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DEVELOPMENT OF THE BELT AND ROAD INITIATIVE IN SERBIA¹

Razvoj inicijative „Pojas i put“ u Srbiji

Abstract

The paper presents a general overview of the projects, observed according to the sectors of the Serbian economy, which were implemented in Serbia through the Belt and Road Initiative or are in the phase of implementation, planning or signed memoranda between China and Serbia. This initiative to strengthen trade, infrastructure and investment links between China and the countries of Asia, Africa and Europe, through a network of land and waterways, has affected the landscape of global trade, investment and financing, thereby expanding China's influence in the world. As a European country which is not a member of the European Union, Serbia found itself in a specific situation and was able to independently manage its relations with China and conclude contracts directly. In addition to the European Union as the main economic partner, Serbia is also turning to China, so this cooperation has a growing trend in the form of Chinese investments in Serbia, which are being investigated here, in contrast to the almost non-existent implementation of Serbian projects in China. Chinese companies in Serbia are actively building infrastructure, investing in the energy sector as well as the privatization and renewal of production of the former metallurgical giants of Serbia, and more. So, despite the large trade deficit with China, this initiative brings tangible economic and social benefits at the local level, creating new opportunities for employment and income generation in the community. That is why it can be said that the Belt and Road Initiative contributed to the development of cooperation between Serbia and China.

Keywords: *The Belt and Road Initiative - BRI, China, Serbia, EU, economy, industry, trade, infrastructure, energy, transport*

Sažetak

U radu je predstavljen opšti pregled projekata, sagledanih prema sektorima srpske privrede, koji su realizovani u Srbiji kroz inicijativu „Pojas i put“ ili su u fazi realizacije, planiranja ili potpisanih memoranduma između Kine i Srbije. Ova inicijativa jačanja trgovinskih, infrastrukturnih i investicionih veza između Kine i zemalja Azije, Afrike i Evrope mrežom kopnenih i vodenih puteva uticala je na pejzaž globalne trgovine, investicija i finansiranja, čime Kina širi svoj uticaj u svetu. Srbija se, kao evropska zemlja koja nije članica Evropske unije, našla u specifičnoj situaciji i u mogućnosti da samostalno uređuje svoje odnose sa Kinom i direktno sklapa ugovore. Pored Evropske unije kao glavnog ekonomskog partnera, Srbija se okreće i Kini, pa ova saradnja ima rastući trend u vidu kineskih investicija u Srbiji, koje se ovde i istražuju, nasuprot gotovo nepostojećoj realizaciji srpskih projekata u Kini. Kineske kompanije u Srbiji aktivno grade infrastrukturu, ulažu u energetski sektor, kao i privatizaciju i obnavljanje proizvodnje bivših metalurških giganata Srbije, i drugo. Dakle, i pored velikog trgovinskog deficita sa Kinom, ova inicijativa donosi opipljive ekonomske i socijalne koristi na lokalnom nivou, stvarajući nove mogućnosti zapošljavanja i ostvarivanja prihoda u zajednici. Zato se može reći da je inicijativa „Pojas i put“ doprinela razvoju saradnje Srbije sa Kinom.

Gljučne reči: *inicijativa „Pojas i put“, Kina, Srbija, EU, ekonomija, industrija, trgovina, infrastruktura, energija, transport*

¹ The paper presents findings of the study developed as a part of the research project "Serbia and challenges in international relations in 2022", 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.

Introduction

Within the framework of the Belt and Road Initiative (BRI), Serbia was given the opportunity to independently regulate its relations with China and directly conclude contracts. The authors' intention is to investigate the essence of the concluded agreements and a growing trend of this bilateral cooperation, which began to expand with the creation of the BRI. We are searching through the impact of this initiative in Serbia.

It should be noted here that not all data on this Serbian-Chinese cooperation is publicly available so, for example, it is not known for all contracts what the terms of the loan are, and therefore the analysis of the effects is difficult. Previous experience with completed and started projects tells us that the works are mainly carried out by Chinese companies with Chinese workforce. Based on the bilateral agreements with China, public tenders are not called for such projects, but the conditions for the implementation of the projects are agreed upon bilaterally.

Until now, the question of repaying loans was rarely raised, and those who asked it were EU officials, but the circumstances have changed significantly due to the pandemic and the conflict in Ukraine and, in accordance with the general crisis, it is to be expected that similar questions will be heard more and more in Serbia itself.

At the beginning of the paper, we will briefly refer to the basic characteristics and the framework of the BRI which spans the area of Eurasia and eastern Africa. This network is connecting Asia, Europe and East Africa, and infrastructure connectivity projects are the first ones planned to be implemented. The plan is to facilitate the development and China's international trade through transport connections. After providing the basic and most important data about the Chinese initiative, the paper is directed to Serbia and the scope of this initiative in this country. An overview of the importance of Serbia in the Chinese vision, the way of concluding contracts through direct negotiations and bilateral cooperation, as well as a potential danger of excessive borrowing from one partner, is given here. Then the paper enters into the structure of the projects, which we divided for this purpose according to the sectors of the economy in which the most contracts

were signed or implemented. Transport infrastructure in Serbia was obsolete and it is quite logical that the first project started here. Given the strategic importance of energy, this area of the Serbian economy has become interesting in strengthening economic cooperation between the two countries. With the successful completion of initial projects and investments in the construction of the road and railway network and investment in the power plant, it is time to get the former industrial giants of Serbia back on track by concluding bilateral contracts in the field of heavy industry. Then there was a chance to expand this cooperation through manufacturing companies and other BRI activities for Serbia, which is the next part that is covered in this paper. This analysis ends with the most important conclusions for the development of cooperation between Serbia and China through the BRI.

