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European Union integration and the Belt and Road Initiative: A Curious case of Serbia

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Abstract: The topic of this article is the Serbian foreign policy between its main strategic aims – membership in the European Union, and cooperation with China in the framework of the Belt and Road initiative. Serbia bases its foreign policy upon four pillars – the accession process to the EU and three strategic partnerships with great world powers – China, the United States of America, and Russia. However, the accession process to the EU requires from Serbia to strictly follow its obligations from the Stabilization and Association Agreement, Treaty Establishing the Transport Community, and other treaties signed with the EU which might sometimes conflict with project activities from the Belt and Road partnership process. These obligations relate mostly to competition and environmental protection. The author gives the analysis of the main points of possible conflict and indicates a double standard in the EU approach to the Belt and Road initiative. Then he presents arguments that indicate the Belt and Road can serve as a bridge between candidate countries and the EU internal market. The author concludes that although there exist some structural justifications to EU's skepticism towards the Belt and Road, the best way to overcome them is to insist on political dialogue on many existing levels between the EU and China, with the aim to exchange information between them on EU rules, policies and standards to make sure Chinese investments and other financial activities in Serbia are in accordance with its accession obligations.

Keywords: European Integration, Serbia, the Belt and Road Initiative, Foreign Policy.

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Introduction

The Republic of Serbia's position in international relations can be compared with a pendulum. It always somehow oscillates between the opposite poles. Sometimes, however, this oscillation can be found to be aligned with its national interest, since its geographical position as a bridge between the East and the West simply conditions it to look both ways in the formulation of its foreign policy.

The Serbian foreign policy priority since the change of regime in October 2000 has been the path towards membership in the European Union. Evidence of this foreign policy orientation can be found in the "Resolution on Accession to the European Union" (2004) and "National Strategy for Serbia's accession to the European Union" (2005). Both these documents confirm the accession to the EU is a strategic choice of Serbia and that this strategic direction has an advantage over other pillars of the Serbian foreign policy². The crown of the accession process so far has been the signing of the Stabilization and Association Agreement as a step in which Serbia and the EU connected economically and established a legally binding treaty relationship. The essence of the Agreement is about economic matters and the development of economic relations between the parties. Its key provisions deal with periods for the transition process and the tempo of liberalization of trade in industrial and agricultural products, as well as the harmonization of Serbian law with EU law in the field of free-market functioning. After fulfilling some conditions concerning negotiations with Kosovo, Serbia was given a candidate status by the European Council in 2012.

At the time of this writing, almost 19 years have passed since the Serbian proclamation of the accession process as a foreign policy priority, and the membership door still remains just slightly opened. In the meantime, Serbia has tried to advance its position in building partnerships with other powerful actors on the global level. In accord with this line was the proclamation of four foreign policy strategic pillars – the accession process to the EU and three strategic partnerships with great world powers – China, the United States of America and Russia³. At around the same time, the Belt and Road Initiative (BRI) was proclaimed.

As it is well known, the BRI is the short form for the Silk Road Economic Belt and the 21st Century Maritime Silk Road, a huge China's foreign policy project which

² Dejan Orlić, *Evropska unija kao strateški pravac Srbije – stanje i perspektive odnosa Srbije i EU*, 2012, in M. Rašević, M.M. Marković, *Pomeraćemo granice*, Institut društvenih nauka, Beograd, str. 200.

³ Dragan Živojinović, Dragan Đukanović, „Strateška partnerstva Republike Srbije”, *Godišnjak Fakulteta političkih nauka*, br. 6, Beograd, 2011, str. 300.

consists of policy coordination, connectivity of infrastructure and facilities, unimpeded trade, financial integration, and closer people-to-people ties (a five-pronged approach). It focuses on eight fields -infrastructure connectivity, economic and trade cooperation, industrial investment cooperation, energy resources cooperation, financial cooperation, cultural and people-to-people exchanges, ecological and environmental cooperation, and maritime cooperation, and aims at the construction of six Economic Corridors and two key directions. The Belt and Road Initiative is a systematic project, which should be jointly built through consultation to meet the interests of all, and efforts should be made to integrate the development strategies of the countries along the Belt and Road. Since infrastructure is the priority area of the Initiative, Chinese enterprises are likely to face challenges in the rule of law, environmental protection, labour, human rights, charity, and anti-corruption in states where they initiate and operate BRI investments.⁴

