



# CHINA IN THE WESTERN BALKANS

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# Attrition

Four months into the Russian invasion of Ukraine, the world is still undergoing thorough political, economic and security upheaval. On the battlefield, the Russian campaign seems to be picking up pace after shifting its focus towards the southern and particularly eastern fronts. In the West, initial enthusiasm about the effectiveness of several rounds of sanctions against Russia started waning once it turned out that the initial plans for sinking the ruble and depriving the Kremlin of energy-based income used to fund the war were not developing quite as intended, with consequences in the spheres of energy security or agriculture having a strong spillover into Western societies. The strategic landscape has also been transformed, with Denmark deciding to relinquish its three-decade opt-out from the EU Common Security and Defense Policy and Sweden and Finland giving up neutrality in a bid for NATO membership. While a war of attrition is obviously under way in Ukraine, the possibility of a protracted crisis looms over the entire continent, and beyond. Peace or any kind of dispute settlement appear to still be out of reach in the battlefields; elsewhere, however, spring and early summer were, as usual, a time for summitry and vigorous diplomatic activities around the globe.

On April 1, the EU and China held a virtual summit, where the President of the European Council, Charles Michel, President of the European Commission, Ursula von der Leyen, High Representative Josep Borrell, Chinese Prime Minister Li Keqiang and President Xi Jinping addressed issues such as trade, the digital economy, health, climate change, and human rights. Not much progress was made on any of the issues, although the discussions were described by the participants as ‘open and frank’. The situation in Ukraine was the most controversial topic, with the EU leaders urging China to condemn the Russian invasion and adhere to Western sanctions

against it, stating that Chinese support to Russia would ‘prolong the war’. Chinese leaders refused to condemn Russian behavior, stressing that China would ‘pursue peace, but under its own terms’. Intra-EU strategic differences remain overshadowed by common opposition to the Russian invasion of Ukraine, but they persist nonetheless. Unlike many other European leaders, German Chancellor Scholz seemed to be closer to the position of Chinese leader Xi Jinping, who stressed in the two leaders’ phone call in early May that ‘all efforts must be made to avoid the intensification and expansion of the Ukraine conflict, which could lead to an unmanageable situation’. Scholz’s own belief that avoiding overt escalation is indeed one of the priorities for Germany earned him a considerable amount of criticism from Ukraine and various European circles.

At the US-ASEAN summit in Washington in mid-May, further rifts between the West and the rest of the world were revealed. Despite President Biden’s pleas that ASEAN members condemn the Russian invasion of Ukraine, due to objections by several prominent members, the consensus-driven Association refused to condemn the invasion and instead made a general call for respect of territorial integrity of ‘all countries, including Ukraine’. Once again, the US had to settle for a suboptimal position towards one rival in order to retain allies and partners to confront another.

June was particularly rich in diplomatic exchanges. First Putin and Xi exchanged their views in a phone call on June 15, ahead of the BRICS Summit scheduled a week later. They reiterated the positions declared in their February meeting, particularly, in the words of Xi Jinping, mutual willingness to keep supporting each other ‘on their respective core interests concerning sovereignty and security, as well as on their major concerns, deepening their strategic coordination, and strengthening communication and coordination in such important international and regional organizations as the United Nations, the BRICS mechanism and the Shanghai Cooperation Organization’. Putin stated that Russia would work with China to ‘boost

the multipolarization of the world' and promote 'solidarity and cooperation among emerging market countries and developing nations'. Russia underscored its support to China with regard to issues of Hong Kong, Taiwan and Xinjiang, while China noted that, regarding Ukraine, it has always assessed the situation 'independently and on the basis of the historical context and the merits of the issue'.

