



CHINA IN THE WESTERN BALKANS

October 2023 Issue

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The Summer of Summitry

During the summer, China's international activities were marked by the country's participation in two major multilateral summits: the BRICS Summit in Johannesburg, South Africa in August and the G20 Summit in New Delhi, India in September. China and its president, Xi Jinping, have long advocated for enlargement of the BRICS block consisting of Brazil, India, China, Russia and South Africa, seen as the counterweight to Western global political and economic dominance. This year's summit in Johannesburg, Xi's second trip abroad in 2023, marked Chinese success in achieving just that: as of January 2024, the bloc will be joined by six additional members: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates. It remains highly questionable whether all the members – current and prospective – have enough capabilities and overlapping policy interests to effectively counter the influence of the US and its partners and allies; still, with the forthcoming round of expansion and more countries in que to join, the bloc increasingly draws the attention of rivals.

An arguably more consequential event was supposed to take place two weeks later in New Delhi, where the leaders of the twenty most developed nations were gathering to assess pressing global issues. Neither Chinese nor Russian presidents attended, each for their own reasons, but the two countries managed to significantly shape the agenda and dilute the Western-proposed formulations for the summit's joint statement. This was especially true with regard to the war in Ukraine, which was only mentioned in passing, and without a clear designation of Russia as the guilty party. Once again, it was shown that Ukraine remains a major catalyst of strengthening Russian–Chinese relations, as well as their respective relations with the Western part of the group. European Council President Charles Michel met with China's Prime Minister LI Qiang in the margins of the summit; the parties agreed that they “need to work together to tackle global challenges like fight against climate change, health pandemics and challenges of the world economy”.

Another week later, echoing key BRICS talking points at a bilateral meeting with his Russian counterpart Sergey Lavrov in Moscow, Chinese foreign minister Wang Yi hailed the “strategic cooperation” between the two countries and their joint commitment to a “multipolar world” and a “more just world order”. More coordination in international fora like the United Nations was announced as part of the common quest for “justice in world affairs”. In mid-September, during the Eastern Economic Forum in Vladivostok, Vladimir Putin met with Chinese Vice-Premier Zhang Guoqing, stipulating that the two countries’ relations are “on a historically unprecedented level”. While China tries to maintain an image of equidistance towards the warring parties in Ukraine, it does not hesitate to bolster comprehensive cooperation with Moscow across various sectors including defence: back in July, the two parties conducted a joint military exercise named “Northern/Interaction-2023”, with the purpose of “enhancing peace and stability in the Indo-Pacific”.

In mid-September, just before he went to meet Sergey Lavrov in Moscow, Wang Yi had a long and “candid” talk with US National Security Advisor Jake Sullivan in Malta. According to the White House statement, “the two sides committed to maintain this strategic channel of communication and to pursue additional high-level engagement and consultations in key areas between the United States and the People’s Republic of China in the coming months”. The encounter was a part of a series of meetings with the purpose of reestablishing communication after a major downturn in the two powers’ relationship due to the Chinese spy-balloon affair earlier this year. To that end, prominent US officials and dignitaries, such as Treasury Secretary Janet Yellen, former Secretary of State Henry Kissinger and US climate envoy John Kerry all travelled to China in July. Pressing issues like the question of Taiwan, intelligence affairs, economic warfare, or the Chinese position towards Russia and its war in Ukraine keep burdening mutual relations, but there seems to be basic willingness on both sides to ‘manage’ their competition and differences. There are indications that the two countries’ presidents might meet in person by the end of 2023, for the first time in a year.

Sino-European relations are yet another vitally important aspect of China’s global posture, especially when it comes to trade. Beijing has been very active in its dealings with the EU and its member states during the summer. After EU High Representative for Foreign Policy Josep

Borrell's visit to Beijing was unilaterally postponed by the Chinese side, other high level visits went ahead regardless: Valdis Dombrovskis, European Commission Vice President and EU Commissioner for Trade and Věra Jourová, European Commission Vice President and EU digital chief, paid official visits to China within the space of a week in mid-September. Issues like AI, facial recognition technology, Chinese state subsidies for electric cars and EU plans to keep Chinese tech giants Huawei and ZTE away from the block, especially its 5G domain, have reportedly been discussed, although without much result.

Jourová also asserted that “how China interacts with Russia's war against Ukraine to be a determining factor for EU-China relations” – a position the EU has been insisting upon since the beginning of the conflict in 2022. Dombrovskis said that, when it comes to trade practices, EU-China relations are “at a crossroad”. Just days before the commissioners' visits to China, the EU Commission President Ursula von der Leyen gave the State of the EU speech to the European Parliament, announcing that efforts to “de-risk, not decouple” will be key to her approach at the EU-China summit later this year.

