
SERBIA SEES CHINA TIES AS WAY TO CATCH UP WITH EUROPE

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Serbia sees cooperation with China as an opportunity to catch up with the rest of Europe, said a political analyst on Belgrades ties with Beijing.

Serbia is expanding its relations with China in various fields, despite its European perspective and political vision.

Trade volume between the two countries also continues to expand, topping \$2.5 billion in 2018.

In an email interview with Anadolu Agency, political analyst Nemanja Starovic said Sino-Serbian relations are short of perfect.

"Since Serbia suffered very difficult times during the 90s, it is significantly lagging behind the rest of the CEE [Central and Eastern European] countries, both in overall economic output and more specifically in technological development, said Starovic.

Cooperation with China is perceived in Belgrade as an opportunity to overleap and catch up with the rest of Europe. Take the arms industry, for example, where Serbia is receiving significant technology transfer from China which will result in the joint production of sophisticated aerial drones and thus boost already highly lucrative arms exports. Despite concerns raised in some EU countries, Belgrade invited Chinas Huawei to build a 5G network in Serbia but also involved the technological giant in the development of state-owned data centers crucial for providing advanced e-government services for citizens.

There are no open political issues between the two countries and economic cooperation is flourishing. Furthermore, the Serbian government's dedication to strengthening ties with Beijing is widely supported by the people of Serbia, who perceive China as a benevolent partner, one that does not condition economic investments on any political demands, unlike some Western countries," he added.

Steel friendship

Many Serbian and Chinese officials describe relations between the two countries as a "steel friendship".

Starovic said this friendship depicts current relations, which transcend mere political cooperation or economic partnership.

"With Chinese investments worth \$10 billion, Serbia tops the list of Central and Eastern European

states involved in the 17+1 framework designed for cooperation between China and Central and Eastern European countries. As numerous Chinese companies, including the most important banks, established their regional headquarters in Belgrade, the 17+1 framework is more and more perceived as 16+1+1 outlining the central role Serbia acquired. In the field of international relations, where Serbia struggles to prevent the secession of its breakaway province of Kosovo, Chinese support is of vital interest for Belgrade, only next to Russian," said Starovic.

Speaking about Serbia's political support to China, he said Serbia strongly supports the "One-China policy" while China sees Serbia as a springboard to wider Europe.

"Serbia strongly supports the One-China policy and sides with Beijing whenever issues of Tibet or Xinjiang are raised in the international arena. While still being a non-member of the EU, Serbia is not obliged to follow common foreign and security policy defined in Brussels, which gives Belgrade significant room for maneuvering and accommodating Beijing on certain political issues. Yet a negotiating candidate status gives Serbian-based companies almost full access to the EU market, which is a strong incentive for Chinese investors. Many of them perceive Serbia as a springboard to wider Europe, while in some cases, projects conducted in Serbia -- like the Chinese-built bridge spanning the Danube River close to Belgrade -- serve as a showcase for Chinese capabilities to implement demanding projects deeply inside the Old Continent," said Starovic.

China invests in infrastructure and energy

Two main sectors with a significant amount of Chinese investments are infrastructure and energy.

Starovic said China is credited with the construction of the Belgrade-Budapest railway and modernization of the Belgrade-Nis railway.

"As part of the greater corridor connecting Greece with Hungary, when finished, it will provide a connection between the largest Serbian cities with trains traveling 200km/h, compared with the current average speed of less than 50km/h. Also, China is funding large portions of the so-called Corridor 11 motorway that will connect Belgrade with Sarajevo and Podgorica, the capitals of neighboring Bosnia and Herzegovina and Montenegro," said Starovic.

"In the field of energy, Chinese companies are involved in modernization and construction of additional capacities in one of the largest electrical plants in Serbia, Kostolac B, which is the most significant investment in electricity production in Serbia since the 80s, he noted.

Chinas HeSteel Group (then known as HBIS) took over the Smederevo steel plant in 2016. At that moment, it was struggling for survival, and it elevated it in a very short time to the top of the list of the largest Serbian exporters. At the end of 2018, Chinas Zijin Mining Group Ltd. acquired [Serbias] Mining and Smelting Combine Bor for close to \$1.5 billion, pledging to invest much more in technological advancement and implementation of environmental standards.

According to Starovic, Chinese investment in the field of energy already exceeds \$6 billion, and with further arrangements being contracted in the last year, investments will reach close to \$10 billion in due time.

"There are around 6,000 companies in Serbia that are owned by the Chinese. Two of the largest -- the Smederevo steel plant and Mining and Smelting Combine Bor -- employ more than 5,000

workers each. Chinas entry in both of these companies was of the utmost importance for Serbia as the two regional centers, the cities of Smederevo and Bor, are heavily reliant on their operations," he said.

It is obvious that Chinese exports are on the rise and amounting to more than 90% of the exchange. However, this can be explained by the large amounts of certain materials being imported by Chinese companies conducting infrastructure development projects in Serbia.

The Chinese-owned companies are the largest Serbian exporters, selling their products mainly to the EU market and contributing to the EU-Serbia trade exchange.

"Compared to the EU, Serbia is still an economically underdeveloped country. Belgrade must rely on foreign loans and investments in that area. Terms and procedures set by the EU and their financial instruments are highly demanding. EU strategies sometimes do not recognize the importance of certain corridors vital for Serbia. Then comes Beijing with a more direct approach and sufficient assets at its disposal, filling in for all the shortcomings of the EU -- not just in Serbia, but in the wider region. When looking at the broader picture, you can see that European transport strategies favor connections between CEE countries and German industrial hubs along the east-to-west axis.

China recognized that need and established a 17+1 framework with CEE countries, including Greece. Through the funds Beijing dedicated to that framework, many infrastructure projects have been implemented, in particular ones that connect Chinese-owned ports in Greece with Central Europe. Bearing in mind the geographical location of Serbia, it is understandable how Belgrade benefited from that approach," said Starovic.

Serbia and China plan to construct a \$332 million industrial park in Borca, a suburb of Belgrade, at the end of March 2020.

"The purpose of the industrial park is to provide the necessary infrastructure for medium-sized Chinese companies, primarily in the field of IT and other innovative branches, which plan to expand their business in Serbia. When finished, the industrial park will have the capacity to host companies employing up to 10,000 workers. Huge interest from Chinese business entities is expected, as the Bank of China pledged to provide sufficient financial tools for every Chinese company coming to this industrial park," he said.

Serbia went through a series of political and economic issues since the breakup of the former Yugoslavia in the early 90s. It is currently an EU candidate country that maintains a neutralized stance towards NATO membership.

Meanwhile, Serbia also maintains strong political, military, cultural and economic ties with Moscow.

Kaynak/Source: