



Weekly Briefing

Serbia external relations briefing:
Current Bilateral Relations between Serbia and China
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Current Bilateral Relations between Serbia and China

Summary

No matter to the territorial and/or population disparity, Republic of Serbia and People's Republic of China are bonded with traditionally good bilateral relations. Diplomatic relations established between the Federal People's Republic of Yugoslavia, on January 2 1955, has its continuity. In the sense of international law, Serbia, as the successor state of the Socialist Federative Republic of Yugoslavia, continues to treat China as one of its main partners in international relations. Given is reflected in its foreign policy course according to which China is one of the main "pillars" of Serbia's foreign policy alongside the European Union, Russia and the United States of America. In assessing Serbian-Chinese relations, it should be taken into account that China acts as a responsible player and binding factor in solving significant international problems. As a world power, China not only takes into account its own interests and the needs of the current generation of the world's population, but also the interests of other countries and the needs of future generations. China does not aspire to world hegemony, but advocates multilateralism in international relations in which the United Nations should play a primary role.

Introduction

Since establishment of diplomatic relations between then Federal People's Republic of Yugoslavia¹ and People's Republic of China, on January 2 1955, bilateral relations between two countries developed on an upward trajectory.² Main quality of their relations is mutual respect and understanding based on commitment to international law. One of many examples can be found back in 1992 when China did not vote in the UN Security Council in 1992 for the introduction of sanctions against FR Yugoslavia, or in 1999 when opposed the bombing of FR Yugoslavia in 1999. Even nowadays, China's support in international organizations is very

¹ Republic of Serbia is the legal successor of the Socialist Federative Republic of Yugoslavia which was preceded by the mentioned Federative People's Republic of Yugoslavia.

² Although the Federal Republic of Yugoslavia recognized the People's Republic of China in October 1949, diplomatic relations between the two countries were not established until six years later, January 1955. The reasons for this were of an "ideological nature", that is, the different attitudes of the two leading parties; the Communist Party of Yugoslavia in FNR Yugoslavia (later the Alliance Communists of Yugoslavia) and the Communist Party of China in People's Republic of China regarding the issue of relations between communist and socialist parties in the international labour movement.

important for Serbia, especially related to the status of Kosovo and Metohija and the intentions of some states to impose a solution contrary to the provisions of international law.

The cooperation between China and Serbia began to strengthen further with the “Joint statement of the Republic of Serbia and the People's Republic of China on the establishment of a strategic partnership”, Beijing, August 20, 2009, signed by the President of China, Hu Jintao, and the President of Serbia, Boris Tadić.³ Cooperation between two countries was further promoted through “Joint statement of the Republic of Serbia and the People's Republic of China on deepening strategic partnership”.⁴ During the visit of the President of the People's Republic of China Xi Jinping to Serbia in June 2016, “Joint Declaration of the Republic of Serbia and the People's Republic of China on the establishment of a comprehensive strategic partnership” was signed.⁵ Joint declaration contains basic principles on which cooperation of the two countries are based: “mutual respect, equality and non-interference in internal affairs, with mutual respect and support for the choice of development path, internal and external policies in harmony with their opportunities”.⁶

Comprehensive strategic partnership between the Republic Serbia and the People's Republic of China also represents a joint agreement between the two state regarding the realization of issues that are important for future bilateral relations. In this sense, the two countries agreed to continue to strengthen exchanges, including intensive visits by statesmen at a high level, as well as to regularly agree on issues from common interest, to cooperate even more in the field of energy, transport infrastructure, industrial production capacities, agriculture, culture, education, sports, health, science and technology, tourism, information, publishing, etc.

When it comes to foreign policy initiatives and mutual cooperation, Serbia confirmed in a statement its readiness to actively support China's initiative to jointly promote Belt and Road Initiative as well China's cooperation with the countries of Central and Eastern Europe which

³ “Kina i Srbija uspostavljaju strateške odnose partnerstva”, *Ambasada NR Kine u Republici Srbiji*, 2009-08-20, http://rs.china-embassy.gov.cn/srp/zsgx/zsjw/200908/t20090827_3370600.htm, accessed on: 04/02/2024.

⁴ “Joint statement of the Republic of Serbia and the People's Republic of China on deepening strategic partnership”, Beijing, on August 26, 2013, signed by the President of the People's Republic of China Xi Jinping and President of the Republic of Serbia, Tomislav Nikolić.