The impression left by the two leaders was that their countries are on the course of careful but decisive strategic cooperation, each of them making sure not to interfere too directly into the other's affairs. In that sense, fears that China might become more openly involved in Russian efforts in Ukraine seem overblown at this stage, although the possibility for such a development might emerge if Beijing assesses that the Russian position becomes too weak. Interestingly enough, just days after the Putin-Xi call, President Biden announced that he would also be talking to his Chinese counterpart soon, in order to try and tackle the issue of tariffs imposed on Chinese goods by the Trump administration. Instead of his predecessor's concept of engaging Russia to better balance China, Biden now seems to have an opposing strategy in mind: relax the tensions with China in order to curb Russian aggressive behavior. This does not mean that the US will abandon the course of competition with China altogether. Late in May, in a speech at George Washington University, Secretary of State Antony Blinken announced the administration's 'Invest, Align, Compete' strategy for relations with China: the US will invest in domestic sources of its international strength, work closely with partners and allies, and compete with China to protect its interests and 'build its vision for the future'.

The BRICS summit held on June 23rd saw some of the messages from the Putin-Xi talk recapped on a larger stage. Issues like health, energy and food security were addressed, but the agenda also included prospects for the enlargement of the block and several references to the Ukrainian crisis and its global consequences. Xi Jinping called on the world to 'abandon the cold war mentality and bloc confrontation and

oppose unilateral sanctions and the abuse of sanctions', in an implicit yet clear way of condemning US and Western policies towards Ukraine, Russia and beyond.

The EU, NATO and G7 summits, held over the next week, expectedly took an entirely different tone: Russia figured prominently in all the meetings and respective documents and participants were resolute in condemning its behavior. The Russian decision to invade Ukraine had a direct impact on the EU and NATO enlargement prospects, given that Ukraine and Moldova were granted EU candidate status, while Sweden and Finland were invited to join NATO – if only upon resolving concerns expressed by Turkey. However, the prospects of Ukraine or Georgia joining NATO, which figured in the Alliance's official documents since the Bucharest Summit in 2008, were omitted from the official communiqué this time. In the new NATO strategic concept, Russia is designated as the key rival and threat to the West, while China is referred to relatively vaguely in just four passages – being characterized, once again, as a 'systemic competitor'. While also focusing most of their energy towards Russia, the G7 leaders did address China somewhat more extensively, pleading, one year after a similar announcement was already made, that they should allocate 600 billion USD to counter Chinese global assertiveness. No specific mechanisms about how exactly this would be done or where the resources would come from were revealed.

It is clear that the world is learning to live with the turbulences brought upon it over the last two and a half years. As several diverse crises keep unfolding simultaneously, a thorough reshaping of global relations seems imminent. This will obviously play out differently in various regions of the world. Given its unique position at the very crossroads of all major powers' political and economic interests, the Western Balkans is unlikely to remain unaffected.

# 1.0 The Regional Picture

At the June 23rd EU-Western Balkans Summit in Brussels, messages of a clear European perspective for the countries of the region were once again conveyed, but without much in terms of specifics of when and how exactly enlargement would move forward. Such encouragements were largely interpreted as a means of reassurance to frustrated Western Balkans nations ahead of candidate status approval for Ukraine and Moldova, brought about not by the merits of their socio-political transformations, but due to their sensitive position in the context of the aggressive behavior of Russia. As divergent as some of their political positions are, it seems that most regional actors share the idea that bottom-up regional cooperation initiatives are a way to boost integration and strengthen individual economies without waiting for the European path to clear. For all the lack of reform within their own societies, countries of the Western Balkans see the EU as insufficiently sensitive to their issues and challenges, and protest the lack of even symbolic progress in European enlargement to the region.

In the meantime, Serbia, Albania and North Macedonia pushed forward the concept of the Open Balkans, a regional economic cooperation initiative intended to connect regional economies and introduce good practices which should prepare the countries for eventual EU accession. At the June 9th Open Balkans summit in Ohrid in North Macedonia, the three leaders sought to underscore the bloc's vitality and proactive approach in dealing with impending crises of energy, employment, and food.

