China’s 21st Century Geopolitics and Geo-economics: An Evidence from the Western Balkans

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Abstract: This article advocates the thesis that the People’s Republic of China, in accordance with a strong geopolitical strategy, is using geo-economics tools in the context of reshaping global powers’ influence in diverse parts of the world. One of these spatial dimensions of Chinese emerging domination refers to the Western Balkans, primarily through the economic presence of China in this region. To address this issue first will be considered concepts of geopolitics and geo-economics, followed by highlighting China’s presence in the Western Balkans region and flourishing infrastructure projects in the domain of transport and energy. The research is conducted by relying on the existing databases on China’s economic involvement in different economy sectors worldwide, mainly from China Global Investment Tracker (CGIT) and AidData’s Global Chinese Official Finance Dataset for the WB countries in the period 2013-2018. Special attention is given to China’s benefits in terms of realizing those projects, even though the Western Balkans countries’ market is not attractive per se. Finally, some concluding remarks have been made in terms of the potentials of China’s strategy to reconsider political and security dynamics in the Western Balkans.

Keywords: the People’s Republic of China, the Western Balkans, geopolitics, geo-economics, the Belt and Road Initiative, the 16+1 Initiative, infrastructure projects.

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The paper presents findings of a study developed as a part of the research project “Serbia and challenges in international relations in 2020”, financed by the Ministry of Education, Science, and Technological Development of the Republic of Serbia, and conducted by Institute of International Politics and Economics, Belgrade.

2 In 2019, the Initiative welcomed Greece, so the official name of this cooperation is the 17+1 Initiative. However, considering the period analyzed within this paper (from 2013 to 2018), the term 16+1 is more appropriate.
Introduction

The world is witnessing various changes nowadays. In today’s geopolitics “new relationships are emerging among the main world powers, the US, Russia, the EU, Japan and China and their ‘backyards’, in Europe, Asia, the Middle East, Africa and Latin America”. The dominant position of the United States of America has become increasingly questionable with the economic strengthening of the People’s Republic of China (PRC). With its growing economy, China is pushing back against the geopolitical settlement of the Cold War, thus trying to revise consisting status quo, on both the global and regional scenes.

The Western Balkans (WB) is one of the regions where we could observe the end of the unipolarity of one superpower and the start of the emerging multipolarity. Today’s political and security dynamics of the WB countries is the outcome of the crises in the West, the comeback of Russia, and an enormous rise of China. IR scholars are increasingly agreeing on the emerging multipolarity that introduces “big players” into the international arena, seriously threatening to shake up the prevailing dominant position of the United States. In such power constellation, the (geo) political position of weak states and states in transition is largely determined by the interests of great powers. The traditional USA/EU and Russia’s zone of interest – the Western Balkans – nowadays seems to be reshaped in the context of China’s growing presence (primarily in economic terms). With its growing economy with geopolitical consequences, the PRC is questioning the existing balance of (economic) power and is changing deliberation of competition in the international arena.

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3 Aad Correlje and Coby Van der Linde, “Energy supply security and geopolitics: A European perspective”, Energy policy, Vol. 34, No. 5, 2006, p. 533.
4 Barry Naughton, Growing out of the plan: Chinese economic reform, 1978-1993, Cambridge university press, Cambridge, 1996, pp. 1-392; Walter Russell Mead, “The return of geopolitics: The revenge of the revisionist powers”, Foreign Affairs, Vol. 93, No. 3, 2014, pp. 69-79.
5 Milan Balažić, “Geopolitics of the Western Balkans 25 Years after the Breakup of Yugoslavia”, in: Vladimir N. Cvetković (ed.), The One Belt, One Road: the Balkan Perspective – Political and Security Aspects, Faculty of Security Studies, Belgrade, 2016, pp. 173-174.
6 Nevena Šekarić, “Neke karakteristike geopolitičkog okruženja Republike Srbije – bezbednosno-odbrambeni aspekti”, Vojno delo, Vol. 78, No. 1, 2019, p. 7.
From Geopolitics to Geo-economics

Considering the key element of classical geopolitics – how to use space to increase the power of a state – nowadays, it is obvious that states are using all available means to achieve that goal. Today, China is projecting its economic and political power worldwide – especially in geographical terms, broadening its cooperation with different developed and developing countries in Asia, Europe and Africa, thus making geo-economics “a new edition of the old rivalry between the states”. Therefore, it is not an unusual opinion that China’s goal is to challenge the existing balance of power to increase its power and improve its role in the international system.

The most used argument for the recent reaffirmation of geo-economics in the academic literature is that “the remarkable economic rise of China and the determination of its leaders to turn this material power into political and even ideational influence take some explaining and geo-economics offers a persuasive way of doing so”. In today’s circumstances of emerging multipolarity and changing the discourse of the USA’s dominance in the international arena, the implementation of economic tools is specifically accented. Intellectual post-Cold War milieu, broadening the concept of security and the declining significance of traditional military power, gave new forms and content to the state’s means of influence in terms of the economic ones.

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7 Blagoje Babić, “Geo-economics – Reality and Science”, Megatrend revija, Vol. 6, No. 1, 2009, p. 43.
8 Mark Beeson, “Geoeconomics with Chinese characteristics: the BRI and China’s evolving grand strategy”, Economic and Political Studies, Vol. 6, No. 3, 2018, p. 245.
9 The usage of economic tools in the context of achieving the state’s geopolitical goals is not novel. Namely, during the Cold War period, the USA and the SSSR were employing “grand strategies” and using technologies and financing allied countries in order to redesign territories according to their geopolitical interests and ideologies. Specific example in the context of reshaping postwar Europe (and in the context of this research) was Yugoslavia, where the USA and the SSSR were competing over the investing in Yugoslavia’s economy and infrastructure (Tim Cullen, Yugoslavia and the World Bank, World Bank, September 1979, http://documents.worldbank.org/curated/en/717881468759857058/pdf/multi-page.pdf, 20/8/2019; Per Högselius, Arne Kaijser and Erik Van der Vleuten, Europe’s infrastructure transition: Economy, war, nature, Palgrave Macmillan, London, 2015; Vincent Lagendijk and Frank Schipper, “East, west, home’s best: the material links of cold war Yugoslavia, 1948-1980”, Icon, 2016, pp. 28-54), thus trying to contain each other in this zone of interests.
Considering key features of the geo-economics’ concept\textsuperscript{10} – “the methods of commerce are displacing military method”\textsuperscript{11}, e.g. considering geo-economics as “the relationship between economic policy and changes in national power and geopolitics”\textsuperscript{12} or “the economic consequences of trends in geopolitics and national power”\textsuperscript{13} – one could say that China’s geo-economics is at the service of its geopolitics. In other words, geo-economics presents at the same time the purpose and tool of geopolitics’ practice in the changing world. This is somewhat logical because of the interlinked nature of politics and the economy and the fact that politics has always been led by economic interests. Talking about the economy as a factor of reshaping the existing relations between states, Huntington stressed out: “(...) It is, indeed, probably the most important source of power and in a world in which military conflict between major states is unlikely economic power will be increasingly important in determining the primacy or subordination of states”.\textsuperscript{14} Therefore, geo-economics puts the economical choice and goals of a state within the framework of a strategy aimed at increasing the state’s ability in the global competition.\textsuperscript{15} When talking about key differences between geopolitics

\textsuperscript{10} There is no consensus about the content of the geo-economics’ concept. For some authors, geo-economics is part of a traditional form of great power politics, e.g. the continuation of war by other means. Hence, geo-economics is “applying economic instruments to advance geopolitical ends” (Robert D. Blackwill and Jennifer M. Harris, \textit{War by Other Means}, Harvard University Press, Cambridge, 2016, p. 8). For some others, it presents the “conception of space, power and security, which sees geopolitical forms recalibrated by market logic... geo-economics recasts rather than simply replace geopolitical calculation” (Cowen, Deborah and Smith, Neil, “After geopolitics? From the geopolitical social to geo_economics”, \textit{Antipode}, Vol. 41, No. 1, 2009, pp. 24-25). While some consider geo-economics exclusively as an analytical tool that can be used for explaining competition between Western states (Edward N. Luttwak, “From geopolitics to geo_economics: Logic of conflict, grammar of commerce”, \textit{The National Interest}, No. 20, 1990, pp. 17-23; Edward N. Luttwak, \textit{Turbo capitalism: winners and losers in the global economy}, HarperCollins Publishers, New York, 1999), others do not limit its applicability territorially, considering it as a global phenomenon.

\textsuperscript{11} Edward N. Luttwak, “From geopolitics to geo-economics: Logic of conflict, grammar of commerce”, op. cit., p. 17.

\textsuperscript{12} Sanjaya Baru, “Geo-economics and Strategy”, \textit{Survival}, Vol. 54, No. 3, 2012, p. 47.

\textsuperscript{13} Ibid.

\textsuperscript{14} Samuel P. Huntington, “Why international primacy matters”, \textit{International Security}, Vol. 17, No. 4, 1993, pp. 71-72.

\textsuperscript{15} This strategy is understood as the state’s operation aimed to provide its enterprises and its economy with a maximum competitive advantage in relation to other state enterprises and economies (Blagjo Babić, “Odnosi Kine i Evropske unije: Geo-ekonomska osovina u razvoju”, \textit{Međunarodni problemi}, Vol. 62, No. 3, 2010, pp. 422-423). Namely, when the state uses classical
and geo-economics, Wigell and Vihma pointed out that “Geopolitical power projection, as an offensive foreign policy operation, is typically overt, conducted by military means and its operational logic is confrontation. Geo-economics power projection, on the other hand, is more covert, conducted by economic means and its operational logic is selective accommodation. These operational differences, in turn, translate into diverging tendencies in the target country or coalition’.16 Put all previously mentioned differently, the rivalry between the powers did not end with the end of the strategic suppression of the superpowers – it goes forward from the military and strategic area to the economic field. However, this should not be understood as breaking up with military means and relying exclusively on economic tools of a state. Namely, the reality of geo-economics is “inextricably intertwined with traditional military and diplomatic strands of foreign policy”.17 In the view of these two authors, China is offering “the best available lens to understand how geo-economics tools operate in practice” primarily because of its endowment with the capabilities of usage of geo-economics tools.18 The economic rise supported by foreign trade has provided China with new forms of geopolitical influence.19 With its reopening to the world and the state’s support to the economic elite, the PRC is revitalizing the entrepreneurial spirit of its citizens, thus reshaping mechanisms of global governance and economic influence worldwide. Hence, the Chinese economic strategy and transformation of the social system provided it with international prestige and a significant economic position on both regional and global scenes.

