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The 4th International Academic Conference - Dialogues on China 2024

Harvesting the winds of change:
China and the global actors

CONFERENCE PROCEEDINGS



Aleksandar Mitić
Katarina Zakić (Eds.)



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The 4th “Dialogues on China”
International Academic Conference:

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Volume II

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Dr. Aleksandar Mitić
Dr. Katarina Zakić (Eds.)

Conference organisers



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Dr. Aleksandar Mitić, Dr. Katarina Zakić

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CHINA'S MULTILATERALISM: CHALLENGES OF SUSTAINABLE INTERDEPENDENCE

In May 2024, the President of the People's Republic of China, Xi Jinping, visited Europe for the first time since the end of the COVID-19 pandemic.

During his visits to France, Hungary, and Serbia, President Xi displayed his commitment to enhancing Belt and Road Initiative connectivity in Europe and finding ways with the European Union to balance economic interdependence and calls for strategic autonomy.

Differences in approaches and interests among EU members, not only between Paris and Budapest, showcase the obstacles that Beijing's multilateral diplomacy must face in Europe, regional forums worldwide, and, obviously, at the UN level.

These challenges – statecraft, normative, narrative- are one of the key threads of Volume Two of the Conference Proceedings from the 4th edition of the international scientific conference “Dialogues on China”, under the theme “Harvesting the Winds of Change: China and Global Actors” organised in Belgrade on October 10-11, 2024, by the Institute of International Politics and Economics (IIPE) and the Institute of European Studies at the Chinese Academy of Social Sciences (IES CASS).

On Day 1 of the conference, Professor Emeritus of the University of Kent, Dr. Richard Sakwa, gave a Keynote Speech on the theme: “Russo-Chinese Relations in a Time of War”. On Day 2, it was the turn of IIPE Research Fellow Dr. Katarina Zakić to deliver her Keynote Speech entitled “Serbian development path of FDIs – Navigating between the EU and China”, a theme under the auspices of the COMPASS project.

President Xi's visit to the Serbian capital five months earlier brought historic results for cooperation between Belgrade and Beijing. Relations were elevated from “comprehensive strategic cooperation” to the level of “China-Serbia community with a shared future in the new era”. Serbia became the

first EU candidate country to sign a Free Trade Agreement with China, effective July 1, 2024.

The triangle of EU-Serbia-China relations is the subject of articles in the volume stemming from the special panel “Innovation Practices in Foreign Policy Research – COMPASS Project”, devoted to the findings of the project COMPASS (Contributing to Modern Partnerships: Assessments of Sino-EU-Serbian Relations, No. 7294) funded by the Science Fund of the Republic of Serbia and implemented in 2024-2025 by the IIPE and the Institute of Social Sciences from Belgrade.

Volume Two of the Conference Proceedings is divided into four parts and includes 26 contributions from authors representing 11 countries: Belgium, Bosnia and Herzegovina, China, Croatia, North Macedonia, Portugal, Pakistan, the Russian Federation, Serbia, Slovenia and Turkey.

The first chapter, “Horizons of China’s Global Normative and Soft Power”, focuses on China’s role in the United Nations and interactions with the Belt and Road Initiative, including soft power, global capital, space programs and cyberspace governance.

The second chapter, “China and the EU: Between Strategic Autonomy and Interdependence”, delves into the dilemmas of cooperation and competition between the two global actors from the Arctic to the Global South, amid opportunities and challenges from renewable energy to the conflict in Ukraine.

The third chapter, “China and the Western Balkans: Testing new grounds,” examines Beijing’s policies, projects, and perceptions of its interaction with the Western Balkans and Central and Eastern Europe in general, from infrastructure to security.

The final chapter, “COMPASS Project—Contributing to Modern Partnerships: Assessments of Sino-EU-Serbian Relations,” is devoted to the project’s findings in its three key research domains: political, economic, and security.

The fourth edition of the conference “Dialogues on China”, held at the Exhibition Hall of Belgrade’s Crown Plaza and the Solemn Hall of the Institute of International Politics and Economics (IIPE), gathered 80 scholars from 27 countries worldwide.

Organised by the IIPE and the Institute of European Studies at the Chinese Academy of Social Sciences (IES CASS), the conference received support from

the Ministry of Science, Technological Development and Innovation of the Republic of Serbia, the Science Fund of the Republic of Serbia, and the Chamber of Chinese Companies in Serbia.

In Belgrade, October 2024

Editors
Dr. Aleksandar Mitić
Dr. Katarina Zakić

Horizons of China's global normative and soft power

THE ROLE OF THE PEOPLE'S REPUBLIC OF CHINA IN THE UNITED NATIONS

Duško DIMITRIJEVIĆ*

Abstract: As a member state of the United Nations (UN), the People's Republic of China (China) plays a very constructive role because it actively participates in its work in almost all aspects and areas of its activity, providing full support to the system of this universal organisation. Since China legitimately took a seat in the UN based on General Assembly Resolution 2758 of October 25, 1971, it has actively participated in the promotion of the goals and principles of the Charter and supported the role and authority of the UN, which, in its opinion, should be enhanced by the consistent application of international law and the reorganisation and reform of its main bodies. Through the vision of the development of the global governance system, which should be achieved by working together to realise the idea of "a community of shared future for mankind", China strives as a responsible power to contribute to solving the most important international problems, among which is the preservation of international peace and security in the first place. Its influence is increasing in the UN system, especially among the countries of the Global South, which has been criticised by Western countries led by the United States of America. Since the growth of Chinese influence in the UN is only a reflection of its power on the geopolitical and geo-economic plane (as indicated by numerous Chinese arrangements with intergovernmental forums and regional organisations such as the BRICS, SOC, and others, as well as the goals of Chinese strategic initiatives such as the BRI, GDI, GSI, and GCI), it would be most advisable for both sides to join forces and share responsibilities for improving the global governance system so that the UN becomes a "force multiplier" for international peace and development. In this way, through an equal game, China and Western countries could achieve a constructive reform of the UN, which would be a significant

* Professorial Fellow, Institute of International Politics and Economics, Belgrade, Serbia; Email: dimitrijevicd@diplomacy.bg.ac.rs, ORCID: 0000-0003-3375-7280.

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step towards the realisation of global development goals that transcend their national interests.

Keywords: UN, China, role, influence, development, global governance system.

INTRODUCTORY NOTES OF CHINA'S ROLE IN THE UN DURING THE COLD WAR

During the Cold War, China was in a state of isolation due to the unresolved issue of representation in the UN. The lack of international recognition by US-led Western countries, along with frozen relations with the Soviet Union, caused many difficulties for China participating in the UN. After more than two decades of persistent struggle for the restoration of its legal rights in the UN, China has taken its rightful place in this universal international organisation. The legal basis for the restoration of membership rights to China in the UN was General Assembly resolution 2758 of October 25, 1971 (United Nations, 1971).¹

This marked a turning point in China's positioning in international relations, as it enabled it not only to regain its membership in the UN (instead of being the representative of the government of the Republic of China) but also to normalise its bilateral relations with a large number of countries of the East and West, which was of key importance for strengthening its role in the UN system (Bulsara, 1995; Conforti, 2005, pp. 50-53; Garver, 2016, pp. 113-145; Kim, 1979, pp. 102-103; Torelli, 2012, pp. 159-160).

In this sense, it should be noted that, at the very beginning, China was not fully familiar with the functioning of the UN system, and it took some time for it to learn how this system works. Hence, at the sessions of the UN General Assembly and other related institutions, it expressed its views on

¹ After the 26th session of the UN General Assembly rejected the proposal of the United States to represent "two Chinas" in the UN, the General Assembly adopted the draft resolution proposed by Albania (A/L.630 and Add.1 and 2) by roll call by a vote of 76 to 35, with 17 abstentions, as Resolution 2758. The resolution recognised the People's Republic of China as "the only legitimate representative in the United Nations", which was in accordance with the customary international practice of recognising the international legal continuity of states in the event of revolutionary changes or changes of governments (*forma regiminis mutata non mutatur ipsa civitas*). The Government of the People's Republic of China sent its representatives to the General Assembly and the Security Council of the UN on November 15 and 23, 1971.

open international issues with a degree of caution, mostly aligning itself with the views of developing countries of the so-called *Third World*.

On the other hand, when voting in the Security Council on peace and security issues, China often abstained, thus expressing its position on resolutions approving the application of coercive measures or sending peacekeeping forces to countries that did not give their prior consent. According to its understanding, the passing of such resolutions was part of the hegemonic policy of the great powers and a gross violation of the principle of non-interference in the internal affairs of other states. The main reason for this positioning of China was ideological because it, as a communist country, did not want to participate in the bloc division of the world during the Cold War period. Therefore, it refused to pay financial contributions for those peacekeeping operations that would be established by the Security Council in accordance with Chapter VII of the Charter, which could not lead to the overcoming of conflicts and the settlement of disputes.

Its engagement on the economic and social level in the Cold War period was not great. That situation had changed drastically since the eighties of the 20th century when China transformed from a passive observer to a proactive and constructive actor in international relations. That turn was associated with the *Open Door Policy* and *Opening-up Strategy* promotion, which was the “trigger” for China’s extensive economic reform aimed at social transformation from an agrarian to an industrial country and from a regional and continental civilisation to a global and maritime civilisation.

The then-Chinese leader, Deng Xiaoping, the main architect of the Chinese reform and opening-up strategy, once said that “China should contribute to world peace by developing its economy” (Hongyuan, Yun & Qifa, 2012, p. 128). Thus, the development of the Chinese economy became the main driving force behind the reshaping of its *Foreign Policy of Peace*, which greatly contributed to the maintenance of international security (Ge, 2017). That policy arose from its earlier diplomatic experience based on the concept of the “Five Principles of Peaceful Coexistence”, by which it managed to establish sincere and friendly relations with a large part of the world that opposed the policy of power and hegemony in international relations.² In this sense, China remained steadfast

² The foreign policy concept of “Five Principles of Peaceful Coexistence” was promoted by Chinese Premier Zhou Enlai in 1953, along with the principle of “harmony without

in defending its independent position based on respect for territorial integrity and sovereignty, non-aggression and non-interference in the internal affairs of other countries, respect for equality and mutual benefit, and peaceful coexistence (Baijie, 2014; Keith, 2009, p. 135, MFA, 2017).

In the Seventh Five-Year Plan Report of 1986, China endorsed these principles that deeply permeated the UN Charter and promoted them to preserve international peace and development (Ziyang, 1986, p. 21). In this sense, China won the favour of the developing countries and the countries gathered around the Non-Aligned Movement (Dimitrijević, 2010, pp. 6-15).

At the 36th Session of the UN General Assembly held in 1981, China accepted a positive attitude towards the role of peacekeeping operations. That year, it voted for the adoption of the Security Council resolution extending the mandate of the peacekeeping forces in Cyprus. The following year, it took part in the costs of the peacekeeping mission in Lebanon. In 1986, China sent an observation mission to the Middle East, while in 1988, it officially submitted a request to join the UN Special Committee for Peacekeeping Operations, which was unanimously approved by the General Assembly (Niu, 2003). By the end of the Cold War period, China requested the sending of its military observers to the UN Truce Supervision Organisation (UNTSO), which was in charge of monitoring the ceasefire in the Middle East. Then, it also sent its observers to Namibia to assist the UN Transition Assistance Group (UNTAG) in monitoring the general elections. A changed approach to providing assistance to international peacekeeping operations was a good sign that China decided to expand its engagement within the UN system.

After all, it became more visible when China joined the World Bank (WB) and the International Monetary Fund (IMF) in the 1980s and abandoned its long-standing position as the only developing country that did not accept multilateral aid. Intergovernmental organisations within the UN system, such as the UN Development Programme (UNDP), the UN International Children's

uniformity". The concept served China to establish good neighbourly relations and then relations with other countries in the world. It was first incorporated into the 1954 China-India Agreement on Trade and Intercourse between the Tibet Region of China and India. At the conference of Asian-African countries held in Bandung in 1955, the concept was included in the Declaration on Promotion of World Peace and Cooperation, which was the conceptual basis on which the Non-Aligned Movement was conceived.

Emergency Fund (UNICEF), the UN Population Fund (UNFPA), the World Food Programme (WFP), and the WB, have become effective channels of financing its economic development. With its progressive economic growth, China wanted to help other countries, so it sought advisory assistance from the UNDP. This later enabled China to become a significant aid provider to the developing countries of the Global South (Zhang, 2017, p. 108).

It should also be noted that, since 1981, China has played a significant role in the UN Commission on Human Rights (UNCHR). It aspired to reshape the existing human rights protection system through participation in the work of this UN body. In China's view, each country has the right to choose the human rights principles and practices that best suit its unique national conditions. Rejecting the hard liberal understanding of human rights, China promoted the position that the protection of human rights should be aimed at the protection of economic and social rights on which economic development and social stability depend, which greatly contributed to strengthening its image as a responsible power in the UN that works in the common interest of all mankind (Foot, 2020, pp. 1-22).

Finally, it should also be noted that China played a significant role in the codification and progressive development of international law carried out by the UN International Law Commission, whose work led to the adoption of important international conventions (e.g., the Convention on the Law of the Sea). Also, the influence of its foreign policy commitment formulated in the concept of "Five Principles of Peaceful Coexistence" was officially accepted in important UN documents, such as the Declaration of Principles of International Law concerning Friendly Relations and Cooperation among States in accordance with the Charter of the United Nations of October 4, 1970, and the Declaration on the Establishment of a New International Economic Order of May 1, 1974 (Ge, 2017). In the end, all of China's engagements within the UN led to the growth of its influence in contemporary international relations after the Cold War.

CHINA'S ROLE IN THE UN AFTER THE COLD WAR

The world faced a great deal of uncertainty in the years following the Cold War. The question of whether the world will continue to advance democracy and the rule of law or stop at the relativization of the international order has

emerged in light of the recent geopolitical changes. Taking into account the continuity of the UN's activities, it could only be assumed that the UN will reaffirm the concept of maintaining peace and security and that it will follow up on the existing international legal order based on the Charter (Dimitrijević, 2009, p.10).

In such conditions, China opted for a much more active role in the work of the UN, determining the direction of its future action on a wider global level. Since this period somewhat overlapped with the intensification of the globalisation process, China decided to take a much more constructive approach in the General Assembly as the most democratic political representative body of the UN. It accepted a much wider responsibility in adapting this UN body to the demands of the times. Those requirements relate to the regulation of the most important world issues related to the maintenance of international peace and security, but also global problems in the economic and social sphere like poverty, pandemics, natural disasters, environmental pollution, climate change, energy shortages, arms control, terrorism, international crime, etc. Its participation in the work of the General Assembly has proven to be very effective over time, not only for its interests but also for the interests of other countries, nations, and humanity. Of course, this required China to be much more flexible and pragmatic in its relations with the world, which was in line with the foreign policy directive of Deng Xiaoping, who said that China must secure its position by "hiding its capabilities and biding its time", which in other words meant that it should keep "a low profile and never claim leadership" (Taiping, 1996, p. 7). That is where China's commitment to multilateralism came from, as part of its global strategy to strengthen the role and place of the UN in the global governance system. This strengthening, however, requires a previous reform of the UN system itself, which, according to China's point of view, cannot pass without a collective strategy of all its most important factors.

In this respect, China intensified its efforts in this direction during 1992. Namely, at that time, China assumed a relatively important role in the world organisation's peace efforts to resolve the issues of Cambodia, the Middle East, and Yugoslavia. Consequently, China attended the UN Conference on Environment and Development held in Brazil, where it contributed ideas on environmental protection and economic development. In the same year, China became an observer in the Non-Aligned Movement. It managed to

strengthen cooperation with the Group of 77, forming a special Group of 77 plus China. Since 2001, China has regularly participated in the UN General Assembly sessions in New York. In this way, it has become more present in the global governance system, in which important decisions are made in the economy, politics, and security fields (Niu, 2018, p. 70).

In the economic field, China insisted on establishing a new and fairer world economic order. This order, which would be established under the auspices of the UN, presupposes major economic reforms, including reforms of the international financial system through the implementation of the UN Millennium Development Goals (MDGs). After China's admission to the World Trade Organisation (WTO) and accession to the International Covenant on Economic, Social and Cultural Rights in 2001, this vision became more and more relevant, which confirmed the predictions of President Jiang Zemin that "the positive role of the UN should only strengthen and cannot weaken", which meant that the UN authority must be upheld without any prejudice in the future (MFA, 2005).

On the political front, China advocated for the reform of the existing collective security system of the UN. In its opinion, the changed appearance of threats and conflicts requires the UN to be much more adaptable, creative, and courageous to make more just decisions in accordance with international law. Along with these efforts in the security field, China advocated for disarmament in the UN. It actively participated in the meetings of the First Committee of the UN General Assembly dealing with issues of disarmament and international security, as well as the annual meetings of the UN Disarmament Commission. China acceded to the 1968 Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and other accompanying legal instruments. During this period, China became a member of the Biological Weapons Convention (BWC) from 1972, the Convention on Certain Conventional Weapons (CCW) from 1980, the Chemical Weapons Convention (CWC) from 1993, and other important multilateral conventions (Ćinmin, 2015, pp. 74-76). In this sense, China took part in the Arms Trade Treaty (ATT) (Control Arms, 2020). In this area, its advocacy for the "non-weaponisation" of the universe is also important.

In September 2005, on the 60th anniversary of the founding of the UN, Chinese President Hu Jintao presented a vision of a "harmonious world". He pointed out that only if all the countries in the world work together, can they

use the opportunity to respond to all challenges and build a harmonious world with lasting peace and common prosperity (Jintao, 2005). In this sense, the concept of a “harmonious world” was set as the ultimate goal of global governance, which was in line with the view that the UN should represent the core of multilateral organisations and mechanisms that should ensure world peace and common progress through the implementation of various forms of international cooperation. Since the realisation of this concept presupposes the reform of the UN system, in 2005, China adopted a document on the eve of the General Assembly session in which it presented its official point of view (NPC, 2005).

China expressed assurances that it is ready to work with all parties on a comprehensive reform of the UN, which should include the promotion of multilateralism and strengthening the authority and efficiency of the organisation to face new threats and challenges. According to its point of view, UN reforms should be all-dimensional and multi-sectoral and aim for success in both security and development. Reforms must be based on the principles and goals of the UN and must satisfy the suggestions and concerns of all its member states, especially those of developing countries. Considering that reforms should be based on democratic and fundamental consultations and the broadest-based consensus, China apostrophised that the reform of the General Assembly should be implemented through a comprehensive reform package that includes interactive cooperation with civil society. In this sense, it is not desirable to set deadlines and time limits or make forced decisions (MFA, 2005).