Serbia was one of the most enthusiastic supporters of cooperation with China in the Belt and Road Initiative (BRI) from its inception. Formally, it is included in the Cooperation format 16+1, which encompasses several Central and Eastern European countries and 9 Balkan countries: Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Albania, Macedonia, Bulgaria, and Romania. Before the inclusion into the process, Serbia was cooperating with China on a bilateral basis, but the 16+1 process has accelerated this cooperation. Currently, Serbia is at the forefront in terms of quality of its relationships with China, the number and types of projects agreed upon between the two states, whether they have already been realized or have just started. Interstate relations are on the highest level, and the strategic partnership that has existed since 2009 was broadened firstly in 2013 when the governments of the People's Republic of China and the Republic of Serbia signed the Memorandum of Understanding in which they indicated mutual wishes to achieve sustainable development goals through political relations, economic complementarity and cooperation and at the same time create an economic cooperation framework to secure peace and prosperity in the region. Finally, in 2016 the partnership between Serbia and China reached a level of an "all-encompassing strategic partnership, which means that highest state officials (chiefs of states, prime ministers, presidents of parliaments and ministers), have been on a mutual visiting streak lately."⁵

⁴ Shang, H., *The Belt and the Road Initiative: Key Concepts*. Singapore: Springer. 2019, pp. 11-13.

⁵ Žarko Obradović, „Pojas i put na Balkanu i Srbiji (izazovi saradnje)”, in: Cvetković V (ed.), *Novi put svile: evropska perspektiva: bezbednosni izazovi/rizici unutar Inicijative 16+1*, Fakultet bezbednosti, Beograd, 2018, str. 167.

This paper concentrates on the question of whether these two foreign policy pillars of Serbia, one nominally higher in the hierarchy (EU integration) but lately becoming stagnant and other developing rapidly and expansively (strategic partnership with China) can conflict, and if they can what is the way to evade this potential conflict. The paper offers a review of potential points of conflict expressed in reservations of the EU official policy towards the BRI initiatives undertaken in the 16+1 framework, particularly concentrating on the consequences of the Chinese economic breakthrough in the Serbian market on Serbia's obligations towards EU law (part I). Then it explains that the solutions for these points of conflict must be sought on the bilateral EU-China level since even the member states of the EU have an interest and indeed are realizing this interest in economic cooperation with China.

EU critical stance towards the 16+1 process

The EU has been closely following the course of relations between Serbia and China. The EU has participated from the very beginning in the 16+1 process through the member states that have become part of it. However, at the first summit in Warsaw (2012), there were no official representatives from EU institutions present, while later only Slovakia and Croatia sent their respective ministers to Beijing to the formation of the Cooperation Secretariat. From the sixth summit held in Budapest in 2017, the EU has attained an observer status. With the practical start of projects in the framework of 16+1, the European Commission has several times raised a question of the compatibility of procedures for their realization with EU law.⁶

In its reports on the Serbian accession process, the European Parliament's Committee on Foreign Affairs and the EU-Serbia Stabilisation and Association Parliamentary Committee presented the relationship between Serbia and China by focusing on primarily financial support and assistance, trade, direct foreign direct investments (FDI), security and defence.⁷ Most notably, with the Chinese acquisition of the Serbian steel production factory in Smederevo through the Hesteel Group, the Commission reviewed the acquisition to see if it endangers production and prices of steel on the internal market.⁸ The report indicated no

⁶ Ibid., str. 164.

⁷ Miša Stojadinović, Violeta Rašković-Talović, „Serbia and China: The Geopolitical and Economic Importance of Mutual Cooperation for Serbia”, *China-CEE Institute Working Paper* No. 39, 2018, str. 5.

⁸ Žarko Obradović, „Pojas i put na Balkanu i Srbiji (izazovi saradnje)”, op.cit., str. 165.

reasons for worry. However, other investments also came under scrutiny. The treaty to reconstruct and build Belgrade-Budapest railroad signed between Hungary, Serbia and China was the next case of Commission's investigations. Hungary, as a member country, was requested to observe EU regulations in the public tendering process for the realization of the project. Again, an investigation to review the accordance of the process with EU competition regulations was conducted.

The EU points out various challenges to Serbian accession obligations that are presented by its cooperation with China. It indicates that financial support in the form of loans represents a burden for the Serbian economy. Furthermore, it fears the Chinese approach of using cooperation with Central and Eastern European countries (16+1 Cooperation) as a springboard to place its products in the EU internal market, using free trade agreements of these countries with the EU and simultaneously bypassing various forms of EU regulation.⁹ It has already been noted elsewhere that aspiring members for EU membership will attract additional Chinese investments as they are progressing on their membership journey.¹⁰

In general, within "money for influence" and "divide and conquer" paradigms, China is understood to be accumulating leverage over the CEE countries by making them to a high degree dependent on the Chinese economy through the financing of strategic projects, the extension of loans for these, and growing trade and investment. In return for such economic benefits, the CEE countries are feared to be prone to "repay" them by following China's line on issues of concern to Beijing. These critical suggestions conclude, therefore, that China's approach to CEE should be understood as designed to ensure and result in the CEE countries' alignment with and support for China's policies and values.¹¹

On the back of these narratives, the EU has resorted to using behind-the-door pressures on the CEE countries, hostile rhetoric, and legislative instruments to slow down the development of China-CEE ties.¹² On an official level, it has mostly

⁹ Miša Stojadinović, Violeta Rašković-Talović, „Serbia and China: The Geopolitical and Economic Importance of Mutual Cooperation for Serbia”, op.cit. str. 10.