“De-risking” is also the crucial concept in Germany's China strategy, unveiled in mid-July. Germany remains crucial among EU member states when it comes to economic relations with China: “Germany's exports of goods and services to China represent more than 3 percent of German GDP—[the highest rate in the European Union and more than double the levels recorded in France, Italy, and Spain](#). German firms also have a huge presence in China, where their annual revenues represent a staggering 6 percent of German GDP, roughly double the average of Europe's six biggest economies”.

German political elites believe that China is too big a partner for Berlin to be able to completely break ties; they would, however, like to see less dependency on China in the future. The relationship still remains uneasy, with weekly ups and downs. When German Finance Minister Christian Lindner pledged to support the Beijing-based Asian Infrastructure Investment Bank (AIIB) after meeting China's Vice-Premier He Lifeng in Frankfurt on October 1, Beijing observed the announcement as an exceptional sign of good will. This was especially important after tensions had escalated two weeks earlier, when Beijing had summoned the German

ambassador to China after German Foreign Minister Annalena Baerbock called president Xi Jinping a “dictator”.

Other European countries, both within and outside the European Union, are looking for ways to manage their own issues with China while trying to maintain a necessary level of cooperation. Italian Prime Minister Giorgia Meloni has announced that Rome might consider withdrawing from the Belt and Road Initiative, signalling a more clear-cut foreign policy shift towards the US. The issue of electric cars production subsidies has been hampering Chinese-French relations for the better part of 2023 and Paris is still struggling to formulate a policy which would enable it to best protect its interests. United Kingdom Foreign Secretary James Cleverly visited China in late August, after postponing his initially planned July visit due to [mysterious circumstances of disappearance](#) and sacking of former Chinese foreign Minister Qin Gang. Despite numerous issues hampering the two countries’ relations – from UK accusations of Chinese “malign cyber activities” to tensions in the Taiwan Strait to differing views on trade – Cleverly opted for a dominantly positive tone, stressing that it would be a mistake to isolate China and expressing optimism that challenges can be handled.

Relations with the United States and the European Union remain crucial for China’s international standing, but Beijing does not neglect maintaining contact with third countries from various regions of importance – particularly those it deems useful in balancing or challenging Western global dominance. In September, Xi Jinping hosted President Nicolas Maduro of Venezuela and President Bashar al-Assad of Syria on two separate occasions. While the relationship with Venezuela was described as “comprehensive strategic partnership”, with Caracas seeking future membership in BRICS, the purpose of allowing al-Assad to break international isolation is largely interpreted as a deliberate signal of Chinese insubordination to what it views as Western-imposed rules and norms.

In such a dynamic global engagement by Beijing, the Western Balkans is not among the critically important areas. Still, given that the Chinese presence in the region has been long established and is relatively stable, it is cost-effective for Beijing to maintain it. China’s officials have repeatedly voiced the intent to stay active in the Western Balkans, and even expand

Chinese presence should regional actors express interest. Local demand for China-supported projects remains the highest in Serbia, but Beijing keeps eyeing opportunities to expand its influence elsewhere, despite visible pushback by rivals and the reluctance of their local partners.

1.0 The Regional Picture

In the Western Balkans, the main features of Chinese presence appear to be in flux, but key patterns are clearly visible and largely stable. Serbia remains the crucial hub which attracts the lion's share of Chinese resources, with Bosnia and Herzegovina as a distant second; in North Macedonia, the Chinese presence largely relies on soft power. Meanwhile, mutual interest in economic cooperation is shyly reemerging in Montenegro after a period of cooling off since the completion of the controversial Bar-Boljare highway project; in Albania, there is a clear lack of enthusiasm for new joint projects on the government's side; and Kosovo remains a regional blind spot for China.

Beijing seems to largely be on board with such a situation: its regional influence might be somewhat toned down in comparison to pre-Covid times, but it might just be enough to enable China to step in and seize any opportunity it gets once any of the local actors, disillusioned by a staggering EU integration process, decides to turn to it for easily available capital.

Directly engaged in managing the relationship with key European economies, most notably Germany, China is not necessarily interested in the Western Balkans region as a gateway to the EU. Still, maintaining a robust regional presence is a clear win for Beijing, particularly in the context of waning influence of its once very dynamic 16+1 (now 14+1) cooperation arrangement. Local obstacles to economic expansion, like environmental issues or pushback by major competitors like the European Union or the United States are something Beijing can afford confronting in order to retain its presence in Southeast Europe. Signals that China and its state-supported companies are ready to step in whenever there is room for projects across the region have been clear and abundant in recent months – within a year it should be clear if such announcements can bear fruit.

1.1 Main Projects

Across the Western Balkans, the Chinese position differs depending on the actor. There are virtually no relations with Kosovo, very little development in economic ties with Albania and not a particularly dynamic state of affairs in North Macedonia, where the Chinese contractor Sinohydro keeps struggling to meet the end-of-the-year deadline for the 600 million EUR Ohrid-Kičevo highway.

Economic relations between China and Montenegro seem to be picking up pace after a two-year holdup. After the completion of the first section of the “Princess Ksenija” highway in the summer of 2022, the 70 million EUR project of environmental overhaul of the Pljevlja Thermal Power Plant conducted by Chinese consortium DEC International with cooperation of local contractors Bemax, BBsolar and Permonte and set for completion by the end of 2024, has long been the only major bilateral project. This August, however, the reconstruction of the Tivat (Airport) – Budva (Jaz) section of the M2 highway was officially opened by a Chinese consortium consisting of Shandong Foreign Economic and Technical Cooperation Co. Ltd. and Shandong Luqiao Group Co. Ltd. The project should be completed within two years. Their winning offer for the project was 54 million EUR (taxes excluded), with the European Bank for Reconstruction and Development lending the funds. Aside from the reconstruction of the road, the project includes the reconstruction of the regional water supply system, doubling the amount of water available in the municipalities of Herceg Novi, Tivat and Kotor. Not least due to the activities of the Chinese ambassador to Podgorica, Fan Kun, opportunities for new projects are regularly being signalled.

For years, Bosnia and Herzegovina has, after Serbia, been the regional frontrunner when it comes to the number and scope of Chinese projects. Many of them, however, keep facing various administrative, technical, environmental and other challenges. Počitelj bridge over the Neretva River is one of them: just as it was nearing completion this autumn, beam cracks were noticed on the 30 million EUR edifice jointly constructed by Azerbaijani and Chinese companies: Azvirt LLC., Sinohydro Corporation Limited and Power China Road Bridge Group

Co. Ltd. The funding has been provided by the European Investment Bank and a European Union grant allocated within the Western Balkans Investment Fund arrangement. Although the damage is reportedly superficial, it is likely to cause delays.

Another major project which has also been facing delays is the 40-kilometre-long Banja Luka - Prijedor highway, implemented through a 300 million EUR, 33-year concession arrangement between the government of the Republika Srpska entity and China Shandong International Economic & Technical Cooperation Group. It currently appears to be progressing largely according to schedule, which designates the summer of 2026 as the final deadline.

Traditionally, Serbia remains the crucial destination for Chinese loan and investment projects in the region. The Belgrade-Budapest railway connection is reportedly progressing as planned: as of August, 15 kilometres of railway tracks have been laid down, out of a projected 108 kilometres. The deadline for the completion of the 1.16 billion USD project, constructed by China Communication Construction Company, is the end of 2024. The deadline for completion of the Fruška Gora Corridor, a four-lane speedway connecting pan-European corridors 4 and 10, could be postponed until 2026. The 715 million USD project, 85% of it funded by a loan from the Chinese Exim Bank, is constructed by China Road and Bridge Corporation. The 337 million EUR Požarevac - Golubac fast road ("The Danube Corridor") project is facing a similar situation, with 2026 set as the deadline for completion of the 68-kilometre road. The construction is handled by Shandong Hi-Speed Group Co., Ltd., with 80% of the project's worth obtained through an Exim Bank loan.

Further cooperation was also announced on several occasions. Chinese companies reportedly expressed interest in taking part in two forthcoming Serbian fast roads: Belgrade - Zrenjanin and Bački Breg - Srpska Crnja ("The Smile of Vojvodina", supposed to connect crucial parts of Serbian borders with Hungary and Romania). In July, Serbian officials lead by mayor Aleksandar Šapić signed a Memorandum of Understanding with the representatives of Power China International Group Limited regarding the construction of a tunnel from the city centre to the outskirts of Belgrade, from Karađorđeva Street to the Danube Slope. No specifics on the project were disclosed. Also in July, in Saraorci near Smederevo, the construction of a solar

power plant officially begun in the presence of Serbian minister of mining and energy, Dubravka Đedović Handanović and Chinese ambassador to Serbia Chen Bo. The 9.95 MW facility, constructed by Chinese and German companies, Power China and AVR Solar Park, is intended to provide energy for about 2,500 households.

1.2 Political Influence and Outlook

Political and economic trends have largely remained unchanged during the summer. Western powers keep demonstrating endurance and persistence in regional politics even in the face of numerous crises. For over a year and a half, Russia has been significantly distracted by its own blunder in Ukraine and it can hardly afford earlier levels of regional engagement. China tries to maintain at least a minimal diplomatic and cultural presence in North Macedonia and Albania, hoping that this, along with steadily growing trade, will allow it to reestablish its foothold. Bosnia and Herzegovina remains permissive terrain for various Chinese loan and investment projects, second only to the Serbian juggernaut.

With the European Council proposing 2030 as the orientation date for the European Union accession of the Western Balkans candidates, countries of the region remain aware that a long and uncertain journey lies ahead. Financial resources are notoriously scarce and Western actors – most notably the EU and the US – do not always seem willing or able to step up. This opens up the possibility for third parties: middle powers like Turkey, Azerbaijan or the United Arab Emirates, or great powers like China, to jump in and offer quick and seemingly cheap solutions.