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16 Mikael Wigell and Antto Vihma, “Geopolitics versus geo-economics: the case of Russia’s geostrategy and its effects on the EU”, *International Affairs*, Vol. 92, No. 3, 2016, p. 605.
17 Robert D. Blackwill and Jennifer M. Harris, *War by Other Means*, op. cit., p. 36. This logic underlies the statement that China “incorporates economic and nontraditional concerns with traditional military and political interests” in articulating its “grand strategy” (Wang Jisi, “China’s search for a grand strategy: A rising great power finds its way”, *Foreign Affairs*, Vol. 90, No. 2, 2011, pp. 68-79).
18 Mikael Wigell and Antto Vihma, “Geopolitics versus geo-economics: the case of Russia’s geostrategy and its effects on the EU”, op. cit., p. 93.
19 Being in the right place at the right time has shown as the key to success in the case of China. In accordance, the full integration of the PRC into the global capitalist economy (where the most important event was China’s joining the WTO in 2001) was followed by the transformation of its domestic structures (Mark Beeson, “Geoconomics with Chinese characteristics: the BRI and China’s evolving grand strategy”, op. cit., p. 5).
While traditional geopolitical actors in the Western Balkans - the EU, Russia, the United States and Turkey - face many internal and external challenges, China’s economic presence in the region has been increasing.20 The WB countries turn to be a new strategic dimension of China’s foreign policy resulting in establishing the PRC as an important and influential source of diverse forms of their financing. Within the “Belt and Road” Initiative (BRI) and, specifically, the 16+1 Initiative, the People’s Republic of China is using its chance, mainly through economic involvement in various economic sectors of the given WB countries, thus making a significant geo-economics influence. Contemporary instruments of power include leadership in productivity and efficiency, high-quality products and services, market control, establishing competitive infrastructure, and financing new knowledge and technologies’ projects where geo-economics goals seem to be achievable. On the one hand, through its geo-economics conception, China is increasing its import into the European countries and, on the other, it increasingly imports energy resources and agricultural products needed for its development.21

IR scholars strongly advocate that the Chinese “Belt and Road” Initiative has the potential to reshape relations between powers on both regional and global levels. Namely, “China has begun to exert a form of ‘geo-economics’ influence that is changing the way we think about both the nature of international relations in the 21st century and about the precise uses China’s policymakers will put their growing power into”.22 By financing regional infrastructure projects within the “Belt and Road” Initiative countries, China wants to accelerate the establishment of a network of ports and logistics centers connected by land, river and sea routes to facilitate the distribution of its products. Presented seems to be achievable, especially when bearing in mind the rising number of BRI countries.23

20 Antonina Habova, “China: The New Geopolitical Actor on the Balkans?”, in: Vesselin Mintchev, Nikolay Nenovsky and Xavier Richet (eds), Western Balkans and the European Union. Lessons from Past Enlargements, Challenges to Further Integrations, Economic Research Institute, Sofia, 2015, p. 267.
21 Dušan Proroković, “Geoekonomski aspekti kineske koncepcije OBOR i pozicija Srbije, Crne Gore i BiH”, Nacionalni interes, Vol. 26, No. 2, 2016, p. 42.
22 Mark Beeson, “Geoeconomics with Chinese characteristics: the BRI and China’s evolving grand strategy”, op. cit., p. 1.
23 The number of the BRI countries continues to expand, from 75 at the end of June 2018 to 117 by the mid-October 2018 (Cecilia Joy-Perez and Derek Scissors, “Be Wary of Spending on the Belt and Road”, American Enterprise Institute, 14 November 2018, http://www.aei.org/publication/be-wary-of-spending-on-the-belt-and-road/, 19/8/2019).
China’s Presence in the Western Balkans

Although geographically set, the Western Balkans consists of countries that have not been integrated into the EU by the treaties from 2004 and 2007. Hence, the Western Balkans comprises “former Yugoslavia countries minus Slovenia plus Albania”. This “formula” actually refers to the political and discursive designation of this region with its strong historical, cultural and political and security bonds, rather than its geographical determination. The complex regional scene reflects the involvement of the WB countries in the Berlin Process aimed at improving regional cooperation and political stability. Besides, diverse political and security concerns resulted with EU membership of Croatia and with the integration of the WB countries into NATO (except for Serbia, which declared neutrality, and Bosnia and Herzegovina, but showing strong commitment to NATO membership), while Russia still has significant influence in this region “mainly because most countries of the region remain dependent upon Russia gas delivery”.

When Chinese President Xi Jinping announced the “Belt and Road” Initiative in 2013, the main goal was to ensure a continuous increase of trade in Eurasia. Today, cooperation between the People’s Republic of China and the WB countries is the most prominent in the field of the economy, based on the “Belt and Road” Initiative. Part of this development strategy is the so-called 16+1 Initiative that gathers sixteen states of Central and East Europe, formed in order to develop and promote cooperation between China and these countries. In that sense, the Balkans is often seen as a “geopolitical bridge between the Western world and wider Eurasia”, i.e., as a gateway to Europe. Although some of the phenomena are endemic characteristics of the Balkans (such as the division of the peninsula in

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24 The Cold War period was an initial period of China’s interest for the Balkans, primarily for Albania, Yugoslavia, and Romania, due to their societies based on communist ideology (David A. Andelman, “China’s Balkan strategy”, *International Security*, Vol. 4, No. 3, 1979, pp. 60-79).

25 The Western Balkans was formally set in 2003 during the EU-Western Balkans Summit in Thessaloniki that gathered six WB countries and confirmed their pathway towards EU membership (“The Thessaloniki Agenda for the Western Balkans – Moving Towards European Integration, No. C/03/163”, European Council, Thessaloniki, 21 June 2003).

26 Plamen Tonchev, “China’s Road: into the Western Balkans”, *Working Paper*, No. 3/2017, 2017, European Union Institute for Security Studies (EUISS), https://css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/resources/docs/EUISS-Brief_3_China_Western_Balkans.pdf, 25/8/2019, p. 2.

27 Vuk Vuksanović, “The Unexpected Regional Player in the Balkans: China”, *Texas National Security Review*, 29 November 2017, https://warontherocks.com/2017/11/unexpected-regional-player-balkans-china/, 25/8/2019.
terms of political issues, Kosovo’s problem, traditional quarrels of Balkan people due to their past, corruption, etc.), China has left political issues on the margins and developed cooperation based on economic issues and investments. Therefore, Chinese logic is based on the so-called win-win solutions, of which both the PRC and the WB countries would benefit mutually.  

What is the Chinese advantage regarding the Western Balkans is the fact that China respects differences in ideology and values in the WB countries, their commitment to diverse actors within the regional and global scenes. In accordance, China is welcomed in the Western Balkans over other “traditional” actors because its Initiative allows Balkan countries, for the first time in their history, to become “a full, not only a ‘younger’ partner or not a partner at all” to one powerful country whose power does not imply a military presence. Besides, the Western Balkans is a place of transit and has the potential to attract Chinese companies with overcapacity to produce, primarily in the domains of construction of the motorway and railway infrastructure and energy facilities likewise. Although the WB countries express a strong attitude towards EU membership, there are some evident dilemmas when it comes to funding. Namely, “access to large EU structural funds for candidate countries is not possible until they join the EU, but in order to make progress towards accession, countries need to improve infrastructure and transport links both within their borders and with neighbors”. Besides, with the need to catch up with the rest of the European Union by boosting investment in the WB region, the need to improve trade relations, exploitation of the region’s energy resources and revitalization of transport infrastructure have become a priority. Hence often slow processes of project preparation, other institutional obstacles regarding the EU funds, and the needs of the WB countries in terms of growth drivers make the WB countries more ready to open towards China as someone who could provide them with quick solutions.

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28 Dušan Proroković, “Geoekonomski aspekti kineske koncepcije OBOR i pozicija Srbije, Crne Gore i BiH”, op. cit., p. 44.

29 Vladimir N. Cvetković, “Chinese Power and Geopolitics of the Balkans – ‘One Belt, One Road’ – a Realist Approach”, in: Vladimir N. Cvetković (Ed.), The One Belt, One Road: the Balkan Perspective – Political and Security Aspects, Faculty of Security Studies, Belgrade, 2016, pp. 40-41.

30 Oleg Levitin, Jakov Milatovic and Peter Sanfey, “China and South-Eastern Europe: Infrastructure, trade and investment links”, EBRD Working Paper, July 2016, Department of Economics, Policy and Governance, https://www.ebrd.com/news/2016/ebrd-papers-highlight-potential-of-southeastern-europe.html, 25/8/2019, p. 2.