The European Union remains ambivalent about the initiative, being uncertain about its compatibility with the EU-initiated Berlin Process of regional cooperation and

integration. The US is generally open to the idea, providing support through less official diplomatic channels. The Belgrade office of its own Development Finance Corporation (DFC) is yet to become fully operational, and it remains to be seen if and how it would come to support the projects initiated within the Open Balkans framework. Despite accusations that Russia is behind the idea of the Open Balkans, there is neither evidence nor obvious reasons to believe it can profit from it.

For its part, China observed the ways in which the business ambient shaped by the Open Balkan agreements could prove to be conducive to its own geo-economic goals in Central and Eastern Europe – an endeavor which marked a full decade since initiation in April of 2012.

## 1.1 Main Projects

The overall scope of China-related projects in the Western Balkans region faces steady decline. Serbia remains the undisputed frontrunner, but even there the dynamics have significantly weakened since 2021. Bosnia and Herzegovina is a distant runner-up, and the only other country of the region where viable prospects of additional Chinese projects are in sight. With the new government in office, Montenegro keeps pursuing the course of embedding its foreign policy more firmly into the West, thus demonstrating additional caution towards project partnerships with China. In Albania and North Macedonia, the Chinese presence is in a de facto downturn, even without a particular strategy behind such developments; still, in Albania, major Chinese companies may reappear as partners or investors once the country's portion of the Ionian-Adriatic highway project is reactivated. Kosovo remains opposed to developing economic ties with China, which is unlikely to change in the foreseeable future.

In Bosnia and Herzegovina, the construction of the Banja Luka - Prijedor highway is set to finally begin during the summer, after it was officially opened late in 2021 and subsequently delayed due to expropriation issues. The 40 kilometer-long, 300 million EUR highway, to be operated as a concession by Shandong Hi-Speed International for 30 years, is often singled out for its lack of transparency. Another element of the arrangement subject to fierce criticism is that Republika Srpska has agreed to reimburse the company should it fail to collect the expected 30 million EUR per year in tolls. The North Macedonian highway project - the 60 kilometer-long, 600 million EUR worth motorway from Ohrid to Kičevo - is also advancing at a seemingly decent pace after years of delays. Currently, a major section from Ohrid to Trebenište is being completed, with both lanes set to become operational by the end of the year. In addition to the highway itself, a further 30 kilometers of access roads

should be constructed in order for the entire project to be fully functional by the end of 2023.

With regard to the Bar-Boljare highway project in Montenegro, the new Prime Minister Dritan Abazović announced that the opening of the first, 41.5 kilometer-long (Smokovac - Mateševo) section, previously planned for May, might not take place until as late as mid-July or even longer. The China Road and Bridge Corporation and Montenegrin Government occasionally exchange accusations about the responsibility for multiple deadline postponements; however it is unlikely that these will be legally resolved. On the other hand, the Pljevlja Thermal Power Plant environmental overhaul project has finally kicked off, after years of environmental, political, economic and administrative controversies. The works on the reconstruction, conducted by the DEC International-Bemax-BB Solar-Permonte consortium, were finally officially opened in mid-April. All issues have apparently been resolved, and the 70 million EUR project is now set to be completed in its entirety by the end of 2024. Montenegro had been facing domestic and international criticism for neglecting environmental regulations in operating the coal-based facility, and the pending environmental reconstruction should enable it to retain the energy and jobs provided by the plant.

Chinese projects in Serbia are currently mostly concentrated on infrastructure and the mining industry. The 20-kilometer long Belgrade bypass, a project conducted by the Republic of Serbia, Azerbaijani Azvirt and Power Construction Corporation of China, Ltd, advances with the construction works at its most critical part, Sector 5 and the Straževica Tunnel, being tested for use as of June. Upon completion of the final Sector 6 scheduled for spring of 2023, the 207 million EUR bypass construction, largely funded by the Chinese Exim Bank, should be concluded. The same Chinese company is in charge of the construction of the Belgrade metro, a nearly 5 billion EUR worth project conducted with French partners. According to existing plans, the

first metro line should be operational in 2028. The Danube Corridor (Požarevac – Golubac highway), a 305 million EUR project constructed by China Shandong International, is scheduled to be completed by the end of 2024 at the latest, thus directly connecting Pan-European Corridors VII and X. Despite occasional setbacks caused by environmental concerns, Chinese mining companies remain among the most successful ones and largest exporters in Serbia: both Serbia Zijin Mining and Serbia Zijin Copper reported record profits in the first quarter of 2022.

## 1.2 Political Influence and Outlook

Despite internal consolidation and rallying around the flag caused by the aggressive behavior of Russia, the European Union still has problems in projecting its influence abroad, with enlargement policy, its once most prominent tool and attraction force, in constant stalemate.

Lack of substantial reform in Western Balkans countries is but one side of the coin, as skepticism towards the very idea of enlargement in general is the pervasive mood in many powerful member states. Candidate status, promptly awarded to Ukraine and Moldova as a weapon against Russian aggression, is highly unlikely to make either country a full member of the bloc, but it did deepen the frustration among the countries in the Western Balkans, who observed the recent European Council Summit and EU-Western Balkans Summit with a sense of disappointment due to ‘getting nothing’.

The protracted stalemate in the context of European integration, combined with growing social and political anxiety around the region, will keep opening up the space for third actors – most notably the US and China, given that Russia currently has almost no capacity to develop strategies for areas beyond those where it has a military presence, such as Ukraine or Syria. Global turmoil induces major powers to abstain from overly aggressive approaches and rely on more moderate and tactically patient approaches. The US supports the Open Balkan initiative and has its own tools for economic competition in the region in the Belgrade office of its Development Finance Corporation. China observes the region through a wider lens of its relations with Central and Eastern European countries and the 17+1 cooperation framework, both of them part of its global Belt and Road Initiative.

As the war in Ukraine keeps contributing to the emergence of one cycle of global turmoil after another and resources become scarce, major powers will inevitably be compelled to prioritize and employ more careful approaches in their overseas strategies and operations. For the Western Balkans, this means that it will remain a theater for Great Power competition, but developed and pursued within much longer time horizons than was the case in any point during the post-Cold War history of the region. This might provide regional actors with further incentives for pursuing hedging strategies, and grassroots regional initiatives might be a way of doing just that.

## 2.0 Albania

### 2.1 Main Projects

Particularly good political relations between Albania and China are not accompanied by significant developments in the field of common projects or mutual economic and financial cooperation. Confronting public health risks posed by the Covid-19 pandemic, especially during the mass immunization campaign from late 2020 until mid-2021, was the last time the two countries jointly participated in a large scale operation of significant social and economic value.

Due to Albania's close relations to the United States, critical domains like digital (particularly 5G technologies) are likely to remain closed to China. Other sectors, like traffic infrastructure, might be a way for China to return to the country as a major partner or investor, but the tender for the 300 kilometer-long Adriatic-Ionian Highway ("Blue Corridor") scheduled for 2020 and then 2021, keeps being postponed. With progress on the Corridor being made in Croatia, and developments in sight in Greece and Montenegro, the pressure might mount on Albania to speed up procedures, which might open up an opportunity for Chinese companies to compete for the job once again. It is worth noting that China Pacific Construction Group had previously signed, alongside Montenegro, a Memorandum of Understanding for the construction of the Blue Corridor, but the actual deal was never struck. In the meantime, Montenegro switched towards Western partners through direct negotiations and without a tender, while Albania is yet to decide about its own way forward in this regional project.

## 2.2 Political Influence and Outlook

Despite a relatively persuasive win in last year's election, the Socialist Party of Edi Rama faces fierce criticism and strong opposition for failing to protect society from the consequences of the series of ongoing global crises and to kick start the country's drawn out European Union accession process. In addition to this, many domestic political actors and segments of the population are deeply suspicious about the government's course when it comes to close cooperation with Serbia and North Macedonia within the framework of the Open Balkans initiative. Still, in the absence of a feasible European perspective, and with American support for regional economic integration, Albania is likely to remain on the same course, safeguarding, at the same time, good relations with China as a hedging and offsetting tool. On one occasion, Prime Minister Rama called relations between the two countries 'normal, meaning nothing special', but it is clear that, in perspective, those relations will be exactly as special as the context demands.