The war in Ukraine has largely shifted Russian focus away from the Balkans, simultaneously shifting Western attention precisely towards Russian attempts to revise the post-Cold War order in Europe. This has provided China, with its vast resources, to present itself as both a challenger and partner of the West in the region, with Beijing trying to strengthen its reputation

as a benevolent partner both to the EU and to regional actors with all their developmental needs. Projects funded by European financial institutions like the European Investment Bank or the European Bank for Reconstruction and Development and overseen by Chinese companies are a fitting example of this phenomenon, even as the EU and its key member states keep trying to 'de-risk' their relationships with Beijing.

These macro trends are unlikely to change significantly in the short to medium term. China will remain a challenge to US and European regional dominance in the Western Balkans mostly by engaging its global competitors and regional actors economically and culturally, reserving more coercive means for its more immediate neighbourhood. This is not to say that there is zero potential for more open confrontation between China and the West in the Balkans – after all, this was once an important feature of the Trump administration's regional approach – but that, even if the competition takes a more open form, neither side will have a guaranteed win in its pocket. Western Balkans countries seem aware of this and formulate their strategic postures accordingly. During a September visit to Xiamen, Serbian Energy and Mining Minister Dubravka Đedović Handanović signed two memoranda of understanding with Zijin Mining on the continuation and expansion of the company's activities in Serbia, total value of the deals nearing 4 billion EUR.

2.0 Albania

2.1 Main Projects

The main instruments of Chinese influence in Albania have gradually been shifting away from robust political and economic cooperation towards softer, culture-, academia-, and media-oriented ones. To Beijing, using a previously established network of cultural institutions or joint media programs to maintain a presence in a once closely allied country has been a substitute for its favourite tools: lending, investment, and trade. And while bilateral trade is growing at a steady pace, Chinese lending and investment arrangements in Albania remain few and far between.

Apart from Bankers Petroleum ongoing investment in the country's energy sector, most other projects like the Arber Road or the Blue Corridor have either been terminated, abandoned along the way, or discarded before they even began.

2.2 Political Influence and Outlook

As far as Beijing is concerned, its crucial investment in Albania lies in maintaining stable, even cordial, political relations. Especially since Albanian Prime Minister Edi Rama took power in 2013, the country's orientation has been staunchly pro-Western and deeply rooted in Euro-Atlantic structures and policies. Rama's comment that there are either no benefits from participating in initiatives not promoted by the EU (such as Chinese 14+1 format) or that they might be worth leaving (US-supported Open Balkan initiative) are more of an exemplar of this than they are actual policy positions. With the European Union discourse on China increasingly

based on the idea of 'de-risking, not decoupling', and Western vigilance generally shifting away from China and towards Russia, there is some modest chance that loan and investment arrangements might be reinvigorated. This would, however, certainly not ensue immediately nor on a massive scale.

3.0 Bosnia-Herzegovina

3.1 Main Projects

Bosnia and Herzegovina remains a country with the largest number of postponed, cancelled, or otherwise problematic Chinese projects in the Western Balkans. It is still the runner-up when it comes to the overall number of projects – trailing far behind Serbia – but unlike its eastern neighbour, where most projects proceed largely according to initial plans, the socio-political context in Bosnia and Herzegovina is such that most of the plans are amended on the go, for various reasons.

When the crucial sections of the Počitelj bridge over the Neretva River were finally assembled and put in place in early July, it seemed that the project was on the right track to be completed by the planned deadline: the autumn of 2023. Few could have anticipated that the cracks in the bridge beams would show just weeks later, causing a delay in construction until the damage was repaired. Officials claim that the damage is superficial and repairable, and that the overall stability of the edifice is not endangered. Still, this will clearly cause delay and a likely breach of the deadline. The 30 million EUR project is jointly implemented by Azerbaijani and Chinese companies: Azvirt LLC., Sinohydro Corporation Limited and Power China Road Bridge Group Co. Ltd. The funding has been secured by the European Investment Bank and a European Union grant allocated within the Western Balkans Investment Fund arrangement.

The Banjaluka - Prijedor Highway project, one of the most important Chinese projects in the country, appears to be progressing steadily after several instances of postponements and delays. Issues related to land expropriation still occasionally hold up construction, but a solution was found in dividing the work into sections: while some portions are being constructed, others are in the phase of issuing construction permits. Currently, the most important part of the construction is taking part near Prijedor, where a major loop is being built.

As the project advances, activists keep calling for more transparency in the process. The 40-kilometre-long road is being realised through a 300 million EUR, 33-year concession arrangement between the government of the Republika Srpska entity and China Shandong International Economic & Technical Cooperation Group, a daughter company of Shandong Hi-Speed Group. Completion of the project is set for the summer of 2026, although the Chinese side insists that the speed of the construction work will depend on the pace of expropriations.

