words, China is spreading its influence while carrying the “olive branch” of its soft power, which mostly consists of hard currency: so far, it has invested almost a trillion US dollars in infrastructure projects, in particular.<sup>11</sup> Ten or so years ago many countries enthusiastically attached themselves to the Chinese “loan belt” in order to speed up their development. However, it turned out to be a double-edged sword: loan instalment maturity brought many countries to the brink of debt slavery, or even deeper (Sri Lanka, Greece, Montenegro and others).

The jubilee meeting in Beijing was also attended by Russian President Vladimir Putin, showing emphatically a “boundless friendship” with his Chinese partner. Without disputing the definition of strategic partnership and friendship, Xi Jinping was still

more reticent. Regardless of the fact that Beijing and Moscow with their authoritarian, non-democratic regimes form a united front against western democratic and liberal values, believing that exactly their model of state and society governance should be the foundation of the new world order (the latest events show that this model is most successfully spreading in Asia, Africa and even in some parts of Europe), the relations between the two eastern capitals are multifaceted and significantly more complex.

Above all else, as noted by the *Blic* commentator<sup>12</sup>, because “China has understood something what Russian President Vladimir Putin has never been able to understand: in the modern world, economic power precedes geopolitical and military dominance; thus, without an economic basis, military power leads to (self-)destruction”. On the one hand, China helps Putin to cope with the consequences of the drastic sanctions imposed by the Euro-Atlantic community through its energy and other trade arrangements with Russia (gas, oil, coal, grain) at favourable prices for it. On the other hand, however, it refrains from openly supporting Putin’s military adventure and does not export weapons to Russia. It has also initiated the (unsuccessful) peace plan to end the war on European soil. Finally, in August, *Financial Times* received the confirmation that during his visit to Moscow in the spring of this year, Xi Jinping seriously warned Putin against using nuclear weapons. As one of China’s greatest experts in foreign relations, Shi Yinhong, professor at the Renmin University in Beijing, said for this British newspaper in August: “Russia has never and will never have China’s approval for using nuclear weapons”.

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9 “China uses the growth of its economic and military power, in parallel with the downfall of Russia as a superpower, to openly work on changing the world order, from the one centered in the United States and Europe, to the new, Sinocentric one”; *Blic*, 18 October 2023.

10 *Politika*, 12 October 2023.

11 *Ibid.*

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12 *Blic*, 18 October 2023.



Finally, as noted by some analysts, according to the new scenario advocated by China, the global power is distributed along the US–China line, including even more marginalized Europe. Moscow has been erased as a major player. It has gone. It has been reduced to the position of a beggar with a nuclear bomb.<sup>13</sup>

## SERBIA ON THE “BELT AND ROAD”

Relying on traditionally good relations between Yugoslavia and China, all Serbian governments tried to stay the course after the breakup of Yugoslavia. When it was made known at the end of the first decade of the 21st century that the accession process would be slow and long, Belgrade – with its otherwise wavering foreign policy orientation towards the European Union (EU) – turned towards the East, especially in recent years. Namely, while being the Serbian President, Boris Tadić formulated Serbia’s foreign policy orientation as relying “on four pillars” (Brussels, Washington, Beijing and Moscow), while Aleksandar Vučić only upgraded it by singling out Beijing from the four-member “club”.

Since the first loan for the construction of the Pupin Bridge across the Danube, China has deeply penetrated Serbia’s economy through investments, company purchases and loans. On the occasion of the 10-year jubilee, the Chinese Ambassador in Belgrade, Li Ming, said: “Our two countries have realized a number of projects within the ‘Belt and Road’ Initiative from the Pupin Bridge to the Miloš the Great Highway and the Belgrade–Novi Sad high-speed railway as the section of the Belgrade–Budapest high-speed railway.

Li also emphasized that, apart from becoming Serbia’s second largest trading partner in 2022, China’s investments in Serbia increased 60 times during the last decade.<sup>14</sup>

As an investor, China entered Serbia with the purchase of the Smederevo Iron and Steel Plant (HBIS Group), building of the Lingong Tyre Factory in Zrenjanin (which is still not operational) and the realization of a number of other smaller or larger projects. The most significant one is the Bor Mining and Smelting Complex with the associated Čukaru Peki Copper-Gold Mine. According to the official statistics, the value of Chinese capital in Serbia has so far amounted to 18 billion dollars of which 13 billion dollars account for direct investments and 5 billion dollars for loans. With the newly signed agreements, the debt amounts to nine billion dollars, pushing Serbia into an ever tighter debt grip. The President’s euphoric statement that “what we have achieved in China has historical significance and the character that will be seen in the years and decades to come”<sup>15</sup> may ultimately turn to be a dangerous “debt noose”.