31 Chinese economic involvement in WB countries is often presented as “financing on favorable financial terms relative to most alternatives” (Ibid. p. 3). In most cases, financing comes in the form of loans with a long maturity period and low-interest rates.
After conducting the high-level political summit in Warsaw (2012) between China and 16 Central and Southeast European countries (CEE countries), China established a credit line of 10 billion USD to support its own business operations, followed by the establishment of the China-CEE Investment Fund (1.5 billion USD) for supporting private investments and a further 2 billion USD support for financial institutions from CEE countries to access China bond markets.\(^{32}\) The focus of the following work will be on China’s presence in the Western Balkans through the prism of its investments (including direct investments, loans and credits) in the WB region in the period 2013-2018. Presented data are driven from the *China Global Investment Tracker (CGIT)*. However, considering that this database is tracking investments from the Chinese state-owned companies exclusively, gaps will be fulfilled with data gathered from AidData’s Global Chinese Official Finance Dataset and information from the literature review, policy papers and media articles as well.\(^{33}\) The research is based on the most prominent WB countries in terms of Chinese investments, and only on those projects with the status of the official commitment stage, projects in the implementation and completed projects.

**Flourishing Infrastructure Projects**

China’s presence in the WB countries is primarily reflected through providing financial resources to states’ economies, which are more than welcomed by the finance-hungry countries such as the WB states. In this regard, it is worth to mention the fact that trade relations between the PRC and the WB countries are increasing in the last few years. For instance, China’s export to the WB countries

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32 Oleg Levitin, Jakov Milatovic and Peter Sanfey, “China and South-Eastern Europe: Infrastructure, trade and investment links”, op. cit.; Plamen Tonchev, “China’s Road: into the Western Balkans”, op. cit., p. 1; Katarina Zakić and Bojan Radišić, “Influence of the ‘Belt and Road’ Initiative on Chinese Investments in Europe Case Study: Balkan Countries”, in: Liu Zuokui and Ivona Lađevac (eds), *The Cooperation between China and Balkan Countries under the “Belt and Road” Initiative*, Chinese Academy of Social Sciences, Beijing, 2019, pp. 27-53; Aleksandar Kovačević, *Towards a Balkan gas Hub: the interplay between pipeline gas, LNG and renewable energy in South East Europe*, Oxford Institute for Energy Studies, Oxford, 2017, pp. 60-61.

33 N. B. According to the dataset authors’ recommendation, the research took into account only the “recommended_for_research” field, e.g. only those projects with the status of the official commitment stage, projects in implementation, and completed projects (Axel Dreher, Andreas Fuchs, Bradley Parks, Austin M. Strange and Michael J. Tierney, “Aid, China, and Growth: Evidence from a New Global Development Finance Dataset”, *AidData Working Paper*, No. 46, 10 October 2017, AidData at William & Mary, Williamsburg, https://www.aiddata.org/publications/aid-china-and-growth-evidence-from-a-new-global-development-finance-dataset, 20/8/2019).
more than doubled in the period 2004-2014, while imports from these countries increased sevenfold in the same time frame.\footnote{Jacopo Maria Pepe, “China’s Inroads into Central, Eastern, and South Eastern Europe: Implications for Germany and the EU”, SSOAR Working Paper, No. 2/2017, March 2017, DGAP, Berlin, https://www.ssoar.info/ssoar/bitstream/handle/document/56045/ssoar-2017-pepe-Chinas_Inroads_into_Central_Eastern.pdf?sequence=1, 20/8/2019, p. 4.} Reviewing previously mentioned databases, reports and articles on Chinese investments in the WB countries through 6-year period resulted in the notion that the highest involvement of China in the WB countries is through loans intended for construction infrastructure, while the interest for Chinese direct investments within the WB countries is rising. Besides, the most prominent receiving sectors when it comes to China’s economic involvement in the WB countries are transport and energy.

By investing in infrastructure projects in the WB countries, China is making huge progress in terms of its development that have a strong geo-economics’ dimension.\footnote{Proroković sees this trend as a continuation of XIX century metropolis’ strategies that were linking them with colonies through maritime routes and building infrastructure in some parts of the world (Dušan Proroković, “Geoekonomski aspekti kineske koncepcije OBOR i pozicija Srbije, Crne Gore i BiH”, op.cit., pp. 36-37).} So far, Chinese direct investments are present in Croatia, Bosnia and Herzegovina and Serbia, primarily in the field of energy (and in the form of Greenfield investments). In Croatia in 2018, the Norinco Chinese Company invested 220 million USD in the domain of alternative energy, and in Bosnia and Herzegovina, China Poly Group and Sinomach invested 310 million USD in the coal energy subsector.

When it comes to Chinese investments in terms of comprehensive financing infrastructure projects (direct investments, loans and credits), the main receiving sectors of the WB countries are transport and energy. Graph 1 presents Chinese investments according to CGIT database and projects labeled as construction contracts and Chinese investments in the form of loans for those projects with the status of the official commitment stage, projects in the implementation, and completed projects according to the AidData.
Graph 1: Chinese economic presence in form of loans and credits in WB countries’ economies (total amounts are presented in millions USD)\textsuperscript{36}

![Graph 1: Chinese economic presence in WB countries’ economies](image1)

The main host country for Chinese, either direct investments or investments in terms of loans, is the Republic of Serbia (Graph 2).

Graph 2: Chinese economic presence in form of DI and loans in Serbia’s economy (total amounts are presented in millions USD)\textsuperscript{37}

![Graph 2: Chinese economic presence in Serbia’s economy](image2)

\textsuperscript{36} Source: Author, based on CGIT and AidData.