3.2 Political Influence and Outlook

Despite Chinese projects facing numerous difficulties, as well as certain political pushback from staunchly pro-Western organisations and politicians, mostly in the Federation of Bosnia and Herzegovina entity, Beijing's diplomatic presence and overall influence in the country remain strong. It is convenient for China to have another regional foothold in addition to Serbia, thus demonstrating that the latter is not an outlier but part of the pattern.

Like his colleagues in Serbia and Montenegro, the Chinese ambassador in Bosnia and Herzegovina, Ji Ping, traditionally engages in a particularly dynamic diplomatic performance and the summer of 2023 was not an exception. He held a series of meetings across the societal and political spectrum in both country's entities. Among others, Ji Ping met with Bosnian Foreign Minister Elmedin Konaković in July, with the minister advocating for closer cooperation between the two countries and the ambassador thanking his host for the support in international organisations and institutions. In late September, Ji Ping had a meeting with Željko Komšić, the Chairman of the Presidency of Bosnia and Herzegovina, mostly to discuss opportunities for furthering economic cooperation and expanding the export of Bosnian agricultural goods into China.

As usual, the Chinese ambassador maintains particularly close relations with the government and officials in the Republika Srpska entity. This can largely be explained by perceptions of mutual interest in counter-balancing the prevailing Western influence in the country. Such interests often spill over from the political into the economic and financial arena, increasingly aided by soft power tools. In mid-July, the ambassador paid a visit to the University of East Sarajevo to discuss academic cooperation and exchange between the University and its Chinese counterparts. In mid-September, he met with the President of Republika Srpska Milorad Dodik, officially presenting a donation: laboratory equipment necessary for the fight against African swine fever.

Despite Dodik being the President of one of the country's two entities, the event was framed by the embassy as an instance of China making donations to Bosnia and Herzegovina. While maintaining close relations with Republika Srpska, Chinese diplomacy tries hard not to alienate the central administration in Sarajevo, or the authorities of the Federation entity. Days before the Republika Srpska President met with the Chinese ambassador, the ambassador of Bosnia to China, Siniša Berjan, met with Jiang Yu, special envoy for Central and Eastern European countries. Both parties advocated for closer cooperation in the spheres of economy, academia, culture and tourism, with ambassador Berjan also reiterating Bosnian support to the principle of "One China".

While the benefits of economic relations with Bosnia and Herzegovina might seem modest, especially when compared to relations with Serbia, let alone countries like Germany, they remain important for China. Maintaining a multi-faceted presence in a permissive environment is a way for Beijing to repeatedly assert itself as a crucial factor in regional politics, and by extension, in the wider European political order. Despite growing wariness in most Western capitals, Chinese influence in Bosnia and Herzegovina remains perceived as less toxic than that of Russia, which is likely to keep propelling Beijing to widen its footing in the country as much as circumstances will allow.

4.0 Kosovo

For years there has virtually been only one vector in the timid interaction between Beijing and Priština: the respective parties' relationship with Serbia. Crises in Kosovo have been amassing and escalating for almost a year, culminating with an armed clash in the village of Banjska on September 24, which saw one Kosovo policeman and three Serb rebels killed. Instances of open crises and conflict traditionally bring the Belgrade-Beijing relationship even closer together and this is what happened this time as well, with Chinese officials condemning Pristina's treatment of Serbs, particularly in the north, and expressing support to Serbia's sovereignty and territorial integrity.

At the same time, trying to soften the positions of Western partners who have recently been critical of Kosovo's behaviour, Prime Minister Albin Kurti tried to reaffirm his pro-Western credentials stating that 'Kosovo will not be a playground for Russian and Chinese geopolitical games'. Clearly, positions of Kosovo and China on crucial issues remain so distant that there is little to no chance this might change within a reasonable timeframe. In Chinese regional policies, Kosovo remains a non-factor.

5.0 North Macedonia

5.1 Main Projects

After an almost full decade since construction work began in February 2014, and following countless setbacks and delays, the Ohrid - Kičevo highway should be completed by the end of the year. The 57-kilometre-long, 600 million EUR project constructed by Sinohydro and funded by an Exim Bank loan is the most ambitious and expensive since the country's independence. The works have been picking up pace during the summer, but it remains uncertain whether the deadline will ultimately be met.

No major new investments or projects have been announced during the summer, in keeping with the downward trend of economic cooperation between the two countries in recent years. There are no technical obstacles for it and explanations seem to be dominantly political. In the meantime, like in Albania, crucial instruments of Chinese presence in North Macedonia remain within the sphere of culture, media and academia.

5.2 Political Influence and Outlook

In addition to cultural and public diplomacy, China aspires to also have as robust political and economic relations with North Macedonia as possible. There are obstacles to this, and they are largely related to EU and US aspirations to curb any third party's influence in the region, as well as the Macedonian political elite's willingness to demonstrate that the country's loyalty remains with the EU and NATO. A less than perfect experience with the project of the

Ohrid-Kičevo motorway also contributed to reluctance and cautiousness when contemplating new common projects.