The Belt and Road Initiative

The BRI, a Sino-centric initiative, based on the idea of regaining the influence, power and significance the ancient Silk Road once had, is a relatively new economic phenomenon in its complexity and scope, trying to be a global game-changer. The Chinese government issued the "Vision and Actions on Jointly Building the Silk Road Economic Belt and 21st Century Maritime Silk Road" on 28 March 2015 [21]. This has outlined the framework and key areas of cooperation within the BRI. The overland Silk Road Economic Belt and the Maritime Silk Road cover Eurasia and eastern Africa, land and sea. Furthermore, the BRI has currently also reached a region in South America. The main goal is to strengthen trade, infrastructure and investment links between China and 65 countries (first estimate). China has shown itself prepared to put money into projects on a large-scale basis and the BRI started to affect the global trade, investment and finance landscape in significant ways [25]. The full quantification of this still ongoing growing project is challenging. Some general conclusions and striking points are as follows:

- The BRI includes 1/3 of world trade and GDP [34]
- The BRI includes over 60% of the world's population [34]
- China has signed 173 cooperative documents with 126 countries and 29 international organizations [33]

- China has signed currency swap agreements with 20 countries along the Belt and Road and formed RMB clearing arrangements with seven countries [37]
- Total trade between China and other Belt and Road countries in the period 2014-2016 exceeded USD 3 trillion [30]
- China's investment in "Belt and Road" countries has surpassed USD 50 billion [30]
- BRI investment projects are estimated to add over USD 1 trillion of outward funding for foreign infrastructure over the 10-year period from 2017 [1].

At first glance, we can see the massiveness of this Chinese project. It is mapping and networking, first of all, Asia with Europe, then Asia with East Africa. The omission of the American continent, above all the USA, from this initiative, is noticeable and intentional.

This initiative, proposed by China in 2013, represents a huge change in China's foreign policy [6]. With this initiative, China is connecting globally even more. However, it is not just connecting – it is spreading Chinese influence and the Chinese way of doing business to countries not just outside of China, but to countries far away and barely at reach and seemingly less significant. This project includes both rich and poor countries. These impressive numbers and projections include not only developed but developing countries as well. Infrastructure connectivity projects are the leading one, including the China-Laos Railway, the China-Thailand Railway and the Port of Piraeus. On the other side, in recent years, the world and Europe have suffered several crises. The 2008 financial crisis, Brexit, migration crisis and COVID-19 crisis are some of them. This has contributed to the emergence of the feeling that the West and its system are vulnerable and not so united, so China, feeling that the right moment has come, directed its strategy towards conquering new markets. China is rising and building plans to expand its economic power globally. With its economic power but also with its cultural, political, and military power and especially with the BRI, China is trying to catch up with the West led by the USA and the EU.

From the start of this initiative it seems that BRI is playing a critical role in providing financing for much-needed infrastructure for poor and developing countries

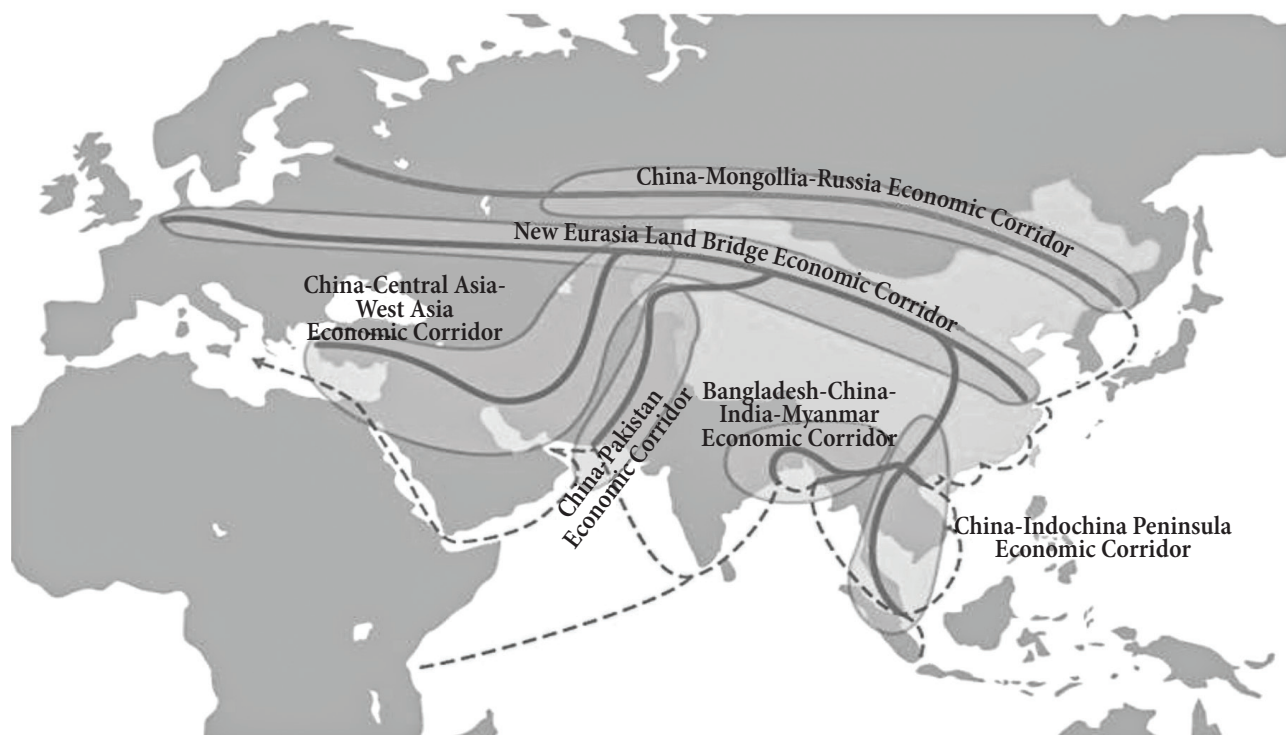
across the globe. The most visible parts of the BRI are infrastructure projects - railways, roads, bridges, airports, etc. From experience, it is known that better transport connections facilitate development and trade. The initiative itself is made up of several economic corridors. The BRI establishes six international economic corridors (see Figure 1):