All the more so because, as economic analyst Miša Brkić points out, Serbian citizens do not know, but should know, “and this must not be a secret... how much the new four billion dollar loan will cost... what are the interest rates, is there a grace period, how long is the repayment period, how the Chinese side has ensured that Serbia will regularly repay its loans”.<sup>16</sup>

Serbian citizens know nothing about these and the previous business arrangements. Contracts with Chinese partners are mostly interstate, which means that they are not

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13 Ibid.

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14 Ibid.

15 *Politika*, 20 October 2023.

16 *Danas*, 23 October 2023.

transparent and, taking into account all indications, they have a corruptive background; the conditions under which they have been concluded are not publicly known, while the role of the key figures on both sides who have secured the deals is promoted in the media.<sup>17</sup>

Money and investment “hungry” Serbia does not ask anything and does not demand anything, especially when it comes to the Chinese. This especially applies to compliance with the domestic laws on environmental standards (the blasting of Starica Mountain near Majdanpek, enormous air pollution in Bor and Smederevo) and labour rights (Linglong Tyre Factory in Zrenjanin).

Just as, after all, China does not ask when it approves loans and make investments whether Serbia observes the rule of law, whether its media are free, whether the human and minority rights are respected, whether the market is free...

## FREE TRADE AGREEMENT

The Free Trade Agreement stands out among the numerous other documents signed in Beijing due to its significance. It should open the Chinese borders for the sale of Serbian goods and vice versa – reduce or abolish customs duties for a large number of products.

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17 On the occasion of the reopening of a direct air line between Belgrade and Beijing, the then Chinese Ambassador, Chen Bo, emphasized that the establishment of this air line is “the result of a fast realization of the significant consensus reached by President Xi Jinping and President Vučić concerning the continuous improvement of cooperation between our two countries”; *Blic*, 17 July 2022.

Bilateral trade is increasing at an incredible rate. As an illustration, Serbia’s exports to China in 2013 amounted to only nine million dollars, while in 2022 they reached one billion and 17 million dollars. As emphasized by President Vučić, trade with China increased 185 times!<sup>18</sup> In accordance with the new Agreement, 10,412 Serbian tariff lines or products and 8,930 goods for mainland China will be covered. It is interesting to note that Vučić also pointed out that since 2015 the yuan (Chinese currency) has been on the list of our currencies for the international market and that the National Bank of Serbia is considering including the Chinese currency in its foreign exchange reserves.<sup>19</sup>

Ljubodrag Savić, Professor at the Faculty of Economics in Belgrade, has emphasized that the establishment of a free trade regime between countries is good in principle, because it is a step forward for both importers and exporters: “This is a good thing. However, over a short term, this opening brings less benefits to less developed countries than to the dominant one. Simply said, China’s exports to Serbia are much bigger... The largest part of our exports to China comes from Chinese companies.”

And, by all accounts, this is the core of the problem concerning growing trade with China. While local politicians, from Vučić to Dragoslav Marković, have encouraged export enthusiasm in Serbia with “fairy tales” about the export of huge amounts of chicken legs and pig feet (the goods that are, by the way, very popular in China), it has turned out that our biggest export item is copper from Bor, that is, the Chinese company Zijin. “So, last year, Serbia, namely Zijin, exported raw copper ore and copper concentrate to the value of 913.5 million

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18 *Politika*, 19 October 2023.

19 *Ibid*.

dollars and refined copper to the value of 132.9 million dollars to China. Excluding copper, our exports to China are worth 123 million dollars,” claims Milan Ćulibrk, Editor-in-Chief of NIN Weekly.<sup>20</sup> Namely, according to his calculation, out of every 100 dollars of “our” exports to China 90 dollars go to Zijin and its daughter companies.<sup>21</sup>

Irena Živković wrote the following on the X Network: “We have negotiated for six years and agreed that they will export our copper and gold in a raw state and not as finished products and that we will export apples and pet food to them.”

And it is not that there is no problem with Serbian apples either. The Minister of Agriculture, Jelena Tanasković, said from Beijing that “in general, we are just opening the Chinese market and still have a deficit in the trade of food and agricultural products”. As economic analyst Miša Brkić reminds us, this actually means that “Serbia does not have enough goods... to make a boom on the Chinese market”. As he points out, this problem is best seen in the example of apples.<sup>22</sup>

Finally, it should also be kept in mind that on the day of its EU accession, Serbia will have to terminate all free trade agreements, including the one just signed with China.<sup>23</sup>

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20 NIN, 26 October 2023.

21 Ibid.

22 Danas, 23 October 2023.

23 On the occasion of the signing of the Serbia-China trade agreement, the EU Lead Spokesman for Foreign Affairs and Security Policy, Peter Strano, said that, in the context of EU accession negotiations Serbia committed itself to withdraw from all bilateral free trade negotiations on the day of EU accession. Danas, 18 October 2023.