Still, even with the lack of major loan and investment deals, neither side shows any intent of severing the ties officially and permanently. Trade relations remain stable and there were some – if few – green field investments in 2022 and early 2023. During the summer the parties once again shyly announced possibilities of renewed cooperation. In July, a business delegation from the Chinese province of Yunan, headed by the ambassador to Skopje, Zhang Suo, met with the director of Invest North Macedonia, a state agency for investment and export promotion, Gazmend Abdija. Potential investors expressed interest in cooperation in the fields of agribusiness and capital infrastructure, while Abdija reiterated the country's openness to trade and investment, conveying 'strong commitment to building new relationships and partnerships'. This particular partnership will likely continue to hinge on two key factors: the regional struggle for great power influence and the Macedonian need for swift access to funding and resources. Where the EU and the US do not step in, China will readily take its opportunities.

6.0 Montenegro

6.1 Main Projects

After two years of visible hiatus, Chinese-Montenegrin economic cooperation seems to be picking up pace. New infrastructure projects were kicked off during the summer, with possibilities of additional ones being regularly signalled. Older and still operational projects are few, but important.

The contract for the project of Pljevlja Thermal Power Plant environmental overhaul was signed in 2020, with reconstruction starting in the spring of 2022. Conducted by Chinese consortium DEC International with cooperation of local contractors Bemax, BBsolar and Permonte, the 70 million EUR project should be wrapped up within a year – by October 2024. It should ultimately prolong the plant's longevity by fifteen years, allowing it to operate in accordance with environmental standards.

Since the initial section of the Bar - Boljare highway was completed – the most expensive infrastructure project in the country's history – relations in the field of infrastructure seemed to be on a downward trajectory. Recently, they have been gradually revitalised. The reconstruction of Tivat (Airport) – Budva (Jaz) section of the M2 highway was officially opened on August 11 in the presence of Dritan Abazović, the outgoing Prime Minister and Chinese ambassador Fan Kun. A Chinese consortium consisting of Shandong Foreign Economic and Technical Cooperation Co. Ltd. and Shandong Luqiao Group Co. Ltd. is in charge of the reconstruction which should be completed within two years. Their winning offer for the project was 54 million EUR (taxes excluded) and Montenegro obtained the funds through a loan from the European Bank for Reconstruction and Development. The project also includes the reconstruction of the regional water supply system, which should result in more than doubling the amount of water provided to the municipalities of Herceg Novi, Tivat and Kotor.

6.2 Political Influence and Outlook

If the hedging arrangement with four Western banks (Goldman Sachs, Merrill Lynch, Société Générale and Deutsche Bank) that the first post-DPS government of Montenegro made in the summer of 2021 to offset the financial risks and signal pro-Western orientation was a mark of a clear setback in Podgorica - Beijing relations, then the decision to terminate the arrangement in the summer of 2023 can be understood as an indication of a somewhat different trend. Although there is no doubt that the country's key strategic orientation remains pro-Western, cooperation with China is no longer a taboo and crucial political actors feel that it can spill over from the sphere of rhetoric into politico-economic practice. Not coincidentally, in the first week of July, the representatives of Chinese company Norinco International Cooperation Ltd. met with the outgoing Prime Minister of Montenegro Dritan Abazović, expressing interest in investing in the sectors of transport infrastructure and energy.

As in neighbouring Albania, even during the periods when economic cooperation is stagnating, diplomatic and political relations remain close and stable. As in Bosnia and Herzegovina and Serbia, China traditionally has an exceptionally nimble and proactive ambassador in Montenegro. Since taking office a year ago, ambassador Fan Kun has been an emblem of the Chinese approach to Montenegro: keep close contact with the government, opposition and other relevant actors, and utilise every inch of available space to promote the interests of Beijing and Chinese companies.

The ambassador and his hosts marked two important anniversaries during the summer. At the beginning of July, the Chinese embassy in Podgorica organised an event to celebrate a full decade since the Belt and Road Initiative (BRI) came into being. Participants from across the Montenegrin political spectrum attended, including former president Filip Vujanović and outgoing finance minister Aleksandar Damjanović. Fan Kun underscored that, six years since the bilateral memorandum of understanding within the BRI was signed, exchange between the two countries has been steadily increasing and that the trade level of 340 million EUR in 2022 is a 37% increase from 2021. He also pointed out that Montenegro-produced goods, especially

food and agricultural products, would have high potential in the Chinese market, while Beijing remains interested in taking part in any major projects Podgorica might find worthwhile.

Another major anniversary was marked in mid-July, this time specifically concerning bilateral economic relations. One year earlier, the first section of the “Princess Ksenija” highway, connecting the Montenegrin coast with the Serbian border, was officially opened for traffic. On the occasion of the anniversary, Fan Kun wrote an op-ed for the Montenegrin daily “Dan”. In it, the ambassador asserted that the project ‘boosts the confidence of the international community in the developmental perspectives of Montenegro and contributes to Montenegro’s fast-tracked integration into the European family’. He also reiterated that China is interested in maintaining practical cooperation with Montenegro ‘based upon principles of respect, equality, mutual benefit, and collaboration wherein everybody wins, so as to start a new chapter in the traditional friendship and relations between China and Montenegro’. With the tender for the next section of the highway reportedly coming within a year and a half at the latest, Chinese companies are certain to take part and not unlikely to make a successful bid.