## 3.0 Bosnia and Herzegovina

### 3.1 Main Projects

After slightly picking up the pace over the last year with new deals and major developments on the Banja Luka - Prijedor highway, Tuzla Power Plant Block 7, or Dabar and Bistrica Hydro Power Plants, as of the second quarter of 2022 the dynamics of Chinese projects in Bosnia and Herzegovina are somewhat decreasing. This is in line with the overall situation in the region, as most capital-intensive activities are facing considerable uncertainties due to the crisis in Ukraine and global financial and economic volatility. The overall scope of ongoing Chinese projects in Bosnia is still the second largest in the Western Balkans, albeit only a distant second after Serbia, and there are no indications that existing ones will face critical obstacles, although occasional environmental outcries by local communities – which is currently the case with the Bistrica hydro-power plant – generate delays. However, when it comes to the prospects for new major deals, the situation remains vague.

The construction of the Banja Luka - Prijedor highway is set to finally begin during the summer, after it was officially opened late in 2021 and subsequently delayed due to expropriation issues. The project is often being singled out by parliamentary opposition and civil society organizations as insufficiently transparent, given that the Chinese concession partner, China Shandong International Economic and Technical Cooperation Group (through its local branch, Shandong Hi-Speed International), does not agree to full disclosure of the contract provisions. The details that are known to the public are that the 40-kilometer long, 300 million EUR

highway should be operated by the Chinese partner for 30 years, and that Republika Srpska has agreed to reimburse the company should it fail to collect the expected 30 million EUR per year in tolls.

## 3.2 Political Influence and Outlook

With a general election planned for the autumn, Bosnia and Herzegovina is seeing its public sphere overwhelmed by issues of electoral reform and potential institutional (re)configuration of the country. Unlike the beginning of the year, spring and early summer appear to have demonstrated that major external actors decided to tread lightly in the face of ongoing domestic, regional and global crises, and not stir up existing turbulences additionally.

The position and mandate of the High Representative is still supported by the EU and the US, and disputed by China and Russia, although in a less insistent manner. As NATO membership is off the table due to objections by Republika Srpska and the European integration process remains paralyzed even after reassurances offered at the June European Union – Western Balkans summit, the position of Bosnia and Herzegovina is increasingly similar to that of Montenegro: it is conceivable that it would at one point have to choose between joining the Serbia-led regional cooperation frameworks such as Open Balkans and remaining at a half-way point brought on by its two entities' diverging geopolitical courses. Choosing the former might indicate a reinvigorated Chinese presence in the country at one point, but also a potential, if fragile, relaxation of structural tensions and external power struggles, given the ongoing US support to the Open Balkans regime through diplomatic channels. Still, the country's overall political outlook is likely to continue being shaped chiefly by domestic political and institutional factors. In that sense, the situation around, and outcome of, the October elections, will be a critical juncture for Bosnia and Herzegovina.

## 4.0 Kosovo

With Serbia being a hub and a bulwark for Chinese regional presence, and with Chinese staunch support to Serbia in its opposition to Kosovo's independence, it is hardly surprising that there are neither new developments nor common projects in China-Kosovo relations. What little communication had existed in the post-declaration of independence years on the possibilities of economic cooperation has been unfalteringly shut off by multiple governments in Pristina, as they saw the EU and particularly the US as the only legitimate interlocutors and guarantors of Kosovo's position.

Kosovo remains firmly opposed not only to cooperation with China, but also to any kind of regional economic integration which includes Serbia, which means that it is unlikely to ever join the Open Balkans initiative despite the fact that it has US support. In the meantime, China and Serbia persist in providing each other support with regard to issues of territorial integrity, either bilaterally or within international forums, which means that the perspective of Kosovo-China relations is unlikely to change any time soon.