- The New Eurasia Land Bridge Economic Corridor
- The China-Mongolia-Russia Economic Corridor
- The China-Central Asia-West Asia Economic Corridor
- The China-Indochina Peninsula Economic Corridor
- The China-Pakistan Economic Corridor
- The Bangladesh-China-India-Myanmar Economic Corridor.

These six economic corridors confirm the intention of stronger integration within Asia as well as stronger integration of the Asian continent with the European continent, with a noticeable absence of the American continent. "The successful implementation of the BRI over the medium-to-longer term will be influenced, in part, by the way in which the initiative is perceived by the wider global development community. Perception represents an important factor in terms of maximizing domestic support for the BRI projects in the partner states of the respective corridors. A distinguishing characteristic of the BRI is the emphasis placed upon linking the global investment, trade and corporate instruments of economic growth in the creation of tangible economic and social benefits at the local level, to create new employment opportunities and community income generation and capacity-building" [27]. In the modern world, the benefit of free trade to improve the quality of life and not to widen inequality has been somewhat out of sight. China's total exports trade with the countries along the BRI increased from USD 263.67 billion in 2007 to USD 571.92 billion in 2016 [35].

Slowing growth in the years previous to the BRI has put pressure on China to open new markets for its consumer goods and excess industrial capacity. Chinese money was looking for investment. Along with starting this major project, doubts arose in the form of concerns about debt trap, debt distress, geopolitical or even military ambitions. All these BRI years China is pointing out that it is the only peaceful economic project. The approach of

Figure 1: The six economic corridors of BRI



Source: HKTDC Research, <http://china-trade-research.hktdc.com/business-news/article/One-Belt-One-Road/The-Belt-and-Road-Initiative/obor/en/1/1X000000/1X0A36B7.html>

China in the BRI detaches economic and political interests by focusing on practical, achievable projects [35].

In recent years, billions of USD of investment are coming from the People's Republic of China and going all across the BRI [36]. A China-led initiative is aiming to improve connectivity and cooperation on a transcontinental scale with the network of railways, energy pipelines, highways, and streamlined border crossings. In the future years, China will continue to strengthen the connections and communications with all involved in the BRI. In terms of the connections, it applies to solid constructions of roads, railways and airports, and in terms of communications this applies to policies, rules, standards and the way of doing business and spreading its influence. Through this Initiative, China is expanding its economic influence to a growing number of countries in the world.

The Belt and Road Initiative in Serbia

China's export potential to the BRI countries grew about 8% faster than to non-BRI countries, which confirms that one of the goals of the Initiative is being achieved – to expand China's exports to BRI countries. This is also

the case in Serbia where, in 2019, Serbia had nearly eight times higher import than export to China. Serbia had a total of USD 2.8 billion in foreign trade with China. Goods were exported to China for USD 329 million and imported for USD 2.5 billion. There is a stronger impact of the Initiative on China's exports of capital-intensive products than labor-intensive and resource-intensive products in BRI countries. Trade Potential index for Serbia in 2011 was 0.3292, and in 2015 was 0.3536, with the change of 7.43% [35]. This shows growing potential of our country for trade, suggesting we could boost volume in both export and import.

Serbia is of particular importance to China because it is located at the crossroads of Southeastern Europe, on important land and river routes that enable it to have good east-west and north-south communications and is in the immediate neighborhood of the European Union for which China is especially interested [5]. Serbia is a hub of Chinese activity, accounting for more than half of announced funding in the Western Balkans since 2012 [4]. Since the establishment of the comprehensive strategic partnership between Serbia and China in 2016, bilateral cooperation in various fields has been steadily advancing.