⁵ China – Bilateral relations, Ministry of Foreign Affairs of the Republic of Serbia, <https://www.mfa.gov.rs/en/foreign-policy/bilateral-cooperation/china>, accessed on: 04/02/2024.

⁶ Cited according to: Жарко Обрадовић, „Стратешко партнерство „мале“ Србије и „велике“ Кине: унутрашњи и међународни аспекти сарадње“, *Српска политичка мисао*, број 3/2016, год, 23, vol. 53, стр. 121-137.

considers both mutually beneficial and a complementary part of the strategic partnership between China and Europe.

Cooperation between Serbia and China

Despite the fact that the two countries have raised their bilateral relations to the highest level, the fact that there is asymmetry between them cannot be ignored. The importance of cooperation between the two countries is as asymmetrical as their dimensions. The importance of China for Serbia is far greater than the other way around. But, fortunately, China is also interested in cooperation with Serbia. The main political reason is the stability of relations and mutual trust between the two countries. It is important both in geo-political and geo-economical terms.

Being located at the crossroads between Europe and Asia, Serbia, for China, has the role of “door to Europe”.

In recent times, Serbia has become China's most important partner in the Balkans and Southeastern Europe. Serbia was among the first countries to sign a Memorandum of Understanding with China on joint promotion of the Belt and Road Initiative and to understand and accept the importance of the “16+1” mechanism of cooperation which evolved over the “17+1” to China –CEEC’s cooperation.

In this sense, the modernization project of the Belgrade-Budapest railway line, whose realization is financed by China, is of particular importance. This project was among the first projects planned for implementation within the framework of the cooperation between the countries of Central and Eastern Europe and the People's Republic of China. Project involves the reconstruction, modernization and construction of the double-track railway Belgrade - Budapest, for speeds up to 200 km/h. The modernized railway should provide a fast, safe and high-capacity railway connection between Belgrade and Budapest, i.e. passenger and cargo transportation service, but also to include the necessary environmental protection measures. The value of the investment according to the modified consolidated study is estimated at about EUR 1,132 million, of which the value of the project in the territory of Serbia is about EUR 939 million, with a possible correction of $\pm 20\%$ (the total investment value includes about EUR 450 million for the part of Stara Pazova - Novi Sad, which is part of the loan agreement with the Russian Federation).

Despite the undoubted importance of this route not only for the two neighboring countries, but also for the entire European continent, the project did not find the support of the broadest part of the European public due to the fact that the project is, for the most part, financed from the resources of the People's Republic of China⁷. Thanks to the fact that the Republic of Serbia (yet) is not a member of the European Union, all efforts to slow down this project are aimed at Hungary, which is accused of violating the rules of European legislation and non-transparent business.⁸ Of course, the Republic of Serbia is also exposed to various pressures, but despite this, it is committed to further improving relations with China and nurturing their steel friendship.

Serbia never saw the Belt and Road Initiative as China's plan to “enslave” the world.⁹ With its decision to further improve its relations with China, after the conclusion of the Strategic Partnership, by joining the 16+1 cooperation platform, i.e. countries of Central and Eastern Europe, (as of July 2019 17+1, remark I.L.) on the one hand, and the People's Republic of China on the other, and then the Belt and Road Initiative, Serbia has opened up a new perspective of economic strengthening.

And after criticisms could be heard in the initial phase of this cooperation that the first projects were of a credit and not investment nature (works on Corridor XI partially financed by Exim Bank of China and executed by China Road and Bridge Corporation (CRBC), construction of the bridge on the Danube near Borča financed primarily by the Export–Import Bank of China (Exim Bank of China), works on the construction of Block 3 in the Kostolac Thermal Power Plant funded by the Exim Bank of China and implemented by China Machinery Engineering Corporation (CMEC), stands as a significant project in the energy sector, etc.), direct investments also came into the placement. About the importance of direct investments is redundant to speak as they are real driving force that are behind the development of the economy of every country, not only Serbia.

⁷ Modernization and development of the high-speed railway connecting Belgrade and Budapest, partially financed by Exim Bank of China and reconstructed by China Communications Construction Company (CCCC) and China Railway International Group (CRI). See more at: China and Serbia Sign Free Trade Agreement: Bilateral Trade and Investment Outlook, China Briefing, 31 October 2023, <https://www.china-briefing.com/news/china-and-serbia-sign-free-trade-agreement-bilateral-trade-and-investment-outlook/>, accessed on: 04/02/2024.