In yet another July op-ed, published in the Chinese People’s Daily, Fan Kun wrote about the decades-old cultural ties between Montenegro and China and emphasised the great potential for further cooperation between the two countries – particularly highlighting sectors of infrastructure and green economy.

In addition to public appearances and media presence, the ambassador also continued his practice of holding meetings and consultations with a wide range of actors on the Montenegrin political scene. Having met with the representatives of the pro-Serbian coalition For the Future of Montenegro in the spring, this September Fan Kun met with Miloško Spajić, president of the “Europe Now” movement, former finance minister and incoming prime minister, who reiterated support for the “One China” principle and welcomed the expansion of bilateral economic cooperation.

With the new government incoming – the third since the removal from power of the Democratic Party of Socialists – there is little doubt that Montenegro’s stance towards China will largely

remain the same. Most, if not all, key actors – in the government and opposition alike – have expressed openness to cooperation with China over the last year. Now that the EU and US fears of Montenegro abandoning the general pro-Western foreign policy course have, for the most part, been alleviated, new manoeuvring space for the establishment of Sino-Montenegrin ties might be opening up. As a result, new projects might be announced in the coming months.

7.0 Serbia

7.1 Main Projects

In terms of sheer size, active Chinese projects in Serbia remain larger than those in other Western Balkans countries combined. Although many of these projects are direct investments, the Chinese presence is also growing in terms of foreign direct investment: it is expected that, by the end of 2023, those coming from China might [equal or surpass those from the EU](#). Earlier projects are ongoing and largely progressing according to plans, while new ones are being announced – particularly in the context of possible elections in December.

The Novi Sad - Subotica railroad, one of critical infrastructure projects and part of the wider Belgrade - Budapest railway connection, is progressing as planned, according to Serbian officials. As of August, 15 kilometers of railway tracks have been laid down, out of a projected 108 kilometers. The current deadline for the completion of the 1.16 billion USD project, constructed by China Communication Construction Company, is late 2024. The Hungarian part of the railroad, connecting the Serbian border with Budapest, is reportedly [facing a logistical setback](#), with the works on hold for the better part of the autumn. It is expected for Hungarian Prime Minister Viktor Orbán and Chinese President Xi Jinping to address the issue at China's Belt and Road Forum in October. Initial plans for the completion of the Hungarian section of the railroad stipulated the end of 2025 as the project deadline.

The Fruška Gora Corridor, a four-lane carriageway connecting pan-European corridors 4 and 10, is officially set to be completed by the end of 2025. In 2021, Serbian President Aleksandar Vučić hinted that construction could be completed a year ahead of the official deadline; however, this summer, Serbia's Construction, Transport and Infrastructure Minister Goran Vesić announced that the deadline could actually be postponed until 2026. The 715 million

USD project, 85% of it funded by a loan from the Chinese Exim Bank, is constructed by China Road and Bridge Corporation.

The situation is similar with the 337 million EUR Pozarevac - Golubac dual carriageway ('The Danube Corridor') project. The official deadline for completion of the 68-kilometer road is in 2026, although Aleksandar Vučić announced this summer that construction could be wrapped up by mid- or late 2025. The construction is handled by Shandong Hi-Speed Group Co. Ltd., with 80% of the project worth financed through an Exim Bank loan.

In early July in Belgrade, a group of Serbian officials led by mayor Aleksandar Šapić signed a Memorandum of Understanding with the representatives of Power China International Group Limited, in the presence of ambassador Chen Bo. The topic of the document was a prospective tunnel from the city centre to the outskirts of Belgrade, from Karadjordjeva Street to the Danube Slope. No specifics on the project were disclosed, except for the mayor's hope that the construction might begin during 2024. Initial plans for a similar infrastructure project were originally initiated in 2019, only to be halted by the outbreak of the Covid-19 pandemic. In addition to the ongoing Belgrade metro project and recently completed Belgrade bypass construction and the New Belgrade - Surcin dual carriageway, Chinese companies remain interested in taking part in the development of infrastructure in the Serbian capital.

In Saraorci near Smederevo in mid-July, the construction of a solar power plant officially began in the presence of Serbian Minister of Mining and Energy, Dubravka Djedovic Handanovic and Chinese ambassador to Serbia Chen Bo. The 9,95 MW facility is constructed by Chinese and German companies: Power China and AVR Solar Park. It is intended to provide energy for around 2,500 households. The first phase of the project is expected to wrap up during the autumn.