Non-compliance with the principle of equal treatment, transparency, non-discrimination and competition, has the effect of preventing EU companies from participating in large-scale infrastructure projects implemented in Serbia. China in Serbia, has the benefit of not having to abide by EU legal rules. Most of the Chinese companies operating on the Serbian market are state-owned or have close ties with the Chinese state. In this way, Chinese companies compete unfairly with companies from the EU on the Serbian market. Besides, Johannes Hahn, European Commissioner for European Neighborhood Policy and Enlargement Negotiations, in 2019 expressed concern that Serbia and other Balkan countries were borrowing heavily from China and if a country is not able to pay its loans, there is some pressure for transfer into Chinese ownership. He pointed out that the EU is maybe slower and demands more than the others, but at the end is by far the fairest partner. Although the EU holds the title of the largest investor in Serbia, growing Chinese investment has not gone unnoticed and unresponsive, because its influence is growing not only in the culture and media but in the economic area [14].

BRI in the transport infrastructure

With cooperation frameworks being signed, the BRI is also gaining momentum in Serbia. Serbia saw the BRI as an opportunity to improve its old railway infrastructure and build new highways. Transport infrastructure projects that are at different stages of implementation in Serbia are harmonized with the BRI as well as the guidelines and programs of cooperation 16+1, but also with the European Unified Development Programs of the Basic and Regional Transport Network.

Serbia, with its road and rail network, belongs to the Silk Road Economic Belt and the 21st Century Maritime Silk Road on several grounds: through the road and rail sections of the Pan-European Corridor 10 and the maritime road, which leads from the port of Piraeus to the countries of Southeast, Central and Western Europe. Then, through the Corridor 10 rail sections in the territory of Serbia, which represent an important part of the southern Asian-European railway

union that should connect the Asian railways with the European Unified Railway. Also, Serbia belongs to the BRI with a significant part of the Danube River waterway, and therefore Serbia has been nominated to be the site of the multimodal link of the European railway and network of European waterways.

Only several years from the BRI in Serbia, Chinese companies are actively building infrastructure. The Mihajlo Pupin Bridge in Belgrade, a road bridge over the Danube River, which connects Municipalities Zemun and Borča, was built by the Chinese state company China Road and Bridge Corporation (CRBC) with local subcontractors and using Chinese materials for 50 percent of the construction. The total value of the bridge together with all connecting roads amounted to 260 million USD. The China Exim Bank financed 85% and the rest was financed by the Republic of Serbia and the city of Belgrade. The works on the Mihajlo Pupin Bridge began in the fall of 2011, and it was ceremonially opened in December 2014 during the China-CEEC summit 16+1 in Belgrade. That was the first China large-scale infrastructural project completed in Southeast Europe. The CRBC is also involved in building the Surcin-Obrenovac section of highway, which would lead to a future China-Serbia industrial park in Borča.

The modernization of the Belgrade-Budapest railway was agreed as one of the capital projects under the BRI (Figure 2). The project of the Belgrade-Budapest High-Speed Railway construction was conceived in 2013 on the China-CEEC Summit. In the Serbian territory modernization and construction of the railway section from Belgrade to the border with Hungary in the north (Belgrade – Novi Sad – Serbia-Hungary border) has a total length of 188 kilometers. The value of the works in Serbia is about USD 2 billion [28].

Among the current projects with China which are being implemented, reconstruction and modernization of the Belgrade-Budapest railroad through Serbia is a very important one. China has committed to provide the bulk of USD 3 billion needed to upgrade this highspeed railway line. The works on the project for the overhaul of the Belgrade-Budapest railway line in Serbia started in November 2017, with the modernization of the Stara Pazova-Belgrade section. This project has suffered delays

Figure 2: The Belgrade-Budapest high-speed railway



Source: The high-speed train between Belgrade and Budapest should transport Chinese goods arriving at the Greek port of Piraeus, <https://kafkadesk.org/2020/05/15/belgrade-budapest-high-speed-train-highway-to-rail/>

and difficulties that illustrate the potential friction between BRI practices and EU policy frameworks for its internal market and competition policy. Also, debt-financed projects, such as this one, have often proved more problematic in the EU environment [28].

In Serbia the railway line Belgrade-Budapest project includes three sections:

- Section Beograd Centar-Stara Pazova (34.5 km)
- Section Stara Pazova-Novı Sad (40.4 km)
- Section Novi Sad-Subotica-state border (107.4km).

The construction is underway at the Belgrade Centre Station-Stara Pazova section, funded by a CEXIM loan of USD 297.6 million. In July 2018 started the construction by Chinese and Russian companies on the 75 km segment from Belgrade to Novi Sad. At the same time, for the railway construction of Novi Sad-Subotica-state border section, Serbia signed a commercial contract worth USD 1.1 billion [18]. The plan was to start the works at this section at the end of March 2020, and to finish by the end of 2022. Because of the global pandemic of coronavirus disease COVID-19 plans have somewhat changed, but on 22 May 2021 the percentage of physical realization of the railway section Belgrade Centre Station–Stara Pazova was 54.47%. For the section Novi Sad–Subotica–state border, the planned completion date is April 2024. The reconstruction and modernization of the Rasputnica railway line G–Rakovica–Resnik (7.5 km) was finished with the Chinese partners. The project was financed from the EBRD loan, with the value of a EUR 23.8 million and

executed with the Chinese contractor CCECC [18]. This was the first project in Serbia of this Chinese company.