Regarding the UN Security Council reform, China pointed out that the reform should lead to the strengthening of its capacity to deal with global threats and challenges. In its opinion, the Security Council should remain the only body to decide on the legal use of force in light of the facts. The system of collective security managed by this body must remain under its control so that the implementation of coercive measures carried out outside this system and under the auspices of regional organisations or a coalition of states cannot be contrary to the UN Charter and cannot pass without prior authorisation. In this sense, China opposes proposals to expand the permanent membership of the Security Council with veto power (P-5). At the same time, it advocates for the expansion of its non-permanent membership while respecting the principle of geographical balance and the interests of

developing countries (especially African ones), as well as the interests of different civilisations and cultures. China believes that any such change requires a regional consensus. It does not think that it would be good to include financial contributions in the criteria for the expansion of the Security Council (Agyepong, 2019, p. 2; Cínmin, 2015, p. 81; Dimitrijević, 2009, p. 182; Lei, 2014, p. 14).

After the outbreak of the world economic crisis in 2008, the question of reforming the UN arose again, but on a much smaller scale and intensity. Certain limitations resulting from the structure of the world economy, the changed interests of developing countries, and the still-present ideological conflicts between the member states of the UN contributed to this. Such a situation led to the passivisation of the work of the UN, especially of its organs such as the Economic and Social Council, whose leading role in global development coordination was reduced to the discussion of the MDGs. As a result, management of the world's most important economic issues was moved outside the UN institutions.

This trend also influenced the change in China's official policy towards UN reform in the economic and social fields. Although formally advocating for wider international cooperation in these areas under the auspices of the UN, China became dissatisfied with the existing international economic system, which is why, as a member of the G20 group, together with Brazil, Russia, India, and South Africa, it agreed on mutual economic, financial, and political cooperation within the framework of the new BRICS intergovernmental forum. It represents an alternative to transatlantic organisations, which should serve the interests of the global majority of countries, regardless of which civilisation systems they belong to, which cultural values they share, and which economic and socio-political systems they have (Dimitrijević, 2023, pp. 6-21).³

³ In this sense, China strives to contribute to the global integration of the majority of countries through the development initiatives of regional organisations and forums such as the Shanghai Cooperation Organisation (SCO), the Eurasian Economic Community (EEC), ASEAN plus China, Asia-Pacific Economic Cooperation (APEC), Asia-Europe Meeting (ASEM), Central Asia Regional Economic Cooperation (CAREC), the Asia-Pacific Dialogue (APD), the Asia Cooperation Dialogue (ACD), the Conference on Interaction and Conference Building Measures in Asia (CICA), the China-Arab States Cooperation Forum, the Strategic Dialogue between China and the Gulf Cooperation Committee, the Forum on China-Africa Cooperation (FOCAC), and the China-CELAC Forum (Community of Latin American and Caribbean States).

In explaining China's new positioning in the global governance system, President Xi Jinping emphasised, in his inaugural address to the UN General Assembly in 2015, that the interdependence of states in the world requires further pursuit of the goals and principles contained in the UN Charter to build a new type of international relations and the Community of Shared Future for Mankind (MFA, 2015; Jinping, 2015).

The concept of the "Community of Shared Future for Mankind" starts from the assumption that each country is on its own unique path to modernity and development and that the international community should embrace different civilisations and adapt to different ways of modernisation. Therefore, according to this idea, China needs to strengthen its leadership position in the new world order of global governance. It should become one of the main hubs in a flexible global partnership network of states that together should manage global affairs and shape the future of the world through mutual dialogue, non-confrontation, and win-win cooperation (Xulong, 2017). President Xi then emphasised that China should create a security architecture based on equity, justice, and mutual benefit. In this sense, he also promised to establish a Peace and Development Fund worth one billion dollars (Jinping, 2015).

In his speech entitled "Seek Joint and Sustainable Development and Creating a Win-win Cooperative Partnership", held at the UN session on sustainable development in the same year, President Xi clarified that the international community should consider the sustainable development goals as directions for its future action so that, together with China, it can seek a fair, open, comprehensive, and innovatively led development path in the interest of all countries (Jinping, 2015).

In his famous speech, "Work Together to Build a Community of Shared Future for Mankind", delivered at the United Nations Office in Geneva in 2017, President Xi further explained: "Building a community of shared future is an exciting goal and requires efforts from generation to generation. China is ready to work with all other UN member states as well as international organisations and agencies to advance the great goal of building a Community of Shared Future for Mankind" (Jinping, 2017).

From the afore-mentioned vision, which is the main premise of China's *Policy of Peaceful Development*, it follows that China has committed itself to working in the common interest as a constructive player and main actor in

building a “peaceful and harmonious world” (The State Council of the People’s Republic of China, 2011). At the UN, this meant redirecting its previously passive foreign policy orientation to a much more active one, which should lead to China becoming one of the main actors in global governance in the 21st century. This change came with the transformation of international relations and internal reforms that led to the idea that China must cooperate with all countries in the world, regardless of their size, ideological and political orientation, and level of economic development. In international practice, this meant replacing its previous foreign policy doctrine based on the concept of “peaceful rise” with the concept of “peaceful development” (Jiabao, 2007).

This change illuminates the historical development of “socialism with Chinese characteristics”, which in the modern period is reflected through the vision of the “Chinese Dream”, whose foreign policy manifestations are expressed in the Belt and Road Initiative (BRI), the Global Development Initiative (GDI), the Global Security Initiative (GSI), and the Global Civilisation Initiative (GCI), which envisage different models of development and cooperation that should contribute to the establishment of an inclusive, harmonious, balanced, and peaceful “community of common destiny” (Ciborek, 2023, pp. 91-110; Dimitrijević, 2018a, pp. 34-38; MFA, 2022; Zhang, 2018, pp. 196-207).

This foreign policy turn significantly affected the strengthening of China’s role in the UN system. For example, in recent decades, China has been intensively working to improve the human rights protection system under the auspices of the UN. As mentioned earlier, China participated in the work of the Human Rights Commission until its transformation into the UN Human Rights Council (UNHRC) in 2006 (United Nations, 2006). Later, it was elected five times as a member of this subsidiary body of the General Assembly, connecting its activities in this field with cooperation with the Office of the High Commissioner for Human Rights (OHCHR). When expressing its views on the UN reform, China insisted on the reform of these bodies in terms of improving their capacities, democracy, and transparency in their work. According to its understanding, in order to reduce confrontation and improve cooperation, there must be respect between the interested parties. The essence of the reform should be reduced to the depoliticisation of human rights issues, the rejection of double standards regarding their universality and particularity, and the replacement of the Cold War mentality for an equal

dialogue on human rights, regardless of whether they are economic, social, cultural, civil, or political rights (MFA, 2021; Wen, 2022).

In addition to the above, it would be important to mention that since the end of the Cold War, China has taken an active part in the implementation of peacekeeping operations. For China, UN peacekeeping operations are an effective instrument for mitigating regional conflicts and preserving collective security. According to its opinion, peace operations should give priority to a political solution and adhere to three main principles, which include “consent of the parties, impartiality, and non-use of force except in self-defence and defence of the mandate” (The State Council of the People’s Republic of China, 2018).

In the 1990s, China changed its earlier position towards Security Council resolutions approving so-called robust peacekeeping operations authorised by the Security Council under Chapter VII of the Charter. During 1992 and 1993, China played a key role in the UN Transitional Authority in Cambodia (UNTAC). In May 1997, China joined the standby mechanism of UN peacekeeping operations. It took an active part in providing the observers and civilian, military, police, and other personnel needed to carry out these operations. It first sent police forces to the UN Transitional Authority in East Timor in 2000. In the following years, China took part in peacekeeping missions in Bosnia-Herzegovina, Congo, Liberia, Haiti, South Sudan, Lebanon, Mali, and other countries (Niu, 2018, pp. 73-75).

By gradually assuming a leading role among the members of the Security Council in the implementation of peacekeeping operations, China has gained the respect of a wider part of the international community for its willingness to contribute to the maintenance of international peace and security. This is indicated by the fact that after the 60th anniversary session of the General Assembly held in 2005 (*World Summit Outcome*), China was equally involved in the work of the Peace Consolidation Commission, a joint subsidiary body of the Security Council and the General Assembly in charge of planning and organising assistance to vulnerable countries in the post-conflict period of peacebuilding (United Nations, 2005a; United Nations, 2005b).

China’s new positioning has led to the strengthening of its role in the UN system, which was additionally manifested in its efforts to assume greater responsibility in the implementation of the seventeen goals (SDGs) contained in the 2030 Agenda for Sustainable Development (United Nations, 2015).

From the Chinese point of view, all countries should integrate SDGs into their national development strategies to achieve parallel and balanced progress in the fields of economy, society, and environment.⁴ The international community should strengthen partnerships for development and build a cooperation framework with North-South cooperation as the main channel and South-South cooperation as its complement. Developed countries should honour their obligations under Official Development Assistance (ODA) and help developing countries improve their developmental capacity.

The strengthening of China's position in the UN is also manifested through its efforts to secure executive leadership positions in its administrative apparatus. As early as 1997, China provided its first executive leadership, and in 2006 it managed to take over the leadership of the World Health Organisation. Since 2007, Chinese officials have led the UN Department of Economic and Social Affairs (DESA), which provides expert support to international discussions in the General Assembly and the Economic and Social Council. China is currently the only country that runs more than one specialised UN agency. China has representatives at the head of the Food and Agriculture Organisation (FAO), the International Telecommunication Union (ITU), the International Civil Aviation Organisation (ICAO), and the Industrial Development Organisation (UNIDO) (Али & Тимощенко, 2023, p. 25).⁵ China also held two political leadership positions in the UN Secretariat: Deputy Special Representative of the Secretary-General for the UN Mission in South Sudan and Special Envoy for the Great Lakes Region in Africa. In addition, China's influence

⁴ The SDGs include issues of eradicating poverty and hunger, ensuring good health and well-being, quality education, gender equality, clean water and sanitation, affordable and clean energy, decent work and economic growth, industry, innovation, and infrastructure, reducing inequality, sustainable cities and communities, responsible consumption and production, climate action, life underwater and on land, peace, justice, strong institutions, and diverse partnerships for goals. Fulfilling the SDGs while respecting dignity, equality, solidarity, and tolerance is an additional incentive for China to continue to pursue peaceful and harmonious global development. Achieving these goals also contributes to a better understanding of its concept of "socialism with Chinese characteristics", which represents a set of political reflections of Chinese leaders, starting from Deng Xiaoping through Jiang Zemin and Hu Jintao to Xi Jinping.

⁵ China's attempt to take the leadership position in the World Intellectual Property Organisation (WIPO) in March 2020 was met with strong resistance from the United States of America and its allies due to economic security.

has also increased at UNESCO, where its development initiative (BRI) has been accepted and should serve as a support for promoting international scientific and technological cooperation. However, despite these positive trends for China, it remained in the minority in terms of the number of leadership positions compared to the other permanent members of the Security Council (Fung & Lam, 2021, pp. 1143-1163; Lee & Sullivan, 2019, p. 14).

The strengthening of China's position in the UN was also made possible by its financial contributions. As a member state of the UN, China finances the budget of the organisation through estimated payments, which represent its contractual obligation to the UN. With the strengthening of its financial power, China has risen to second place in terms of contributions to the regular budget of the UN, just behind the United States of America (Baumann, Haug & Weinlich, 2022, p. 7). On the other hand, China also makes voluntary contributions to the UN. An illustrative example is the funding of the UN's Global Centre for Geospatial Knowledge and Innovation to map human behaviour, infrastructure, and topography around the world, as well as support for the 2030 SDGs. Another example is the \$1 billion in funds earmarked for the establishment of the UN Trust Fund for Peace and Development, which is divided into two sub-funds: the Secretary-General's Peace and Security Sub-Fund and the 2030 Agenda for Sustainable Development Sub-Fund, managed by Chinese officials. A third, most recent example is the COVAX platform led by the World Health Organisation, for which China has provided a decent US\$100 million (Fung & Lam, 2022, pp. 15-22).

CRITICISM OF CHINA'S ROLE IN THE UN

Although the strengthening of China's role in the UN after the end of the Cold War is an undeniable fact, US-led Western countries do not look favourably on it or believe that China is sincerely committed to strengthening the UN system through consistent observance of the principles and goals of the UN Charter. They believe even less in China's sincere commitment to international peace and development, international legal order, and multilateral cooperation for mutual benefit. These countries perceive China as a "revisionist power" that views existing multilateral institutions as a means to increase its influence. They believe that China's increased role in the UN stems from its intention to exert more influence in various domains of this

universal organisation to change its goals, rules, and principles in a way that would be more suitable for a Sino-centric authoritarian model of global governance than a democratic one. China's intention to reshape the existing world order is allegedly in line with China's expectations that the global distribution of power will increasingly shift from the United States to China, that is, from the West to the East (Gale, 2024, p. 1).

The mentioned point of view also highlights the fact that China participates in the establishment of new multilateral organisations and institutions through minilateral arrangements, which gives it increasing strategic flexibility and influence. An example is the establishment of the BRICS and other regional organisations and forums, which should serve to reshape the existing system of global governance based on transatlantic liberal values such as democracy and the rule of law, responsibility, transparency, and neutrality of states. Also, this point of view cites an example of a sophisticated strategy for the formation of financial institutions (such as the BRICS New Development Bank, the Asian Infrastructure Bank, the China, Central & Eastern Europe Investment Co-Operation Fund, and the Silk Road Fund), which, through the diversification of Chinese funds, can represent an alternative to the existing funds of the Bretton Woods international financial institutions in which the West has a predominance (Zepp-LaRouche, 2014, p. 3).

The permanent members of the Security Council (P3) (United States, Great Britain, and France) believe that, in this way, China tries to avoid wider responsibility for the future of the world order by "combining resources into successful strategies in the new context of power diffusion" (Nye, 2011, pp. 207-208). For P3, this is not acceptable, just as the Chinese vision of the future of the UN based on the Chinese understanding of multilateralism is not acceptable because it has remained obscured by strategic projections of Chinese initiatives that do not foresee concrete proposals and models for the development of the existing system of global governance (Brinza et al., 2024, p. 21-23).

China rejects these criticisms, arguing that its role in the UN stems from its sincere commitment to reforming the global governance system, including the UN. It opposes the understanding of multilateralism as a means to advance the Western power architecture. In this sense, it stands for "true multilateralism" as opposed to preserving the *status quo* of the liberal international order. China rejects the view that it is a "revisionist power",

which views multilateral institutions as a means to increase its influence. It points out that it is a “responsible power” because it respects the sovereignty of other countries, unlike the Western powers that lead a hegemonic policy of interfering in the social systems of other countries (Dimitrijević, 2018b). Following not only its own needs, China has brought a series of strategic initiatives with which it seeks to connect the broader SDGs with its development goals, the realisation of which in the future could lead to the fulfilment of its vision of a more equal world order. Finally, China sees its role in the formation of new institutions and organisations as a tool for greater strategic flexibility and the strength needed to change the unipolar into a multipolar international order. In this sense, as one of the world’s emerging poles, China expects to play a greater role in defining the economic, security, and normative architecture that forms the foundations of the international order deeply embedded in the UN system (Buzan, 2004, p. 70; Qingqing, Keyue & Yelu, 2021).

Western countries do not support such Chinese expectations or approve of China’s efforts to take a wider part in the reform and construction of the global governance system. They point to China’s ideological platform supporting these aspirations, based on authoritarian principles rather than generally accepted rules and principles. In this sense, Western countries believe that Chinese expectations are in ontological contrast with the current international order embodied by the UN. As evidence, they state that the UN recognises the limitation of state sovereignty and encourages and promotes universal human rights and freedoms, including the right to self-determination. Accordingly, China’s attempt to reshape the existing human rights system in accordance with its ideological values is unacceptable behaviour that deserves all condemnation. China’s behaviour in UN human rights bodies is particularly critical. Attempts to align this system with its own political interests often lead to confrontations or overrides (Pauselli, Urdinez & Merke, 2023, pp. 1-7). That is visible in cases when China refuses the possibility for certain NGOs that criticise its human rights policy to receive consultative status and the possibility of appearing before UN human rights bodies (a good example in this sense is the practice of the Committee of Non-governmental Organisations) (The United States Senate Committee on Foreign Relations, 2020, p. 40).

The practice by which China seeks to obstruct any meaningful criticism of itself is of particular concern to Western countries. By promoting an orthodox interpretation of non-interference in domestic relations, China weakens existing international norms, transparency, and accountability for human rights violations (Piccone, 2018). It is particularly worrying that China has refused to ratify the International Covenant on Civil and Political Rights for more than two and a half decades and that it has limited the possibility of individual appeal procedures under already ratified international instruments, which indicates the extreme uncertainty of its human rights protection system (Ploton & Books, 2022, p. 6).

China believes that the above criticisms are political. It assumes that Western countries apply double standards when it comes to the protection of human rights. Therefore, it is necessary to resolve misunderstandings between China's interpretation of human rights and Western viewpoints through equal mutual dialogue. However, Western countries reject this approach because they believe that China is trying to reshape the existing system of universal human rights in its own interest through the politicisation of human rights. China allegedly seeks justifications that rely on its ideological concept of "socialism with Chinese characteristics". Its realisation at the global level should lead to the realisation of the idea of "a community of shared future for mankind", which is fundamentally based on economic and social rights and not on civil and political rights. Since this ideological concept enjoys great support from developing countries with which China is building strategic unilateral arrangements based on "stick and carrot" and "chequebook" diplomacy, it is clear why its influence in the UN system is growing. This "multilateral tactic" certainly offers good lobbying support for China since the countries of the Global South represent the "global majority" of votes needed to strengthen China's leadership position in the UN and its specialised agencies. A good example is the progressive growth in the number of Chinese citizens employed at the UN in recent years. Although this trend in itself should not be controversial, there is a certain mistrust among Western countries because of indications that Chinese citizens are not impartial in the performance of their duties as international officials and that they act contrary to Article 100 of the UN Charter because they receive appropriate instructions from outside the UN, that is, from the Chinese government, which adversely affects the independence of the work of the UN (Schaefer, 2019, pp. 5-9).

In addition to the critiques already highlighted, China faces criticism from Western nations due to its growing financial contributions to the UN system, which serve to bolster its political influence. Although it is the second-largest contributor of estimated contributions to the UN budget, China complains that its voluntary contributions to the UN are not in line with its realistic financial capabilities to support various UN programmes and activities. The fact that China receives more recognition and respect from developing countries is particularly worrying, which is explained by the fact that China rarely demands budget restrictions or reforms that would bother these UN member states. The reasons for making certain financial decisions by which China seeks to promote sustainable development, peace, and security in the UN system (e.g., in connection with the Peace and Development Fund) are often hidden because they serve its interests (in this particular case, strengthening relations between the UN and Chinese Development Initiatives (BRI) (Feltman, 2020).