⁸ “Budapest to Belgrade: all aboard the secret express”, Reporting Democracy, 22 April 2020, *Balkan Insight*, <https://balkaninsight.com/2020/04/22/budapest-to-belgrade-all-aboard-the-secret-express/>, accessed on: 04/02/2024.

⁹Strategic Ballet on the Global Stage: China’s Economic Statecraft in Developing Countries, dr. Vishal Singh Bhadauriyam, January 30, 2024, <https://moderndiplomacy.eu/2024/01/30/strategic-ballet-on-the-global-stage-chinas-economic-statecraft-in-developing-countries/>, accessed on: 04/02/2024.

The Belt and Road Initiative in Serbia is producing results, but there are areas where it can still be improved. It is primarily about investments in agriculture, tourism, and the IT sector, but it is also necessary to work on attracting investments from the Chinese private sector, that is, small and medium-sized enterprises. When it comes to the IT sector, the presence of the Huawei Company in Serbia is extremely important, as is China's support for the construction of a science and technology park in Borča.

The Chinese Ministry of Commerce's 2022 document, Country Guidelines for Foreign Investment and Cooperation, highlights the significant Chinese investment in Serbia's mining and metal manufacturing sectors. Investments in these sectors have taken various forms, including brownfield acquisitions and greenfield projects. The Smederevo Steel Mill and Bor mines are prominent examples of brownfield acquisitions by Chinese investors. Simultaneously, the Čukaru Peki project represents a notable greenfield investment. Additionally, in September 2023 China's Zijin Mining confirmed its intention to invest US\$3.8bn in the Lower Zone of Serbia's Cukaru Peki Mine – an investment which is expected to place Serbia among the largest European producers of copper and gold. Serbia's automotive sector has become another focal point for Chinese ODI. Prominent investments in this sector include the Linglong vehicle tire factory, the Minth Automotive Europe project in Western Serbia, and Mei Ta Europe's investment in the Obrenovac Municipality. Additionally, Yanfeng Automotive Interiors and Xingyu Automotive Systems have made substantial contributions, with initiatives in Kragujevac and investments estimated between €50 million (US\$52.88 million) and €60 million (US\$63.46 million), respectively.

According to the United Nations COMTRADE database, Serbia exports to China reached US\$1.17 billion in 2022, with top exported goods being ores slag and ash (US\$913.47 million), copper (US\$132.88 million), wood and related articles (US\$41.31 million), electronic equipment (US\$28.45 million), and machinery, nuclear reactors and boilers (US\$20.1 million).

No matter to the fact that China currently is second Serbian foreign trade partner, that trade exchanges already crossed six billion euro and that Serbian exports to China in the last 10 years have increased 185 times and already exceed 1.2 billion dollars, there is still a room for improvement.

Improved cooperation between Serbia and China would also contribute to the reduction of the trade deficit between Serbia and China, which is really large, but, considering the disparity in the size of the territory, the number of inhabitants and economic strength, understandable also. On the other hand, the goal defined in this way can be achieved by

strengthening cooperation in the between Central and Eastern European Countries, so they can be jointly more present on the Chinese market.

In that sense, new boost of economic cooperation between Serbia and China is expected to be realized with the implementation of few months ago signed Free Trade Agreement (FTA) between the Republic of Serbia and the People's Republic of China.¹⁰ The Free Trade Agreement, which will include the reduction or abolition of customs duties for 10,412 Serbian and 8,930 Chinese products, should enter into force before June 2024. The FTA made Serbia the 29th country with which China has such an agreement, but, at the same time, the first Central and Eastern European Country that signed such type of the agreement with China.¹¹

President Xi highlighted the significance of the FTA in injecting new energy into the development of China-Serbia relations in the new era. He emphasized the mutual support on core interests and the need for enhanced collaboration in key infrastructure projects. Speaking from his side, president Vučić, lauded the FTA as a pivotal step that opens up new prospects for bilateral cooperation and fosters enduring ties between the two countries. This significant milestone highlights the deepening partnership between China and Serbia and promises increased bilateral cooperation and a conducive business environment.¹²

The President of Serbia, Aleksandar Vučić, pointed out that the agreement is important for agricultural producers, but also for other sectors of the Serbian economy, because it opens up the possibility of preferential exports to a market with more than 1.3 billion inhabitants.