The Chinese companies were also engaged in the construction of the highway Miloš Veliki on Corridor 11 and the works on the Surčin-Obrenovac section and section Obrenovac-Ub, which was financed with a Chinese loan (85%) and funds from the budget of the Republic of Serbia (15%), total value of USD 541 million [3]. Among the planned projects is the sections on Corridor 11 Novi Beograd-Surčin, Surčin-Obrenovac and Preljina-Požega. Then, a 107 km long Požega-Boljare section on Corridor 11 which will connect Belgrade with Montenegro. The whole project should set up a unified railway-transport and customs system that would connect the Greece port of Piraeus, through Macedonia via Serbia and Hungary and the rest of Europe, transporting the goods from China to Central Europe and vice versa.

A preferential loan arrangement with the representatives of China and the Exim Bank was arranged under a favorable interest rate of three percent, despite the new rules and limitations recently introduced by the Chinese government. The Exim Bank approved a loan for the construction of the section of the highway from Preljina to Požega. A loan was also approved for the construction of a road (bypass) around Belgrade, from Ostružnica to Bubanj stream, on the so-called Sector C and the construction of a bridge near Vinča. The Chinese company Sinehidro will be engaged on the construction alongside the Azerbaijan Company Azvirt. At this high-level meeting in Beijing on September 2018 was also discussed about fast roads Novi Sad-Ruma and Ruma-Šabac and renovation of Belgrade-Niš railroads on Rail Corridor 10 in the amount of EUR 602 million [32].

As part of an agreement signed by Serbia's infrastructure ministry, Serbia and the Power Construction Corporation of China (PowerChina) it is planned to cooperate on the construction of a new metro network in Belgrade. Serbian ministers also signed agreements with PowerChina that are aimed at implementing a road construction project around Belgrade, as well as the reconstruction and modernization of railroads close to Serbia border with North Macedonia. These projects are ongoing and the details of all loans are not known.

A reduction in transportation costs has a statistically significant and positive impact on international trade [12]. The construction of the Zemun-Borča bridge, as well as the highway and the construction of the Belgrade-Budapest railway line, clearly demonstrate the intention to build a unique transport system in order to goods from China could be transported from the port of Piraeus to Central Europe and vice versa. The China-Europe freight trains, connecting China with 50 cities in 15 European countries, a total of 815 freight trains ran between China and Europe in 2015, but made more than 14,000 trips by the end of March 2019, and even the pandemic year of 2020 saw 12,406 trains between China and Europe, with another surge during the first six months of 2021 [2]. By concluding the planned projects as well as by modernizing and building its road and rail network, Serbia could significantly increase revenues from the transport of goods through its rail and road network. Safer and faster transportation of both goods and people should improve Serbia's position as a transit country.

BRI in the energy sector

Even before Serbia joined the New Silk Road project, it revised the Agreement on Economic and Technical Cooperation concluded with China in 2009 to stimulate the construction of a new unit of Kostolac Thermal Power Plant worth over USD 700 million, but also the construction of a section of the Corridor 11 motorway from Obrenovac to Ljig, all involving Chinese companies. The Chinese investment in the Serbian energy sector started with the investment related to the revitalization of Kostolac-B Coal Power Plant. Kostolac power station comprises the 310-megawatt (MW) Kostolac A plant and the 700 MW Kostolac B plant. In 2010, the Public Enterprise Elektroprivreda Serbia (EPS) and China Machinery Engineering Corporation (CMEC) signed a preliminary contract for the redevelopment of Kostolac Power Plant, called unit B3. Under the terms of the preliminary contract, CMEC will contribute 85% of the cost of the refurbishment of the plant and the installation of sulphur controls [17]. The new 350 MW unit B3 is the largest investment in the domestic energy sector and the

first large power plant that is being built in Serbia after nearly three decades. The revitalization of unit 2 of the Kostolac Thermal Power Plant as well as the new unit 3 was completed, the revitalization of the Drmno surface mine was completed, the construction of a power plant for the production of electricity from waste was agreed, and the renewable energy project was started [24]. In addition, contracts were concluded on the construction of a heating and transmission line between Obrenovac and New Belgrade, then for the treatment and disposal of waste water from the central parts of Belgrade, etc. [23].

BRI in the heavy industry

In addition to cooperation in the construction of road and rail infrastructure in Serbia, which is mainly implemented through Chinese loans, new types of economic cooperation of these two countries have started from 2016 with two important privatizations of the former metallurgical giants of Serbia – the steel mill Smederevo and the mining company Bor. We should bear in mind that out of about 80 different minerals that are mined and traded worldwide, steel and coal are the most important in international trade. The privatization of these two large companies, with a large number of employees, whose funding and coverage of losses have burdened the budget of the Republic of Serbia, is considered a new and significant step forward in deepening and expanding cooperation through the BRI initiative. In these two cases, a strategic partnership may have become the most evident one. Acquisition of Smederevo is the most important project of economic cooperation between the two countries. In 2016, while President Xi Jinping visited Belgrade, the Serbian side insisted that China could bring more jobs, improve living standards, and lift the country's economic growth. We could witness the seriousness of China's approach to cooperation with Serbia when they invested in the RTB Bor copper mines and smelter and the Smederevo steel mill.

