CHINA – SERBIA COOPERATION: RESTRICTIONS AND CHALLENGES

Summary. China occupies an important position in Serbia’s actual diplomatic strategy. Considering that the prospect of joining the European Union is one of the four major challenges for the future development of China-Serbia cooperation, the research objectives of this article is to focus on the limitations and challenges of China-Serbia relations. The author puts forward four major challenges facing China-Serbia cooperation: EU membership, global politics, trade restrictions, and cultural differences. Collecting data from the secondary sources, research papers and interviews from people in decision-making structures, with a focus on Serbia, this paper offers a reading of the opportunities to be explored as to the major challenges ad restrictions of Sino-Serbian relations.

Keywords: Chinese investments, China-Serbia trade, Chinese FDI, Sino-Serbian relations, challenges and restrictions.

Annotação. China ocupa um lugar importante na estratégia diplomática da Sérvia. Considerando que a perspectiva de adesão à União Européia é uma das quatro maiores desafios para o desenvolvimento futuro da cooperação China-Sérvia, os objetivos de pesquisa deste artigo são focar nas limitações e desafios das relações China-Sérvia. O autor apresenta quatro desafios maiores para a cooperação China-Sérvia: adesão à UE, política global, restrições comerciais e diferenças culturais. Coletando dados da fontes secundárias, artigos de pesquisa e entrevistas com pessoas em estruturas de tomada de decisão, com um foco na Sérvia, este artigo oferece uma leitura das oportunidades a serem exploradas com os maiores desafios e restrições das relações Sino-sérvias.

Descrizione. La Cina occupa un posizione importante nella strategia diplomatica della Serbia. Considerando che la prospettiva di adesione all’Unione Europea è uno dei quattro principali problemi per l’ sviluppo futuro della cooperazione Cina-Serbia, gli obiettivi di ricerca di questo articolo si focalizzano sui limiti e dei problemi delle relazioni Cina-Serbia. L’autore fa emergere quattro problemi principali per la cooperazione Cina-Serbia: adesione all’UE, politica globale, restrizioni commerciali e differenze culturali. Raccolgendo dati da fonti secundarie, articoli di ricerca e interviste con persone in strutture di decisione, con un focus sulla Serbia, questo articolo offre una lettura delle opportunità a essere esplorate tra i principali problemi e restrizioni delle relazioni Sino-serbie.

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example, large-scale infrastructure projects provided by China are not allowed under EU rules. This will put a lot of pressure on Serbia. Pressures against Serbia to abandon cooperation in sensitive fields, such as IT (as obvious from the Washington-mediated Belgrade-Pristina Agreements from September 2020) might induce a certain setback.

**Analysis of recent research and publications.** Many Chinese and Serbian researchers are paying attention to the problems faced by China, Serbia and Central and Eastern European countries in cooperation and development. For a long time, the Chinese have been obsessed with strategic culture, power balance and geopolitical changes. The number and quality of academic institutions, think tanks, journals and web-based debates are growing, which gives China’s foreign policy breadth and depth. The author would like to pay a special attention to Dragan Pavličević, an Associate Professor of Xi’an Jiaotong – Liverpool University. He studied the economic, political, security, and normative aspects of the relationship between the two countries to assess whether China has accumulated influence in Central and Eastern European countries. It is worth mentioning his papers such as “China-Serbia Strategic Partnership” and “Geoeconomics of Sino-Serbian Relations: A Chinese Perspective” [2].

Dragan Pavličević examines the efforts of Serbia and China to express their willingness to cooperate more. China’s efforts have given some Serbs reason to believe that their country has achieved a special status in the 16+1/17+1 format.

Duško Dimitrijević of the Belgrade Institute of International Political Economy in Serbia wrote the paper “Achievements and Challenges of Chinese Investment in Serbia”. In order to correctly understand China-Serbia relations, this study provides a brief explanation of China’s “New Silk Road” strategy. Then, it includes an analysis of the development of political and economic relations between Serbia and China (especially in the field of foreign investment). The last part of the research includes evaluating the comparative advantages and disadvantages of China’s foreign investment in the Serbian economy, which in itself has certain significance for the realization of the “New Silk Road” strategy [1].

In the Collection of Papers entitled ‘The Challenges of Serbia’s Foreign Policy’ written by numerous authors has been examined relations of Serbia with US, Russia, EU and China [4]. Here the biggest attention was paid to the collection of articles ‘Serbia’s foreign policy partners: relevant players in a multipolar world’. One of the articles ‘How far is China?’ written by Jasminka Simić [5] discovers Serbia’s foreign policy partners: relevant players in a multipolar world. One of the articles ‘How far is China?’ written by Jasminka Simić [5] discovers such questions as BR1 and 16+1/17+1 initiative and China-Serbia relations. Under this initiative cooperation policy between China and Serbia, bilateral and multilateral economic cooperation has been deepened, and the traditional friendship has been strengthened.

Although this kind of cooperation was built around different bilateral investment agreements, the first few years of cooperation showed that political results surpassed economic progress. Therefore, “16+1/17+1” is the subject of multiple studies aimed at determining its threats and risks to Europe.

Even though many researchers and scholars have been paying their attention to the Sino-Serbian relations, the world is continuously changing and moving forward, making new obstacles and challenges for cooperation between these two countries. **The aims of this study** is to research the limitations and challenges of China-Serbia relations. The author puts forward four major challenges facing China-Serbia cooperation: EU membership, global politics, trade restrictions, and cultural differences.

**Presenting main material.** The current relationship between Serbia and the People’s Republic of China is restricted by many political, economic, legal and social factors. These factors indicate that there are many aspects of asymmetry, which does not hinder the development of good and friendly relations between the two sides. From the historical and legal point of view, the characteristic of the relationship between the two countries is the continuity between the Federal Republic of Yugoslavia and the People’s Republic of China established diplomatic relations on January 2, 1955 [1].

**Sino-Serbian trade relations and Chinese FDI.** China is Serbia’s very good economic partner in Asia and one of the main pillars of Serbia’s foreign policy [6]. On the other hand, Serbia is one of China’s important cooperation partners in Southern and Eastern Europe. In terms of economic integration with the European Union, China mainly regards Southern and Eastern Europe as common markets with high purchasing power, so it is an ideal space for placing its own products [7].

There is a huge trade deficit, which has been growing continuously over the past decade. The reason is that Serbia’s small scale and insufficient ability to meet the needs of the Chinese market makes it difficult to develop mutually beneficial cooperation with China. The lack of capacity is manifested in, for example, Serbia’s total exports of low value-added products dominate, while in the industrial export structure divided by technology intensity, low technology intensive products dominate (accounting for almost half of Serbia’s total industrial exports). [8] Such an asymmetry in trade we can see from the table below, where for 2020 year the Chinese export to Serbia is 4 times more that the import.

**Table 1**

| Year | Serbia | China |
|------|--------|-------|
| 2016 |        |       |
| 2017 |        |       |
| 2018 |        |       |
| 2019 |        |       |
| 2020 |        |       |

| Serbia | China |
|--------|-------|
| Import | 1603  | 1819  | 2168  | 2051  | 2250  |
| Export | 162.70| 211.52| 224.52| 362.74| 532.17|

Source: compiled by the author [9]

Nevertheless, China is trying to exert its influence in Serbia through investment rather than trade, using “official” foreign direct investment to gain a foothold in the Balkans. These projects are usually guaranteed by the state, directly loaned or executed by state-owned enterprises, thus crossing the boundary between “aid” and “FDI” (as in the case of the Pupin Bridge, which was financed by the Chinese Export-Import Bank and constructed by state-owned China Road and Bridge Corpora-
tion) [10]. China’s main interest in Serbia and the Balkans is to use them as a hub for energy and infrastructure. The Chinese government hopes that Serbia will become an “important logistics node for air, rail, road and water transportation” as part of the Belt and Road Initiative [11].

At the 4th China-CEEC Summit held in Suzhou in November 2015, Serbia became a leader in the implementation of joint infrastructure and energy projects between CEEC and China. In Suzhou, China and CEEC support Serbia to establish a China-CEEC transportation infrastructure and cooperation center in Belgrade [12]. Like this, Chinese investment in Serbia in 2009 year constituted 2.68 million USD, and in year 2014 29.71 million USD, with a total growth over 2009–2014 years 1008.58%. Chinese investment topped $10 billion by 2019 and Serbia ranks among the first in Central and Eastern European countries participating in the 16+1/17+1 framework.

Challenges for Sino-Serbian Cooperation

Even though the Sino-Serbian relations are considered friendly and successful, there is still a challenge for the future of the two countries cooperation. Dr. Kramotiskyi Maxim (lecturer at the faculty of International Relations and Foreign Policy, T. Shevchenko Kyiv National University, Kyiv, Ukraine) expressed his thoughts on the constraints of Sino-Serbian relations saying that the main problem is the weak compatibility of foreign policy vectors, and more of foreign economic ties. The refusal of Chinese companies from tender and competitive procedures, the specifics of doing business in the PRC, the specifics of financial relations and conditions create difficulties for Serbia when deciding on the choice of external partners [13].

Dr. Nikola Zivlak (Deputy director-Undergraduate/Graduate programs and Associate Professor at Emlyon business school Asia Campus, Donghua University, Shanghai, China) in the interview said that according to his view there are two types of challenges. First challenge is that one need to understand how to work with Chinese people, starting from negotiations up until the operational part of engineering etc. It takes time to make teams of people of different fields to understand how to work with China. Second type of challenge is definitely global politics, like pressure from different sides. Sometimes even if Serbia is not involved, it still has impact on the relations.

The US-China competition is slowly spreading to the Balkans. The Washington agreement contains provisions on Huawei, which surprised the Serbian public. For Kosovo, it is easier to reach an agreement because it has no formal relationship with China, but President Vucic clearly knows that this could damage Belgrade’s relationship with Beijing. But for now, the price of political support for China is not high, and Serbia is willing to pay.