¹⁰ Danijela Jaćimović et al., „The role of Chinese investments in the bilateral exports of new E.U. member states and Western Balkan countries”, *Economic Research-Ekonomska Istraživanja* 31:1, 2018, str. 1195.

¹¹ Dragan Pavličević, „A Power Shift Underway in Europe? China's Relationship with Central and Eastern Europe under the Belt and Road Initiative”, In Xing L. (ed.) *Mapping China's 'One Belt One Road' Initiative Cham*, Palgrave Macmillan, 2019, p. 260.

¹² James Reilly, „Leveraging Diversity: Europe's China Policy”, *EUI Working Papers RSCAS 2017/33, European University Institute*, 2017.

ignored the 16+1 initiative, while it has simultaneously withheld official support for the BRI initiative.

Continuing close cooperation between the PRC and the CEE countries, as well as the Southern European economies, created new frictions and inner-EU tensions. In April 2018, 27 EU member states, with only Hungary abstaining, compiled a critical report on China's BRI stating that this initiative "runs counter to the EU agenda for liberalizing trade and pushes the balance of power in favour of subsidized Chinese companies." However, Hungary and later also Greece decided to conclude bilateral treaties with Beijing on the BRI-based cooperation. In March 2019, as the first G7 economy, Italy officially became a cooperation partner of China's "New Silk Road".¹³

EU double standards concerning cooperation with China

The EU has a kind of a double-standard view of its cooperation with China sometimes. On the one hand, it seeks to establish connections, both through its common institutions and through individual initiatives of member countries, especially in key BRI fields such as energy and infrastructure, where Hungary, Poland and Slovakia are among the leaders.¹⁴ China responded well to this offer and joined the European Bank for Reconstruction and Development in 2016 (EBRD) with a purpose to upgrade cooperation with this EU backed bank in several fields including joint financing and policy coordination.¹⁵ The UK, Germany, France and Italy have gone in the opposite direction and joined the Asian Infrastructure Investment Bank; a Chinese backed bank established for financing the BRI infrastructural projects.¹⁶

Cooperation through common institutions is visible in the Memorandum of understanding between the European Commission and the Chinese government

¹³ Nele Noesselt, "Sino-EU Cooperation 2.0: Toward a Global "Green" Strategy?" *East Asian Community Review*, 2019, p. 8.

¹⁴ Liu Zuokui, L, „Saradnja 16+1” u kontekstu Inicijative Pojas i put” in *Novi put svile: Balkanska perspektiva političko-bezbednosni aspekti*, Beograd, Fakultet bezbednosti, Čigoja štampa, 2016, str. 50.

¹⁵ Yiwei Wang, „The Belt and the Road Initiative – What will China offer the world in its Rise”, *Beijing: New World Press*, 2016, p. 63.

¹⁶ Yiwei Wang, „The Belt and Road Initiative – What will China offer the world in its Rise”, op.cit. p. 77.

that initiated cooperation on the Platform to connect the EU and China. European infrastructural development plans, that is, the realization of Juncker's plan of investments for Europe from 2015 were welcomed by China, and China promised to financially back them. Hence, China became the first non-European country to be included in this EU plan.¹⁷ The benefits of cooperation are obvious from sheer facts of the economic importance of China for the EU and *vice versa*. China is the second-largest economy and the world's biggest trading nation. Trade between the EU and China is the second-largest economic partnership in the world. China has become one of the fastest-growing markets for European exports and the EU's biggest supplier.¹⁸

On the other hand, there are attempts by the EU to control the access of Chinese companies to its internal market. Leading EU countries have initiated legislation motions to evaluate and therefore authorize or ban foreign direct investments. Furthermore, additional legislation has been introduced to protect the European market from cheap Chinese imported goods. The EU strategic approach towards Chinese initiative added up to some of its border countries' bilateral relations but strived to retain control and direction from common institutions in Brussels, which allows the EU to have a flexible position in the sense of undertaking responsibility for results of strategic cooperation.¹⁹

This double-standard approach was nominally covered by the adoption of The "EU–China 2020 Strategic Agenda for Cooperation" which outlined win-win cooperation opportunities in select fields such as "peace and security," "prosperity," and "sustainable development." In addition to bilateral projects, the agenda stressed coordination and consultation within international organizations and multilateral frameworks. However, such an agenda remained only a rather abstract and vague formal confirmation of both sides' willingness to engage in dialogue and exchange.²⁰

¹⁷ Aleksandar Janković, "New Silk Road – New Growth Engine", *Review of International Affairs* 67, Institute of International Politics and Economics, Belgrade, 2016, p. 8.