In 2003 Serbia's biggest steel producer Smederevo Steel was sold to U.S. Steel, but then in 2012, they sold the mill back to the Republic of Serbia. After a few years, the Serbian steel mill company Smederevo was sold to the Chinese company Hesteel in 2016. The company was

sold (98%) for EUR 46 million. The steel mill changed the name to the Hesteel Serbia, and in 2017 again changed the name to the HBIS GROUP Serbia Iron and Steel. At that time the Hesteel's acquisition of the Smederevo steel mill was the most important project of cooperation between the two countries. This Chinese investment boosted steel production and the company's international competitiveness, and it benefited local employment and the standard of living [15]. A significant increase in exports of this company from the moment of sale to the Chinese partner was also recorded, and in 2019 the HBIS became the largest Serbian exporter. Iron and steel in Serbia were the fastest-growing among the top 10 export categories, up 57.3% in value from 2016 to 2017 [13]. In the period January-May 2019, the HBIS group Serbia has become the largest Serbian exporter, with the amount of 313.2 million EUR [17]. This is in line with the new model of industrial growth in Serbia for the period 2011-2020 which is an export-oriented and includes dynamic growth of investments, the high rate of merchandise exports, and growth in industrial employment [31]. So, the development of export-oriented enterprises like this is one of the priorities for Serbian economy. Serbia, as a special value of this sale, appreciates the fact that after the sale to the Chinese partner, the company has retained 5,050 workers, which adds a social dimension to the entire enterprise. This has brought China a lot of political and media sympathy in Serbia. The company plans to invest 300 million EUR in order to improve energy use and cut costs and improve technology, reaching a maximum production of 2.1 million tons.

The main market for the export of steel from Serbia is the European Union market. The restrictions on the US market, caused by Section 232 tariffs on steel, are causing a diversion of trade flows into the EU, which is seriously threatening EU steelmakers. As a response, the EU Commission from 31 January 2019 imposed definitive safeguard measures on imports of steel products [10]. The measures concern 26 steel product categories and consist of tariff-rate quotas above which a duty of 25% will apply. Since February, quotas have been introduced for Serbia. The HBIS Serbia was also affected by the limitation of imports of cold-rolled products, white sheet metal

and in particular hot rolled products. The Commission imposed provisional safeguard measures on imports of steel in July 2018, with an increase in quota by 5% for steel imports in the EU, which was welcomed in the HBIS Serbia. Serbia has claimed that the average import volumes of the 2015 to 2017, used by the Commission to establish the TRQ levels, is not representative of its historical trade with the Union, since its steel plant had been on standstill during that period and that the plant's new owners managed to bring its traditional production and sales back to normal levels only recently [9]. We are expecting further development of these quotas on EU imports of steel products from Serbia.

Zijin Mining Group, one of China's largest gold miners and one of the country's top copper producers, became a major shareholder of Serbia's only copper complex RTB Bor in August 2018. After 12 years spent on four unsuccessful attempts for the privatization of RTB Bor (in 2006, 2007, 2008 and 2009), finally from the fifth attempt, the Chinese company was introduced directly into negotiations with the Government of Serbia for a strategic partnership. On 18 December 2018, Zijin Mining Group completed the investment in RTB Bor Group by signing the closing documents with the Government of the Republic of Serbia, and formally took over the company under the new name Serbia Zijin Bor Copper. The Government of Serbia was obliged to find a strategic partner or a buyer in a memorandum with the International Monetary Fund and in this way has been able to deliver on that obligation. Zijin officially became a partner on 1 January 2019. Zijin Mining took over 63% of the equity interests of the company for USD 350 million, and the Serbian government became a minority owner with 37% ownership. Total Chinese investment in the Bor mines and smelters, for upgrading, expansion or new constructions, will be implemented over a period of 6 years in the amount of USD 1.46 billion.

The copper mining and smelting complex in Bor was key in the development of Serbia's industrial sector in Yugoslavia. The company Bor was founded in 1903, and it is the only active copper production facility in Serbia, which includes mines and smelters. It includes 4 mines with low copper content (gold) in porphyry beds

and smelters. The mines are located on the Eurasian metallogenic belt, the reservoirs are rich in natural resources and provide great opportunities for exploration and exploitation of ore. It used to be the largest Serbian state-owned copper company with over a century of mining history, and more than 5,000 employees. Especially now this company is vital to the economic development of eastern Serbia. The Serbian government entered into strategic cooperation with Zijin also with the goal that employees retain their jobs. Effluents from Bor have always been a major environmental problem, and potential ecological and human health risk, not only for Serbia but for the western Balkans and the Danube Basin [26] [11]. The mentioned problems and potential dangers must be closely monitored, especially with regard to the management of the company from abroad.