\textsuperscript{37} Ibid.
The main receiving sector when it comes to Chinese financing of the WB countries, either in the form of direct investments or loans, is the sector of transport. Hence the biggest percentage of planned, realized or projects under construction is referring to the transport/communication sector.\textsuperscript{38} This is not surprising, especially when bearing in mind that motorways and railways under construction link the Far East to Europe and shorten existing trade routes between China and Western Europe, thus reducing the costs of trade. In other words, the so-called Balkan Silk Road establishes a transport connection from the Greek port of Piraeus and the EU markets, through the Western Balkans.\textsuperscript{39}

The domain of energy is another significant sector when it comes to China’s economic involvement in the WB countries.\textsuperscript{40} Namely, Chinese interest for the energy sectors of the WB countries ranges from coal-based thermal power plants to renewables, making Bosnia and Herzegovina and Serbia the main host countries.\textsuperscript{41} The 1990s fragmentation of the Balkan energy market, caused by the dissolution of Yugoslavia and the civil war, resulted in disruptions of supply to some

\textsuperscript{38} For instance, the bridge over the Danube in Belgrade (the so-called Pupin’s Bridge) was the first realized transport project in the region in 2014. Other significant Chinese-lead transport projects refer to establishing a high-speed railway between Belgrade and Budapest, (re)construction of some sections of the European motorway XI in Serbia and Montenegro, motorways in Bosnia and Herzegovina and North Macedonia and ports in Croatia as well.

\textsuperscript{39} The backbone of the Balkan Silk Road is the revitalization of existing Corridor X linking Central Europe with the Aegean Sea via Greece, North Macedonia, Serbia and Hungary and modernization of the railway between Belgrade and Budapest likewise (Oleg Levitin, Jakov Milatovic and Peter Sanfey, “China and South-Eastern Europe: Infrastructure, trade and investment links”, op. cit., p. 2).

\textsuperscript{40} In terms of energy geopolitics and energy governance, it is of utmost importance to stress out that the WB countries are part of the European Energy Community established in 2006 in order to create harmonization of national legislation with the EU \textit{acquis communautaire} in the domain of energy and integrate European energy market.

\textsuperscript{41} For instance, China is already financing the reconstruction of units of Stanari and Tuzla thermal power plants in Bosnia and Herzegovina, the strength of 300 MW and 450 MW (Oleg Levitin, Jakov Milatovic and Peter Sanfey, “China and South-Eastern Europe: Infrastructure, trade and investment links”, op. cit., p. 3; Ljiljana Stević and Miloš Grujić, “Bosna i Hercegovina na Novom putu svile: Strategija, stanje, perspektive i pozicioniranje u skladu sa novom kineskom strategijom u zemljama CIE”, Politeia, Vol. 5, No. 10, 2017, pp. 56, 69, 73). The first very big Chinese loan in Serbia’s energy sector refers to the revitalization of the Kostolac B Power Plant (strength of 350 MW), provided by the Chinese Export-Import Bank, in the amount of USD 608 million (Dragan Pavličević, \textit{Chinese Infrastructure Investments in Serbia: Between Politics and Profit}, Council for European Studies, New York, 2015, p. 11), and construction of Block 3 of Nikola Tesla B Thermal Power Plant in Obrenovac (strength of 744 MW) and pit mine Radljevo as well (Duško Dimitrijević, “Chinese investments in Serbia—a Joint pledge for the future of the new Silk road”, \textit{Baltic Journal of European Studies}, Vol. 7, No. 1, 2017, p. 75).
EU members and jeopardized key connections with Caspian, Central Asian and Middle Eastern oil and gas reserves. This kind of condition, together with old and unreliable energy infrastructure, made urgent the need for power plants’ revitalization, where China was welcomed with its rehabilitation programs. On the other hand, in accordance with its commitment to take the lead in clean energy race, China pays special attention to the WB countries’ renewable energy sectors. This trend is also intensified by the fact that a common characteristic of the WB countries is unused potentials in the domain of renewable energy, which is actually a very attractive field for Chinese companies in terms of opportunities to achieve faster development. Also, several memoranda of understandings were signed between China and the WB countries in the domain of renewables (mostly including the construction of wind turbines and plants that produce electricity from waste). Of course, benefits from planning and realizing renewable energy projects are mutual – while it helps China within a clean energy race, the WB countries, in terms of its status of EU candidates, have committed themselves to undertake necessary measures in the field of clean energy production in a certain period.

42 Loïc Poulain, “China’s New Balkan strategy”, Central Europe Watch, Vol. 1, No. 2, 2011, p. 4. This is especially important when bearing in mind that, in terms of energy, Southeastern Europe (SEE) is the only geographical area in Europe that hosts three overlapping EU energy corridors: Central/Southeastern Electricity Connection, North-South Gas Interconnections & Oil Supply and Southern Gas Corridor (Aleksandar Kovačević, Towards a Balkan gas Hub: the interplay between pipeline gas, LNG and renewable energy in South East Europe, op. cit., p. 1).

43 China’s need for promoting and investing in renewable energy is a part of its wider strategy of establishing domination in different political and economic areas. Thus, we are witnessing new “green energy race” (Joel B. Eisen, “New Energy Geopolitics: China, Renewable Energy, and the Greentech Race”, Chi.-Kent L. Rev., Vol. 86, No. 9, 2011, p. 11) nowadays with China’s replacing the USA in the position of the top investor in the green sector (Borislav Korkodelović, “Kina postaje lider u borbi protiv globalnog zagrevanja”, Danas, 14 June 2017, https://www.danas.rs/svet/kina-postaje-lider-u-borbi-protiv-globalnog-zagrevanja/, 20/8/2019; Pablo Pareja-Alcaraz, “Chinese investments in Southern Europe’s energy sectors: Similarities and divergences in China’s strategies in Greece, Italy, Portugal and Spain”, Energy Policy, Vol. 101, 2017, pp. 700-710). A strategy that allows the PRC taking this place is materialized via China’s becoming the world’s largest producer, exporter and installer of solar panels, wind turbines, batteries, and electric vehicles.

44 “Investicijski proboj Kine u državama regije”, Al Jazeera Balkans, 29 November 2015, http://balkans.aljazeera.net/vijesti/investicijski-proboj-kine-u-drzavama-regije, 20/8/2019; Borislav Korkodelović, “Infrastruktura i obnovljivi izvori”, Danas, 11 July 2016, https://www.danas.rs/ekonomija/infrastruktura-i-obnovljivi-izvori, 20/8/2019.

45 The strong commitment of the WB countries to integrate into the EU is followed by their structural adjustments with the EU acquis communautaire.
In percentage terms, Chinese FDI in the region is low and concentrated in just a few countries. However, the WB countries have enormous investment needs in many sectors that they cannot provide on their own. The Chinese so-called “infrastructure diplomacy” Richet explains as follows: “after signing contracts for the construction of roads, motorways, ports and railway lines on favorable terms, Chinese provincial firms from other sectors are invited and encouraged to invest in other sectors”. Consequently, the net of interested Chinese companies participating in the economic fields of the WB countries is spreading, which is more than positively accepted from the region’s states.

**China’s Benefits**

At first glance, the Western Balkans is not a particularly attractive market per se – the WB states are of limited size and lack purchasing power. However, there is a usual attitude that the openness of the CEE market and the lack of financial resources allow China and other countries concerned to invest in the development of particularly WB countries’ economies under favorable conditions. In other words, it seems reasonable the statement that “China develops Balkan infrastructure that the EU won’t build”. Therefore, the WB countries as transit states provide great opportunities for the economic maneuver of China in the Balkan region in the context of the exploitation of natural resources, its production capacities, and its designation as a major transport corridor. Besides, the Western Balkans, due to its geographical position, traffic and energy communications with the East and the West, presents a very important link with other subjects of the BRI Initiative.

In an economic (and potentially political) sense, Chinese economic presence in the region of the Western Balkans is “a wise investment into what one day maybe

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46 Xavier Richet, “The 16+ 1 Format: Chinese presence in fragmented markets on the periphery of Europe”, in: Chen Xin and He Zhigao (eds), *16+1 Cooperation and China-EU Relationship*, China-CEE Institute, Budapest, 2018, p. 8.
47 Loïc Poulain, “China’s New Balkan strategy”, op. cit., p. 5; Duško Dimitrijević, “Chinese investments in Serbia—a Joint pledge for the future of the new Silk road”, op. cit., p. 64.
48 Dean Andromidas, “China Develops Balkan Infrastructure That the European Union Won’t Build”, *Executive Intelligence Review (EIR)*, Vol. 40, 2013, pp. 33-39.
49 Liu Zuokui, “China’s Investment in the Balkans under the Belt and Road Initiative: A Chinese Perspective”, *Insight Turkey*, Vol. 21, No. 2, 2019, pp. 91-105.
one-fifth of the enlarged EU in terms of the number of members”. With financing construction of the WB countries’ transport and energy infrastructure, China is showing its strong effort to support global trade. Hence, this kind of China’s economic maneuver could be considered as a part of its greater geo-economics performance with a strategic, long-term significance.

Talking about some advantages for China within its 16+1 Initiative, Long Jing pointed out four of them: solid political foundation, previous experience based on cross-border projects, proactive and supportive attitude of the WB countries to the 16+1 Initiative, and pre-existing cooperative mechanism which can be relied on. At the same time, it is clear that China is pursuing broader objectives related to the BRI in the Western Balkans. Infrastructure projects in the region enable Chinese construction companies to acquire a track record in Europe, mitigate their overcapacity challenges, and create jobs for Chinese workers.