In addition to numerous ongoing projects, new ones keep being regularly announced. In late July, after a meeting with ambassador Chen Bo, Minister Vesić stated that Chinese companies expressed interest in taking part in the construction of two forthcoming Serbian dual carriageways: Belgrade - Zrenjanin and Backi Breg - Srpska Crnja ('The Smile of Vojvodina',

supposed to connect crucial parts of the Serbian borders with Hungary and Romania). Vesić disclosed no specifics about the companies or the capacities in which they would participate in the projects.

Subsequently, in early September, during a visit to Xiamen, Minister Djedovic Handanovic signed two memoranda of understanding with Zijin Mining on the continuation and expansion of the company's activities in Serbia. According to the Ministry's website, the documents signed announce the development of the Lower Zone of the Cukaru Peki Mine, and the Memorandum on the Development of the 300 MW solar power plant project for the company's own needs. [The Čukaru Peki project alone is stated to be worth 3.8 billion USD, with additional 200 million USD intended for investment in the solar power plant.](#)

7.2 Political Influence and Outlook

With Western vigilance in relations with Serbia shifting increasingly towards the issue of Russia in 2022 and 2023, the political elites of China and Serbia have been able to deepen increasingly close personal, institutional, political and financial/economic connections. Issues that might potentially hamper these ties, like the environmental concerns raised in relation to pollution around the Smederevo Steel Mill, owned by Chinese Hbis Group, are picked up by a small number of activists and opposition media and do not seem to resonate with the wider populations. The decision to re-engage, for the first time since 2019, joint Serbian-Chinese police patrols – this time in Belgrade, Novi Sad and Smederevo, although considered controversial by some observers, also gained little traction – except as yet more proof of the two countries' close ties and friendly relations.

The ruling parties in Belgrade and Beijing, and their high-ranking officials, continue to harness close cooperation and exchange expressions of mutual support. In late July, an official delegation of the Serbian Progressive Party, headed by the member of the party Presidency

and the director of the Office for Kosovo and Metohija, Petar Petković, spent several days in China. At the central meeting with the host, Deputy Foreign Minister Deng Li, a number of issues were covered: from perspectives of inter-party cooperation, to mutual support with regard to territorial integrity, to the preparations of the forthcoming visit of Aleksandar Vucic to China. Subsequently, Vucic himself announced a visit to China in October, for the occasion of the Belt and Road Forum hosted by Xi Jinping, with many important documents on the table: most notably, the long-heralded free trade agreement between the two countries.

In mid-July, Aleksandar Vucic met with Ambassador Chen Bo, having previously spoken to Aleksandar Bocan-Harcenko, the ambassador of Russia. The main topic of the meetings was the security situation in and around Kosovo, with Vucic thanking Chen Bo for Chinese support for Serbian territorial integrity and her contribution to the development of the two countries' economic cooperation and overall partnership. He reiterated these messages two weeks later at ambassador Chen Bo's official farewell reception: she was soon to depart Belgrade, with Li Ming being designated as the incoming ambassador to Serbia.

On September 19, Vladimir Orlic, speaker of the Serbian Parliament, met in Belgrade with Li Hongzhong, first vice-president of the Permanent Committee of the All-China National Congress. The two officials underscored the importance of comprehensive cooperation and sharing good practices of parliamentary work. Hongzhong reiterated Chinese support to the Serbian position with regard to the Kosovo issue, while Orlic once again expressed Serbian adherence to the principle of One China. Almost ritually, the two officials particularly insisted on the contributions of Aleksandar Vucic and Xi Jinping to the development of the Sino-Serbian 'steel friendship and comprehensive partnership'.

In addition to the traditionally strong influence in the domains of politics and economy, China also aspires to expand its cultural presence in Serbia. The recently opened cultural centre in Belgrade is an important indicator of such a policy, but it is to be expected that this will be increasingly visible in the media sphere as well. A recent joint project between Serbian public broadcasting company Radio-Television of Serbia and China Global Television Network (a

member of China Central Television) on the Belt and Road Initiative is a major step in such a direction.

Still, there is a long way to go before China becomes one of the key players in the Serbian media sector. Until then, its main – and growing – tenets of influence are likely to remain political and economic. Since the crisis in Kosovo in late 2022, and particularly after the violence of September 24, Serbia increasingly relies on Chinese diplomatic support, with Beijing providing it unhesitatingly. In terms of investment, after the surge of 2016, Chinese actions in Serbia grew steadily, [reaching the level of the combined investment of all 27 European Union member states in 2022](#). This trend is certain to continue in 2023 and beyond.

The Serbian general election, likely to be held by the end of the year, is not expected to bring about a significant change in the two countries' relations – only a small fragment of liberal opposition parties and movements advocate distancing from Beijing. With regional and global crises like Kosovo, Covid-19 or the war in Ukraine appearing to bolster Sino-Serbian relations, and most western partners currently looking elsewhere, it is all but certain that, at least in the immediate future, the Belgrade-Beijing axis will remain a crucial feature of politics in Serbia and the wider region.

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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