Zijin Bor Copper production and operation indicators gradually improved within the first three months of 2019. Under Zijin Mining, Zijin Bor Copper is planning to carry out mining activities in accordance with international standards, to improve production efficiency and product quality and maintain high standards in safety and environmental protection. It is expected that under the new management team, the several thousand employees of Zijin Bor Copper will be part of the major forces driving the economic growth in eastern Serbia. Lan Fusheng, President of Zijin Mining Group, expressed Zijin Mining's strong confidence in Zijin Bor Copper's future, saying that Zijin sees Zijin Bor Copper as a key project under the BRI. In 2017, RTB Bor produced 700 kg of gold, 5 tons of silver and 43,000 tons of copper cathodes. "It is expected that after reaching the designated production capacity, approximately 120,000 tons of copper, 1.45 tons of gold and 10.6 tons of silver can be produced from the mines annually" [29]. Zijin Bor Copper, in the period January-May in 2019, became the 6th largest Serbian exporter with the amount of 105.1 million EUR [18]. A USD 800 million by Zijin Mining to expand its Serbia portfolio was responsible for the increases of BRI investments in the first half of 2020 during the Covid-19 pandemic [22]. Zijin Bor Copper is the second strategically important company in Serbia which is taken over by a Chinese company. These two factories, with increasing production and increasing

exports in the future, may become the key force in the development of Serbia's industrial sector.

BRI in the manufacturing companies

The Mei Ta Europe d.o.o. has opened a factory in Obrenovac in 2016 for manufacturing automotive parts, engine parts and general industrial parts. In exchange for the opening of the factory and employment, Serbia gave 14 hectares of land and exempted the company from taxes for a period of three years. The potential risk of the factory is the spillage of toxic substances, due to the proximity of the city's water supply.

The Chinese tire manufacturing company Shandong Linglong in the northern Serbian town Zrenjanin in the Zrenjanin Free Trade Zone officially started the construction of the plant on 30 March 2019, with a completion date set for March 2025. The plant is expected to produce 13 million tires a year and will employ 1,200 workers [7]. It is around 800 million EUR investment. Shandong Linglong will be built on 500,000 square meters. This is the first Greenfield Chinese investment in Serbia. The construction of a tire factory in Zrenjanin is important for this Chinese tire manufacturer because of opening the possibility to get closer to the European Union market. For the company Shandong Linglong, the project in Zrenjanin is their second-largest project abroad. Chinese company Shandong Yanggu Huatai Chemical signed a memorandum of understanding in Zrenjanin under which the company will invest between EUR 30 and 40 million in the construction of a raw material production plant for the rubber industry as a subcontractor of Shandong Linglong. This project is planned to contribute to the economic development of Serbia, especially the Banat area, and further development of the Serbian-Chinese relations. But the problems started with the depopulation of Zrenjanin and its surroundings, the lack of labor and the bringing in of Chinese and Vietnamese workers, with questionable working conditions. The construction of a high-profile highway from Belgrade to Zrenjanin was also announced and at the investor's request, it should connect middle Banat with the center of South Bačka, and facilitate the bringing of investors.

Some other BRI activities

Other planned investments are also under development in Serbia. At the Second Belt and Road Forum for International Cooperation several bilateral cooperation documents were signed between China and Serbia regarding future investments. China and Serbia agreed on a USD 3 billion package of economic investments and military purchases. Also, at the global Belt and Road conference in late April 2019, several agreements were also signed, especially in the fields of innovation and infrastructure. As part of this agreement, Serbia and the Power Construction Corporation of China (PowerChina) will cooperate on the construction of a new metro network in Belgrade. Signed agreements with PowerChina that are aimed at implementing a road construction project around Belgrade, as well as the reconstruction and modernization of railroads close to Serbia's border with North Macedonia. The Chinese presence is becoming very visible in Serbia, and especially in Belgrade: Huawei, a semi-private Chinese company, the Bank of China, which was opened a representative office, etc. The National Bank of Serbia issued on 20 December 2016 an operating licence to Bank of China in Serbia [20]. Bank of China was opened and started to work in 2017 in Belgrade.

The Serbian Minister of Finance signed an agreement on the construction of the Industrial Park of Friendship in Borča, Belgrade, with the Chinese company CRBC in Beijing on 17 September 2018. To the left of Pupin's Bridge, a huge industrial park is planned to be built on 320 hectares in the next couple of years. This park should attract over 1,000 Chinese companies and will create nearly 10,000 new jobs. The CRBC is the company which will invest in the park. If this project comes to life, it will be the biggest Chinese industrial park in Europe. It will be located in Belgrade, Serbia, so that companies coming to Europe from China would come here first. The CRBC announced its plans to invest around EUR 220 million in the Industrial Park of Friendship, and taking into consideration all the companies which will arrive, the total investment will amount to around EUR 2 billion. The government of Serbia has to start investing in the infrastructure, while the Chinese should start building factories one by one. Serbia is hoping

that Chinese information technology companies are interested in coming to Serbia to launch their production but also build development centers. The construction of the new Port of Belgrade next to Pupin's Bridge has also been announced [8]. The Serbian Government estimates that the value of projects implemented in cooperation with the PR China is about 7 billion EUR, and the value of potential projects is around 8 billion EUR.