Concluding Remarks

The significance of the geopolitical position of the WB countries is reflected through its linkages with the Far East and West Europe. Namely, the most important energy and communication routes pass through the space of the Western Balkans, thus connecting resources-rich countries of the Caucasus and the Middle East region with highly developed Western countries, which are one of the largest importers of energy products. All WB countries are clearly interested in cooperation with the People’s Republic of China, perceiving this collaboration as an element for the improvement of their economic development. In addition, the benefits are mutual – while China’s economic involvement in the economies of the WB countries strengthens the economies of these countries and makes them an

50 Oleg Levitin, Jakov Milatovic and Peter Sanfey, “China and South-Eastern Europe: Infrastructure, trade and investment links”, op. cit., p. 1. Apropos, the European Commission published a new enlargement strategy document in 2018 to strengthen the WB’s accession process. It qualified the Western Balkans integration into the EU as a “geostrategic investment” (“A credible enlargement perspective for and enhanced EU engagement with the Western Balkans, COM (2018) 65 final”, European Commission, Strasbourg, 6 February 2018, p. 1).

51 Long Jing, “The Future of Cooperation Between China and the Balkans and its Opportunities Within the 16+1 Cooperation and the ‘One Belt, One Road’ Initiative”, in: Vladimir N. Cvetković (ed.), The One Belt, One Road: the Balkan Perspective – Political and Security Aspects, Faculty of Security Studies, Belgrade, 2016, pp. 17-20.

52 Plamen Tonchev, “China’s Road: into the Western Balkans”, op. cit., pp. 3-4.
Indispensable part of the overall development strategy of China, the land and sea part of the economic belt of the New Silk Road allows China to increase its presence in Europe (and worldwide).

What is important to the WB countries is that the 16+1 Initiative does not represent infrastructure projects exclusively but deepening and improving bilateral relationships with the People’s Republic of China as well. Accordingly, starting from the assumption that the Chinese infrastructure projects towards the WB countries are perceived as projects for introducing foreign resources into the economies of the WB countries, it is clear that the governing structures will endeavor to support such projects and investments. On that track, it is important to note that it is unlikely that the climate and positive attitudes towards the Chinese economic presence will change with the possible changes of the governing structures in the countries analyzed. Chinese “Belt and Road” Initiative has become a political, cultural, and economic reality able to redefine the consisting geopolitical picture of the region. With the notion that geo-economics is new geopolitics replacing traditional, military geopolitics from the past, China has a strong geopolitical vision supported by the geo-economics’ strategy that enables it to develop international economic impact worldwide.

Together with its political system’s stability and cultural-identity dimension of Sino civilization, possibly the most deserving moment for China’s economic boom is its openness to the world market – affirmation of the capitalism concept and support to free entrepreneurship and development strategy based on those assumptions have determined the path of China’s economic growth and strengthen its geo-economics’ dimension. Thus, China’s new geopolitics and geo-economics are in the context of reshaping old meanings of land and sea power, colored by the economic means of emerging domination. While the USA’s and Russia’s geopolitics in the Western Balkans was traditionally successful, China is making huge (silently?) progress in establishing its dominance in the Balkan region. Another part of the coin consists of welcomed China’s presence in the WB countries. Or, in the geo-economics terms, the established economic cooperation between China and the Western Balkans states highlights consistencies of geo-economics and geopolitical strategies of the PRC through the prism of “Belt and Road” Initiative. The process of overturning world setting in the Cold War aftermath will not be peaceful – consequences of China’s increasingly geopolitical and geo-economics dynamics are still expected, but their influence in the region should not be neglected so far.
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Nevena ŠEKARIĆ

KINESKA GEOPOLITIKA I GEOEKONOMIJA 21. VEKA:
DOKAZ SA ZAPADNOG BALKANA

Apstrakt: Osnovna teza ovog članka je da Narodna Republika Kina, u skladu sa snažnom geopolitičkom strategijom, koristi geoekonomska sredstva u kontekstu preoblikovanja uticaja globalnih sila u različitim delovima sveta. Jedna od tih prostornih dimenzija kineske dominacije odnosi se na Zapadni Balkan, prvenstveno kroz ekonomsko prisustvo Kine u ovom regionu. U članku se najpre razmatra pitanje koncepata geopolitike i geoekonomije, a потом и prisustvo Kine u regionu Zapadnog Balkana i procvat infrastrukturnih projekata u domenu transporta i energetike. Za istraživanje su korišćene postojeće baze podataka o ekonomskoj uključenosti Kine u različitim sektorima ekonomije širom sveta, uglavnom China Global Tracker Investment (CGIT) i AidData Global, službene kineske baze finansijskih podataka za zemlje Zapadnog Balkana u periodu 2013-2018. Posebna pažnja je posvećena koristima koje Kina ima u pogledu realizacije tih projekata, iako tržište zemalja Zapadnog Balkana po sebi nije privlačno. Najzad, iznete su i neke zaključne primedbe u pogledu potencijala kineske strategije za preispitivanje političke i bezbednosne dinamike na Zapadnom Balkanu.

Ključne reči: Narodna Republika Kina, Zapadni Balkan, geopolitika, geoekonomija, Inicijativa Pojasa i puta, saradnja 16+1, infrastrukturni projekti.