## SECURITY COOPERATION

Apart from increasingly successful military cooperation (the purchase of Chinese weapons), which has been “enriched” by the new contracts just signed in Beijing, security cooperation also implies a partnership between the police and the relevant ministries of the two countries which has been going on for years. The latest spheres of cooperation include disaster risk reduction and emergency management. In this connection, the Memorandum has been signed by the Minister of Internal Affairs, Bratislav Gašić, and his Chinese colleague Wang Xiangxi.

Police cooperation also relies on the ties that existed during the SFRY and gained importance and intensity over time. Especially in the context of China’s impressive breakthrough in the sphere of advanced technologies (artificial intelligence, robotics, IT technology, communications). What China primarily develops for its security needs, it shares with friendly countries. This, for example, applies to “smart” cameras which, in addition to identifying the face, also “read” the mood (relaxation, anger, threat...) of the person whose photos are taken (these cameras are much used in China’s restless province of Xinjiang which is populated by the Uyghur minority). Similar cameras have been installed on the streets of Belgrade, on the highway towards Niš and in other locations.

Among the latest forms of cooperation there is the one that is controversial in many respects: Chinese policemen have also started patrolling the streets of Serbian cities. The preparations for the implementation of this project – which causes numerous doubts and questions about the sovereignty of Serbia whose streets are patrolled by policemen in foreign uniforms and about China’s

intention to “stalk” the potential internal opponents of the regime and control them in other countries – lasted for several years.

Chinese patrols (together with Serbian policemen) will patrol the streets of Belgrade, Novi Sad and Smederevo, the cities that are, as claimed by both sides, most frequently visited by Chinese tourists. According to the State Secretary of the Ministry of Internal Affairs of Serbia, Željko Brkić, “police officers

of the People’s Republic of China will not be equipped with means of coercion, use police powers and act in the capacity of the law enforcement authority.”<sup>24</sup> He did not miss to add that these joint police patrols are “just one more step toward strengthening cooperation between the two Ministries and that they unequivocally show that the Ministry of Internal Affairs of Serbia is a reliable partner of the Ministry of Public Security of China”.<sup>25</sup>

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24 *Politika*, 29 September 2023.

25 *Ibid.*



## CONCLUSIONS AND RECOMMENDATIONS

In a geopolitical sense, China is an empire that is dramatically expanding its influence on all continents. Not like Russia – militarily and territorially, but by using economic, cultural and, generally, soft power. Its presence in recent years, especially after the Russian aggression against Ukraine, also represents one of the most significant geopolitical changes in the Western Balkans.

In that sense, Serbia is one of China's important pillars with which, as pointed out by both sides, it is bound by "iron-clad friendship". In 2022, China became Serbia's second trading partner, thus pushing out its traditional European partners. Its total financial, investment and credit involvement in the country amounts to 22 billion dollars.

China also controls the production and export of strategic raw materials, copper and gold (Zijin and Čukaru Peki in eastern Serbia) and steel (Smederevo Iron and Steel Plant). At present, it seems that Belgrade does not see in this ever-tighter embrace the potential danger of credit dependence which can turn out to be a "debt noose" in the future.

Serbia's foreign policy, which relies on four pillars (the EU, the US, Russia and China), adopted as early as the first decade of democratic changes, is now faced with a new challenge due to the global upheaval on the international scene caused by the war in Ukraine and its prolonged duration. The wavering government, when it comes to unquestionable accession to the European Union, is increasingly receiving loud messages from the influential conservative right-wing circles, including academicians, that Serbia will feel the "most comfortable" in a geopolitical and geostrategic sense among the BRICS (plus) members.

Although Serbia is officially committed to its EU membership, it is not ready to accept the liberal values on which the Western political community insists when it comes to the Western Balkans. Aleksandar Vučić is politically and mentally much closer to Chinese leader Xi Jinping's authoritarian model of state and society governance.

The European Union has missed the opportunity to initiate substantial processes in the Western Balkans – from normalization to the adoption of Western values. It has also demonstrated its unwillingness and inability to clearly and precisely articulate the enlargement process.

Due to prolong and tiresome uncertainty, the countries of the region are turning to other actors, including China whose aspirations towards this geostrategically important area are unquestionable. As is, after all, its effort to work alone on changing the existing world order: from the one whose centre is in Washington and Brussels to the one with the centre in Beijing.

A closeness between Serbia and China is also based on Belgrade's pragmatic need to allegedly protect Serbia's territorial integrity and sovereignty at the UN Security Council (by supporting Resolution 1244) and China's gratitude to Serbia for voting against all international documents condemning the repressive Chinese regime due to the violation of human rights.