According to the China Global Investment Tracker, Chinese investment and construction contracts in Serbia from 2013 to 2019 have amounted to 9.7 billion USD total. The cooperation between Serbia and China has often been broadcasted in Serbia. A special place was given to the visits of a delegation at the highest level. The Chinese influence in Serbia, broadcast through the media, even surpasses the real effect that has on the Serbian economy.

During the 2015-2018, fixed investments grew at an average rate of around 7%, with a cumulative growth of around 30%. In 2018 investment growth picked up to 9.2%, providing a key contribution to GDP growth. Indicators suggest that investment growth will likely pick up to around 10% in 2019, as a result of growth in both the private and government sectors. The share of investment in GDP reached 20.2% in 2018, and that share is expected to continue to grow in the medium term. During 2018 current account deficit amounted to EUR 2.2 billion (5.2% of GDP). Since 2015 Serbia's current account deficit has been fully financed by net FDI, an indicator of long-term external sustainability [19]. In the last two years (2018-2019), around 80% of growth came from fixed investment, adding on average 3.5 pp to annual growth. Serbia growth dynamics in 2020 and 2021, due to the still present coronavirus, depend on the length of the lockdown and other restrictive measures and the immediate pace of recovery right after the lockdown is lifted [20]. It is expected that the cooperation with China within the BRI, with the recovery of the country after the Covid-19 pandemic, will continue.

Despite all the mentioned forms of cooperation, China's economic presence in Serbia is very limited and the EU remains by far the most important economic and trade partner. In Serbia, even still not EU member country, the EU is the most important external actor in shaping socio-

political developments. The most likely future scenario is that the political leadership will try to further expand economic cooperation with China while continue to try to meet the accession conditions [16].

Conclusion

The People's Republic of China launched the Belt and Road Initiative with numerous projects in order to empower its role in the global economy. The BRI leaves out the US and enhances cooperation within the Asian continent as well as ties with Europe. China's motive is the creation and opening of new markets for Chinese goods and services, as well as finding a place where Chinese money will be invested. With increasing investment and placement of goods, China is expanding its economic influence in the world.

On the European continent, as a non-EU country, Serbia has found its place in this China's initiative. The location of Serbia could even play an important role in China's long-term plans for the BRI. Improved transport and energy infrastructure in Serbia and the region will support the flow of Chinese goods from the Chinese-acquired Greek port of Piraeus farther north towards the wealthier EU economies. China considers the region where Serbia is located as a key corridor into Europe and part of its Initiative. Serbia has already seen the results of China's initiative through new roads, bridges, railway reconstruction and modernization, energy projects and economic cooperation with Chinese companies. Serbia is not a rich developed country, it still has a fragile economy, problems with unemployment, especially among the young. Among others, Serbia is still building stronger democratic institutions, struggling with corruption, and fighting to catch up with stronger and sustainable EU economies. On the road to EU membership, in an attempt to achieve faster economic growth, the country is in a position of susceptibility to Chinese loans and investments. Serbia still lacks in crucial infrastructure projects and is in great need of new roads, modern railways, power plants, and strong basic plants. So far, the Chinese initiative has been able to provide investment in Serbian infrastructure (bridges, roads, and railways), solving the problem of state-owned enterprises (the steel mill *Železara Smederevo*, the

copper mining and smelting complex *Bor*), reconstruction of a power plant, help in solving unemployment, etc. The main advantage of the achieved cooperation is that China can help to alleviate some of Serbia's infrastructure deficiencies and help the country on its way to stronger economic development.

Observing the past years, with the exception of coronavirus slowdowns, cooperation between China and Serbia has an upward trend. Within the BRI, Serbia has continued to further strengthen its political and economic relations with China, and with each new year, this cooperation has brought new projects. In addition to increasing volume, cooperation has also developed in its content. Initially, Chinese companies were building road and rail infrastructure through Chinese loans. Then came the privatization of two state-owned enterprises, and recently, a greenfield investment in the construction of an industrial park has begun. This current form of cooperation between China and Serbia through the BRI initiative could be a driver for the arrival of a larger number of smaller Chinese companies, as well as a driver for technological advancement that has long been necessary for Serbia, and is in line with Serbia's plans for technological progress and digitization.

The cooperation has progressed over these last years, numerous memoranda have been signed, some projects have already been completed, while others are under construction or in the stage of preparation of plans for realization. The BRI has accelerated this collaboration and made it more receptive in Serbia. From experience in the past years, we can see the intention of China to expand its investments in Serbia. As a result, Serbia is setting up as China's top partner in South-East Europe.

Despite the upward trend, Serbia should pay attention to a several important risks connected with this cooperation. For the Republic of Serbia, the biggest risk in cooperation with China is the repayment of the loans. The terms of the loans are not known for all contracts, the contractors are mostly Chinese companies with Chinese workforce, and public tenders are not issued for such jobs, but the terms of execution are agreed bilaterally. There is also the risk of non-compliance with EU environmental standards and potential environmental pollution by Chinese-invested factories. In addition, issues of respecting the rights of

employees are also raised. Also, the increase in China's presence can possibly weaken the European integration process, which is still the most important strategic goal of Serbia. The closer to closing accession negotiations and joining the EU, it can be expected a decrease in China's presence in Serbia.

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