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Serbia's and China's Partnership within the New Silk Road

Abstract

At the end of 2013, the president of the People's Republic of China, Xi Jinping, announced a *rejuvenation* of the Silk Road, by launching the most ambitious initiative in modern history, named One Belt, One Road (OBOR). Focused on improving connectivity and cooperation between countries of Asia, Africa and Europe, the One Belt, One Road Initiative is, in China, often referred to as 'the project of the century'. This project has included over 100 agreements with international organisations. Serbia and China have established a strategic partnership, Serbia being one of 16 countries which have signed the cooperation agreements with China within the 16+1 cooperation mechanism, along with other 11 EU member-countries and 5 non-EU member-countries from the Balkans. Given the scope of its bilateral cooperation, number and range of agreed projects, Serbia holds a leading position compared to other participants of the 16+1 cooperation mechanism. By having signed these agreements within the One Belt, One Road Initiative, the People's Republic of China and the Republic of Serbia have strengthened their economic cooperation, and thereby enabled Serbia to boost its economic growth. At the same time, taking into account other segments of cooperation, Serbia is ahead of other countries, since it was the first country to introduce visa liberalisation for Chinese citizens, and one of a few European countries where Chinese language is studied not only at university level, but also in primary and secondary schools.

Keywords:

Serbia, *Silk Road*, One Belt, One Road, 16+1 cooperation mechanism, economic development

1. INTRODUCTION

Chinese economy has been developing for the last thirty years, and it has achieved an unprecedented economic growth and a high level of development in modern history. Having been one of the poorest, least developed countries, and one of the most isolated economies in the world, the People's Republic of China (henceforth referred to as China) has become one of the most powerful, most developed and most concrete economic powers in the world in the last thirty years.¹

Available data unequivocally shows that China is one of the most powerful economies. According to numerous sources, China ranks as the world's second largest economy. The 16th Forbes list (*Forbes Global 2000*), from 2018, has analysed companies from 60 countries, and the results show that all the companies collectively account for USD 39.1 trillion² in sales, and USD 3.2 trillion in profit; they have USD 189 trillion in assets, their market value is USD 56.8 trillion³. China and the USA have, for the first time since 2015, taken the first ten positions on the list, where almost 300 companies were from China (or to be more precise, there are 291 companies from China on this list) and 560 companies from the USA. In order to highlight the importance of these numbers, it should be mentioned that the first Forbes list of this kind, in 2003, included only 43 global companies from China and Hong Kong, and the number of Chinese companies has been gradually rising, even when compared to the previous year (262 companies in 2017); however, USA companies account for almost 30% of all companies on the list.⁴ Hence, the current 'trade war' between these two economic powers, China and the USA, does not come as a surprise.

According to some research regarding the most successful companies, 21 companies from China and Hong Kong and 30 companies from the USA belong to the group of the first 100 companies in the world; some very successful companies belong to the banking sector in China, however it should be pointed out that 32 car and truck manufacturers from this list are also from China.⁵ China, also, has some of the biggest flight carriers,

¹ Aleksandar Janković, *Privredni razvoj Kine: Povezivanje na kineski način* (Beograd: Centar za istraživanje povezivanja Puta svile – CIPO, 2017), 3.

² Trillion (10¹²)

³ Halah Touryalai and Krisint Stoller, "Global 2000 – The World's Largest Public Companies 2018," *Forbes*, Retrieved on 5 November 2018, <https://www.forbes.com/global2000/>.

⁴ Ibid.

⁵ Kenneth Rapoza, "China's Largest Companies Prove Why It's the World's No. 2 Economy," *Forbes*, 6 June 2018, <https://www.forbes.com/sites/kenrapoza/2018/06/06/2018-global-2000-china-proves-why-its-the-worlds-no-2-economy/>.

and *Petro China* and *Sinopec*, which are the world's largest oil and gas companies; *Ping An Insurance Group* is the world's largest insurer, which has left behind companies like *Allianz*, *UnitedHealth Group*, *AXA*. A famous company *Alibaba* is certainly worth mentioning, among other successful companies situated in China (*China Mobile*, *Shanghai Pudong Development*, *China State Construction Engineering*, *China Shenhua Energy*, *SAIC Motor*, *China Telecom*, *Hesteel*). Table 1 presents a list of some Chinese companies, i.e. their positions on the Forbes list in the period 2015-2018.

Table 1. Chinese companies included in the Forbes list *Forbes Global 2000* (top 10)

Company	Industry / branch	Assets in 2018 (billions)	Ranking on the <i>Forbes Global 2000</i> / Year			
			2015	2016	2017	2018
ICBC	Banking sector	\$4,210.9	1	1	1	1
<i>China Construction Bank</i>	Banking sector	\$3,631.6	2	2	2	2
<i>Agricultural Bank of China</i>	Banking sector	\$3,439.3	3	3	6↓	5↑
<i>Bank of China</i>	Banking sector	\$3,204.2	4	6↓	8↓	9↓
<i>Ping An Insurance Group</i>	Insurance	\$1,066.4	32↑	20↑	16↑	10↑

Source: Author's research, according to: *Forbes Global 2000: The World's Largest Public Companies*, 2015–2018.