For several years, the Western Balkans has been the stage for China to declare itself as a global power. China’s approach is multifaceted, from implementing the Belt and Road Initiative, to investing in banks in the region, to developing relationships with different non-state actors, to spreading China’s influence in the political and economic fields, moreover, in society [16].

3. Trade restrictions

Some obstacles hinder the trade relations between Serbia and China. One of the main challenges stems from the fact that China shares its influence in Serbia through investment rather than trade. On the other hand, Serbia does not have enough capacity to meet the needs of the Chinese market, which is also the result of Serbia’s dominance of low value-added products in the total export volume.

Serbia imports from China was US$3.29 Billion during 2020, according to the United Nations COMTRADE database on international trade. China exports to Serbia mainly electronic equipment (valued 726.01 million dollars) and machinery (valued 641.17 million dollars). While Serbia exports to China was US$377.03 Million during 2020, according to the United Nations COMTRADE database on international trade. Serbia exports to China mainly copper and copper accessories, valued 228.79 million dollars. Although the bilateral relations between Serbia and China has reached the highest level in recent years in many fields such as politics, economy, culture,
and security, the economic relationship mainly consists of reaching different investment projects (mainly loans). In other words, trade relations have been neglected to some extent, while investment has received more attention [7].

4. Cultural differences

Other challenge is that one need to understand how to work with Chinese people, starting from negotiations up until the operational part of engineering etc. It takes time to make teams of people of different fields to understand how to work with China. Successful cooperation with China might not be easy, too, given the lack of knowledge in dealing with China and Chinese companies in the region. This is not about cultural differences as such but rather the lack of knowledge on Chinese business style, business philosophy and practice or business ethics, Chinese laws, which is very different from the European one. This clash of styles and business cultures may produce damaging results.

Chinese investment projects have brought about a new wave of immigrants, with regular immigrants pouring into Serbia, including manual workers and middle and high-level managers. However, although these projects are highly publicized, these new Chinese communities live out of the public eye, mostly close to remote buildings and development sites where they work. This is the first time that such a large number of Chinese construction workers have immigrated to a European country in accordance with interstate agreements, marking the transformation of Chinese labor in Europe in the form of catering jobs or clothing workshops, which are usually illegal and invisible [17].

People with business acumen see more and more opportunities for the arrival of relatively wealthy Chinese, and try to adjust or establish services that meet their specific needs, with more or less success. Every major tourist destination in Serbia brings potential economic benefits to the country. On the other hand, in the context of Serbia’s high unemployment rate, people engaged in Chinese investment projects are occasionally mentioned as potential threats. However, at the same time, there are also personal stories about friendship between ethnic groups and examples of close connections between local communities and Chinese workers. The relationship with this new type of Chinese immigrant may develop in a very different way, so it should be closely watched in the near future [16].

Conclusions. This study has analyzed main four challenges which were drawn up by author from collecting information and data from research papers and interviews with professor and research workers. Here can be emphasized the EU accession as the main challenge for Sino-Serbian relations.

China and Serbia actively developing their cooperation in many spheres: cultural, trade, direct investment, infrastructure projects like Belgrade – Budapest railway line, Pupin’s Bridge project, Obrenovac-Ljig highway, Kostolac thermal power plant Block 3, Huawei ALL-IP transformation project, Smederevo Steel plant and others.

Good political relations with China provide Serbia with opportunities to develop good economic relations in different ways and fields. Regrettably, at present, economic cooperation in terms of scale, value, and structure only accounts for a small part of the economic exchanges between the two countries and the world.

What remains particularly worrying is that Serbian policymakers make efforts to improve the country’s EU prospects have weakened in the past few years. Regarding Serbia’s future accession to the European Union, former trade expansion commissioner Johannes Hahn and others warned that Serbia and other Western Balkan countries are likely to become China’s Trojan horses. Worried that Serbia-China economic cooperation may lead to a debt trap. Once Serbia becomes a member of the European Union, China can use its debt for political purposes. Nevertheless, the EU should pay close attention to China’s activities in Serbia. On the one hand, Serbia’s main foreign policy is to join the European Union, and every Serbian government is working hard to achieve this goal. If Serbia wants to join the European Union, it will be difficult for the country to independently develop relations with China. Dr. Mladen Lisanin expresses the future of Sino-Serbian cooperation saying that ‘the trajectory of Sino-Serbian relations is generally positive, and tightening the cooperation during the fight against Covid-19 contributed to this. However, Chinese policies in the Balkans are the target of European- and especially American-led efforts to curb the influence of “third actors” in the EU periphery. Pressures against Serbia to abandon cooperation in sensitive fields, such as IT (as obvious from the Washington-mediated Belgrade-Pristina Agreements from September 2020) might induce a certain setback.’

Since the laws of Central and Eastern European countries are fully consistent with the EU in many aspects, China should strengthen its knowledge and understanding of relevant EU laws and regulations. This is the prerequisite for promoting not only Sino-Serbian cooperation but also China cooperation with other CEE countries under 16+1/17+1 cooperation.

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