China views its growing influence inside the UN system—reflected in the number of its representatives holding leadership and other positions within the UN administrative structure and its specialised agencies—as non-controversial. It respects the claim of Western countries that the Fund for Peace and Development serves exclusively its interests since its purpose is primarily for peace operations and development projects in developing countries (primarily in African countries). As evidence, it points to the example of projects taking place through the Southern African Development Community (SADC) and projects related to conflict prevention in the Great Lakes and Sahel region and Sudan/South Sudan. China points out that the UN and certain specialised agencies have supported its strategic initiatives, which, in a sense, represents a recognition of China’s commitment to sustainable development and maintenance of peace and security (Fung & Lam, 2022, p. 4).

According to the understanding of P3 countries, China’s obligation to maintain international peace and security is called into question by its abstention from voting or its use of vetoes on draft resolutions of the Security Council regarding issues that, in its estimation, could threaten China’s “neutral position” or geostrategic interests. Although in the past, China was reluctant to use the right of veto, this practice changed after the end of the Cold War. China is becoming more assertive, which indicates a change in its position in international relations. In this sense, the tactical coalition of China and Russia

is noticeable, where both countries share the same views and provide each other full support when using the right of veto (Lađevac, 2020, p. 145; Machaffie, 2022, p. 431-447). An illustrative example is the use of multiple vetoes to block UN Security Council action in Syria since 2011, as well as the vetoes of resolutions on Myanmar in 2007, Zimbabwe in 2008, Venezuela in 2019, North Korea in 2022, and Palestine in 2023 and 2024 (Security Council Report, 2024). In other cases, when its interests coincided with those of the P3, China voted to pass the resolutions. However, on different issues, such as interventionism, interference in the internal affairs of other countries, the protection of territorial sovereignty, and the protection of human rights, China has regularly taken the opposite position from those of P3 countries (Feltman, 2020; Glaser & Fung, 2022).

Given that China has become significantly more involved in UN peacekeeping missions in recent years, Western countries fear that China is using this to assert its economic dominance and accomplish its strategic goals. For example, China has contributed peacekeeping forces to multiple missions where it has a significant interest in securing access to natural resources, including Western Sahara, Darfur, Sudan, South Sudan, and the Democratic Republic of the Congo (The United States Senate Committee on Foreign Relations, 2020, p. 44). In addition, China, often in alliance with Russia, uses situations to remove human rights observers from UN peacekeeping missions, further disturbing Western countries and causing certain resistance (Feltman, 2020).

On the other hand, China rejects these Western fears because it believes that its participation in peacekeeping operations represents its sincere commitment to preserving international peace and security. The fact that it is involved in several peace operations in which, in addition to maintaining peace, it has the obligation to protect its citizens as well as to support its interests (for example, to strengthen military capacities or to protect economic investments) does not represent any cause for concern, since the same practice is also applied by P3 members (e.g., France in Mali and Great Britain in Sierra Leone) (Lee & Sullivan, 2019, p. 10).

As for UN reform, there are still mutual disagreements between Western countries and China regarding the expansion of Security Council membership. Unlike China, which believes that the permanent membership of the Council should not be expanded, the United States believes that the reform should

include changes in its permanent membership so that the countries of Africa, Asia, and Latin America have their own representatives (in addition to the previously nominated representatives of Japan and Germany). For China, this proposal is unacceptable because, in its opinion, the Security Council should remain a concert of existing permanent members who represent a stabilisation mechanism of international relations, allowing, on the other hand, the possibility of expanding the non-permanent membership of this UN executive body with representatives of developing countries. France and Great Britain accept the possibility of expanding the Security Council with five permanent and four non-permanent members. Russia advocates for an even expansion of Security Council membership with the broadest consensus that would not cause new friction and political divisions in the world. All states declaratively support changes to the UN that would lead to greater efficiency and effectiveness of its system (Dimitrijević, 2009).

From previous criticisms of Western countries (primarily P3 countries that perceive China as a latent enemy or systemic rival), one notion that sums up their strategic considerations is that China uses the UN as a “force multiplier for its own interests around the world” (Nossel, 2024). To change this attitude towards China, according to the opinions of these countries, it will be necessary to change the strategic approach. The new strategic approach should follow a three-fold strategy of cooperation, competition, and deterrence (Gale, 2024). According to the United States, the strategic approach to China should be guided by principled realism so that America can continue to protect American interests and enhance American influence, which does not exclude closer cooperation in areas where their interests are aligned (Executive Office of the President, 2020). Given that China represents a significant economic power in the world, Great Britain believes that it would be expedient to cooperate with it in order to integrate it into the existing international system, which implies the co-option of China into the existing institutional system of global governance (Gale, 2024; Ikenberry, 2009, pp. 152-153). France believes that a “balanced approach” and not a confrontational one should be applied in relations with China, as is usually done by the United States. Offering an alternative to this approach, France insists on a constructive dialogue with China while avoiding anything that could deepen unnecessary antagonisms (Pajon, Julienne & Seaman, 2024). Finally, all these Western countries believe that, in competition with China, it is necessary to develop a cooperative strategic partnership to

protect common interests and values and jointly contain China's increased influence in the UN.

CONCLUDING REMARKS

The previous analysis of China's role in the UN indicates that the future of the world is inextricably linked with the future of China and that its influence on the world today is unprecedented. China has grown into a global power with the vitality needed to occupy one of the leading positions in the global governance system. That is why Secretary-General António Guterres's statement that China is becoming "an increasingly important contributor to the work of the UN and the main pillar of international cooperation" seems correct (Guterres, 2021). Despite this fact, China continues to suffer criticism from Western countries precisely because of the strengthening of its role in the UN. Thus, when Western countries claim that China is a "revisionist power" that wants to reshape the rule-based world order by modifying the values of the UN, this dogmatic criticism unfortunately stems from the still-present ideological confrontation between the capitalist world and China. According to Western understanding, China wants to impose its authoritarian ideological concept of "socialism with Chinese characteristics" on the world, undermining the foundations of the liberal world order, which really does not correspond to reality. Most likely, the goal behind such criticism is to uphold the current political order, which goes against the principles of evolution that cause the "wheel of history" to turn in the direction of shifting international relations. Therefore, it is more logical to accept the opinion that China's actions on the world stage and within the UN correspond to its efforts to adapt to these changes occurring alongside the development of the international community. In this sense, it would be meaningful to accept that China, as an "emerging great power" (regardless of its political system and ideological orientation), supports the authority of the UN and the development of the global governance system. While appreciating China's "smart power", Western countries would thereby also accept the fact that China has a legitimate right to assume a greater share of responsibility on the international level, as well as the right to promote its vision of a future international community based on peace and development, respect for international law, and multilateral cooperation. Considering the increasing intertwining of national interests and global responsibilities, as indicated by the latest Chinese strategic initiatives and China's participation in

intergovernmental forums and regional organisations in which it makes multilateral arrangements to establish strategic partnerships with the “global majority” (the Global South), the question is how to encourage Western countries to work together with China to achieve global goals. The most rational way would be for the two sides to join forces and share responsibility for improving the global governance system so that the UN can truly become a “force multiplier” for international peace and development. In this way, through equal competition, they could make a positive step towards the realisation of global goals that transcend their national interests. Although the presented point of view may seem quite idealistic, it should not be completely rejected because, despite the current polarisation of relations between China and Western countries regarding the strengthening of China’s influence in the UN and the zero-sum game in international relations, there is still a need for both sides to overcome mutual disputes and misunderstandings. Finally, China does not hide its desire for constructive reform of the UN system through a transparent multilateral dialogue with the West while achieving a general consensus so that the UN can play a leading role in a just world order that would accept its principled vision of an open, harmonious, and peaceful “community of shared future for mankind” (Baumann, Haug & Weinlich, 2022, pp. 38-39; Hongjun, 2013, p. 9; Qingmin, 2021; Zhang, 2018, pp. 196-207; Zongyou, 2014, pp. 23-24).

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FROM NON-PARTICIPATION TO “SHARED FUTURE” VISION – CHINA’S INVOLVEMENT IN THE UNITED NATIONS

Jovana TIJANIĆ*

Abstract: China has been one of the founding state parties of the United Nations (UN), the biggest and most important international organisation since the end of the Second World War. China is also one of the five permanent members of the Security Council. The purpose of this paper is to give a historical overview of China in the United Nations. This paper will address China’s involvement in the UN establishment, its re-entry into the organisation, and its work within the United Nations. As opposed to the previous decades, when China decided to abstain from most of the UN business and act silently, China’s influence is rising. Even so, China declared itself the leader of the *Global South* and promoted itself as a world peace and stability builder. Its influence in the UN is viewed through the rise of peacekeeping funding and sending personnel to peacekeeping operations. It is also noticeable in the overall funding of the United Nations since China is now the second-biggest donor after the United States of America. The expected result of this paper is an overall picture of China in the United Nations and a better understanding of its diplomacy and future goals, such as a *shared future* vision and governance that China is pursuing.

Keywords: China, United Nations, Shared Future, Security Council, international relations.

INTRODUCTION

The United Nations (UN) has been the biggest and most important international organisation since its foundation in the aftermath of the Second World War. It is also the centre where multilateral diplomacy takes place. If

* Research Fellow, Institute of International Politics and Economics, Belgrade, Republic of Serbia; Email: jovana.blesic@diplomacy.bg.ac.rs, ORCID: 0000-0002-6199-5406.

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we desire to study how a particular state is perceived in the international arena, it would be wise to examine its actions within this international organisation. The purpose of this paper is to introduce China's position in the United Nations, since it has drastically changed in the previous decades.

We must keep in mind that there are reasons why China is such an important country. Geographically, it spreads over a major part of the Asian continent, and nearly one-quarter of the entire world population lives there. China is one of the world leaders in the technology field and several other industries. As academics in the area of international relations, we often judge the strength, power, and impact of a state by its relations and status with the biggest and most important international organisation—the United Nations. That is why it is important to discuss China at the United Nations. It can answer many questions and show us the potential and interests of a certain state. It is also important to address the fact that China is one of the five permanent members of the Security Council, which means that it has veto power. The permanent seat status symbolises the “great power” status (McDougal & Goodman, 1966, p. 672).

Before the United Nations, the League of Nations represented the international community. It showed the mutual efforts of states to promote world peace and overall prosperity. At that time, before the Second World War, the attitude of Chinese communists was extremely negative towards the League of Nations. Proof of that was found in one of the telegrams that the Chinese Soviet Government sent in 1932, stating that the League of Nations was a “League of Robbers” and that imperialism wanted to dismember China (Kim, 1979, p. 99). On the other hand, after the San Francisco Conference, which was the conference where the United Nations Charter was drafted, the attitude changed.

FIRST DECADES OF CHINA'S PARTICIPATION IN THE UNITED NATIONS

China was involved in the United Nations establishment. It was one of the founding countries that gathered at the Dumbarton Oaks Conference in 1944, along with the United States of America, the United Kingdom, and Russia. They were working on the draft proposal, adopted at the San Francisco Conference in 1945. China was actually the first signatory to the United Nations Charter (Lei, 2014, p. 3). The delegation that China sent to this conference had twelve members. Four of them represented the ruling Nationalist Party of China; three were from minority parties, the State Socialist

Party, the Nationalist Youth Party, and the Communist Party; and three of them represented civil and educational institutions, as Chai (1970, p. 397) pointed out. All of them also participated in the signing of the Charter, which the Republic of China ratified (Chai, 1970, p. 398).

The representation issue in the case of China arose a few years after the UN's founding. Namely, the government of the Republic of China (so-called Nationalist China) has held the seat since the founding of the United Nations. However, the People's Republic of China (Communist China) commanded the resources and claimed participation (McDougal & Goodman, 1966, p. 671).

Namely, on October 1, 1949, Mao Zedong proclaimed the establishment of the Central People's Government of the People's Republic of China (PRC). In November of the same year, the Chinese Foreign Minister asked the President of the General Assembly of the United Nations to change the legal status of the delegate of the Government of the Republic of China. More precisely, to deny him his delegate status. Later that year, the Soviet delegate to the Security Council asked for an official debate in the Security Council regarding Chinese participation. He proposed that the delegate of Nationalist China be expelled. He did not win, and he boycotted the United Nations by walking out of the Security Council. Even though he later returned, he continued to declare that the Nationalist Chinese Delegation was not the representative of China. In 1949 and 1950, the Soviet delegation continued to declare that Communist China should be seated in the UN, but without much success. This issue and the debates about it caused some developments in international law. For example, there was a debate at the *ad hoc* Political Committee on the topic of *Recognition by the United Nations of the Representation of a Member State*. During that debate, two theories emerged. The first was the *subjective* one, which Cuba proposed. It said that the representation is based on "the ability and willingness to achieve the purposes of the Charter, to observe its principles, and to fulfil the international obligations of the State" (McDougal & Goodman, 1966, p. 679) and on respect for human rights and freedoms. On the other hand, the *objective* proposal was the British one, and it states that the representative is the delegation that "exercises effective control and authority over all or nearly all the national territory" (McDougal & Goodman, 1966, p. 680). These proposals had no effect; the only answer was the postponement (McDougal & Goodman, 1966, pp. 677-680). The PRC was founded in 1949, but the General Assembly of the

United Nations had already approved the delegation of Nationalist China. During the 1950s, the United States proposed the postponement or forestalling of the question of China's representation. In the 1960s, the United States suggested that the question of representation should be seen as an *important* one and that it should not be viewed as a preliminary one but as a main one, which meant that it needed to have two-thirds of the Member States present and voting. There was even a two-seat proposal that both the People's Republic and Nationalist China should represent China at the United Nations (Bailey, 1971, pp. 366-368). Some authors perceived this proposal as the closest to the ideal, arguing that "the state of Taiwan has established its identity" (Chai, 1970, p. 408) and is separate from China. On the other hand, most of them agreed that this proposal was both politically and legally complicated and perhaps unattainable. The solution to this issue, according to Chai (1970, p. 409), should be to have one vote and a delegation that includes representatives of both Nationalist and Communist China.

During all these years of unresolved issues of representation, both Chinese governments considered that there should be only one China in the United Nations, and each of them had support from a large number of countries. In different aspects, both governments supported the Charter of the United Nations. For example, the Constitution of Nationalist China has an article stating that it shall respect the Charter of the United Nations, and the Constitution of Communist China lists the principles from Article 2 of the Charter of the United Nations and cites the Charter in several bilateral treaties (Chai, 1970, pp. 406-407).

It was not until October 25, 1971, when the UN General Assembly passed Resolution 2758, that the PRC finally took the seat at the United Nations. The resolution was titled *Restoration of the Lawful Rights of the People's Republic of China in the United Nations*.¹ It stated that the General Assembly considered that the restoration of the lawful rights of the PRC is essential when it comes to the preservation of the United Nations Charter and the goals of the United Nations. It also recognised that the PRC representatives are the only lawful ones and that the PRC is one of the five permanent

¹ UN General Assembly. Resolution 2758, Restoration of the lawful rights of the People's Republic of China in the United Nations, A/RES/2758(XXVI). October 25, 1971. <https://digitallibrary.un.org/record/192054?v=pdf>. Accessed 6 August 2024.

members of the Security Council. Therefore, the General Assembly decided to restore all the rights to the PRC and government representatives. With this decision, the representatives of Chiang Kai-shek were expelled from the United Nations and its related organisations.

After this decision, multilateralism in China began to evolve. It changed the perception of China from being an “outlier” to a “perceived victim” to a “system maintaining power” (Anant, 2015, pp. 131-132). China still used its powers in the United Nations in a very limited way during the 1970s, due to the influence of Mao Zedong. From the 1980s onwards, its power rapidly increased.

After the People’s Republic of China replaced the Republic of China (Taiwan), several developing countries joined the United Nations. Most of them became part of a coalition named *the Group of 77 and China* (G77). This coalition nowadays has 134 members and makes up the majority of the UN member states, which is usually used as a mechanism for China to spread its influence in the UN (Okano-Heijmans & van der Putten, 2018, p. 2).

In the following years, China aimed to achieve economic development. One of the people dedicated to this goal was Deng Xiaoping. His famous sentence, the so-called 24-character strategy, was: “Observe calmly, secure our position, cope with affairs calmly, hide our capacities and bide our time, be good at maintaining a low profile, and never claim leadership” (Fullilove, 2011, p. 65). This sentence perfectly describes the PRC’s behaviour at the United Nations during these decades.

Author Samuel Kim (1979) described the progression of the PRC’s approach at the United Nations in several phases. The first was *system-transforming* before 1971; in the 1980s, it was *system-reforming*; and in the 1990s, it was *system-maintaining*. Since the middle of the last decade of the 20th century, the progression of China in this organisation has accelerated (Fullilove, 2011, p. 67).

THE PEOPLE’S REPUBLIC OF CHINA TODAY

With the governance of President Xi Jinping, which started in 2013, China has begun its global rise. As opposed to its previous performance in the international arena, nowadays, the PRC is trying to contribute to mankind by starting a new era where China will be closer to the centre and “take an active part in leading the reform of the global governance system” (Lee and Sullivan,

2019, p. 3). Unlike previously described decades, when China was either absent from the United Nations or abstained from it, in the last decade, China began to emphasise the importance of the United Nations. Proof of that is the speech of President Xi at the UN Geneva office. On that occasion, he addressed the fact that China is one of the founding members of this organisation and that it will strongly support the international system in which the UN is its core and all the norms and principles that derive from the UN Charter (Okano-Heijmans & van der Putten, 2018, p. 2). Today, China uses the United Nations to demonstrate its “responsible great power” behaviour and as an “anchor” for development in international relations (Anant, 2015, p. 135). In the following part, we will describe how China manages to do it and give examples of how it demonstrates its power.

Talking about China nowadays, we cannot bypass the ongoing discourse that the PRC uses, which is that it is the leader of the *Global South*. In the last two decades, China has expanded its South-South cooperation with other developing countries (Haug & Waisbich, 2024, p. 65). Also, in several speeches, the PRC imposed itself as a “builder of world peace, contributor to global development, defender of the international order, and provider of public goods” (Fung & Lam, 2022, p. 5) and is simultaneously trying to make its views a global consensus. China also began using the words “shared future” in the UN documents, which we will discuss later.

The most significant way the PRC influences the international community today is through the Belt and Road Initiative (BRI). Besides this initiative, there are two more interconnected with the PRC’s conduct within the United Nations. These are the Global Development Initiative (GDI) and the Global Security Initiative (GSI). The GDI was introduced in September 2021 at the United Nations General Assembly when President Xi gave a speech about more effective ways of achieving the UN 2030 Sustainable Development Goals. On the other hand, the GSI was introduced in April 2022 in another one of his speeches. This Global Security Initiative has its foundation in non-interference and, above all, in the rejection of any politics based on power. This initiative was also promoted during the UN Security Council rotating presidency that China had in 2022 by declaring it a “vision for common security” (Fung & Lam, 2022, pp. 11-13). Stekić (2023, p. 212) views the GDI as an illustration of how much the PRC is committed to the UN and its principles; in this case, the GDI can significantly contribute to the 2030

Agenda. Considering the Belt and Road Initiative, China tried to endorse it as a way of implementing the Sustainable Development Goals. In that sense, it attempted to promote the initiative and the country itself at the UN. Western states did not like the kind of pressure that the PRC put on them. After the US threatened to withdraw from giving any voluntary contributions to the United Nations Development Programme (UNDP), the UNDP finally stopped supporting the BRI in 2021 (Baumann, Haug & Weinlich, 2024, p. 54).