Paradoxically, with the EU perspective at a dead end, such circumstances might lead to Kosovo becoming the most economically isolated actor in the Western Balkans, despite the verbal support it keeps receiving from the West.

# 5.0 North Macedonia

## 5.1 Main Projects

Like Albania and Montenegro, North Macedonia has been seeing a downturn in Chinese projects which began before the Covid-19 pandemic. Despite Chinese declaratory preparedness to keep operating in the country, numerous issues keep limiting the possibilities for cooperation. The Sinohydro-operated construction of the Ohrid-Kičevo highway has been going on for a full eight years, with the 60 kilometer-long, 600 million EUR project deadlines being postponed numerous times due to legal obstacles, political turmoil and logistical shortcomings. Currently, a major section from Ohrid to Trebenište is being completed, with one lane due to be functional by August and the other one by the end of the year. In addition to 60 kilometers of the highway itself, an additional 30 kilometers of access roads are supposed to be built so that the entire project can be fully functional by the end of 2023. The construction does appear to have sped up, and if no unexpected obstacles emerge, the completion of the deal might see the last big Chinese infrastructure project in North Macedonia brought to a close.

## 5.2 Political Influence and Outlook

The domestic politics and international position of North Macedonia is currently largely being affected by its historical and political dispute with Bulgaria regarding identity issues. Not only does this further hamper the country's already limping European integration process, but it also paralyzes foreign policy making capacities and opens up the space for further influence by regional and other external powers. Having already lost some of its Euro-enthusiasm after not being rewarded in any way for reaching the historically important Prespa Agreement with Greece in the summer of 2018, and further discouraged by Bulgaria's behavior, North Macedonia appears to be opting for reliance on the US in infrastructure projects and on the Serbia-led Open Balkan initiative as a framework for regional cooperation.

It is not to be expected that this course will change, nor for China to significantly step back into the picture in North Macedonia until regional and global circumstances are thoroughly transformed.

# 6.0 Montenegro

## 6.1 Main Projects

For at least a year, the Chinese presence and impact on the Montenegrin economy have been stagnating at best. Once an ambitious project supposed to revolutionize the country's traffic infrastructure (although one which did not evade warnings of debt-trap diplomacy), the Bar-Boljare highway project was decoupled from Chinese influence by the hedging arrangement with a number of Western institutions, while it became increasingly evident that initial deadlines for the first section's completion would not be met. In addition to this, neither funding (around 1.7 billion EUR) nor construction partners for the subsequent four sections – most notably, Mateševo - Andrijevića – seem to be easy to find. While it was initially announced that further construction might begin by the end of the year, after the first half of 2022 this seems less and less likely. New Prime Minister Dritan Abazović announced that the opening of the first, 41.5 kilometer-long (Smokovac-Mateševo) section, previously planned for May, might not happen until as late as mid-July or later, expressing suspicion that the project is currently being intentionally obstructed by domestic political actors. China Road and Bridge Corporation and the Montenegrin Government occasionally exchange accusations about responsibility for the multiple deadline postponements, but it currently appears that these will not have a judicial epilogue. In reality, the ongoing situation is but a continuation of the socio-political and economic turbulence which has been hampering the project since the inception of the 1 billion EUR construction work begun some eight years ago.

As opposed to further delays with the highway project, the Pljevlja Thermal Power Plant environmental overhaul project has finally kicked off, after years of environmental, political, economic and administrative controversies. The works on the reconstruction were finally officially opened in mid-April, in the presence of the Director of the Montenegrin Electric Corporation Nikola Rovčanin and the representative of DEC International-Bemax-BB Solar-Permonte consortium, Yi Hongchun. All legal, political, and administrative issues which were hampering the deal have apparently been resolved, and the 70 million EUR project is now set to be completed in its entirety by the end of 2024.