“These are big things for us. It will help us to import raw materials at significantly lower tariffs, which is especially important because of our steel plant, because of our mines and everything else. When you see all that, then those products, which we normally import from China on the domestic market, in Serbia, to be incomparably lower than those prices today,” said Vučić.¹³

¹⁰ Free Trade Agreement with People's Republic of China signed Belgrade/Beijing, 17 October 2023, <https://www.srbija.gov.rs/vest/en/214278/free-trade-agreement-with-peoples-republic-of-china-signed.php>, accessed on: 04/02/2024.

¹¹ Srbija potpisuje Sporazum o slobodnoj trgovini sa Kinom ovog meseca, Suzana Peljto, 4. oktobar 2023, *Bloomberg Adria*, <https://rs.bloombergadria.com/ekonomija/srbija/41492/srbija-potpisuje-sporazum-o-slobodnoj-trgovini-sa-kinom/news>, accessed on: 04/02/2024.

¹² China and Serbia Sign Free Trade Agreement: Bilateral Trade and Investment Outlook, China Briefing, 31 October 2023, <https://www.china-briefing.com/news/china-and-serbia-sign-free-trade-agreement-bilateral-trade-and-investment-outlook/>, accessed on: 04/02/2024.

¹³ Sporazum o slobodnoj trgovini sa Kinom potpisan u prisustvu Vučića i Sija, *Radio televizija Vojvodine*, 17. oktobar 2023, https://rtv.rs/sr_lat/politika/sporazum-o-slobodnoj-trgovini-sa-kinom-potpisan-u-prisustvu-vucica-i-sija_1484732.html, accessed on: 04/02/2024.

In addition to agricultural and food products, the agreement covers a large number of iron, steel, machinery, pharmaceutical and cosmetic products. For example, Chinese goods without customs duties include solar panels, cars, lithium batteries, mechanical equipment, refractory materials and some agricultural and marine products, while Serbia will be exempt from customs duties when exporting car tires, generators and electric motors, and gradually also customs duties on wines and brandy.

“We would no longer have any customs duties, and they are very high on Serbian apples, plums, peaches, beer, plain water, soybean oil, beer, plain water, sour water, almost all pharmaceutical products, almost all industrial products”, Vučić further explained.¹⁴ He also pointed out that China is currently the second largest foreign trade partner of Serbia, and Chinese Zijin Mining and Zijin Copper are the largest exporter from Serbia in the past five years.¹⁵

Additional impetus one might expect as result of the Third Strategic Belt and Road Forum at which Serbia signed several additional important documents likewise the Action plan for the implementation of the Initiative until 2025, a Memorandum of Cooperation in the field of economic development policy, the Agreement on the appointment of the Bank of China as a clearing bank for the Renminbi exchange, three commercial contracts with to Chinese companies on transport infrastructure, an agreement for harmonizing the export of apples from Serbia, as well as a commercial agreement on the third phase of modernization of the fixed network in Serbia.

¹⁴ Ibidem.

¹⁵ According to the available data for first quarter of 2023, the biggest exporters are two Chinese companies – Zijin Mining from Brestovac, which owns the Cukaru Peki mine near Bor, and Zijin Bor Copper, announced the Ministry of Finance. The exports of Zijin Mining amounted to EUR 208.2 million, and of Zijin Bor Copper to EUR 150.9 million. See more at: Biggest Exporters from Serbia Two Companies of Chinese Zijin, Beta, 26.03.2023, <https://www.ekapija.com/en/news/4107091/biggest-exporters-from-serbia-two-companies-of-chinese-zijin>, accessed on: 04/02/2024.

Conclusion

Political cooperation between Serbia and China is at very high level. Diplomatic relations were established in the middle of the 20th century and from that time has been developing on the ascending path only. Main reason for that is sincere dedication of both countries to develop their relations on the basis of mutual respect and respect for the basic principles of international law – territorial integrity, sovereignty and non-interference in internal affairs of the sovereign country. In that sense, Serbia supports the one-China policy, considering Taiwan is an inalienable part of China, while China confirms respect the sovereignty and territorial integrity of Serbia, insisting that the issue of Kosovo and Metohija must be resolved in accordance with the Charter of the United Nations, in compliance with the Resolution of the Security Council 1244, and that an acceptable solution should be found through dialogue and negotiations.

When comes to the economic relations between Serbia and China, since Serbia joined the Belt and Road Initiative and the mechanism of cooperation between China and Central and Eastern Europe, they improved significantly. Moreover, in October 2023 signed Free Trade Agreement signals a promising step towards strengthening economic partnership and greater trade integration, and could promote joint growth and cooperation between China, Serbia and their regional partners.