Since 2022, the PRC has been the second-biggest donor to the United Nations, the first being the United States of America. China is second when it comes to regular and peacekeeping budget contributions (Feltman, 2020, p. 1). Since 2022, the PRC has contributed more than 15 per cent of the United Nations' regular budget. That is certainly a way of promoting its voice when discussing budgets and their use. This data may indicate the importance of member states and how proportionate the amount of money given is to the power that that state has in the UN. Another way of influencing the UN is through the staff, or more specifically, the leadership positions at the UN bodies and agencies. Citizens of China are the heads of the Senior Management Group and the Chief Executives Board at UN agencies. The PRC is the leader of the Food and Agriculture Organisation, the International Telecommunication Union, and the Department of Economic and Social Affairs. But, between 1971 and 2022, China had the lowest number of executive leadership posts out of all the members of the Security Council, together with Russia (Fung & Lam, 2022, p. 23). On the other hand, it is important to point out that in 2015, China held five leadership positions, a record number so far. These agencies were the Department of Economic and Social Affairs (DESA), the UN Industrial Development Organisation (UNIDO), the World Health Organisation, and the International Civil Aviation Organisation (Baumann, Haug & Weinlich, 2024, p. 55). In 2019, Qu Dongyu was elected the General Secretary of the Food and Agriculture Organisation. It is also important to mention that China has failed to achieve some leadership positions it aspired to. For example, in 2017, the PRC failed to bid to be the head of the United Nations Education, Scientific and Cultural Organisation (UNESCO). In 2020, the PRC lost to Singapore for the lead of the World Intellectual Property Organisation. In 2019, the PRC also tried to win a leadership position at the United Nations Office on Drugs and Crime (Fung & Lam, 2022, p. 24). Later on, in 2021, a China-backed candidate for the leadership did not get enough votes at the United Nations Industrial Development Organisation (UNIDO) (Baumann, Haug & Weinlich, 2024, p. 54).

When determining how each member state behaves in the United Nations, we usually look at how it conducts itself in the main bodies and organs. The PRC voting practice in the General Assembly and the Security Council was explored by Fung and Lam (2022). In the General Assembly, the PRC has mostly voted opposite to the United States, the United Kingdom, and France, and similarly to Russia. It is noticeable that China votes similarly to the members of the *Group of 77 plus China* (Fung & Lam, 2022, p. 26). When it comes to the Security Council, the matter of voting is actually a matter of using the veto power that permanent members of the Security Council have. China did not veto any resolution between 2000 and 2006, but since 2007, it has begun to use its veto power. It was about the intervention in Myanmar, Zimbabwe, Venezuela, North Korea, and Syria, where it voted together with Russia (Fung & Lam, 2022, p. 29). China usually agrees with Russia regarding the actions of certain governments and possible human rights abuses, and the main argument was based on the non-interference in the internal affairs of other states. It is interesting to mention that China and Russia have not always been on the same side. The first time that China used its veto power was in 1972, only a year after Beijing finally replaced Taipei in the United Nations, which we discussed earlier in the paper. On that occasion, China blocked Bangladesh from becoming a member of the United Nations, explaining that it was a matter of a lost world based on “Soviet social imperialism, aggression, and hegemony” (Feltman, 2020, p. 2). There were two more occasions when China used its veto without Russia. It was in 1997 that China vetoed a resolution about sending observers to Guatemala, whose government and rebels had signed a ceasefire agreement in the previous year. However, China changed its mind when Guatemalan officials assured Beijing they would not advocate for Taiwan’s membership in the UN. The second time was when China did not agree to extend the mandate for the UN peacekeeping force (UNPREDEP) in the Republic of North Macedonia (then the Former Yugoslav Republic of Macedonia), which ended with the liquidation of the peacekeeping force. Also, China is closely linked to the African states and usually relies on them to vote as China (Feltman, 2020, p. 3).

Speaking of China in the United Nations system, it is evident that it has risen and shown its power more in the 21st century. To put it more precisely, 2013 is the year that marks China’s rise in this arena. That means that over the past ten years, we have observed more confident and materially powerful PRC behaviour within the United Nations (Haug, Foot & Baumann, 2024, p. 6).

The concept of a *shared future* was presented by President Xi Jinping in his speech during the general debate at the 70th session of the UN General Assembly in 2015, titled *Working Together to Forge a New Partnership of Win-Win Cooperation and Create a Community of Shared Future for Mankind*. That was the first time it was presented at the United Nations, while President Xi had introduced it at the National Congress of the Communist Party of China in 2012. After that, in 2017, he gave a work report to the Communist Party of China National Congress, where he explained key concepts of Chinese diplomacy in this new era, as Xiaochun pointed out (Xiaochun, 2018, p. 24). But what is truly meant by the concept of a *shared future*? It certainly is a concept that reaffirms the long Chinese tradition of seeking peace and represents the pursuit of common interests and universal values. The purpose is to create a sovereign and equally-based world where all disputes will be settled through dialogue and partnerships. It suggests that each state should have relations with other states based on mutual respect for interests and concerns. The world is meant to be globalised, and the United Nations is intended to be an impartial initiator of peace negotiations (Xiaochun, 2018, pp. 26-29). This *shared future* concept is actually a logical continuum of the progress China has shown in its strategic thinking and the change it wants to show in the international community. Also, it is the result of the integration that the PRC is making in the global economy and the fact that it tries to position itself as the global leader. Actually, Fung and Lam (2022) say that China holds the UN as a headstone for an international order that is state-led, but also that China is working on the UN reform so that it can use its bodies and institutions to better execute the so-called *shared future* vision of President Xi's, also known as a vision of a *community of common destiny*. This *shared future* concept means China wants to promote itself as a global leader and key partner in building international peace and security. In this system, China has partners and works with them through dialogue, non-confrontation, and non-alliance. It is a vision of democracy in international relations based on mutual benefit for all states (Fung & Lam, 2022, p. 10).

CONCLUSION

At the beginning of the paper, we discussed the importance of researching and observing a particular state within the United Nations. We emphasised the relevance of the United Nations, concluding that it is crucial to examine

China's performance to understand its diplomatic and political goals. After the 1940s, when China signed and ratified the United Nations Charter and was involved in the founding conferences, the problems began to rise. As we discussed, in 1949, the government was held by Communist China, but the United Nations representative would not accept or support it. In the following decades, the communist states, Russia being the leader, tried to put this question on the agenda, but without any success. These were the years when China abstained from the United Nations, and we could barely see any initiative. We could say that it kept to itself.

In 1971, the People's Republic of China took its seat as a representative of China at the United Nations. In the following decades, its performance in this organisation began to change and rapidly grow. China started expanding allies and states that would support it in the voting. We can say that a new era for China started when the new President, Xi Jinping, took office in 2013. China now often emphasises its relationship with the United Nations and how it plans to use this organisation to achieve its overall goals. Three important areas in which China shows its interest in the United Nations are budgeting, leadership positions, and peacekeeping personnel. In all of them, China has significantly improved. It is in second place when it comes to donations to the budget and sending personnel to the peacekeeping missions. Also, a certain number of leadership positions in UN bodies and agencies belong to China. These are all ways in which China is using its diplomacy skills to show its rising power. Also, the *shared future* discourse is one great example of Chinese diplomacy skills. China is using its own preferred language and slowly building it at the United Nations. The *shared future* is a concept that President Xi introduced, and he often mentions it at the United Nations. It is an idea based on the notion that all states ought to be equal and sovereign and that conflicts need to be settled amicably. It adheres to the global governance model that China is attempting to establish.

In this paper, it has been presented that a massive change happened in China's participation at the United Nations—from abstaining to imposing itself as a global, or at least for now, *Global South leader*. This analysis showcased China's relations with the UN for almost nine decades, and we saw its rise in power. It is expected that this rise will continue in the following years.

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CHINA'S CYBER SOVEREIGNTY AND THE UNITED NATIONS: NAVIGATING TENSIONS IN GLOBAL CYBER GOVERNANCE

Inês RITO*

Abstract: The paper offers a comprehensive analysis of China's global participation in cyberspace governance, with a focus on its strategic goals and cyber capabilities within the context of the United Nations (UN). It examines how China's key foreign policy bodies are working to influence global cyber norms and standards through UN platforms. China's goals in cyberspace are multifaceted, including safeguarding national security, promoting digital sovereignty, and expanding its influence in global cyber governance. The significant role of China's advancements in digital infrastructure and technology in bolstering its position in international cyber politics is highlighted. Additionally, China's cybersecurity concerns, such as data protection, information control, and the prevention of cyber espionage, inform its policy stances and advocacy for state-centric cyber governance under the UN framework. The analysis delves into the regional and global implications of China's cyber policies, particularly concerning its relationships with major global powers, particularly the United States, amidst rising geopolitical tensions. Finally, the paper critically evaluates the importance of the United Nations and its platforms, namely the Group of Governmental Experts (GGE) and the Open-Ended Working Group (OEWG), in advancing China's cyber policy goals. The UN serves as a crucial platform for policy dialogue and norm-setting, legitimising China's vision of cyber governance that emphasises sovereignty and state control. Through multilateral engagement, China aims not only to secure its cyber borders but also to reshape the international cyber architecture in alignment with its national interests.

Keywords: China, digital sovereignty, cyberspace, cyberspace governance, United Nations, GGE, OEWG.

* PhD Candidate in International Relations, Institute of Social and Political Sciences (ISCSP-ULisbon), University of Lisbon, Lisbon, Portugal; Email: inesrito22@gmail.com, ORCID: 0009-0000-7306-4169.

INTRODUCTION

Cyberspace, broadly understood as the digital realm encompassing various forms of digital communication, including the Internet, telecommunications networks, computer systems, and embedded processors and controllers, has become a critical domain of global importance (NIST, 2011). Like traditional physical spaces such as maritime zones and airspace, cyberspace is now a contested political ground where issues of national security, sovereignty, and geopolitical rivalry intersect (Barrinha & Renard, 2017). Within this domain, cybersecurity concerns are deeply intertwined with broader political anxieties, particularly regarding perceived threats posed by state and non-state actors. For instance, Chinese digital platforms are frequently viewed as espionage activities that translate significant cybersecurity risks, raising concerns about political censorship, unfair competition, and potential attacks on critical infrastructure (Lindsay, 2015). In the contemporary era, both states and the private sector increasingly recognise cyberspace as a vital domain that shapes global security, economic prosperity, and societal interactions. Governments perceive cyberspace as a strategic frontier where the development of policies and regulations is essential to safeguarding national security, protecting citizens' rights, and fostering digital innovation. Simultaneously, the private sector views cyberspace as foundational to business operations, innovation, and connectivity, driving economic growth and enhancing competitiveness on a global scale. The Snowden incident, for instance, which exposed the United States National Security Agency's (NSA) global surveillance activities, heightened security concerns and prompted countries to bolster their cyber defences, further complicating the governance landscape (Jiang, 2021).

The current framework of Internet governance is characterised by a fundamental tension between competing governance models, each vying for influence in international forums. This debate often revolves around the digital sovereignty approach versus a multistakeholder approach, reflecting broader ideological divisions between authoritarianism and liberal globalisation (Lindsay, 2015). Nations such as Russia, China, and other emerging powers advocate for a regulated internet governed by state-driven frameworks, emphasising control and oversight by national governments (Maulana & Fajar, 2022). While the Western bloc, led by the United States, advocates for an internet governance model that emphasises fundamental rights such as

freedom of expression and information (Swaine, 2013), this approach is not without contradictions. As mentioned before, the Snowden revelations, particularly the PRISM project, exposed the extent of US government surveillance and control over digital communications. This demonstrates that, despite promoting an open and rights-based internet governance model, the US also engages in significant state control of cyberspace, raising questions about the full realisation of these principles in practice (Wang, 2024). Even within the Western bloc, there are nuanced differences in approach. While the European Union shares core values with the United States regarding the protection of digital rights, it advocates for a more regulated cyberspace with greater governmental oversight, reflecting its desire to protect its strategic autonomy in the digital realm and recognise the significance of digital sovereignty in an increasingly interconnected world (Gao, 2022).

The United Nations (UN) plays a pivotal role in addressing the multifaceted challenges posed by cyberspace. It facilitates dialogue among states, the private sector, and civil society, recognising that cyberspace transcends national boundaries and requires international cooperation to combat cybersecurity threats and cybercrime and protect human rights online. Various UN bodies, such as the General Assembly and its committees, the International Telecommunication Union (ITU), and the Internet Governance Forum (IGF), contribute to shaping the global cyber governance framework. The Group of Governmental Experts (GGE) and the Open-Ended Working Group (OEWG) are key mechanisms through which the UN addresses cybersecurity issues, sparking ongoing debates about how international law applies to cyberspace and the principles that should guide state behaviour in this domain.

Since gaining recognition in 1971, China has steadily increased its influence within the UN, particularly by advocating for a multilateral approach to cybersecurity that prioritises state sovereignty and the regulation of cyberspace. China's broader strategy involves not only enhancing its standing in the international community but also exerting greater influence over global governance. To achieve this, China has actively pursued partnerships with regional and international organisations, such as BRICS, the G20, and the Shanghai Cooperation Organisation (SCO), while also securing key markets to fuel its economic growth. A cornerstone of China's foreign engagement is the Belt and Road Initiative (BRI), which includes the Digital Silk Road, a key component that focuses on expanding

China's technological and digital infrastructure globally. Through the Digital Silk Road, China seeks to establish itself as a leader in emerging technologies, including 5G networks, Artificial Intelligence (AI), and e-commerce, while setting new standards for digital governance. This initiative complements China's collaboration with financial institutions like the Asian Infrastructure Investment Bank (AIIB) and the China Development Bank, as well as with local governments worldwide. Collectively, these efforts challenge Western-dominated global norms and institutions, signalling China's intent to reshape the existing international order (Brown, 2020).

While the UN advocates for a multistakeholder and cooperative model of cyberspace governance, China's vision emphasises digital sovereignty and state control. This divergence in governance approaches raises critical questions about the future of global cyber governance, especially as China actively engages with the UN's platforms to influence international norms. The dynamic interaction between China's approach and the UN's multilateral processes presents both challenges and opportunities for shaping global cyber norms.

This paper delves into the complex dynamics of cyberspace governance, specifically focusing on the UN's role in the discussion. It seeks to explore China's strategic vision for cyberspace, highlighting its efforts to influence international norms and standards and its engagement with the UN regarding the subject. It also focuses on the context and division of the GGE and OEWS processes and how they reflect broader geopolitical tensions.

THE ROLE OF THE UNITED NATIONS IN CYBERSPACE GOVERNANCE

The UN plays a crucial role in cyberspace governance by fostering dialogue among states, the private sector, and civil society. This involvement is rooted in the recognition that cyberspace is a global space that transcends national boundaries, requiring international cooperation to address challenges such as cybersecurity threats, cybercrime, and the protection of human rights online (Li Y., 2019). The UN General Assembly has highlighted the importance of involving multiple stakeholders in its resolutions on enhancing cybersecurity, which is essential given the transnational nature of cyber threats that require coordinated responses from multiple stakeholders (Liaropoulos, 2017).

Cyberspace governance is being discussed in several UN forums, including the General Assembly. Three of its six committees, the First Committee (Disarmament and International Security), the Second Committee (Economic and Financial), and the Third Committee (Social, Humanitarian, and Cultural), are negotiating to create draft resolutions related to cybersecurity. ITU plays a significant role in setting technical standards and addressing practical aspects of cybersecurity. The Commission on Crime Prevention and Criminal Justice is responsible for addressing the illegal use of cyberspace. The United Nations Office on Drugs and Crime (UNODC) is actively involved in combating cybercrime and training law enforcement officials. The Security Council's Counter-Terrorism Committee addresses cybersecurity issues through the Counter-Terrorism Implementation Task Force (CTITF) (Maurer, 2020). A key UN body in this area is the Internet Governance Forum (IGF), established in 2006, which provides a platform for discussing Internet-related public policy. While the IGF does not make binding decisions, it allows stakeholders to identify emerging issues and influence policy discussions elsewhere (Henderson, 2015).

One of the key mechanisms through which the UN addresses cybersecurity is the GGE1. This group has been pivotal in promoting the application of international law to cyberspace, emphasising the need for cooperative measures to mitigate cybersecurity risks. The GGE's reports have laid the groundwork for establishing norms of responsible state behaviour in cyberspace, which are crucial for maintaining international peace and security. The "(...) agendas of the expert group mainly focus on the capabilities of the national network security, the application of international law, and the role of the United Nations in cyberspace security issues" (Liaropoulos, 2017, p. 3689).

Disputes in UN cyberspace governance primarily revolve around the application of international law, the principle of sovereignty, and the differing interests of member states. While there is a consensus that the principles of the UN Charter apply to cyberspace, implementing these principles in practice poses significant challenges (Li Y., 2019). The regulation of information flow and government control over cyberspace is a major point of contention, particularly among various global powers with differing approaches to digital governance and state intervention in online activities. This creates challenges in establishing a unified framework for cybersecurity, as there are debates about the applicability of existing international law versus the need for new

regulations (Henriksen, 2019). The transnational nature of cyberspace also makes it difficult to enforce laws and norms, as actions taken in one jurisdiction can have global implications (Henderson, 2015). Fragmented governance results in overlapping roles and poor coordination, making it difficult to establish effective international norms. The competition between state and non-state actors also undermines consensus on critical issues such as cybersecurity and data protection, while digital protectionism practiced by nations like the United States serves to deepen global distrust. The fast-paced advancement of technology, including challenges such as AI regulation and algorithmic bias, has outpaced existing governance frameworks, creating a gap between innovation and regulation (Lan, 2020).

CHINA'S STRATEGIC VISION FOR CYBERSPACE GOVERNANCE

China's journey in information and communication technology (ICT), which commenced in the 1990s, was marked by a significant phase of informatization. During this period, the Chinese government prioritised the development and enhancement of ICT capabilities, laying the foundation for the nation's present-day digital infrastructure. This era witnessed substantial investments in telecommunications, the introduction of the Internet, and the widespread adoption of digital technologies across various sectors. The primary objective was to integrate ICT into the broader economy and society, facilitating a digital transformation that could bolster China's rapid economic growth and modernisation endeavours (Hanna & Qiang, 2010). Transitioning into the 2000s, China entered a phase of securitisation to address the challenges and vulnerabilities stemming from its rapid ICT growth. This stage focused on fortifying the security and resilience of China's cyberspace. The government implemented stricter regulations, established cybersecurity frameworks, and advocated the development of domestic technologies to lessen reliance on foreign entities. This strategic shift was motivated by the imperative to uphold national security, safeguard critical infrastructure, and preserve the integrity of information systems amidst escalating cyber threats and international competition (Lee, 2022).