¹⁸ Ivona Lađevac, Branislav Đorđević, „Possibilities for Promoting Interconnectivity between China and Central and Eastern European Countries”, *Review of International Affairs* 67, Institute of International Politics and Economics, Belgrade, 2016, p. 70.

¹⁹ Marko Nikolić, „Central-Eastern European Countries' (CEEC) and Serbia's Perspective and Position towards Chinese "One Belt, One Road" Initiative—A Geo-Political Overview”, *Review of International Affairs* 67, Institute of International Politics and Economics, Belgrade, 2016, p. 54.

²⁰ Nele Noesselt, „Sino–EU Cooperation 2.0: Toward a Global "Green" Strategy?", *op. cit.*, p. 10.

The 16+1 process as a bridge between the Belt and Road Initiative and EU membership

It has been pointed out that the 16+1 cooperation successfully fills in the gaps left by the EU's partial withdrawal from the CEE countries and connects economic markets of the candidate countries into one wider regional market, therefore pushing them closer to the idea of the EU internal market and strengthening EU-China cooperation by building a sort of a Euro-Asian economic bridge. In this framework, the potentially pivotal role of Serbia can be observed, as it should become an important hub of air, rail and water traffic²¹. In the words of one author:

“In terms of project implementation, Serbia stands out once again as Beijing's key partner in the region. China has already invested more than \$1 billion, mostly in the form of loans, to finance the building of transport infrastructure and energy projects in the country. For example, the Chinese and Serbian Friendship Bridge across the Danube in Belgrade was a highly symbolic and visible project completed in 2014 to the tune of \$260 million. The acquisition by the Chinese Hebei Iron and Steel Company (now the Hesteel Group) of a steel plant in Smederevo for €46 million was the largest foreign investment in Serbia in 2016, and Beijing has also signed an agreement for the construction of a Belgrade-Budapest high-speed railway”.²²

Since, therefore, Serbia represents for China one of the key partners in the Southeast European region, as well as an active factor on its path of connecting with the EU, whose internal market of high purchasing power can be an ideal space for its investments and product exports, China is willing to support Serbian aspiration for membership in the EU and incite its transition to an open economy.²³

The main strategic BRI infrastructural project related to Serbia is a true bridge for transportation of Chinese goods from port terminals in Greece to rich Central European markets. The Budapest-Belgrade-Skopje-Piraeus (BBSP) corridor defines a transportation axis running in both directions and connecting Southwest Germany, Prague, Bratislava, Budapest, Belgrade, Priština, Skopje, Thessalonica or Piraeus in Greece. Either through the Suez Canal or via the Gibraltar Strait, the sea

²¹ Miša Stojadinović, Violeta Rašković-Talović, „Serbia and China: The Geopolitical and Economic Importance of Mutual Cooperation for Serbia”, op.cit. str. 13.

²² Plamen Tonchev, „China's Road: into the Western Balkans”, *European Union Institute for Security Studies* (EUISS), 2017, p. 2.

²³ Duško Dimitrijević, „Odnosi Srbije i Kine na početku 21. veka”, *Međunarodni problemi* 60(1), Institute of International Politics and Economics, Belgrade, 2018, str. 64.

lines of communication are designed to reach major seaports into the Mediterranean Sea, such as Piraeus-Thessaloniki (Greece), Marseille (France), Benghazi (Libya), Tunis (Tunisia), Livorno-Venice (Italy), and Barcelona (Spain). The BBSP is designed to make possible the linkage between supply and demand sides of markets, decreasing the travel time between the Serbian and Hungarian capitals down from eight to three hours, and facilitating the movement of goods from the Greek port of Piraeus into the heart of Europe. However, for the BBSP to become a true economic bridge – an economic corridor, to borrow the term from Brunner (2013, 9), not just a land-sea express passage composed of a high-speed rail line (the central infrastructure), but a geographically co-located set of mechanisms to facilitate the interaction between economic agents as part of a cross-border network, the integration in the EU of all its transitory countries is necessary. And with Serbia slowing down on its negotiation path and Macedonia being a candidate for the accession since 2005, but not yet entering into the accession negotiations, this could be a far-fetched wish.²⁴

But is the EU willing to let Serbia continue accepting Chinese investments and all other types of strategic cooperation even if it can benefit its economy in the long-term? Doubts have recently been raised about the EU's willingness to use Serbian obligations towards the *acquis communautaire* in the fields of especially competition and environmental protection and in some measure also subsidies and public procurement to prevent further Chinese economic breakthrough in this part of its sphere of influence, and therefore at the same time to prevent Chinese indirect access to its internal market. These doubts are curious since Serbia is still a candidate country, and the standards in its economic relations with other partners are less restrictive than for EU members, both for project assignment and realization.