China has recorded an impressive growth with every passing year. The GDP should continue to increase (projected increase for 2018 is 6.6), and according to the World Economic Forum, China is expected to surpass the USA by the year 2030, which would make it, even in present circumstance when the development has slowed down, a leading economy.⁶ Over 800 million people have been lifted out of poverty, while the country is focusing on high-quality growth, highlighting the role of labour force and stimulating openness and modernisation. China is a digital leader in e-commerce, with

⁶ World Economic Forum, "This Is What China's Economy Looks Like in 2018 – in 6 Charts," World Economic Forum, 7 August 2018, <https://www.weforum.org/agenda/2018/08/china-s-economic-outlook-in-six-charts/>.

over 733 million internet users and 282 million users younger than 25, thus leaving behind Europe with 414 million users, India (with 391 million users) and the US (with 246 million users).⁷ China has more internet users than the EU and the USA together, while its fast growing sector of e-commerce accounts for 40% of global electronic commerce.⁸

At the opening of the *China International Import Expo* in November 2018, the president of the People's Republic of China, Xi Jinping, announced that China would buy USD 30 trillion worth of goods in the course of the next 15 years, and that the worth of the services provided to China would amount to USD 10 trillion. This would be the result of China's opening up, including the reduction of import duty taxes, a better approach to its market and its full support to economic globalisation, since it is at trade-war with the USA.⁹

China has moved up compared to the previous year, and it is now ranked 27th (out of 137 countries) according to the Global Competitiveness Index for the period of 2017–2018, and at the same time it is ranked ahead of some EU member-countries, like Estonia (29th), the Czech Republic (31th), Spain (34th), Malta (37th) and Poland (39th).¹⁰

Business conditions in China are constantly modified and improved, with unyielding attempts by Beijing to modernise the country, reduce the poverty gap and stimulate the development in underdeveloped regions through infrastructure development and economic growth. Rapid economic growth during the previous 38 years would not have been possible without the Chinese economy opening up. Foreign trade and even the policy which encourages foreign investments have both considerably contributed to the economic reform.¹¹ Adhering to these ideas, one of the most important development plans in modern history has been born.

⁷ Ibid.

⁸ Anna Saarela, "A New Era in EU-China Relations: More Wide-Ranging Strategic Cooperation?" (European Parliament's Policy Department for External Relations, July 2018), 41.

⁹ Kinling Lo and Sidney Leng, "Xi Promises China Will Buy US\$40 Trillion Worth of Imports in Next 15 Years as Part of Opening Up," *South China Morning Post*, 5 November 2018, <https://www.scmp.com/economy/china-economy/article/2171705/xi-pledges-china-buy-us40-trillion-worth-imports-next-15-years>.

¹⁰ Saarela, "A New Era in EU-China Relations," 55.

¹¹ Aleksandar Janković, *Privredni razvoj Kine: povezivanje na kineski način*, 89.

2. THE NEW SILK ROAD

China has always endeavoured to make its foreign trade the backbone of its economy. In the 3rd century AD, during the reign of the Han dynasty, *trade routes* were established – overland routes 6000 km long, which connected central China to Central Asia and Europe, and sea routes, which created a trade network with Africa. These trade routes were well known as the Silk Road and were intensively used until the end of the 15th century.¹²

More than a thousand years ago, routes of trade and cultural exchange connected major civilisations of Asia, Europe and Africa. At the end of 2013, the president of the People's Republic of China, Xi Jinping, announced the most ambitious project, i.e. initiative, in modern history titled the One Belt, One Road. What does this New Silk Road represent? The One Belt, One Road Initiative is a plan which should, through its *overland* (economic belt) and *sea* routes, connect central and eastern China with Asia, Europe and Africa, and all seas and oceans along this road.¹³

As a very ambitious project, the One Belt, One Road (OBOR) is focused on improving and enhancing connectivity and cooperation between countries throughout Asia, Africa and Europe. OBOR, which is often referred to as 'the project of the century'¹⁴ by Chinese officials, has been extended, compared to the old Silk Road which connected Asia and Europe. The One Belt, One Road encompasses new territories and development initiatives along with the construction of new networks of roadways, railways, ports, power grids and systems, oil and gas pipe lines, and relevant infrastructures. This project consists of two parts, the first one – the Silk Road Economic Belt includes overland routes and it aims to connect China with Central Asia, Eastern and Western Europe, while the other one – the 21st Century Maritime Silk Road includes sea routes and should connect southern coast of China with the Mediterranean Sea, Africa, Southeast and Central Asia; these two names could seem confusing as the *belt* refers to the overland routes, whereas the *road* refers to the sea routes.¹⁵

¹² Ibid, 15.

¹³ Ivona Lađevac, „Tekuća situacija i mogućnost koordinacije politike 'Jedan pojas, jedan put' Između Kine i EU: Perspektive Srbije,” in *Budućnost saradnje Kine i Srbije*, ed. Ivona Lađevac (Beograd: Institut za međunarodnu politiku i privredu, 2018), 50.