Presently, China undergoes a phase of heightened self-reliance, particularly in the tech sector. This contemporary period is characterised by a strong emphasis on cultivating indigenous technologies and decreasing

dependence on foreign technology and expertise (Creemers, 2020). The Chinese government has rolled out numerous initiatives to bolster homegrown innovation, such as the Made in China 2025 plan and the China Standards 2035, alongside substantial investments in research and development (Koty, 2020). These endeavours are aimed at nurturing a robust domestic tech industry capable of global competition, ensuring China's technological future, and upholding its sovereignty (Belli, 2021). The Great Firewall of China, officially referred to as the Golden Shield Project, constitutes a pivotal element of China's approach to asserting digital sovereignty and exercising control over its internet landscape (Griffiths, 2019). Comprising a system of internet censorship and surveillance, the Great Firewall restricts access to foreign websites, blocks internet tools such as Google, Facebook, Twitter, and VPNs, and monitors online activities within the country. Employing various technological methods such as IP blocking, Domain Name System (DNS) filtering and redirection, URL filtering, and packet inspection, the Great Firewall regulates the flow of information considered politically sensitive or detrimental to national security, enabling strict control over the online environment (Quan, 2022).

The institutional actors involved in cyberspace governance in China encompass a range of government agencies and organisations, each with specific roles and responsibilities. The Central Cyberspace Affairs Commission (CCAC), led by Xi Jinping, holds authority over the entirety of the cyberspace domain, coordinating policies and strategies related to cybersecurity and informatization (Lee, 2022). The Cyberspace Administration of China (CAC) operates as a supporting office for the CCAC, expanding its role from internet censorship to broader responsibilities in cyberspace security and internet content regulation (Lee, 2022). Functioning under the guidance of the CAC's deputy director, the National Information Security Standardisation Technical Committee (TC260) works as a technical body responsible for setting standards within Chinese cyberspace (Creemers, 2021).

The Ministry for Industry and Information Technology (MIIT) oversees China's industrial and information sectors, shaping policies and regulations regarding cyberspace development and technology deployment (China State Council, 2014). Under the MIIT, the China Academy for Information and Communication Technologies (CAICT) works and contributes to research and development in information and communication technologies, informing

policy decisions related to cyberspace governance (CSIS, 2024). The Ministry of Public Security (MPS) is responsible for law enforcement in China, while the Ministry of State Security (MSS) is tasked with Intelligence and Security, including counterintelligence. Both organisations play crucial roles in enforcing cyber regulations and addressing foreign threats (Creemers, 2021). The Ministry of Foreign Affairs (MFA) is responsible for cyberspace diplomacy on behalf of China, representing the country's interests and positions in international forums such as the UN (Lee, 2022).

China's approach to cyber sovereignty focuses on decision-making within the CAC, which operates under the CCAC's authority. The Cybersecurity Law (CL) is the cornerstone of China's cybersecurity strategy, and it guides the development of cyber laws and policies that address both domestic priorities and global trends. Various institutional, legislative, and developmental measures have been implemented to bolster its technological capabilities and enhance cybersecurity governance. Under this legal framework, the CL mandates data localisation and regulates cross-border data transfers (Jelinek, 2023). Complementing the CL, the Personal Information Protection Law (PIPL), often referred to as the Chinese Data Protection Law, establishes detailed guidelines for handling personal and sensitive data. It outlines the legal grounds for data processing, sets requirements for transparency, and defines the rights of individuals regarding their data. The PIPL also imposes stringent controls on international data transfers, ensuring that data leaving China is protected in accordance with national standards (PIPL, 2021).

In the realm of Chinese foreign policy, "core interests" denotes the nation's foremost concerns. These include state sovereignty, national security, territorial integrity, national reunification, the political system established by the Constitution, social stability, and basic protection to ensure sustainable economic and social development (China State Council, 2011). Regarding cyber matters, Chinese foreign policy endeavours to achieve the same objectives described in the 2022 White Paper titled *Jointly Building a Community with a Shared Future in Cyberspace* (China State Council, 2022). The primary goals are to respect digital sovereignty, protect digital peace and security, encourage openness and cooperation, and maintain digital order.

As per Broeders and Berg (2020), the concept of cyber sovereignty shapes China's stance on interstate relations in cyberspace, focusing on domestic information control and adhering to the principles of non-interference and

self-determination. This approach emphasises the importance of allowing states to govern their cyberspace and avoiding involvement from external sources. At the same time, it supports the idea that nations should have the ability to establish their own digital policies independently. The Chinese conception of sovereignty is rooted in the objective of upholding their political structure, safeguarding the integrity of China's governance system, and defending against external influences that may challenge it (Creemers, 2020). On global platforms, China is actively advocating for this approach and investing heavily in shaping internet governance discourse (Cheung, 2018).

China advocates for a reform of the existing global cyberspace governance system, calling for a fairer and more transparent structure that accommodates the interests of emerging and developing countries while also emphasising the importance of multilateral mechanisms like the G20, BRICS, and the SCO to foster dialogue and cooperation on cyberspace issues. These platforms allow engagement with other nations in discussions about responsible state behaviour, aiming to create a consensus on norms and rules that govern online conduct (Kirton & Larionova, 2022).

CHINA-UN ENGAGEMENT IN CYBERSPACE GOVERNANCE

China's vision for cyberspace governance emphasises digital sovereignty and state control, extending beyond domestic policies into the international arena, particularly through its engagement with the UN. This contrasts with the more open, multistakeholder frameworks favoured by many Western nations. Although the UN promotes inclusivity and cooperation among states, private actors, and civil society, China seeks to shape global cyber norms to its advantage by leveraging UN platforms. Its strategy includes collaborating with like-minded states to build a coalition that counters Western influence in UN cyber governance forums.

The year 1971 marked a turning point when the People's Republic of China (PRC) was formally recognised by the UN, taking the seat previously held by the Republic of China (ROC). This transition symbolised the end of China's international isolation and its emergence as a recognised global power. Securing a position on the United Nations Security Council, China joined the ranks of five other nations with the privilege of veto power (Fung, 2019). Following the Cold War, China predominantly exercised its veto power concerning the One China

policy and matters related to Taiwan. However, its engagement increased notably over time as it collaborated on joint vetoes with Russia. Since 2007, China has employed 15 vetoes (Dag Hammarskjöld Library, 2024), indicating a heightened level of involvement. This increased participation has been particularly evident in discussions on nuclear non-proliferation, counterterrorism, and, primarily, peacekeeping efforts (Malone et al., 2020).

In the cyberspace governance context, China often collaborates with other nations, especially Russia and emerging economies, to promote a multilateral approach to cybersecurity governance (Li et al., 2021). As previously mentioned, the policy, based on the concept of digital sovereignty, grants autonomy to each state to choose its own model for regulating public internet policies, cyber development paths, and equal international participation in cyberspace policies (MFA, 2021). This concept appeals to several states that have never enjoyed this type of autonomy (Cuihong, 2018).

China and Russia have significantly influenced the debate on how to address global cyber threats through their challenge of the GGE process. The GGE operates as a consensus-driven group of experts from a limited number of states, primarily representing major cyber powers, including the 2015 report, which articulated 11 voluntary norms and the recognition that International Law would be applied to cyberspace (Baezner & Robin, 2018). However, its limited membership, typically involving 15 to 25 states, has drawn criticism, particularly from nations outside of the group, for being exclusive and unrepresentative of the broader international community (Painter, 2021). In 2017, the GEE failed to produce a consensus report due to disagreements over the relationship between conflict in cyberspace and the laws of armed conflict. States such as Russia, China, and Cuba disagreed on the applicability of the right to self-defence and the principles of preventive measures of International Law and International Humanitarian Law in cyberspace (Henriksen, 2019). In 2018, Russia, along with several other states, including China, proposed the creation of an OEWG2. The group, established through a UNGA resolution, differs fundamentally from the GGE in that it is open to all UN member states, thereby promoting a more inclusive and transparent process. The proponents of the OEWG argue that the GGE's limited membership does not adequately represent the diversity of views and interests among the global community, particularly those of developing countries (Meyer, 2020).

The division between the two processes is crucial in translating a broader conflict and has led to tensions, especially with the United States, which has expressed concerns over transparency and the potential for the group to undermine the existing GGE framework (Li et al., 2021). Critics of the OEWG argue that its inclusivity may come at the cost of effectiveness, potentially leading to less ambitious outcomes due to the need to accommodate a wider range of perspectives and its instrumentalisation by Russia and China to pursue their own cybersecurity agendas (Li et al., 2021). Their support for the OEWG reflects their broader strategic interests in promoting a state-centric model of internet governance and defence for the principle of state sovereignty in cyberspace, emphasising the need for states to have greater control over the digital activities within their borders and resisting what they perceive as Western dominance in setting the rules of cyberspace.

As Swaine (2013) argues, the different approaches to cybersecurity are an obstacle to any international cooperation regime. The case of the creation of two separate working groups reflects broader systemic tensions and the fact that an international consensus is far from being reached (Maurer, 2020). The relationship between China and the United States has a significant impact on global cyberspace governance. While both countries recognise the need for cooperation to address shared challenges, such as cybersecurity threats and the need for stable internet infrastructure, their interactions are often met with tension and mistrust. This competition has led to a fragmented cyberspace where nations prioritise self-security over collaborative efforts to establish international norms (Li Y., 2019).

China's vision of cyberspace governance faces significant challenges within the UN's multilateral framework, where inclusivity and cooperation between states, the private sector, and civil society actors are prioritised over centralised state control. Despite these tensions, China has found ways to exert influence within the UN, particularly by participating in the creation of international cyber norms that align with its interests.

Looking forward, China's continued engagement presents both opportunities and challenges. While the UN's multilateral processes are unlikely to fully align with China's vision of cyberspace governance, China's growing influence could lead to a more fragmented global governance structure. This fragmentation may result in regional blocs of cyberspace governance, with China leading efforts to create alternative frameworks that

prioritise state sovereignty over the open, multistakeholder model that the UN traditionally supports.

CONCLUSION

The UN's involvement in cyberspace governance is critical, given the global nature of cyberspace and the complex challenges it presents. By fostering dialogue among diverse stakeholders, the UN provides a platform for addressing critical issues like cybersecurity threats, cybercrime, and human rights protection. Efforts like the GEE to promote the application of international law to cyberspace lay the groundwork for establishing norms of responsible state behaviour. However, the effectiveness of the UN processes in this area is hindered by several factors, like the fragmented nature of cyberspace governance within the UN, with multiple bodies addressing overlapping issues, which leads to poor coordination and diluted attempts. Fragmentation, coupled with differing national interests and approaches to digital governance, makes it difficult to achieve a unified and coherent framework for cybersecurity. The transnational nature of cyberspace further complicates enforcement, as actions in one jurisdiction can have global repercussions. Moreover, the fast pace of technological advancement has outstripped existing governance frameworks, creating a significant gap between innovation and regulation and risking leaving critical issues, such as AI regulation, needing to be addressed. The competition between state and non-state actors, along with digital protectionism, undermines trust and consensus on several issues, making it challenging to develop effective international norms.

China's approach to ICT and cyberspace governance reflects a blend of strategic foresight and authoritarian control. The initial phase of informatization laid a solid foundation for China's digital economy, contributing significantly to its economic growth and modernisation. The subsequent shift towards securitisation in the 2000s demonstrated China's recognition of the risks of a rapidly expanding digital landscape and its determination to mitigate these risks through robust cybersecurity measures and reduced reliance on foreign technology. However, this approach is not without its criticisms, as China's focus on self-reliance and the development of indigenous technologies while fostering innovation also leads to a form of

digital protectionism that allows isolation from global technological advancements and cooperation. The Great Firewall is a clear manifestation of China's commitment to maintaining strict control over its Internet, but this also raises concerns about censorship, the suppression of freedom of expression, and the broader implications for human rights.

Institutionally, China's cyberspace governance is highly centralised, with significant power concentrated in the CCAC and its supporting bodies, which ensures cohesive policy implementation but also reflects the top-down nature of governance, where decision-making is tightly controlled by the state. The legal framework, particularly the CL and the PIPL, prioritises data sovereignty and security. However, the controls on data flow and the heavy-handed regulation of personal information could stifle innovation and affect international business operations within China. The country's promotion of cyber sovereignty on the global stage highlights its desire to shape international norms according to its principles of non-interference and self-determination. While this stance resonates with other nations wary of Western dominance in cyberspace governance, it also reflects China's broader geopolitical ambitions to assert its influence in the digital realm.

It can be argued that the call for reforming global cyberspace governance structures to be more inclusive of emerging and developing countries is a strategic move that aligns with China's aspirations, which also raises questions about the balance between national sovereignty and the need for a globally coordinated approach to cyberspace issues. The engagement with the UN, particularly its permanent seat on the Security Council, has been instrumental in solidifying its position as a global power, and the increased activities in peacekeeping and counterterrorism, as well as the strategic use of its veto power, especially in collaboration with Russia, reflect the growing influence in international affairs.

In the realm of cyberspace governance, China's advocacy for digital sovereignty, once more in collaboration with Russia, by challenging the GGE process and promoting the more inclusive OEWG, seeks to allow for greater participation from developing countries and reduce Western influence. This approach is consistent with China's broader foreign policy goals of promoting multilateralism and asserting its sovereignty in the digital realm. However, this strategy is not without its drawbacks. The division between the GGE and OEWG processes reflects deeper systemic tensions in global cyberspace

governance, particularly between China and the United States, and while the OEWG's inclusivity has benefits, it can be argued that it may lead to less effective outcomes due to the need to accommodate a broader range of perspectives. Furthermore, China and Russia's instrumentalisation of the OEWG to advance their cybersecurity agendas raises concerns about the potential for these efforts to undermine existing international norms and frameworks.

The competition between China and the United States in cyberspace governance is a significant obstacle to achieving a cohesive international framework. The differing approaches to cybersecurity, translated by China's emphasis on state sovereignty and control versus the more open, multistakeholder model favoured by the United States, have led to the complicating of efforts to address shared challenges such as cybersecurity threats and the need for stable internet infrastructure.

In conclusion, China's engagement with the UN and its efforts in cyberspace governance reflect its growing influence and strategic ambitions. The UN plays an indispensable yet challenging role in mediating these divergent models, fostering a collaborative framework for global cyberspace governance. As China continues to assert its model of digital sovereignty within UN platforms, the balance between state control and global cooperation will be increasingly pivotal. The UN's ability to navigate these competing visions will shape not only the future of global cyber governance but also broader international relations in the digital age.

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THE IMPORTANCE OF THE BRI AS AN INSTRUMENT OF CHINA'S SOFT POWER

Elena I. SAFRONOVA*

Abstract: Any dynamically developing state, having satisfied its *hunger* for economic growth and having experienced the success of world economic ties, begins to realise that material success is an insufficient condition for achieving a globally significant status. Linear logic then suggests the intention to convert the country's geo-economic potential into geopolitical potential. In the author's opinion, under favourable circumstances, this transformation may occur automatically in an objective manner if there are no internationally significant obstacles to it. However, because the high dynamism of China's foreign policy, its rapid economic growth, and its defence capability pose a high concern for a part of the world community, China sees fit to increase its geopolitical influence through other channels. *Soft power* (SP) is intended to be the lever for the implementation of the respective plans. The world faces serious challenges, such as the growth of traditional and non-traditional risks and threats, US attempts to restrain China by creating and expanding new politico-military structures such as AUKUS, rising tensions around the Taiwan issue, territory disputes in the East China and South China Seas, etc. Cognisant of this, China actively seeks non-forceful but effective means to defuse the fears of those international actors that do not pose a threat to China but are afraid of China's dynamic development for various reasons. In this regard, it seems that the Belt and Road Initiative (BRI) is a powerful carrier of the Chinese SP. By using its soft power, China attempts to convince its neighbours of the peacefulness and constructiveness of its activity. China needs to appear *soft* in order not to give its opponents an argument to rally around all those who fear China's rapid growth. That is why the author will attempt to show the importance of the BRI as an instrument of China's soft power.

Keywords: China, Belt and Road Initiative, soft power, slogan diplomacy, economic diplomacy.

* Leading Research Fellow, Institute of China and Contemporary Asia of the Russian Academy of Sciences. Moscow, the Russian Federation; Email: safronova@iccaras.ru, ORCID: 0000-0002-4256-2381.

POSING THE ISSUE

In general, world political science interprets *soft power* as the ability to implement the foreign interests of a country by persuasion and attracting the fellow feelings of other world actors, not by pressure and/or coercion. Namely, this is the mastery of the minds of the counterparty in such a way that it not only approves of the lifestyle and behaviour of the partner country but also voluntarily accepts them as role models.

In the Chinese understanding, soft power is also a special type of foreign policy activity aimed at transferring the influence of one state to other countries through mass media, classical and pop culture, educational events, creating a favourable emotional environment for mutual contacts, disseminating worldview ideals, and a system of values that may be attractive to other subjects of international relations. In developing countries, such as China, soft power is understood as everything that can help a state realise its influence by any acceptable means, that is, except of illegal and coercive ones. Thus, soft power can have both an economic and a defensive form and interpretation (Safronova, 2018, pp. 226-227).

The author also proceeds from the fact that striving to develop an effective soft power strategy is an indicator of the political and economic maturity of a state and its readiness to become a responsible global actor. In world political science, including Chinese, the *three pillars* on which soft power is usually based are humanitarian cooperation, people's and/or public diplomacy, and efforts to create a positive image of the country abroad (Morozov & Safronova, 2014).

However, in global political science, there are still differences of opinion regarding the term soft power (SP). So, for the sake of convenience of presentation, the author has allowed herself, where appropriate, to replace the term soft power with one of its constituent parts: *humanitarian cooperation*, *public diplomacy*, and *improving the image of a state*.

As is known, over the past decade, the People's Republic of China (PRC) has put forward a number of new socio-cultural, image, and economic concepts: the *Chinese dream*, including *the great revival of the Chinese nation* through the *peaceful rise of China*, *new types of relations between major powers*, *a community of common (shared) future for mankind*, *a new complementarity of morality (justice)*, and *benefits*.

Even if we designate such doctrinal creativity as “slogan diplomacy” (Shambaugh, 2015), we should not forget that theoretical support for China’s external and internal initiatives has always been an important target area of Chinese ideologists. And not always fruitless: “slogan diplomacy” is not just an act of conceptual creativity so beloved by Beijing but also the most important mechanism of China’s soft power. Thanks to the abundance of concepts and terms used by China, almost any actor, especially in the developing world, can find in the Chinese doctrinal code a slogan close in spirit. Thus, the cooperation platform can be restrengthened in accordance with renewed dialogue interests.

Thus, the aforesaid concepts have become the harbingers and sources of the soft power doctrine in Chinese style. The creation of the *Belt and Road Initiative* (hereinafter referred to as the Initiative, Project, Strategy, or New Silk Road) consisting of two components—the land-based *Silk Road Economic Belt* (SREB) and the *21st Century Maritime Silk Road Initiative* (MSRI-21)—fits organically into the above-mentioned conceptual framework.

The creation of the Silk Road Economic Belt was announced by the Chairman of the People’s Republic of China, Xi Jinping, in September 2013 in Astana (Kazakhstan). He declared the construction of the Maritime Silk Road a month later in Jakarta (Indonesia).

In March 2015, the ideas of the *Belt and Road* were formalised in a document called *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* (NDRC, MFA & MC of the PRC, 2015). Speaking at the UN General Assembly in September 2015, Xi Jinping announced the concept of building a “community of shared future for mankind” (Sonnad, 2015). Thus, in 2015, Beijing offered the world its vision of the global world order in the form of a “community of shared future for mankind”, as well as an economic instrument for creating a new world reality as well. In 2023, summing up the results of the Third Belt and Road Initiative Forum, Xi Jinping reasonably called the BRI “the most important practice in building a community of shared future for mankind” (MFA PRC, 2023).

In China, the high soft power significance of the BRI is clearly promoted at the official level. Beijing emphasises that the Initiative will help participating countries expand the processes of humanitarian exchanges and mutual enrichment of cultures in the name of greater mutual trust and

respect, international harmony, peace, and prosperity (NDRC, MFA & MC of the PRC, 2015).

The principles of the BRI are openness, consensus, and tolerance; inclusiveness of different civilisations; respect for the choice of the development model of each state; intensification of inter-civilisation dialogue; striving for community while maintaining differences; mutual borrowing of what is useful; expansion of humanitarian exchanges; peaceful coexistence; and common prosperity. “The Initiative seeks mutual benefit. It accommodates the interests and concerns of all parties involved and seeks a conjunction of interests and the ‘biggest common denominator’ for cooperation so as to give full play to the wisdom and creativity, strengths and potentials of all parties” (NDRC, MFA & MC of the PRC, 2015). All these principles have high humanitarian meaning and therefore fit well into the Chinese *soft power* concept.

It is noteworthy that China attaches great importance to providing the Belt and Road Initiative with a social and humanitarian foundation through achieving *closeness and mutual understanding* between ordinary people. Public and/or people’s diplomacy is called upon to carry out this task.¹

¹ The term *public diplomacy* was first used in 1965 by Edmund Gallion, the Dean of the School of Law and Diplomacy at Tufts University who understood it as government-funded propaganda programs aimed at the formation of public opinion in other countries through media, educational and culture projects, direct contacts between unofficial structures, etc. (Şinghirei, 2020). Later, in the global expert and diplomatic community, this term began to be used as an unsuccessful synonym for the concepts of *people’s diplomacy*, *cultural diplomacy*, and even the *fourth dimension of foreign policy* (in the US practice).

It seems that *public diplomacy* is capable of playing the role of an independent direction of foreign policy where *classical*, i.e., professional diplomacy turns out to be of little functionality. At the same time, the author also takes into account that in world political science the terms *public diplomacy* and *people’s’ diplomacy* are often confused. According to the most common meaning of this term, *public diplomacy* is a set of measures implemented on a systemic basis, allowing a state to establish and develop direct relations with the public of another country.

People’s diplomacy, unlike the public one, does not imply direct government control and acts at the *civil* level. Examples of *people’s diplomacy* are communicative actions carried out by the self-organising population. In China, *people’s diplomacy* is essentially *public diplomacy* since it is directed and financed by the state, even if it is carried out through NGOs. All Chinese NGOs (the Chinese People’s Association for Friendship with Foreign

The practical areas of the task include cultural, scientific, personnel, student and teacher exchanges, the organisation of joint training, media cooperation, contacts through youth and women's organisations, tourism, holding mutual cultural years, sports events, and various thematic festivals with the countries participating in the Belt and Road.

The production and translation of high-quality products for radio and television broadcasting, cooperation in the field of exchanging information on infectious diseases, exchanging technologies for epidemic prevention and training qualified specialists, building capacity to respond to emergency situations, charitable events to support education and healthcare and the poor, and environmental protection are also mentioned as goals in the document (NDRC, MFA & MC of the PRC, 2015).

WHAT ARE SOFT POWER REASONS AND MEANINGS OF THE BRI?

Proceeding to this issue, the author believes it is correct to answer the question: Should we include economic diplomacy (ED) in the arsenal of a state's soft power? There are opposing points of view on this matter, but the author considers the opinion that ED is a powerful mechanism of a state's soft power activities justified. Since the generation of Chinese leaders led by Xi Jinping came to power, a distinctive feature of China's economic diplomacy has become the use of the notion of China's cultural commonality with its partners, especially its neighbouring countries (Leksyutina, 2023).

The uniqueness of Chinese civilisation, for all its attractiveness, paradoxically separates China from the rest of the world not only linguistically but also socio-culturally. Although, according to Chinese researcher Zhang Lihua, Beijing has always followed the principle of "governing with virtue" originating from Confucian culture, China is not always perceived as *one of our own*, even in the Confucian world area (Lihua, 2014). South Korea, Vietnam, and, particularly, Japan are currently not inclined to see China as a bearer of fraternal properties. Therefore, it seems that China still has the

Countries and the Chinese People's Association for Peace and Disarmament) are managed by the state. In some universities in China, *public diplomacy* is taught as a subject to train a younger generation of experts on *soft power* and to positively promote China's international image (Safronova, 2018, pp. 228-229).

psychology of an isolated nation, both due to the historical features of its development and specifics of the current world situation. The internal ideology of the PRC itself is so different from other worldviews (Wong, 2016) that soft power in the form of humanitarian ties is becoming a necessary tool for mutual understanding in international communication and an instrument of bringing China out of geo-mental apartness. That is probably the reason China aims at forming a new type of Asian integration, which implies the creation of a regional community based not only on trade, energy, and infrastructure ties but also on remembered historical and cultural similarities.

Appealing to the commonality of the historical destinies of the PRC and its partners is a traditional technique in Beijing's diplomatic rhetoric. It has been used in various interpretations since the Bandung Conference of 1955. However, the time has come to raise this thesis *on a shield* again. Thus, China gives its own specificity to such a phenomenon as economic diplomacy, enriching its meaning with cultural and historical implications. It is clear that the more active China is in the international arena, in terms of protecting its security and defence interests, the more it needs a non-force balancer and compensator to offset the concerns of its neighbours about the growth of China's general might. And soft power is called upon to act as such a balancer.²

According to our estimates, China currently spends up to \$25 billion annually on the important SP aspect—*external propaganda*,³ i.e., dissemination of knowledge about Chinese culture, history, philosophical views, and economic development model. This is done through the channels of Confucius Institutes, the media, television broadcasting in many languages of the world, cultural events, exchanges in education and art, and most importantly, by holding special meetings of experts and scientists dedicated to the soft power issue.

China also seems to be aware that leadership at the regional and/or global stage can be achieved not alone but with *a team*, i.e., surrounding partners and counterparties, with whom cooperation is sanctified by time, custom, and commonality of more than just economic nature. While developing itself, China is simultaneously cultivating an external partnership environment and is doing so purposefully and consistently. Countries located along the Belt and

² The author has addressed the issue in several publications, including in Safronova, 2016.

³ Estimated by extrapolating trend from Lam, 2014; Shambaugh, 2015.

Road are called upon to become an important part of such a supportive environment (Safronova, 2016). If such an environment is created, it will be a major achievement of China's *soft power*. If the BRI prospers, it will help in a soft, non-forceful manner to make the world more amenable to subsequent international initiatives initiated by China.

As stated above, the author proceeds from the fact that economic diplomacy as a way of using the country's economic achievements abroad is an integral part of soft power. Thus, the SREB Initiative can be considered a mechanism of economic diplomacy for the PRC and its SP as a whole. Beijing takes into account that the SREB is greatly valuable in supplying China's Western border provinces with energy resources from the adjacent territories of Central Asia. The resources are vital not only for the implementation of the SREB as such but also for reducing the separatist threat in the Xinjiang Uyghur Autonomous Region of China through economic and infrastructural development, material incentives, investments, and, consequently, through raising the living standards of ordinary people (Clover & Hornby, 2015). Therefore, the success of the Initiative is the achievement of not only China's socio-economic policy but also of its soft power as a whole.

The Chinese economic presence in Central Asia has, in a number of cases, contributed to the stabilisation of the humanitarian situation in the region (Lukin, 2011). Is this not a manifestation of China's soft power? Thus, the import of Chinese consumer goods performs a social function in some countries of Central Asia since the well-being of the region's population often depends on trade with China. There were times when China, for some reason, closed its borders, and that changed the exchange rates of a number of Central Asian currencies (Frolenkov, 2009, p. 143).⁴

It can be assumed that the implementation of the SREB signifies, to a large extent, Beijing's desire to *seize the initiative* and take the economic progress in Central Asia into its own hands. Economic progress is a solid basis and, at

⁴ Here we note that the success of the Chinese SP abroad can be perceived differently by the regular population and official structures of a recipient country. Thus, if the population welcomes the availability of Chinese goods, then official structures are concerned about the high competitiveness of Chinese goods with local products. This can explain a lot of the failure of the Chinese intention to create a free trade zone in the Shanghai Cooperation Organisation (SCO). Concerns about China's economic potential could also retard other collective efforts with China's participation.

the same time, a facet of soft power obtainment. The BRI has already achieved success in the sense that in the foreseeable future, the Central Asian states are unlikely to follow Washington's anti-Chinese line.

One more *soft power* implication of the BRI is that if the project succeeds, China will convince neighbors of its peaceful and amicable intentions (Barker Thomas, 2017). One may agree with the idea that this, in turn, will reduce the incentives for the countries to seek US protection and to create an anti-Chinese political and economic *front*.

It is important for China to appear *soft* in order to prevent Washington from rallying around all those who fear China's active policies, especially in the East and South China Seas. It should be noted that China's international image varies from region to region. While the effects of Chinese rapid economic growth are admired by many developing nations, in the West, the Chinese system of governance, the situation with *human rights*, and the regimentation of domestic life do not favour the country's reputation and thus reduce its soft power. However, the Chinese SP benefits from the fact that the BRI finds an understanding of the leading international organisation—the United Nations (UN). The UN Deputy Secretary-General Jan Eliasson stated that the Initiative fits well into the processes of implementing the UN goals (People's Daily, 2015). The significant success of China's image-making and cultural diplomacy (as components of its soft power) is demonstrated by China's support from the UN Educational, Scientific and Cultural Organisation (UNESCO). UNESCO included the eastern sections of the land-based SREB in the World Heritage List. By highlighting the cultural significance of the Silk Road, UNESCO promotes the idea of the high universal value of the SREB natural environment (Dobra-Manço, 2015).

Concerning the Maritime Silk Road-21, it is worth assuming that if trade flows along the MSRI expand, UNESCO's attention will inevitably be drawn to the historical sites on the relevant coasts and shelves and, most importantly, to the environmental situation in the seas. All this will give a new impetus to historical and geographical science, archaeological research, environmental interaction, and, on this basis, to a broader international cooperation among scientists. This, in turn, is a mechanism of international understanding since it promotes respect for cultural differences and the useful exchange of knowledge.

The soft power meaning of the BRI also lies in the fact that the Initiative can serve as an instrument for fulfilling the *Chinese dream*. The Chinese dream is not only the achievement of efficient domestic economic development; it is also the creation of new global economic, inter-civilisation, and socio-cultural realities beneficial for the PRC. The BRI, as an instrument for amplifying the PRC's international political and economic presence, contributes to China's return to its status as a great power, which is one of the goals of the Chinese dream.

Another soft power meaning is that the Strategy implies the mutually enriching development of China and its neighbours. As the BRI is implemented, the growth of their interdependence will, logically, generate a vested interest of partner countries in common success. China will have the opportunity to make its neighbours dependent on its foreign economic endeavours. Instead of fear of China's rapid rise, neighbouring countries may develop a strong need for the PRC's sustainable development. In this way, the *peaceful rise* of China will also become the business of its partners. And, isn't this the goal and achievement of the soft power?

The implementation of the Project is not only a *charm attack* but also a tool for promoting the Chinese *model of socio-economic development* (MSED). As history shows, the massive economic penetration of a strong actor into the life of any counterpart is inevitably followed by the actor's cultural and even ideological penetration. So, the BRI may become the artery through which the soft power of the PRC in the form of its MSED will flow into the *veins* of neighbouring countries. Realising this, China apparently strives to upgrade its development model and break the old perception of the PRC as an export-orientated economy dependent on foreign trade. If the BRI succeeds, China will demonstrate to the whole world that the Chinese MSED is capable of implementing initiatives of global significance. And, isn't the efficacy of a development model a powerful aspect of soft power?

It should be noted that the Chinese MSED is currently undergoing changes to meet new domestic and foreign requirements. However, it seems that both the Deng Xiaoping and Xi Jinping models will retain stable features that can be attractive to a vast number of countries. These include state capitalism, in which the state plays a central role in the economic system by maintaining commanding heights in key sectors of the economy and direct massive investments; the effectiveness of economic reforms ensured by the state; the thoughtful nature of political reforms (in contrast to the *avalanche*

transformations in a number of post-Soviet countries); respect for national specifics; foreign economic openness; and high adaptability to new conditions, which is called the key factor in the economic success of the Asian giant (Rodríguez Aranda & Van de Maele, 2013).

Such an MSED is especially attractive for developing countries, which, due to their economic insufficiency, cannot afford the attribute of rich societies—market democracy. Centralisation of power is always needed when it is necessary to concentrate resources to distribute effectively still modest material assets.

In China's *foreign policy model*, developing partners welcome such principles as the protection of multilateralism and multipolarity, peace and justice, and the search for harmonisation of international relations, non-interference in the internal affairs of partner states, non-conditionality of economic and financial cooperation on political or social requirements, support for the *win-win* principle in international relations, etc. (Rodríguez Aranda & Van de Maele, 2013; Rosendal, 2021).

It should be mentioned that China's soft power activities inspire confidence in its partners in the Global South (Intelligence Online, 2023). They consider China an engine of multipolarity, in which their voice will also be significant. As experts from the Global South note, China has already irreversibly invaded the traditional sphere of influence of the United States in Latin America, establishing strategic relations with a number of countries on the continent. The use of soft power (in all its manifestations) has brought this process closer and easier (Mazzina & González Cambel, 2017).

As history testifies, the economic prosperity of any territory often makes it internally stable and politically predictable. In our opinion, if the BRI succeeds, the probability of stabilising the international situation along the SREB and MSRI-21 will increase significantly since economic growth will be substantially stimulated and financed. Due to this, another humanitarian aspect of the Strategy is its capability to facilitate achieving stability—an element and a product of soft power.

DIFFICULTIES IN INTRODUCING THE BRI'S SOFT POWER

Despite the economic and humanitarian attractiveness of the BRI, its implementation faces a number of risks and difficulties. A serious factor

slowing down the BRI soft power is the tough assertiveness with which Beijing defends its interests in territorial disputes with Japan and some countries in the South China Sea. Joseph Nye calls it “nationalism” (Nye, 2015).

For a number of regions, such as Africa and Latin America, the situation in the seas is not a relevant issue. It is the general attitude towards China among developing countries because of the harshness of China’s territorial claims that brings a note of dissonance to the wholly positive mood.

The Belt and Road Initiative route is planned to cross unstable regions. Pakistan provided 10,000 troops to protect Chinese projects, and in Afghanistan, the US military protected copper mines in which China had also invested (Clover & Hornby, 2015). The question arises: who will now manage and protect the New Silk Road projects, and under what terms and conditions?

Presently, the Project does not envisage the creation of a unified administrative structure in which participants would be bound by common obligations. However, the very cyclopean scale of the BRI presupposes the need to create a collective *control point* since, otherwise, the smooth functioning of the BRI may be at risk.

No matter how much you invest in the humanitarian *offensive* or transfer free aid, if the recipients’ minds contain seeds of historical or tendentious mistrust of China, the effectiveness of soft power may be limited. So, China should remind its neighbours more often of its constructive role in world history. Thus, by revealing its significance as an allied state-liberator of Asia in World War II and an architect of the post-war world order, the PRC may gain a powerful moral argument for implementing its credo in solving modern problems (inter-Korean settlement, territorial disputes in the East and South China Seas, activating the PRC’s role in the economic life of Asia and the world, etc.).

In the light of public psychology, the Project is dualistic: on the one hand, it demonstrates China’s great geo-economics and, accordingly, geopolitical ambitions, and on the other, it is intended to demonstrate the peaceful and creative nature of China’s activities aimed at the common good. As Beijing emphasises, the Project ‘has boosted China’s development and benefited the rest of the world.’ (The Belt and Road Initiative, 2023). China’s official propaganda still faces the delicate task of implanting the second, *soft power* side of this dichotomy in global public opinion.

China also needs to convince the international community that the Initiative is not directed against anyone’s political and/or economic interests. Beijing

should prove that the BRI will not be used to *outplay* the US or the EU countries. Otherwise, Western nations may continue ignoring the Project, as we have already seen with Italy, which withdrew from the BRI at the end of 2023.

Showing the economic benefit of a project is still easier than inspiring faith in the high moral motivation of the counterparty, despite the complexity of this task. Such are the realities of social psychology. And isn't the art of persuasion an integral part of a state's soft power? Therefore, the quality of training of such negotiators may be considered as one of the main tasks of the Chinese SP (Safronova, 2016).

Another risk for the BRI is that it requires huge financial outlays from China. The cost of the combined Belt and Road Project is estimated at \$9 trillion for 30 years (Chatham House, 2015). The Project's soft power also comes at a cost. Will Beijing be able to provide its SP with sufficient and sustainable funding? Now, the BRI has to oppose disruptions in production and supply chains caused by COVID-19 and the complicated economic situation in China.

Another difficulty is that China's soft power sometimes finds itself unfruitful since the actual behaviour of Chinese enterprises on foreign soil does not always correspond to stentorian official declarations. Thus, complaints continue to be heard about the "aggressiveness" of Chinese interference in the economies of partner countries, which is sometimes attributed to neo-colonialist aspirations, disregard for environmental interests, etc. (Kingsley, 2013).

Another risk factor is the very long-term nature of the Project. The world does not stand still. The situation at regional and global levels can change dramatically in a couple of years, while a large-scale undertaking requires political, financial, and humanitarian stability. Will China be able to cope with the volatility of the modern world? This is also a serious question.

CONCLUSIONS AND SUMMARIES

The BRI allows Beijing to shape the image of China as a conscious, humanistically minded, and globally responsible nation. With skilful use of soft power resources, the PRC has a tool for peacefully influencing the mindset of partner countries, as well as an instrument for managing

international issues according to its values and, in the long term, its worldview. Is this not the primary goal and essence of soft power?

The fact that the BRI (being a carrier of China's soft power) is currently focused on general humanistic principles rather than on issues of worldviews indicates that Beijing is aware that blatant ideologization of its soft power may become an image miscalculation and a premature step. Soft power has the advantage of making the *common/shared future* thesis more accessible through practical humanitarian aid and public contacts than through political declarations hardly understandable to the ordinary population. Thanks to this, the humanitarian content of the Belt and Road Project can serve the mutual adaptation of cultural and social values of different countries, tolerance for other ways of life, and philosophical attitudes. As a carrier of soft power, the Belt and Road Initiative can play a huge educational role since its long-term nature allows generations of people to be educated in the spirit needed by China and to cultivate new thinking in them. Countries located along the SREB and MSRI-21 may become not only recipients but also conductors of China's soft power.

The Chinese soft power has its specifics. Firstly, it is an institutionalised, systemic, and thoughtful course. When implementing soft power, China prefers to work at the official level with ruling elites rather than at the level of the private sector, non-governmental structures, and individuals, even well-known ones. This is quite understandable: it is the state that bears China's soft power, and it is easier for it to communicate with a similar institution abroad. Therefore, unlike many other countries, China's soft power is subject to state control. In the realities of the PRC, state control is a guarantee that the country's soft power will be not just a trendy resource but also a highly productive factor. And since the engines of Chinese soft power are state organisations and corporations, Beijing is capable of combining the economic interests of Chinese business and the government.

Secondly, the specificity of China's soft power is that Beijing realises counter productiveness of the discrepancy between the *export* version of soft power and its domestic variant, i.e., addressed to its own population. The optimisation of China's development⁵ and its strive for harmony in

⁵ By eliminating the gaps in the standard of living of the urban and rural population, the balanced development of the coastal and central regions of the country, mitigating the property stratification of society, etc.

international relations⁶ are creating a material basis for Chinese soft power. This means that the fruitfulness of foreign policy should be based on the success of domestic construction. A country can be truly attractive in the eyes of its international partners due to the tangible achievements of its people and the abundance of its culture, and Beijing understands this well.

Thirdly, in its soft power activities, China considers what it can offer its partners and also the humanitarian needs of counterparties. For example, China will not build stadiums for free where the population needs donations in the form of water and food. Therefore, China's soft power is not intrusive, as some Western observers accuse it.

So, Beijing proceeds from the fact that positivizing the country's international image through its economic and cultural successes can bring much more benefit than positioning itself as a heavily armed *world policeman*. The United States loses a lot because of such an image. In general, China understands that SP does not bring immediate results; it is necessary to carry out long-term, painstaking work to introduce the necessary attitudes and views into the consciousness of partner countries. China is not afraid of this: it has stratagem thinking and vast experience in strategic planning.

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⁶ Through active bilateral cooperation, participation in multilateral partnerships, and the initiation of large projects such as BRI.

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GEPOLITICS AND SPACE POWER: RISKS AND IMPLICATIONS OF THE PEOPLE'S REPUBLIC OF CHINA'S SPACE PROGRAMME AND THE SPACE SILK ROAD

Diogo Ribeiro CARDOSO*

Abstract: Since its inception in 1956, the People's Republic of China's Space Programme has evolved into a formidable force, catalysing its ascension as a spacefaring nation. Initially rooted in the establishment of the Aviation Industry Commission, China's aerospace sector has burgeoned, manifesting in a plethora of ambitious projects that underscore its prowess on the cosmic stage. However, this meteoric rise has not unfolded without apprehension from the international community, particularly concerning the programme's military and strategic dimensions, portending a potential escalation in global competition and tensions in the terrestrial and celestial domains. This article embarks on an analytical journey through the lens of geopolitical theory to delineate the multifaceted implications of China's Space Programme and the Space Silk Road initiative. Situating these endeavours within the broader geopolitical landscape unravels a tapestry rich in economic, security, strategic, political, diplomatic, and technological intricacies. At its core, the analysis illuminates the interconnectedness of geopolitical power dynamics and space exploration. China's expanding presence in space not only reverberates through terrestrial power structures but also navigates the nebulous realms of diplomacy and technology. As the nation emerges as a preponderant player in space affairs, its actions resonate far beyond the stratosphere, sculpting the contours of future geopolitical landscapes. In conclusion, the article posits that the ramifications of China's foray into space are manifold, spanning domains extending far beyond the confines of Earth's atmosphere. By unravelling these implications, policymakers and stakeholders can garner insights necessary for navigating the complex interplay between geopolitics and the cosmos, charting a course towards a more cohesive and collaborative future in the final frontier.

Keywords: Space, China, Chinese Space Program, Space Silk Road, Space Power.

* Invited Assistant Professor, Institute of Social and Political Sciences (ISCSP-ULisbon), University of Lisbon, Lisbon, Portugal; Email: dcardoso@iscsp.ulisboa.pt, ORCID: 0000-0002-9126-8170.

INTRODUCTION

The launch of the world's first artificial satellite, Sputnik I, took place on October 4, 1957, forever marking mankind's perception of outer space. Later, the launch of the Apollo 11 mission in 1969 marked a turning point in technological and scientific progress. These events, as well as pushing the boundaries of human knowledge, have also marked the growth of the geopolitical frontier, from the Earth to the Moon, from the Moon to Mars, and so on.

In recent decades, space has been a place of geopolitical competition. Since the beginning of the Space Age, programmes and objectives have been primarily stimulated by Cold War rivalry. We thus consider that since the beginning of the Space Age, space has never been entirely a sanctuary of peace and shared prosperity. There were always risks for satellites. Many nuclear reduction treaties between the United States and the USSR included clauses warning against using national technical means in space or even intelligence-gathering satellites. Recently, what has changed is the role of the various states in space; the United States maintains a prominent position, while Russia, despite the relative importance of space for its national security efforts, is, with the invasion of Ukraine, far from being able to remain geopolitically relevant in this sector. On the other hand, Kuo (2021) states that additional competition, promoted by the strengthening of the People's Republic of China's space capabilities and the polarisation of growing and diverse interests, makes space one of the potential grounds for conflict on Earth that extends into the planet's orbit, or, alternatively, the misperception of activities in orbit can result in a terrestrial conflict.

When it comes to formulating space policies, they are not generated in a vacuum but are shaped by geopolitical tensions and considerations on Earth. Competition and concerns over space capabilities are largely the result of how the owner of those capabilities is perceived: an ally or partner is not viewed with much alarm, but the capabilities of a geopolitical competitor are perceived through the conceptualisation of a worst-case scenario. As such, political-diplomatic, technological, and economic tensions on Earth can contribute to increased tensions over space activities.

Today, technology and space-based systems are part of people's daily lives, regardless of where they live. As we all know, the Global Positioning

System (GPS) originated in space through military technologies that later moved into the sphere of public utility. On the other hand, satellites can serve military, economic, civil, intelligence, and scientific needs. According to Al-Rodhan (2019, p. 19), for National Power, space is critical to each of the seven dimensions of power: domestic politics, the economy, military and security issues, diplomacy, social and health issues, the environment, and science and human potential. Al-Rodhan (2019, p.20) states that, globally, Outer Space is also relevant to the five dimensions of global security: national security, transnational security, human security, transcultural security, and environmental security. Of the dimensions presented above, it should be noted that Outer Space and defence matters are inherently linked to ships, drones, and warplanes that navigate via communication satellites and that national intelligence units rely heavily on these devices. What is more, not only is the coordination of military and logistical operations increasingly linked to the management of Outer Space, but the focus of some national security departments is shifting from Earth to Air and Outer Space.

It is imperative to realise that Earth's orbit is a vital geopolitical and geostrategic arena in the international system and not just a United States concern. Space power is vital to modern warfare—for both the attacker and the recipient of the threat—and there are already several states that can launch and place machines in orbit for military and economic purposes. There are also several states that can interfere with, disrupt, or negate the effects of the machines placed in orbit.

THE GEOPOLITICAL THEORISATION OF SPACE

Geopolitical space theories are a set of frameworks and concepts used to understand and analyse the relationship between space activities, power, and international politics, as well as to explore the ways in which countries use and compete for control of the space domain. These theories aim to understand the strategic and political implications of space activities and how they relate to national security, international relations, and the economy. Among the various visions, concepts, and theories in the field of geopolitical space, the following should be highlighted: The Weaponisation of Space; Space as a Common Good; Space Power; Space Economics; Space Diplomacy;

Space Security; Space Governance; Space Industrialisation; Space and Global Governance; and Space and Energy Security.

The theory of Space Power, one of the most important for this article, focuses on the relationship between space activities and the projection of power and influence. This theory examines how space capabilities can be used to achieve strategic and political objectives and how space activities can shape the balance of power in the international arena. The most prominent authors of this theory are Everett Dolman and Colin Gray. Everett Dolman (2001, p. 7), a professor at the Air Command and Staff College at Maxwell Air Force Base in the United States, also developed the theory of Astropolitics, which argues that control of space is becoming increasingly important for countries as it allows for the projection of military power, surveillance, intelligence gathering, and access to valuable resources. Dolman (2001, p. 78) argues that as space becomes more critical, countries will increasingly compete for its control, leading to the development of space as a new arena for military competition and potential conflict. Finally, Dolman (2005, p. 54) states that space is becoming a critical enabler for many military and civilian activities and that it is essential for countries to secure their interests in space in order to protect their national security. On the other hand, Colin Gray was a geopolitician and professor of International Politics and Strategic Studies who argued that space is a critical domain for international security and that its control is becoming increasingly important for countries. Gray (2006, p. 117) stated that space is becoming a new arena of military competition and that countries are beginning to develop space weapons and capabilities to protect their interests in space. Gray (2006, p. 34) also stated, like Dolman (2005, p. 22), that the increasing use of space for commercial and civilian purposes leads to competition and potential conflicts.

HISTORY AND CURRENT STATUS OF THE CHINESE SPACE PROGRAMME

The Chinese Space Program officially began in 1956 with the establishment of the Aviation Industry Commission, whose main objective was to monitor and manage the Chinese aviation sector and space industry. Since then, the Chinese Space Programme has undergone rapid evolution, becoming one of the world's most ambitious and rapidly developing. Until 1970, the Programme enjoyed few developments. However, in that same

year, the first Chinese satellite, the Dongfanghong-1, was launched, giving new impetus to the Programme, which was followed by a series of satellite launches for various purposes, including communication and remote sensing (Drozhaschikh, 2018, p. 179).

According to Hilborne (2020, p. 13), between 1992 and 2002, under the presidency of Jiang Zemin, the Chinese Space Programme experienced new developments, namely through the launch of geosynchronous communications satellites (Dongfanghong-3), geosynchronous meteorological satellites (Fengyun), and earth resources satellites (Ziyuan) capable of sending electro-optical images to Earth. In 2000, China became the third country to deploy a navigation satellite system, with the launch of two satellites in the BeiDou series.

Between 2003 and 2013, under the presidency of Hu Jintao, the Chinese Space Programme continued to expand and achieved important milestones. In 2003, the People's Republic of China launched the first manned spacecraft (Shenzhou 5), marking the first time China had independently sent human beings into space. In 2007, China successfully launched the Chang'e 1 lunar orbiter, which marked the country's first step towards lunar exploration. In the following years, China launched Chang'e 2 and 3, which successfully landed on and explored the lunar surface. During Hu Jintao's presidency, China also expanded its satellite capabilities, launching a series of satellites for various purposes (Arcesati, 2019, p. 9).

Since 2013, under the presidency of Xi Jinping, the Chinese Space Programme has seen some of its most ambitious and significant achievements. In 2015, the first satellites of the third generation of the BeiDou series were launched, making the BeiDou Satellite Navigation System service global, of civil and military utility, and which currently has a constellation of 35 satellites in orbit. In 2019, China successfully launched the Chang'e 4 lunar lander, which became the first spacecraft to land on the far side of the Moon, taking the Chang'e Lunar Exploration Programme to an exponential level (Einhorn, 2022). In 2020, aboard a Long March 5 rocket, the Tianwen-1 spacecraft was launched, weighing 5 tonnes, with the Zhurong rover on board. This mission arrived on Mars in February 2021, with the aim of starting the Mars Exploration Programme, which aims to study the planet's surface, geography, and atmosphere and look for signs of water and habitable conditions for future manned missions. In April 2021, the first of the Tiangong Space Station's three

modules, the Central Tianhe Module, was launched aboard a Long March 5b rocket. The second module (Wentian) was launched in July 2022, and the third and final module (Mengtian) in October 2022. The process of building the Chinese Space Station took place over the course of 11 missions—the 3 module launches mentioned above, four missions manned by taikonauts, and four missions to send cargo and supplies—and the station was officially successfully assembled in October 2022 with the docking of the Mengtian module. The Chinese Space Station has the capacity to accommodate six taikonauts/astronauts simultaneously, and there are plans to expand it from 3 to 6 modules. The Xuntian module, a space telescope with a field of view 300 to 350 times greater than the Hubble Space Telescope, is expected to be launched in 2026 and will co-orbit the Chinese Space Station, allowing it to be docked periodically for maintenance (Jones, 2022).

SPACE SILK ROAD

In 2014, the term Space Silk Road appeared for the first time, presented as an initiative aimed at establishing a global network of space-based infrastructures and services, including communication, navigation, and remote sensing satellites, as well as ground stations and other space-related infrastructures (Arcesati, 2019). Schrogl (2020, p. 11) states that the initiative is seen as a strategic move by China to expand its influence and presence in the global space industry and to promote its own vision of international cooperation and governance in space. The Space Silk Road is a key component of the wider China Belt and Road Initiative, which aims to establish a vast network of trade and infrastructure links across Asia, Africa, Europe, and South America. According to Uppal (2020, p. 24), the Space Silk Road is a key component of this initiative, as it aims to provide the necessary infrastructure and services to support increased trade and economic activity along the Belt and Road Initiative route. On the other hand, Sun and Zhang (2016, p. 16) state that the Space Silk Road is aligned with China's global space strategy, which includes objectives such as self-sufficiency in space technology, the promotion of international cooperation, and space diplomacy, as well as allowing China to develop all its space sectors, making it a leading space power, thus increasing its presence and influence with the countries participating in the Belt and Road Initiative.

One of the main components of the Space Silk Road is the development of the BeiDou Global Navigation Satellite System, the Chinese version of GPS. This system is becoming increasingly important for both civilian and military use and provides services to dozens of countries belonging to the Belt and Road Initiative.

Another critical component of the Space Silk Road is the development of satellite communications and remote sensing systems. These systems provide broadband internet access, telecom services, and Earth observation data, which will support economic development and improve the quality of life of the countries that belong to the Belt and Road Initiative (Fedorova & Novosyolova, 2022, p. 54).

In addition, China is building ground stations, space-related research and development facilities, and other technical facilities, both on Chinese territory and in the countries along the Route, which will support the operation and maintenance of satellite systems and services, as well as promoting cooperation in space-related activities.

The Space Silk Road has significant implications for the rest of the world. On the one hand, it can provide opportunities for international cooperation and trade, as well as supporting the economic development of countries along the Belt and Road Initiative routes. On the other hand, it could also present potential challenges to other countries' space industries, particularly in the commercial satellite market. In addition, the initiative could be seen as an instrument for China to promote its own vision of international governance and cooperation in space, which could challenge the existing international governance framework for space, putting the universality of the Artemis Agreements at risk, and leading to greater competition and tension between different countries and space exploration organisations. The initiative may also raise concerns about security risks, particularly in relation to the use of the BeiDou Global Navigation System for military purposes. Some experts have also raised concerns that the Space Silk Road could lead to a split in the global space industry, with countries along the Belt and Road Initiative becoming increasingly dependent on Chinese space technologies and services, which could have long-term implications for their economic and political independence. By becoming more competitive in the global market for satellite services and technologies, Chinese space agencies and companies would economically impact the space industries of other countries, especially

the United States of America and its space companies, which have a global and preponderant role in this sector.

THE STRATEGIC IMPORTANCE OF SATELLITES

The use of satellite systems increases the effectiveness and combat power of military ground forces, improves ground infrastructures, and enables the establishment of global mobile communications, the pursuit of critical intelligence, nuclear monitoring, and the collection of data on the Earth's natural systems and humanity's impact on the planet's ecology. In turn, Space Power has perpetuated the reduction of the Earth's relative geographical size in technical and economic terms, improving transport capacity and speed, making communications more effective, and increasing the geographical scale of conventional military operations.

Exploiting space technologies in the military sphere—intelligence, navigation, and communication—has underpinned much of the United States military space domain since the 1980s. However, the proliferation of these technologies outside the United States reduces the advantage of Western military forces, partly levelling the major powers' conventional military and economic balance, with significant implications for global power relations in the 21st century.

THE IMPLICATIONS OF THE CHINESE SPACE PROGRAMME AND THE SPACE SILK ROAD

It is worth highlighting the achievements of China's Space Programme and the rapid advances in space technology, making it an important player in the global space industry, which could lead to greater international competition and technological advances. The successful deployment of the new Tiangong Space Station, the lunar missions, and the Mars Exploration Mission have demonstrated China's capabilities and role as a serious competitor in the space exploration race.

The Chinese Space Programme has significant geopolitical implications for other countries, as space has become an increasingly important domain for countries to assert their power and influence. Five significant geopolitical implications have therefore been identified.

Firstly, China's development of advanced space capabilities can be perceived as a means for the country to assert its power and prestige on the international stage. This could also have implications for the balance of power between nations, as China's advances in space could be used to challenge the traditional dominance of other space-faring nations, notably the United States.

Secondly, the Chinese Space Programme also has implications for the projection of military power. The development of advanced military capabilities in space, such as anti-satellite weapons, could give China a military advantage in any potential conflict and upset the current balance of power in space.

Thirdly, the Chinese Space Programme is a way for China to exert its influence over other countries through the provision of space-based services, such as satellite communications and navigation. This could have implications for the sovereignty and autonomy of other countries, particularly in the Global South and other developing countries participating in the Belt and Road Initiative.

Fourthly, the Chinese Space Programme can be seen as an instrument for China to promote its own vision of international governance and cooperation in space. This could challenge the existing international governance framework for space, hinder the implementation of the Artemis Agreements, as well as lead to greater competition and tension between different countries and space exploration organisations.

Finally, China, as well as the United States and other countries, could transpose resource nationalism into space. According to the UK Cabinet Office (2014), resource nationalism is anti-competitive behaviour designed to restrict access to or supply of one or several natural resources. This behaviour can be associated with space since a state can occupy an asteroid or even a lunar zone and prohibit access by other states.

In addition to its geopolitical implications, the Chinese Space Programme has a wide range of economic, security, strategic, political, diplomatic, and technological implications.