On the other hand, if the EU itself is willing to cooperate with China and turn a blind eye towards its lenient economic practices on the rule of law and media freedoms, then again we come to a double standard policy. Finally, one should not diminish the importance of Serbian gratitude for Chinese political support for its position concerning the status of Kosovo, and that there are still member countries in the EU who have an understanding for this gratitude, whether they have recognized or not the self-proclaimed independence of this autonomous region.²⁵

²⁴ Francisco José Leandro, "Combining the "Belt" with the roads in heart of Europe: Geopolitics of the BBSP Corridor", *Megatrend Review* 15, 2018, p. 214.

²⁵ Dragan Živojinović, Dragan Đukanović, „Strateška partnerstva Republike Srbije”, op. cit., p. 310.

Structural reasons for EU's critical stance towards Serbian participation in the 16+1 process

The fears of EU administration about Chinese encroachment of candidate countries and through them of the internal market are caused in large measure by an oversimplification of decision-making procedures in the Chinese foreign policy. It is usually perceived that China is an authoritarian state where policy is simply dictated from the top. This perception may have been valid under Mao, but is certainly no longer the case in contemporary China.²⁶ The BRI was designed primarily for reasons of domestic origin, to consume China's excessive industrial capacity, to secure its long-term energy supply, and in terms of internal security to stabilise the troublesome western borders that have been threatened by Islamic extremists. It seems that EU officials cannot disengage from its traditional view of China as an opportunity for European service-oriented economies and, at the same time, a threat to jobs in European manufacturing sectors.²⁷ Of course, this is not to say that China itself is completely stripped of political realism, it smartly uses a *divide et impera* strategy in its dealings with the EU member states, and does not choose partners based on their difference in market capacity or political weight.

Conflicting perceptions in the EU about China's strategy are also largely based on the differences in the creation and implementation of their respective foreign policies. Since China bases its foreign policy on issue-oriented national interests, it can easily conflict with the type of value-based relationship most preferred by the EU.²⁸ However, China is changing its approach progressively. This can be inferred from its recent more proactive participation in global governance projects, such as membership in the WTO, climate change initiatives, foreign aid, and international financial governance. Proactive participation on the international level is coupled with domestic initiatives to improve existing environmental regulation. For example, the "national ecological accounting and auditing scheme" (NEAS), represents the latest national-level endeavour destined to tackle the "grand challenge" of the degradation of the environment in China.²⁹

²⁶ Jie Yu, „The belt and road initiative: domestic interests, bureaucratic politics and the EU-China relations”, *Asia Europe Journal* 16, 2018, p. 224.

²⁷ *Ibid*, p. 231.

²⁸ Tiejun Zhang, „Sino-European relations: from the height to the width”, In: Gaens B, Jakela J, Linnell E. (eds) *The role of the European Union in Asia*, Ashgate, Farnham, 2009, p. 123.

²⁹ Xiaorui Wang, „China's Approach to Environmental Governance and the Role of the EU in Market-Induced Reforms”, *East Asian Community Review* 2, p 10, 2019. <https://doi.org/10.1057/s42215-019-00019-z>.

These differences notwithstanding, through content analysis of China's policy documents, some authors have shown that the BRI offers a very little substantive challenge to liberal economic order championed by the EU in its norms and values. The initiative explicitly seeks to defend and deepen existing trade and investment relations, extend globalization, and collaborate with and through existing multilateral organisations, while promoting very little institutional innovation. Although the BRI expresses pluralist values, these do not amount to anything approaching an alternative "model" towards liberal governance.³⁰

Environmental regulation, often cited by the main point of conflict between the BRI and EU norms is perceived sometimes as the "green barrier", or "green protectionism" by Chinese scholars.³¹ Their point is that various regulative and legislative thresholds created by some developed countries for others entering their home markets, by imposing a higher environmental quality standard than that of developing countries, are in its essence an imports restriction that leads to protectionist trade policies "unwittingly and legitimately".³² This does not necessarily have to be a case since trade between the EU and China, which is developing ever faster especially in the context of the growing rivalry between the USA and China,³³ motivates Chinese exporters to meet the standards by providing support in a variety of ways, especially in the field of energy, environment and climate change, so as to maintain and strengthen the strategic partnership between the two.³⁴ China and the EU entered into a substantive and continuous convergence evoked in the EU–China Partnership on Climate Change since the 2005 EU-China Summit,³⁵ and in various governmental and non-governmental cooperative projects revolving around environmental issues, such as the EU–China Environmental Sustainability Programme (2017), the EU–China

³⁰ Lee Jones, „Does China's Belt and Road Initiative Challenge the Liberal, Rules-Based Order?" *Fudan Journal of the Humanities and Social Sciences*, 12, 2019, p. 20.

³¹ Fang Liu and Bill Peters, „Green trade barriers: A nightmare and a blessing to developing countries", *LAP Lambert Academic Publishing, Riga*, 2011.

³² Xiaorui Wang, „China's Approach to Environmental Governance and the Role of the EU in Market-Induced Reforms", *op.cit.*, p. 12.

³³ Andrew B. Kennedy and Darren J. Lim, „The innovation imperative: technology and S-China rivalry in the twenty-first century", *International Affairs* 94(3), 2018, p. 560.

³⁴ Pietro De Matteis, „EU-China cooperation in the field of energy, environment and climate change", *Journal of Contemporary European Research* 6(4), 2010, p. 460.

³⁵ Giulia C. Romano, „The EU–China partnership on climate change: Bilateralism begetting multilateralism in promoting a climate change regime?" *MERCURY*, E-paper No. 8, 2010.

Sustainability Leadership Platform (2018) and so forth.³⁶ The extensive EU-China dialogue at all political levels obliges them to cease the zero-sum game and move forward towards a win-win situation, where the EU's higher standards for imports would serve as "green targets" for the two partners to achieve in cooperation through extensive dialogue, educational and technological exchanges, as well as negotiation of trade terms.³⁷

What is important to note for our purposes is that a candidate country such as Serbia should not worry about its dealings with China if the EU policy also goes in the direction of accommodating cooperation between the EU and China. We have previously indicated that already several member states have pledged their support for the BRI. Examples such as German and Polish railway connections, a historical route linking Venice to the ancient Silk Road, and the use of the Piraeus port in Greece as the European receiving line of the Maritime Silk Road further testify to this. Even in the UK, traditionally suspicious against any power gaining the upper hand on the European continent, there were talks about setting up a Renminbi Internationalisation centre in London's financial city, with an exclusive focus on the BRI infrastructure projects.

Political debate between the EU and China as an instrument of the Serbian foreign policy balancing

As it is seen from the previous discussion, the Serbian position relating to its participation in the BRI and aspiring for EU membership is both delicate and comfortable at the same time. Delicate, because the EU constantly puts under scrutiny the Chinese BRI projects in 16+1 countries and, therefore, might use its leverage in the negotiation process with Serbia to prevent it from realizing projects related to its territory on the basis that they are not following EU law. However, since the EU itself is very divided on this issue, and not only its 16+1 member states, but also other, so to say "core EU members" (primarily Italy, but France, Germany and the UK not far away) are themselves willing to engage with China in the BRI initiatives, it is hard to perceive this EU stance as anything but a double standard. Although double standards in other areas of the EU members policy, such as

³⁶ Xiaorui Wang, „China's Approach to Environmental Governance and the Role of the EU in Market-Induced Reforms", op.cit., p. 15.

³⁷ William McDowall et al, "Circular economy policies in China and Europe", *Journal of Industrial Ecology* 21(3), 2017, p. 655.

minorities protection have obligated Serbia to grant legal protection to minorities otherwise not present in EU member states,³⁸ in the field of economic projects, which the BRI essentially is, the same level of scrutiny might not be expected since economic integration of the Western Balkans region might be a long-term policy choice for the EU if it fails to integrate it due to its internal complications. Therefore, the smooth implementation of the BRI initiatives is necessarily helped by the relationship and the debate between the EU and China themselves, as a way to integrate the local BRI initiatives with wider EU-China connections and thus create a win-win situation for all the actors – the EU, China, and the Chinese BRI partners on their way to membership in the EU, such as Serbia. This is why the Serbian position is at the same time comfortable, since being a candidate for membership with an unclear perspective in the future period, it can play a role of a bridge between the EU and China and profit from both at the same time.

The constructive political debate between elites in China and the EU increases chances for the accommodation of interests and integration of the BRI into the EU normative framework. This debate would require the devotion of more resources to understanding China and its ever-changing complex bureaucratic decision-making process, but this is the same thing China has been doing with the EU in the recent past. For one, China has sought to soothe the EU's concerns, repeatedly emphasizing that 16+1 is "part and parcel" of China–EU relationship in its official documents, the speeches of its top-level officials and diplomats, and "second track" diplomatic mechanisms. On a strategic level, Premier Li explicitly called for the 17 countries participating in the 16+1 format to "align our respective mid- and long-term development goals and the China-EU 2020 Strategic Agenda for Cooperation".³⁹ On an operational level, there are calls for the Chinese entities pursuing opportunities in the CEE region to abide by the EU regulations, enlist the cooperation of EU companies, and pursue a strategic three-party framework, while addressing the EU's "doubts" and "concerns" and seeking cooperation. New rules should be put forward only if they are "acceptable to both sides" and if they "satisfy the needs of Europe". At the project level, China has been promoting tri-partite cooperation with the EU and CEE, advocating that China and the EU should jointly and strategically identify and deliver projects in the CEE region. The fact China adjusted its approach to a couple of flagship projects under the 16+1 initiatives to

³⁸ Mihajlo Vučić, Miloš Jončić, „Legal Rules of European Countries in Minority Protection – Tracing the Double Standard”, *Review of International Affairs, Institute of International Politics and Economics, Belgrade*, 64, 2013, p. 130.

³⁹ Dragan Pavličević, "China's Railway Diplomacy in the Balkans", *China Brief* 4(20), 2014, p. 10.

comply with the EU's regulations and preferences, testifies that Beijing seeks engagement and accommodation, not conflict.⁴⁰

In December 2018, China released a third policy paper on its relationship with the EU. Officially, the policy paper stressed that "the year 2018 marked the 15th anniversary of the China-EU Comprehensive Strategic Partnership and the 20th anniversary of the China-EU Summit" and engaged in a retrospective evaluation of past achievements and fields of future cooperation. However, a closer look at the topics and terminology used reveals the policy paper mainly served the purpose of integrating novel key terms and core concepts of the Chinese foreign policy coined by Xi Jinping into China's refined foreign strategy. The paper explicitly highlighted the complementarities between the BRI and the EU's connectivity roadmaps and outlined overlapping interests in issues of global governance.⁴¹

The contribution of Chinese funds to the Juncker Plan, the establishment of the so-called Connectivity Platforms between some EU countries and China, as well as other cooperative arrangements, testify the important stakeholders within the EU recognize the commonalities and space for constructive engagement between China and the EU, as well as that China seeks cooperation rather than competition with the EU in the CEE region. This viewpoint is often articulated in the official documents and statements on both sides, as well as in authoritative and influential policy briefs, reports, and commentaries in the EU.⁴² Avenues for this debate are multiple and ever-growing. Some authors suggest it is necessary to inject new life into the ASEM (Asia-Europe Meeting), which has worked for many years and can be an important communication platform for the BRI projects between China and the EU or to pursue further negotiations on a single bilateral agreement on investment which would replace the existing individual agreements between the EU member states and China.⁴³ Surely, since the regions involved in the scope of the potential treaty have a great geopolitical and economic importance, the treaty and its provisions will have a large influence not only on the political and economic systems of the partner states, and consequently on their citizens, workers, and businesses, but also, it will serve as a benchmark that third

⁴⁰ Dragan Pavličević, „A Power Shift Underway in Europe? China's Relationship with Central and Eastern Europe under the Belt and Road Initiative”, op.cit., p. 269.

⁴¹ Nele Noesselt, „Sino–EU Cooperation 2.0: Toward a Global “Green” Strategy?”, op.cit., p. 16.

⁴² Gisela Grieger, „One Belt, One Road (OBOR): China's Regional Integration Initiative”, *Briefing*, European Parliament Research Service, July 2016.

⁴³ Sanja Arežina, „The New Silk Road — China's Nexus to Europe”, *Review of International Affairs* 66, Institute of International Politics and Economics, Belgrade, pp. 44–45.

countries can follow or distance themselves from in their respective future negotiations.⁴⁴ This is particularly important given the findings of some experts that the overall assessment of Chinese international investment agreements is insufficiently sustainable development-compatible, although progress has been made, especially in recent years. Besides, although up to the present no sustainable development-sensitive dispute relying on Chinese international investment agreements has been initiated against China, it would not be surprising that such cases may appear soon.⁴⁵ The same is valid for Serbia as well.

In addition to the EU's presence at the 16+1 summits as an observer, and the adoption of agreed 2016 EU strategy for China, all these developments outline the principles that underpin the EU's engagement with China (such as reciprocity, a level playing field, and transparent public tenders) and all EU Member States have endorsed it. In the framework of the EU-China Connectivity Platform, set up in 2015, a list of infrastructure projects both in the EU and in China has been identified for potential implementation. A June 2018 own-initiative report on EU-China relations by the European Parliament's Foreign Affairs Committee, debated in plenary in September 2018, stresses among other things that Member States' participation in the 16+1 format must enable the EU to speak with one voice in its relationship with China.⁴⁶

Conclusion

The Serbian foreign policy tries to balance the priorities - on the one hand, there is nominally the primary strategic goal of the EU membership accession process, on the other search for beneficial strategic partnerships that can provide its economy with much sought after investment. The BRI has come as a perfect opportunity for such an investment, and Serbia eagerly took the chance. However, some other Chinese investments can conflict with Serbian obligations towards EU law. So far,

⁴⁴ Flavia Marisi, Qian Wang, „Drivers and Issues of China– EU Negotiations for a Comprehensive Agreement on Investment”, in Chaisse J. (ed.) *China's International Investment Strategy: Bilateral, Regional, and Global Law and Policy*, Oxford: Oxford University Press, 2019, p.

⁴⁵ Chi Manjiao, „Addressing Sustainable Development Concerns through IIAs - A Preliminary Assessment of Chinese IIAs”, in Chaisse J. (ed.) *China's International Investment Strategy: Bilateral, Regional, and Global Law and Policy*, Oxford: Oxford University Press, 2019, p. 110.

⁴⁶ Gisela Grieger, „China, the 16+1 format and the EU”, *Briefing*, European Parliament Research Service, September 2018.

there has been just a declaratory expression of reserves by the EU bodies lacking any formal legal action that might prevent Serbia from realizing its part of the investment deals with China. The situation is similar with the EU members who have participated so far in other or the same BRI projects. This does not automatically mean the EU would not try to use its political leverage to influence the Serbian foreign policy and make it abandon some projects which the EU finds particularly threatening for its economic supremacy in the region. This double standard of the EU policy that creates a paradox of stricter scrutiny for candidates than for members has been practiced in the past as well. However, the BRI projects might serve as an economic bridge that connects the region of Western Balkans more closely and prepare it for future integration into the EU's internal market. Structural differences in the approach on investments between the EU and China, such as administrative traditions, values and norms, environmental regulations, competition practices, all serve as obstacles to the creation of this bridge but have been progressively overcome with the maturing of the Chinese outward investment policy. At the end of the day, the Serbian curious case will be solved as a part of a larger package of agreement between the EU and China themselves, whether through cooperation in the existing avenues of dialogue, whether through the creation of additional instruments for the accommodation of structural differences in policies, such as a mutual investment treaty. Until then, Serbia should use all the possibilities of the BRI projects and, at the same time, observe its regulations on foreign investments, competition and environmental protection. If possible conflicts arise between any new EU legislation and the BRI projects, Serbia should conduct a cost-benefit analysis to see if its national interest is better served in abandoning such a project or delaying the implementation of such legislation. Any other policy choice which would give priority to one or the other, no matter the economic benefits, would be devoid of political reality. The Serbian foreign policy is currently in the position in which it must balance the need to attract investments and continue with its EU integration process, waiting for the moment when the deal between the EU and China on the BRI solves its curious case, one way or the other.

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Mihajlo VUČIĆ

INTEGRACIJA U EVROPSKU UNIJU I INICIJATIVA POJAS I PUT: INTERESANTAN SLUČAJ SRBIJE

Apstrakt: Tema ovog članka je srpska spoljna politika između njenih glavnih strateških ciljeva - članstva u Evropskoj uniji i saradnje sa Kinom u okviru Inicijative Pojas i put. Srbija svoju spoljnu politiku zasniva na četiri stuba – procesu pridruživanja EU i tri strateška partnerstva sa velikim svetskim silama – Kinom, Sjedinjenim Državama i Rusijom. Međutim, s obzirom da proces pristupanja EU zahteva da Srbija striktno poštuje svoje obaveze iz Sporazuma o stabilizaciji i pridruživanju, Ugovora o uspostavljanju transportne zajednice i drugih ugovora potpisanih sa EU, oni su ponekad u sukobu sa projektnim aktivnostima iz procesa partnerstva Pojasa i puta. Najčešće je to slučaj u odnosu na konkurenciju i zaštitu životne sredine. Autor daje analizu glavnih tačaka mogućeg sukoba i ukazuje na dvostruki standard u pristupu Evropske unije Inicijativi Pojas i put. Zatim iznosi argumente koji ukazuju na to da Pojas i put mogu poslužiti kao most između zemalja kandidata i unutrašnjeg tržišta EU. Autor zaključuje da, iako postoje određena strukturna opravdanja za skepticizam EU prema Pojasu i putu, najbolji način da se on prevaziđe je insistiranje na političkom dijalogu na mnogim postojećim nivoima između EU i Kine, s ciljem razmene informacija između njih o pravilima, politikama i standardima EU kojima se osigurava da kineske investicije i druge finansijske aktivnosti u Srbiji budu u skladu sa obavezama pridruživanja.

Ključne reči: evropske integracije, Srbija, Inicijativa Pojasa i put, spoljna politika.