¹⁴ Shobhit Seth, “One Belt, One Road (OBOR),” Investopedia, 14 August 2018, <https://www.investopedia.com/terms/o/one-belt-one-road-obor.asp>.

¹⁵ Ibid.

The One Belt, One Road encompasses 86 countries, according to the data from December 2017, and over 100 cooperation agreements have been signed by China and international organisations.¹⁶

The main objective of this initiative is to provide free flow of economic factors, highly effective resource allocations and a deep market integration, and to encourage countries along ‘the belt’ and ‘the road’ to successfully coordinate their economic policies and regulations, and deepen and improve their cooperation on a regional level. It would consequently enable them to create and build together an open ‘architecture’ for cooperation which would be regional, economic, fair and inclusive; these projects will help coordinate development strategies for countries along ‘the belt’ and ‘the road’, use efficiently the potential of these markets, promote foreign investment, open up new job opportunities and increase the employment rate, boost cultural exchange between different countries, which would consequently pave the way for “mutual understanding, trust and respect, accompanied by harmonious, prosperous and peaceful life”.¹⁷ The New Silk Road will include the area which is home to about 70% of the world’s population, the area which produces about 50% of global GDP and has about 75% of world energy reserves.¹⁸

According to the initiative, the Silk Road Economic Belt focusses on connecting China with Central Asia, Russia and Europe (the Baltic countries); on connecting China with the Persian Gulf and the Mediterranean Sea through Central and Western Asia, and on connecting China with Southeast Asia, Southern Asia and the Indian Ocean. The 21st Century Maritime Silk Road has been designed to extend from the Chinese coast to Europe, through the South Chinese Sea and the Indian Ocean, i.e. from the Chinese coast through the Southern Sea up to the Southern Pacific (the second route).

How important it is for China to realise this Initiative can be seen in the fact that the government in Beijing stimulates Chinese banks by approving loans to all the countries which are included in this grand project and which are located along this so-called *economic belt* and *maritime road*. One part of the investments, primarily in infrastructure projects, will be funded by the newly established Asia Infrastructure Investment Bank through the

¹⁶ Saarela, “A New Era in EU-China Relations,” 42.

¹⁷ National Development and Reform Commission et al., “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road”, National Development and Reform Commission, 28 March 2018, http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

¹⁸ Wolfgang Lehmacher and Financial Times, “What Can the New Silk Road Do for Global Trade?”, World Economic Forum, 22 September 2015, <https://www.weforum.org/agenda/2015/09/what-can-the-new-silk-road-do-for-global-trade/>.

Silk Road Fund. China has already committed itself to investing in some projects, such as the infrastructure project amounting to USD 1.4 billion (Sri Lanka), and over USD 50 billion in infrastructure and energy sectors in Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, and it has allocated financial support of USD 327 million to Afghanistan. For the construction of road and railway infrastructures, for energy facilities and water accumulation, USD 10 billion have been allocated to Central and Eastern Europe.¹⁹

Albeit often criticized, launched amid disagreement with the EU and trade war with the USA, this project is already under way; understandably, not in full swing, but the private sector certainly welcomes this kind of initiative. In 2015, the port of Rotterdam welcomed its first containers, which arrived by freight trains from China, and goods were delivered within a fortnight, which is much faster when compared to 60 days it would have taken if the containers had been transported by sea, and it must be mentioned that now it takes 10 days less to transport the goods to Duisburg (Germany).²⁰

3. SERBIA: EXPECTATIONS AND ACHIEVED RESULTS

Chinese economy has been steadily growing since the end of the 20th century, and according to some experts, this trend is certainly going to continue. China was the third-largest economy, behind the USA and the EU regarding the GDP (in 2017, if the whole EU was taken into consideration)²¹, a permanent member of the Security Council of the UN, a member of the World Trade Organisation (since 2001, after years-long negotiations) and an important strategic partner of the European Union.

The European Union and the European market overall have always been of vital importance for China's economy and economic development. The European Union remains the most important Chinese trade partner, since China has always been committed to developing Eurasian economic corridor, with the sole aim of facilitating bilateral trade between these two partners.²² China and the EU established a strategic partnership in 2003,

¹⁹ Ladevac, "Tekuća situacija i mogućnost koordinacije politike 'Jedan pojas, jedan put' Između Kine i EU: Perspektive Srbije," 57.

²⁰ Lehmacher and Financial Times, "What Can the New Silk Road Do for Global Trade?"

²¹ Saarela, "A New Era in EU-China Relations," 25.

²² Liu Zuokui, "Rizici inicijative *Pojas i put* u izgradnji evroazijskog ekonomskog koridora," in *Novi Put svile: Evropska perspektiva – bezbednosni izazovi/rizici unutar Inicijative 16+1*, ed. Vladimir Cvetković (Beograd: Fakultet bezbednosti, 2018), 10.

and in 2013 they adopted a strategic agenda for the cooperation between the EU and China (the EU-China 2020 Strategic Agenda for Cooperation). High level meetings are held regularly with the aim of improving and enhancing their cooperation, and planning future actions and activities. The European Union insists on complying with the EU regulations and rules when realising these projects.

The EU-China Connectivity Platform, established in 2016, aims to find synergies for infrastructure plans and investment projects of common interest in the field of transport.²³ The EU is included in the Belt and the Road Initiative in different ways, within which the most important one is China's institutional connectivity to eleven EU member states (Bulgaria, Estonia, Croatia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia, Slovenia and the Czech Republic), and five EU candidate countries (Albania, Bosnia and Herzegovina, Montenegro, Macedonia, and Serbia).²⁴ This cooperation is known as the 16+1 cooperation mechanism between the People's Republic of China and Central and Eastern European Countries (CEEC).

Launched in April 2012, at the summit in Warsaw, this 16+1 cooperation mechanism was the first step in expanding China's trade plans, accompanied by a document titled *Twelve Chinese Measures for Promoting Friendly Cooperation with Central and Eastern European Countries*, which provided a framework for the 16+1 mechanism. This document defined three possible priority areas of economic cooperation: infrastructure, high technologies and green technologies.

The second meeting of China's and Central and Eastern European Countries' government leaders was held on 26th November 2013, in Bucharest, Romania, where they underlined that the China-CEEC cooperation was in accordance with a comprehensive strategic partnership between China and the EU and expressed their determination to continue investing efforts in the improvement and enhancement of China-CEEC cooperation, which resulted in the Bucharest Guideline for Cooperation between China and Central and Eastern European Countries. This document formulated the following guidelines and suggested that they should:²⁵

²³ Saarela, "A New Era in EU-China Relations," 10.

²⁴ Žarko Obradović, „*Pojas i put na Balkanu i Srbiji (Izazovi saradnje)*,” u: *Novi Put svile: Evropska perspektiva – bezbednosni izazovi/rizici unutar Inicijative 16+1*, ed. Vladimir Cvetković (Beograd: Fakultet bezbednosti, 2018), 162.

²⁵ Cooperation between China and Central and Eastern European Countries, "The Bucharest Guidelines for Cooperation between China and Central and Eastern European Countries," January 26, 2015, http://www.china-ceec.org/eng/ldrhw_1/2013bjlst/.

1. Hold an annual meeting between the government leaders of China and CEEC, so as to review the cooperation achievements and establish the directions for future cooperation;
2. Consider formulating a medium-term agenda for cooperation when appropriate regarding the China-CEEC cooperation development;
3. Promote investments, economic and trade cooperation;
4. Expand financial cooperation;
5. Expand cooperation regarding connectivity;
6. Expand investments in science, technology, innovation, environmental protection and energy;
7. Promote dynamic people-to-people and cultural exchanges and cooperation;
8. Encourage and support cooperation at a sub-national level, as one of important pillars of China-CEEC cooperation;

At this meeting, China, Hungary and Serbia agreed to build a railway between Hungary and Serbia, and this agreement was considered to be a reference point for further China-CEEC cooperation.

The third meeting of government leaders of China and Central and Eastern European Countries was held in Belgrade, on 16th December 2014. The summit meeting resulted in the Belgrade Guidelines for Cooperation between China and CEEC, titled the New Driving Force, New Platform, and New Engine and these guidelines state that they should:²⁶

1. Support China in hosting the 4th meeting of China's and CEEC's government leaders in 2015;
2. Acknowledge the EU-China 2020 Agenda for Cooperation as a guiding document for China-EU relations, where the participants uphold the efforts to start formulating a middle-term agenda for cooperation between China and interested Central and European Countries, as appropriate;
3. Enhance cooperation and connectivity, promote economic cooperation, trade and investment, expand financial and scientific cooperation, cooperation in the field of technology, innovation, environmental protection and energy;
4. Promote people-to-people and cultural exchange and cooperation on a sub-national level;

²⁶ Cooperation between China and Central and Eastern European Countries, "The Belgrade Guidelines for Cooperation between China and Central and Eastern European Countries – Cooperation between China and Central and Eastern European Countries," 27 January 2015, http://www.china-ceec.org/eng/ldrhw_1/2014bergld/hdxw/t1410498.htm.

5. Uphold the organisation of the first meeting of China's and Central and Eastern European Countries' health ministers in the Czech Republic in 2015;
6. Have the Secretariat for China-CEEC cooperation organise a visit to China for senior CEEC officials in 2015;

The 4th meeting of China's and Central and Eastern European Countries' government leaders was held on 24th November 2015, in Suzhou, China. Participants greeted the progress seen in the implementation of the Belgrade Guidelines, formulated and announced new guidelines titled New Beginning, New Domains and New Vision. Suzhou Guidelines for China-CEEC cooperation should:²⁷

1. Support Latvia in hosting the 5th summit in 2016;
2. Have the participants of the China-CEEC cooperation welcome the announcement during the 4th summit and underline their determination to implement the medium-term agenda regarding respective realities, needs and priorities;
3. Establish the mechanisms of quarterly meetings between the Secretariat for Cooperation in charge of the relations between China and CEEC, its member organisations and CEEC embassies in China;
4. Work on cooperation and connectivity, economic and financial cooperation, agricultural and forestry cooperation, scientific cooperation, cooperation in technology and health, people-to-people cooperation and cultural exchange; cooperation at the local level;

From 2010 to 2015, the scope of the China-CEEC cooperation increased by 20%, amounting to a total of USD 56.2 billion.²⁸ As far as the region is concerned, China mostly invests in the regional infrastructure – ports, railways, highways; this strategy is based on the assumption that these countries, including the countries of the Western Balkans, would be integrated in the EU, and thus enable the Chinese companies to approach the EU markets.²⁹

²⁷ Cooperation between China and Central and Eastern European Countries, "The Suzhou Guidelines for Cooperation between China and Central and Eastern European Countries – Cooperation between China and Central and Eastern European Countries," 21 October 2016, http://www.china-ceec.org/eng/ldrhw_1/sz2015/hdxw/t1411473.htm.

²⁸ Sijbren de Jong et al., *A Road to Riches or a Road to Ruin?: The Geo-Economic Implications of China's New Silk Road* (The Hague Centre for Strategic Studies, 2017), 5.

²⁹ Stephan Barisitz and Alice Radzyner, "The New Silk Road, Part II: Implications for Europe," *Focus on European Economic Integration*, No. Q4/17 (2017): 2, <https://ideas.repec.org/a/onb/oenbfi/y2017iq4-17b2.html>.

The 5th meeting of China's and Central and Eastern European Countries' government leaders was held on 5th November 2016, in Riga (Latvia), where the inauguration of the 16+1 fund was announced as it was intended to finance projects in cooperation with China. Two important documents were adopted: Riga Guidelines (a roadmap for the events within the 16+1 format in 2017), and Riga Declaration through which the leaders of CEEC governments confirmed their support for the cooperation initiative by focusing on the development of vital transport hubs along the coastal area of the Mediterranean Sea, the Baltic and the Black Sea, all the way along inland waterways, while planning to achieve intensive and close cooperation for the development of ports, industrial parks, transport corridors and infrastructure which would connect Central and Eastern European Countries to China³⁰.

The 6th meeting of China's and Central and Eastern European Countries' government leaders was organized in Budapest, Hungary, side by side with the Economic and Trade Forum, on 27th November 2016. Five initiatives were launched, which would help further promote the China-CEEC cooperation: (1) expanding economic and trade exchange, and stimulating trade and investment liberalisation and facilitation; (2) speeding up major projects regarding connectivity and promoting connections via land, sea, air and the Internet (3) seeking new ways of cooperation, such as industrial parks in the field of production capacity, energy, logistics and agriculture; (4) announcing the establishment of Inter-Banking China-CEEC Association and other types of financial support by the China-CEEC Cooperation Investment Fund; (5) asking these countries to boost their cultural and people-to-people exchange, bolster their cooperation regarding tourism and start cooperation with young people in the field of traditional Chinese medicine, sport and protection of women and children.³¹

The 7th meeting of China's and Central and Eastern European Countries' government leaders was held in Sofia, Bulgaria on 6-7th July 2018. All the participants formulated and announced the Sofia Guidelines for China-CEEC cooperation named Further Opening and Pragmatic Cooperation

³⁰ Ministry of Foreign Affairs of the Republic of Latvia and Ministra birojs, "The Meeting of Heads of Government of Central and Eastern European Countries and China Concluded in Riga," 6 November 2016, <https://www.mfa.gov.lv/en/news/latest-news/55295-the-meeting-of-heads-of-government-of-central-and-eastern-european-countries-and-china-concluded-in-riga>.

³¹ Cooperation between China and Central and Eastern European Countries, "Spotlight: Promising 16+1 Cooperation Helps Boost European Development, Integration – Cooperation between China and Central and Eastern European Countries," 29 November 2017, http://www.china-ceec.org/eng/ldrhw_1/2016lj_1/hdxw4/t1514944.htm.

for Inclusive Prosperity, in compliance to the medium-term agenda and previous summit guidelines, and they have stipulated the following:³²

1. The participants should support Croatia in hosting the 8th China-CEEC summit meeting;
2. The 16+1 coordination should be strengthened;
3. Practical cooperation on trade, investment and connectivity should be deepened. They also underlined the need to promote container train services and combined transport solutions, followed by stronger cooperation and customs facilitation for China-Europe Land Sea Express Line, in order to improve efficiency of border crossing management and reduce waiting time at borders. They welcomed China's, Serbia's and Hungary's progress on the Belgrade-Budapest railway project and emphasised their readiness to explore possible new ways for Belgrade-Budapest railway expansion, which would include the Albanian, Croatian and Montenegrin railways;
4. New drivers for cooperation in science, technology, innovation, finance, green environmental protection, agriculture, energy, forestry and health should be cultivated;
5. People-to-people exchange should be expanded;

The 7th Summit is expected to be the last one within the 16+1 format, but not because it has failed to achieve its goals. On the contrary, the 16+1 format should grow into the 17+1 format since Greece will certainly join the Initiative. This change points to the growing importance Central and Eastern Europe have for China, and it's closely related to the fact that China is gaining control over the Greek Port of Piraeus through COSCO. It is said that Beijing might be partially responsible for resolving the dispute about the name between Greece and Macedonia, as China aims to connect the Port of Piraeus, through Macedonia with the Belgrade-Budapest railway, and farther with the western part of the continent.³³

The People's Republic of China, as a longstanding friend and international partner of the Republic of Serbia (henceforth referred to as Serbia), has recognized the potential of cooperation with Serbia, and Serbia has recognized the potential and importance of the One Belt, One Road Initiative. Serbia has established a strong bond with China, the so-called 'comprehensive strategic partnership' and is one of the signatories of the

³² Ministry of Foreign Affairs, the People's Republic of China, "The Sofia Guidelines for Cooperation between China and Central and Eastern European Countries," 9 July 2018, https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1577455.shtml.

³³ Emilian Kavalski, "China's '16+1' Is Dead? Long Live the '17+1.'" *The Diplomat*, 29 March 2019, <https://thediplomat.com/2019/03/chinas-16-1-is-dead-long-live-the-17-1/>.

international platform for the China-CEEC Cooperation (Warsaw, 2012), known as the 16+1 cooperation mechanism.

Serbia has always had an important geo-economic position, just at the crossroads between Europe, Asia and the Middle East, and has at the same time found itself at the extended route of the *economic belt* and *maritime road* of the Silk Road. Consequently, Serbia has signed numerous international agreements on free trade (CEFTA, Agreement on Free Trade between Serbia and EFTA countries, etc.), and, given the importance of the Port of Piraeus and Thessaloniki for the One Belt, One Road Initiative, China's interest in a comprehensive cooperation with Serbia seems quite reasonable, as Serbia is one of its key partners in the Balkans, and even in the whole region.

In November 2015, a Memorandum of Understanding between Serbia's Government and China's Government was signed with the aim of promoting the Silk Road Economic Belt and the 21st Century Maritime Silk Road.³⁴ In June 2016, during the visit of the Chinese President, Xi Jinping, a Memorandum of Understanding was signed with the aim of promoting the development of the Silk Road, the information connectivity between Serbia's Ministry of Trade, Tourism and Telecommunications and China's National Reform and Development Commission,³⁵ and other 21 agreements covering different fields of cooperation.

After establishing cooperation and support, i.e. establishing the 16+1 international platform in the fields of economy, traffic and infrastructure, tourism, agriculture, information technologies and science, education and culture, Serbia has become one of the most active participants of this cooperation. Since then, this cooperation has yielded significant results, i.e. projects, such as:

- The bridge over the Danube in Belgrade – *Pupin's Bridge* – was the first bridge built by China in Europe. It was a USD 170 million worth investment and was seen as the largest Chinese investment in Europe until 2017;³⁶

³⁴ "Memorandum o razumevanju između Vlade Republike Srbije i Vlade Narodne Republike Kine o zajedničkoj afirmaciji Ekonomskog pojasa Puta svile i Pomorskog Puta svile 21. veka". Službeni glasnik Republike Srbije (Official Gazette of the Republic of Serbia) – Međunarodni ugovori (International Agreements), no. 1/2016 -1. January 11, 2016.

³⁵ "Memorandum o razumevanju o unapređenju razvoja Informatičkog Puta svile za informacionu povezanost". Službeni glasnik Republike Srbije (Official Gazette of the Republic of Serbia) – Međunarodni ugovori (International Agreements), no. 9/2016, October 2016.

³⁶ Katarzyna Sidlo, Christopher Hartwell, and Directorate-General for External Policies of the Union (European Parliament), *Saradnja Srbije sa Kinom, Evropskom unijom, Rusijom i Sjedinjenim Američkim Državama* (Directorate-General for External Policies of

- E763 Highway – Corridor 11, which will connect Belgrade and Šumadija with south-east Serbia and Montenegro. This would be the first highway in Serbia built by Chinese companies; the total cost for the construction of this highway is planned to amount to EUR 900 million;³⁷
- Belgrade–Budapest railway – the construction of this 350 km long high-speed railway is extremely important for the cooperation between China, Serbia and Hungary, including Greece, since it facilitates the transport of goods from the Port of Piraeus and Thessaloniki through Serbia by railway. The construction of the railway is estimated to cost EUR 1.1 billion;³⁸
- Kostolac Thermal Plant – Chinese companies have reconstructed and revitalized Block 2, and started building Block 3 of the Kostolac Thermal Plant, and they have expanded the Drmno surface mine providing coal for the Kostolac Thermal Plant.³⁹ This will be the first new thermal plant block built in Serbia in the past 30 years and the first Chinese project of this kind in Europe.⁴⁰

The China – Serbia cooperation has become increasingly comprehensive. It includes not only infrastructure and energy projects, but also aims to include production, finance, investments, telecommunications, and other projects carried out and supported by the investments Chinese companies made (not conducted only with the help of Chinese loans). By signing the agreements which would promote wind energy and waste-to-energy production, the China – Serbia cooperation was established in the field of renewable energy. Additionally, agreements on agricultural trade have been signed (e.g. on the export of corn and wheat from Serbia to China) and cooperation regarding creating an agro-technical centre has been established.

Some of the largest Chinese companies have invested their business in Serbia. Chinese company HESTEEL GROUP CO. LTD acquired 98 property

the Union (European Parliament), 2017), 7, [http://www.europarl.europa.eu/RegData/etudes/STUD/2017/603854/EXPO_STU\(2017\)603854_XL.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/603854/EXPO_STU(2017)603854_XL.pdf).

³⁷ Sidlo, Hartwell, and Directorate-General for External Policies of the Union (European Parliament), *Saradnja Srbije sa Kinom, Evropskom unijom, Rusijom i Sjedinjenim Američkim Državama*.

³⁸ Ibid, 23.

³⁹ Blagoje Babić, „Značaj ekonomske saradnje sa Kinom za razvoj privrede Srbije,” u: *Budućnost i saradnja Kine i Srbije*, ed. Ivona Lađevac. Beograd: Institut za međunarodnu politiku i privredu, 2018, 18.

⁴⁰ China Radio International CRI, „Mehanizam saradnje „16+1” unapređuje nivo kinesko-srpske saradnje China Radio International,” China Radio International. CRI, 18 June 2016, <http://serbian.cri.cn/1401/2016/06/18/181s168013.htm>.

units of *Železara Smederevo* (*Smederevo Steel Mill*) on 18th April 2017,⁴¹ which helped China and its steel production appear on the European market, and with that, emerged on the world stage as well. HESTEEL submitted a binding bid to buy *Smederevo Steel Mill* for USD 46 million, and the total investment is estimated to be more than USD 300 million (it mostly covers the infrastructure and fixed assets).⁴²

Huawei, the technological giant, announced (in 2016) its plan to make an investment into the 'modernisation of the existing Telekom telephone network', and later on they signed the EUR 150 million worth agreement; a Chinese company, *China National Electric Engineering Company* (CNEEC), announced (in 2014) its plans to invest USD 1.2 billion into power plants, companies involved in mechanical engineering, and in an industrial park; CNEEC has ventured, as a part of that plan, in a joint endeavour with the British company *Scarborough Group International* in order to build a thermal plant in Loznica and invest EUR 230 million.⁴³ Another Chinese company, CRBS, signed an agreement to build a Chinese industrial park in Belgrade, which would be available not only to Chinese companies, but also to companies from all over the world.

Chinese company, *Zijin*, has been chosen as a strategic partner of the Bor Mine, with a binding business plan which offers 63% of ownership for USD 1.260 million (where Serbia would own the smaller part – 37%), preservation of 5000 jobs and an obligatory recapitalization amounting to USD 350 million, along with the resolution of old debts (which amount to about USD 200 million).⁴⁴

Chinese e-sale giant, *Alibaba*, announced its arrival in Serbia, with a final goal to bring *Alipay*, an electronic payment platform, and *Fligy*, a travel platform, which would certainly and considerably make it easier for

⁴¹ Ministarstvo privrede (Ministry of Economy), „Potpisan kupoprodajni ugovor za Železaru Smederevo” Ministarstvo privrede Republike Srbije (Ministry of Economy of the Republic of Serbia), April 18, 2016, <http://privreda.gov.rs/potpisan-kupoprodajni-ugovor-za-zelezaru-smederevo/>.

⁴² Vlada Republike Srbije, „Prihvaćena ponuda 'Hestila' za privatizaciju Železare,” Vlada Republike Srbije, April 5, 2016, <https://www.srbija.gov.rs/vest/262818/prihvacena-ponuda-hestila-za-privatizaciju-zelezare.php>.

⁴³ Sidlo, Hartwell, and Directorate-General for External Policies of the Union (European Parliament), *Saradnja Srbije sa Kinom, Evropskom Unijom, Rusijom i Sjedinjenim Američkim Državama*, 35.

⁴⁴ Ministarstvo rudarstva i energetike (Ministry of Mining and Energy), „Kineski Zidin izabran za strateškog partnera RTB-a Bor,” Ministarstvo rudarstva i energetike Republike Srbije (Ministry of Mining and Energy of the Republic of Serbia), August 2018, <http://www.mre.gov.rs/latinica/arhiva-aktuelno-avgust-2018.php>.

Chinese tourists to travel and visit Serbia.⁴⁵ There are also some plans to open a centre for distribution and logistics for *Alibaba*.⁴⁶ Abolishing visas for Chinese citizens was the first step towards open tourism, followed by establishing Belgrade – Beijing direct flight (with a stopover in Prague).

Chinese companies invest in car and financial sectors in Serbia (*Meita* group has invested EUR 48 million since 2014, and *Bank of China* began its business activities in 2017).⁴⁷ Representatives of the Chinese company *Shandong Linglong* have signed an agreement to build a factory for producing high quality radial pneumatic tyres for cars, trucks and buses in Zrenjanin. With that factory, 1.200 new positions should be opened.

In March, the *Minth Group* started building a new factory for producing car parts in Loznica. This factory would employ 1000 people.

Representatives of the Chinese company *China Poly Group Corporation* were interested in making a joint investment with Serbia and opening a company, in order to develop and produce counter-terrorism equipment, devices for night surveillance and rocket systems.⁴⁸

Chinese companies participated in the realisation of some contracts financed by non-Chinese sources as well, such as the EBRD, for the reconstruction of one section of Rakovica – Resnik railway, with the total amount of EUR 23.8 million.

During 2018, *Hisense Group* acquired over 95% of *Gorenje* shares, in the amount of EUR 293 million, and became a majority shareholder of *Gorenje* which has several subsidiaries in Serbia: a factory of refrigerators in Valjevo, and a factory for washing machine and boiler production in Zaječar and Stara Pazova, which has around 2000 employees.

Closer industrial and cultural ties between Serbia and China have resulted in an influx of Chinese tourists in Serbia, which should be understood as a great incentive to use Serbia's touristic potential in a better way. According to the National Tourism Organization of Serbia, there was an increase of 181% in the number of Chinese tourists in 2017 when

⁴⁵ Aleksandar Mirković, „Alipay Serbia: zna se kada stiže Alibaba u Srbiju,” *PC Press* (blog), 19 September 2018, <https://pcpress.rs/kada-stize-alibaba-u-srbiju-alipay/>.

⁴⁶ Gde investirati, „Alibaba je zainteresovana za Srbiju,” Gde investirati, 27 September 2017, <http://gdeinvestirati.com/2017/09/27/alibaba-je-zainteresovana-za-srbiju/>.

⁴⁷ Sidlo, Hartwell, and Directorate-General for External Policies of the Union (European Parliament), *Saradnja Srbije sa Kinom, Evropskom unijom, Rusijom i Sjedinjenim Američkim Državama*, 36.

⁴⁸ eKapija, “Kineska Poly Group zainteresovana za projekte u namenskoj industriji,” eKapija, 19 January 2017, <https://www.ekapija.com/news/1648429/kineska-poly-group-zainteresovana-za-projekte-u-namenskoj-industriji>.

compared to 2016, while 80.000 Chinese people visited Serbia during 2018, which is 15 times more than in 2011.⁴⁹

It is almost certain that China and Serbia will strengthen and boost their economic and friendly relations through the agreed cooperation within the One Belt, One Road Initiative, and that it would allow Serbia to achieve its goals of economic growth and development.

Serbia is, when compared to other signatories of the 16+1 mechanism, far ahead regarding the quality of bilateral relations with China. The scope and range of the agreed projects can also not be compared. A number of other indicators reflect the quality of the ties established between these two countries – Serbia is, for example, the first country in Europe which has introduced visa liberalisation for Chinese citizens, and it is also one of the few European countries where Chinese language is taught not only at universities, but also in primary and secondary schools.⁵⁰

4. INSTEAD OF A CONCLUSION

President Xi Jinping proposed (in 2017) a long-term development plan, according to which China would, during the first phase from 2020 to 2035, become a 'global leader in innovation', and during the second phase, from 2035 to 2050, a 'global leader with international influence'.⁵¹ However, while on this path to achieve its ambitious goals, China will certainly face a myriad of challenges.

Serbia should study and work hard, build and cherish its friendship and beneficial cooperation with China, since, as Xu Li, the president of the China – Serbia Economy Association, said at the opening ceremony of the round table for The Future of Sino–Serbian Cooperation: "...businessmen cooperating with foreign partners know that for a successful cooperation it is necessary to know and be acquainted with cultural and managerial patterns of the partner country, overall business context of the partner country, and its legislation, while positive experience of other businessmen may be of vital importance, of competent people who know how to present the information, to make it understandable and acceptable to both sides."⁵²

⁴⁹ TOS, several sources.

⁵⁰ Obradović, „'Pojas i Put' Na Balkanu i Srbiji (Izazovi saradnje),” 168–69.

⁵¹ Saarela, "A New Era in EU-China Relations," 17.

⁵² Sju Li, „Govor predsednika Kinesko-srpskog privrednog udruženja,” in *Budućnost saradnje Kine i Srbije*, ed. Ivona Lađevac (Beograd: Institut za međunarodnu politiku i privredu, 2018), 9–10.

Chinese interests in Serbia and its region lie in the field of energy and infrastructure. The Chinese government wants Serbia to become ‘a key hub for air, rail and water traffic’ in accordance with the Initiative.⁵³ There is no doubt that Serbia should invest more efforts and capacities in order to be able to take chances and improve its cooperation when it comes to mutual interest, through the agreed platform. This refers to, above all else, in the areas which give basis for further economic growth: transport and infrastructure, energy and mining, financial services, telecommunications/ the Internet/information technologies, e-commerce, exchange of goods and services. Areas of common interest, such as joint learning, education and culture, promotion of peace through a comprehensive cooperation and inclusiveness, which has characterized the spirit of the Silk Road for thousands of years and contributed to the development of civilization, are of no less importance.

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⁵³ Sidlo, Hartwell, and Directorate-General for External Policies of the Union (European Parliament), *Saradnja Srbije sa Kinom, Evropskom unijom, Rusijom i Sjedinjenim Američkim Državama*, 23.

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