In the meantime, Montenegro was facing domestic and international criticism for neglecting environmental regulations in operating the coal-based facility, and the pending green reconstruction should enable it to retain the energy and jobs provided by the plant in a more environmentally acceptable manner.

## 6.2 Political Influence and Outlook

The social and political landscape of Montenegro is currently dominantly shaped by domestic political turbulence, caused by political party reshuffling and the fragile state of the new parliamentary majority. As Montenegro demonstrated even after the fall of the Democratic Party of Socialists from power that it intends to remain decisively on a pro-Western course, external actors' struggle for influence appears to be of lesser importance that it had been at other points since the country's independence in 2006.

On the other hand, relations with Serbia and, lately, the country's more constructive stance towards the possibility of joining the Serbian-Albanian-North Macedonian regional cooperation framework Open Balkans, remain a key point of contention in Montenegro. A recent European Council meeting and the EU-Western Balkans summit held a day earlier, despite reiterated messages of support to the eventual membership perspective for countries of the region, seem to have strengthened the conviction that local actors need to engage in comprehensive bottom-up cooperation until the enlargement process is unlocked.

Thanks to the enlargement process, and by virtue of geographical proximity and economic interdependence, the EU remains a crucial external actor in Montenegro and the country's relations with third parties will necessarily be shaped by the extent and modality of European strategic presence. Still, with Serbia as a major partner for Montenegro being a catalyst for Chinese influence in the region, it would not be unimaginable if Chinese capital projects reemerge in Montenegro – particularly in the field of infrastructure.

In the short term, however, the continuing low key presence of China is the most likely scenario for the Adriatic country.

# 7.0 Serbia

## 7.1 Main Projects

Under the impact of global supply chain, energy and liquidity crises, at play for some time and catalyzed by the situation in Ukraine, and combined with domestic post-electoral conundrums, Chinese-Serbian projects seem to have been somewhat petering out in the second quarter of the year, particularly in comparison with the dynamic beginning of 2022. Still, it is reasonable to assume that, for now, such a state is a consequence of current geo-economic contingencies and not necessarily an indicator of a long-term change in the scope of cooperation. Most ongoing projects are advancing as announced, and some critically important ones, especially in and around Belgrade, are moving past crucial phases.

The 20-kilometer long Belgrade bypass is a project being carried out by the Republic of Serbia, Azerbaijani Azvirt and Power Construction Corporation of China. As of June, the construction works had reached their most critical part, Sector 5 and the Straževica Tunnel, which are being tested for use. Upon completion of the final Sector 6m scheduled for spring of 2023, the bypass construction should be concluded, resolving important infrastructural and environmental issues within the city. Some 85% of the 207 million EUR project is being financed by a loan from the Chinese Exim Bank, while the rest is covered by funds from the Serbian budget.

Along with French partners Alstom and Egis, Power China is also involved in the capital project for the construction of the Belgrade metro, a deal worth over 5 billion

USD funded through bilateral arrangements between Serbia and China, and Serbia and France. Upon visiting construction work at the Makiš Field on the outskirts of Belgrade in late May, President Aleksandar Vučić and the French Ambassador Pierre Cochard commended the pace of the works and expressed expectations that the first metro line would be functional by 2028. The project remains one of the most expensive and ambitious infrastructure deals in post-socialist Serbia, and one which aspires to embed the country as a key part of the geo-economic axis connecting Europe with China.

Serbian Construction, Traffic and Infrastructure Minister Tomislav Momirović visited the works on the Danube Corridor (Požarevac - Golubac freeway) in May, along with the representatives of China Shandong International, the company in charge of the project. The 305 million EUR venture is scheduled to be completed by the end of 2024 at the latest, thus directly connecting Pan-European Corridors VII and X - another example of Serbia trying to act as a link-up between Chinese projects and European interests in the region. There appear to be no major issues with the 68-kilometer project, with most dynamic works currently being carried out on the last section (Veliko Gradište - Golubac). Expropriation agreements have still not been made in all relevant local communities, but the government expects all the procedures to be completed in time to meet the 2024 deadline.

China remains the key foreign actor and partner in the Serbian mining industry. In May, Zijin Mining revealed some of its financial records for the first quarter of 2022, which showed that the company's exports exceeded 500 million EUR during this period. Serbia Zijin Mining remains the largest individual exporter from Serbia. Its partner company, Serbia Zijin Copper in Bor, although also achieving good business results with over 30 million EUR in profits in the first quarter, keeps facing charges of neglecting environmental rules. The Public Prosecutor's office in Negotin thus instructed the company to pay a fine of 1 million Serbian dinars (8500 EUR) for

polluting the Mali Pek river in 2021. The fine is obviously symbolic, but it represents a meaningful victory for civil society organizations which have consistently been pushing the green agenda and directed public attention to the negative environmental practices of large mining companies in eastern Serbia.

It was also perceived as important that the judicial institutions, often perceived as highly susceptible to political pressure, would make such a decision on the merit of the issue. Both Zijin-operated companies pledge to invest substantial amounts of money into making their enterprises less environmentally damaging.

## 7.2 Political Influence and Outlook

Early in April, the Chinese Airforce conducted around 12 journeys to deliver to Serbia a shipment of FK-3 (HQ22) medium-range anti-aircraft missile systems. Although the purchase was arranged as early as 2019, the timing of the delivery raised eyebrows in the region and beyond, given the heightened tensions due to the war in Ukraine and the fact that Chinese aircraft apparently faced no obstacles to deliver the shipment flying across territories of at least two NATO member states (Turkey and Bulgaria). The fact that the systems in question are exclusively defense-oriented helped mitigate suspicion, although a number of regional and Western officials underscored that procuring military equipment from an authoritarian external power like China might not be the best signal for regional stability and Serbia's European perspective.

On the other hand, Serbian and Chinese officials presented the deal as a regular arrangement in accordance with relevant domestic and international norms, signaling their intent to further deepen cooperation in defense and security affairs. At a time when Western strategic attention has largely moved away from China and towards Russia, the episode itself does not appear to have had significant impact upon Serbian relations with either the EU or the US.

Right around this time, Serbian and Chinese Foreign Ministers, Nikola Selaković and Wang Yi, held a long phone conversation, reiterating the old notion of a “steel friendship” between the two countries and expressing support for each other's sovereignty and territorial integrity, while underscoring mutual intent to soon sign a bilateral free trade agreement. Wang warned against the reemergence of “Cold War thinking” throughout the world, and called for the right of each country to pursue an

independent foreign policy, in accordance with UN principles. This was largely understood as tacit support to Russia, hit by several rounds of Western sanctions, and explicit support to Serbia in choosing its own level of cooperation with non-Western partners.

These points were subsequently expanded by the Chinese Assistant Foreign Minister and spokesperson of the Ministry of Foreign Affairs, Hua Chunying, who reiterated that “China firmly supports Serbia in making judgments and decisions based on the fundamental interests of the country and the nation”, adding that China “opposes external forces exerting political pressure on sovereign countries, and opposes coercing other countries into taking sides”.

Imminent, if moderate, Serbian decoupling from Russia might very well open up additional space for China to step in as a balancer against reluctant and still disoriented Western actors. Still, both Belgrade and Beijing seem aware that the global economic and political dynamics call for a cautious way forward, with existing cooperation formats proceeding largely as planned, and new ones probably having to wait until the big picture becomes clearer – most likely not before the end of the year.

## About

The China in the Western Balkans report series is produced by BIRN Consultancy, part of BIRN Ltd. BIRN Consultancy is an independent analysis, advisory and corporate investigation consultancy with a regional focus on the Balkans. Our mission is to help our clients better understand both the opportunities and challenges facing them in the south-east Europe. Often, our clients already have a degree of familiarity with the region. They turn to us for more detailed analysis of developments and trends or to investigate a particular problem, because our unique mix of knowledge and expertise gives us a competitive edge over others.

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