With regard to strategic, security, and political implications, China's development of anti-satellite weapons and space capabilities, as well as its efforts to establish a global network of space infrastructures and services, has the potential to alter the balance of power in the space domain, which will lead to an increased risk of technological competition and conflict between

countries, particularly in the area of military operations and intelligence gathering in space, as well as consequences for security and access to space resources by other countries. In terms of economic implications, the growth of China's space industry creates opportunities for international collaboration and trade but also poses potential challenges to other countries' space industries, particularly in the commercial satellite market. The Chinese Space Programme also has technological implications since Chinese government agencies and companies have become essential players in the commercial satellite market. With the interconnection between the Space Program, the Belt and Road Initiative, through the Space Silk Road and the Digital Silk Road, and the Made In China 2025 Programme, they can achieve technological advances with the potential to disrupt existing market dynamics. The Space Silk Road, seen as a tool for China to expand its influence and presence in other countries, could affect trade, investment, and diplomatic relations between China and other countries along the route. Finally, the Chinese Space Programme also has implications for international relations, diplomacy, and global governance since, as China continues to expand its presence in space, it is likely to create a polarisation of cooperation and competition between countries and organisations, depending on whether they ally themselves with China or the West. On the other hand, China's efforts to promote its own vision of international cooperation and governance in space may challenge the existing framework, once again increasing tension and competition in the space race.

CONCLUSION

The Chinese Space Programme has come a long way since it began in the 1950s. Today, China is a major player in the global space race, with several ambitious projects underway. From lunar exploration and deep space missions to the development of the Tiangong Space Station and the launch of its own satellite navigation system, China is demonstrating its capabilities as a strong state in space exploration. However, the country's growing presence in space has also raised concerns among other states, particularly about its military and strategic implications, and could lead to greater competition and tension between different countries, as well as even space exploration organisations.

The study of the geopolitical implications of space is a relatively new field, but it has already produced a number of theoretical frameworks and frameworks to help analyse the implications. Authors such as Everett Dolman and Colin Gray have proposed different ways of understanding the role of space in international relations and the implications of its militarisation. These theories have been used to analyse the actions of different countries and to predict their behaviour in the future.

It is clear that China's growing presence in space has significant implications for the rest of the world, both in terms of its military capabilities and its potential to shape the future of space governance. As China continues to develop its space program, it will be important to keep a close eye on its actions and analyse their impact on the global community.

As China's Space Programme continues to grow and evolve, it will be important for other states to monitor its progress closely and consider its potential implications for international security and stability. This will require continued research and analysis by academics in the field of geopolitical theories of space, as well as an ongoing dialogue between nations to establish up-to-date rules and regulations for the peaceful use of space.

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AVOIDING “XIAZI MO XIANG” AND “ZHI LU WEI MA” TROPES¹ IN UNDERSTANDING HISTORICAL DEVELOPMENT OF THE CHINESE FOREIGN POLICY THOUGHT²

Ivica BAKOTA*

Zvonimir STOPIĆ**

Mato NJAVRO***

Abstract: Since the 18th century, the Western perception of China has oscillated between fascination and indignation. This cultural ambiguity in thinking, which China spilt over many research fields, brought forth methodological reductionism (encapsulated in the Chinese proverb: *xiazi mo xiang*, or “the blind men sizing up the elephant”) or various distortions (*zhi lu wei ma*: “presenting a deer as a horse”) as the most tentative, or simply, plausible explanations to China’s role in the modern international system. This underlying perception has not changed much over the last 250 years, while the continuation of relative ignorance of its internal features, coupled with the global rise China has

¹ “The blind men sizing up the elephant” (*xiazi mo xiang*) and “presenting a deer as a horse” (*zhi lu wei ma*) are two recognisable Chinese proverbs. The first is from modern literature (although similar variants can be found in the “classics”) and denotes an incomplete picture and inadequate understanding of the whole (elephant) through “a blind man’s touch”; the second is based on a legend written in Sima Qian’s *Records of the Great Historian* and describes the deliberate distortion of recorded facts.

² This paper stems from a decade-long collaborative project that culminated in the publication of the book *The Great Return: The Development of Modern Chinese Foreign-Political Thought / Veliki povratak: razvoj moderne kineske vanjskopolitičke misli*, released by Springer in New York and Mate in Zagreb in 2024.

* Assistant professor, History Department, Capital Normal University, Beijing, PR China; Email: bakotaivic@gmail.com, ORCID: 0000-0003-1503-8151.

** Assistant professor, Capital Normal University, Beijing, PR China, Assistant Director at the CNU’s Center for Study of Civilizations (文明区划研究中心), Lecturer, Zagreb School of Economics and Management, Zagreb, Croatia; Email: z_nanook@yahoo.com, ORCID: 0000-0002-8797-5745.

*** Dean, Zagreb School of Economics and Management, Zagreb, Croatia; Email: dekanat@zsem.hr, ORCID: 0000-0002-7041-6189.

undergone in the last 30 years, seems only to augment short descriptions of China-world relations. Likewise, (neo)realist and liberal standpoints discerning China as a “contender” for the global supremacy or “revisionist” of the rules-based international system and other hybrid variants, albeit convincing, simply fail to comprehensively grasp the historical plentitude of “the most crucial story of our age”. Our paper departs from the critical constructivist approach in an attempt to highlight methodological and political challenges in writing a historical account of the development of China’s foreign policy thought. Diverging from reductionist and contending approaches, it endeavours to bring forth foreign policy as a methodological starting point for the historical evaluation of China’s foreign relations and diplomatic history. Within such a framework, this paper engages in the origins of Chinese modern foreign policy thought and traces periodisation, main challenges, and issues that do not necessarily reflect its current entanglements with the (Western) world.

Keywords: China, international system, foreign policy thought, historical development.

CHALLENGES IN APPROACHING THE CHINESE FOREIGN POLICY THOUGHT

The development of contemporary Chinese foreign policy thought represents a historical account of the complex and interconnected political, social, and economic processes that have influenced the creation, formation, formulation, and implementation of the core principles of action, development of foreign relations, political consensus and worldviews on foreign interests, and the vision of international relations of the People’s Republic of China (PRC). The reason for such a complex definition of the topic of this paper lies in the pronounced peculiarities of the Chinese relationship not only with the international system but also with the “world” at large. Unlike many international subjects, China’s “external” relations and particular “residuum” of the world *per se* in its foreign relations have influenced the formation of principles and management of Chinese foreign policy and continue to do so.³ Not many countries can claim to be a global superpower

³ The fact that China as an international subject not only tried to “catch up with the West” or had its “globalisation dividend” measured against the West, but unlike other big or historical powers, maintained its position as a “civilisational peer” qualifies China for preponderant relations with the Western-led international system as well as the world in general. For civilisational perspective to the development of the (globalised) international system, see for example: Morris, 2010, pp. 48.

with an economy with worldwide reach, as well as a culture that goes back thousands of years as an autonomous civilization. Increasingly fewer countries are actively influenced by these factors in their contemporary foreign policy and diplomacy. In this sense, discussing the development of China's foreign policy thought can serve as a didactic and methodological starting point for the academic and professional study of the "diplomatic history", the "history of foreign relations", and the "development of foreign policy" of the PRC.

The development of China's foreign policy thought parallels the mentioned approaches but also sets itself apart in the degree to which it attempts to summarise its overall contribution to the Chinese foreign policy situation in the specific period. The existing literature on the "diplomatic history" of the PRC provides a synoptic and comprehensive insight into the processes of interaction and resolution of bilateral and multilateral issues of the "official" China with other countries and international organisations.⁴ However, the foreign relations of a country, especially in the current international setting, transcend the relationship between the government and state organs. In the case of China, the limitation of this approach is further expressed in the dichotomy (between state and party) of Chinese foreign policy and the specific impact of "internal" Chinese issues on foreign policy. The PRC's foreign relations involve not only diplomatic relations with the Chinese government as the main political bloc but also inter-party relations with the Chinese Communist Party (CCP) as the main actor in Chinese politics, military diplomacy with the Chinese People's Liberation Army (PLA) as the main and autonomous defence institution, many "front" organisations responsible for political cooperation, institutions promoting economic and cultural cooperation, bilateral "friendship organisations", and other organisations that have a significant impact on Chinese foreign relations. Even though Taiwan, Hong Kong, and Macao continue to be viewed as "inalienable parts of China", from the perspective of the impact of internal issues on Chinese diplomacy and foreign relations, the relationship of these "parts of China" with the international community has become more extensive, rich, and complex following the launch of the Reform and Opening-up. However, this also means that defining their relations through the prism of China's

⁴ See, for example: Xie Yixian, 2002, pp. 48-483; Fei Jiangzhang, Wang Taiping, 1999; Yang Gongsu, Zhang Zhirong, 2009.

foreign relations has become more challenging. Identifying, defining, and clarifying the relationship between Taiwan and the international community is a very sensitive and complex topic that belongs to the meta-diplomatic level. Its complexity is compounded by the fact that the “Taiwanese question” and the cross-strait relations are not just episodes in textbooks on Chinese foreign relations but define the very foundations of Chinese foreign policy and often “spill over” into many other bilateral relations of the PRC.

“The History of the Foreign Relations of the PRC” represents a more extensive and comprehensive attempt to address the development of China with the outside world from the foundation of the PRC in October 1949 until today. The number of authoritative accounts of the history of China’s foreign relations in the last twenty years parallels the growth of China’s international influence. Nowadays, this type of study can be found in almost every important world language, the relevance of which is rapidly supplemented with an understanding of the most recent events and a renewed study of historical issues that have influenced or still influence Chinese foreign policy. Although this undoubtedly forms the backbone of this expanding research field, it is still necessary to highlight a few challenges posed by such approaches, which ultimately drove our approach to develop in a different direction.

First, it is necessary to point to the content covered in “The History of the Foreign Relations of the PRC” written so far. Simply put, it is extremely difficult to describe the history of China’s foreign relations until today in less than a few hundred pages. The increased development of China’s global and international influence and the comparatively complex nature of China’s international interaction all but preclude any *crash courses* that sum up the entirety of China’s foreign relations. Any pretensions of being more than just a “brief account” seem less and less tenable.

At the same time, the arbitrariness with which certain foreign policy issues, topics, or period overviews are subsumed and classified emerges as another problem. While it seems clear that topics such as Sino-American relations, the Reform and Opening-up period, or the Taiwan question belong in even the briefest accounts of Chinese foreign relations, this general consensus soon dissolves as one delves into the continuity of relations with India or the European Union, the influence of the Cultural Revolution (1966-1976) on today’s diplomacy, or problems such as inherited territorial disputes, the “diplomacy” of the Chinese diaspora, and so on. This arbitrariness is even

more pronounced in the case of China, significantly due to the high degree of flux in the definitions of key concepts in Chinese foreign policy.

With growing global and overall influence in the world, their structural value in relation to foreign relations as a whole is also changing. At the same time, the regional impact of Chinese foreign policy grows in step with its international influence. The regional influence on Chinese foreign relations decreases as relations with neighbours become more asymmetric. Furthermore, there is also a general tendency to “economically remap” the rest of the world on its own terms, which changes gradually, e.g., building concrete and meaningful relations with some distant countries for the first time. With this in mind, it is difficult to say why one relationship or one bilateral issue should take precedence over another, particularly if they impact the specific epoch of foreign relations in different ways. In this sense, China is a typical example of a dynamically expanding self-understanding of foreign relations, more comparable to other rising powers in similar historical circumstances than to any country today. Although the revolutionary redefinition of international relations has long ceased to be a priority in China’s understanding, it seems undeniable that China has retained its intrinsic revolutionary nature in redefining the dynamics and nature of relations with the outside world.

Many accounts of the history of Chinese foreign relations, regardless of their high level of expertise, utility, and overall quality, are too often burdened by a distinct bias, be it ideological, national, or of some other nature. The literature by American authors often reflects the bilateral perspective of Sino-American relations and, as such, can obscure the view of the entirety of Chinese foreign relations. This problem is visible in many recent Chinese foreign policy discussions in which China’s development of relations with the outside world attempts to free itself from the logic of “breathing down America’s neck” and stop prioritising topics that reflect the perspectives of Chinese experts educated in the United States, specific schools of international relations, or simply media bias. Then there is also the problem of authority when writing about Chinese foreign relations, especially about sensitive chapters of Chinese history subject to an intense ideological struggle between monolithic doctrine and critical speculation on the one hand and historical revisionism and official censorship on the other. Although the focal point of these approaches to contemporary Chinese history lies in the

interpretation of the so-called “June incident” at Tiananmen in 1989, we encounter similar controversy concerning the authoritative interpretation of the history of Chinese foreign relations in many other politically sensitive foreign policy issues. This, in turn, can cause additional caution in research and increased methodological sobriety during processing.

Why not simply go head-on with the “development of China’s foreign policy” instead of the development of foreign policy thought? The development of foreign policy implies adequate and comprehensive tracking and understanding of essential changes in the formulation and implementation of the foreign policy of a particular state or international entity. It seems self-evident that in addition to textbook, monographic, or scientific accounts of the foreign policy of numerous other countries, it is possible to submit the development of Chinese foreign policy to a similar approach. This is not impossible from a chrestomatic perspective or a paradigmatic perspective. However, such brave endeavours need to comparatively and substantively confront the challenges this subject reveals in the contemporary international setting. First, the knowledgeable reader will notice that, apart from a few authoritative and encyclopaedic accounts of Chinese foreign policy from 1949 onwards, many other attempts, despite undoubtedly being clever, cast too wide a net. They reduce the entirety to “essential” components, presenting the development of Chinese foreign policy around some individual issue or a set of central issues. To be clear, this problem also haunts the accounts of the foreign policies of many other countries. However, in our case, we consequently often encounter the problem of “inscribed teleology”—our first *xiazi mo xiang* trope—which reduces China’s foreign policy to expedient concepts like “hundred-year strategy”, long-term development plans, and carefully planned strategies, which should not be given that much attention in the implementation of foreign policy and concrete interaction with the outside world (see: Pillsbury, 2018, pp. 11-49). It is one thing to have a long-term and comprehensive plan of interaction with the world and another to spontaneously induce change in the nature of relations with the outside world. The first is often overemphasised as an important strategy stemming from Chinese foreign policy principles, while the second is often methodically treated as a side effect of “on the fly” adaptation or the appearance of an “elephant in a porcelain shop” for certain anomalies that the Chinese factor introduces at the regional level.

By removing the “teleological filter” and re-evaluating the mentioned intrinsic revolutionary nature of the Chinese factor in the structure of international relations, it is possible to view the development of Chinese foreign policy beyond the narrative of an intrinsic confrontation with the United States or a destructive relationship with the international order or the existing architecture of international rules of conduct. In this sense, when discussing Chinese international influence, there is an increasing need to assess the spontaneous contribution to international circumstances that goes beyond the prescriptiveness of drafts and foreign policy programs. After all, the product of Chinese foreign policy is the propulsive economic symbiosis with Hong Kong, the tenacity of integrative factors versus confrontation in cross-strait relations, the constructive channelling of nationalism as it arose in the 21st century, the unobtrusiveness of its economic hegemony, a more stolid reaction to security threats, etc. All these recessive currents pertained within the purview of Chinese foreign policy thought deserve to be re-contextualised or at least their relationship to the predominant teleological view of Chinese foreign policy re-examined.

In addition, the main difficulties that arise when describing the development of Chinese foreign policy are of a technical and conceptual nature and come down to interpretations of the “subject” and “continuity” of Chinese foreign policy that deviate from the usual narrative norms in historiography, thus providing fertile ground for *zhi lu wei ma* interpretations. Students of Chinese foreign relations and diplomacy have probably encountered the methodological problem of defining the subject of Chinese politics, i.e., defining the initiator and implementer of a particular foreign policy act, policy, or line. If we take a comparative path, in Western countries, it is relatively easy to distinguish different instances, institutions, and personalities involved in the implementation of a unified foreign policy. The subject of American foreign policy, for example, is usually defined by the dynamics between the White House, the State Department, Congress, and other institutions whose subjectivity in formulating, implementing, internally opposing, or even opposing certain positions or policies is taken for granted. In contrast to the American foreign policy narrative, which, in relation to the historiographer’s perspective, can approach some narrative forms in fiction, the fabulation of Chinese foreign policy still mainly takes the form of an epic that illuminates the “night in which all cows are black”. Similar to American institutions, one can distinguish between the Ministry of Foreign Affairs, the

central state and party leadership, and the National People's Congress and establish their "division of labour" and hierarchy in powers and implementation of foreign policy. However, the "drama" of their interaction is suppressed or greatly diluted at the official level. The monolithic subject of Chinese foreign policy resembles Thucydides' Spartans, who, after arguing in the agora, fully conform to "democratic centralism" and lose their individuality beyond the implementation of a collective decision.

The nontransparency of the Chinese process of discussing and passing foreign policy decisions is a challenge for both Chinese and foreign researchers. Contemporary topics abound in unverified and, in the strictly scientific sense of the word, unusable "insider" information. Research interest in some historical topics is limited by hard-to-reach archival materials and sparse official narratives. As a result, a plausible short-hand description is to summarily put the CCP (Central Committee) as the unique subject of foreign policy, assuming that non-transparent democratic centralism is paralleled by a non-deliberative, authoritarian decision-making process. In this sense, typical methodological problems include recognising and distinguishing the actors within Chinese foreign policy, showing the degree of influence of each of them on decision-making, and raising a kind of "Homeric authorship question" of the decision-making process within the Chinese leadership, i.e., identifying individual personalities behind many ideas, plans, and policies that were by default attributed to Mao Zedong, Deng Xiaoping, Xi Jinping, or some other supreme leader.

Just as the problem of the "epic" perspective when researching the development of Chinese foreign policy makes it challenging to discuss its internal dynamics, the problem of "continuity" of Chinese foreign policy often manifests itself as a *zhi lu wei ma* bias of external researchers of Chinese foreign policy, most often non-Chinese scholars who understand the end of the Cold War as the end of an era of international relations that happened simultaneously everywhere in the world, including China. The astonishing survival and relentless strengthening of China's global rise over the past thirty years prevents reducing the continuity of the Chinese system and foreign relations solely to theses of market adaptation, the precarious legitimacy of the authoritarian elite, or teleologizing the "mission" of the Chinese party and state. That is the central question of the continuity of China's return to the world. Its answer must be found beyond a narrow understanding of the

development of foreign policy; it is interwoven with complex social, political, and economic processes.

SOURCES AND FUNDAMENTAL GUIDELINES FOR THE STUDY OF CONTEMPORARY CHINESE FOREIGN POLICY THOUGHT

If we want to avoid a reductionist and distortive understanding of the historical determinants stemming from contemporary Chinese foreign policy, we should dwell a little on the issue of continuity and the influence of history on the emergence of the PRC and its relationship with the world. The challenge in determining the beginning of modernity in relations with the outside world arises from considering several thousand years of Chinese history as a frame of reference for thinking about contemporary foreign policy, but also from avoiding implicit hierarchization of determining historical processes. We encounter the continuity of China as a unique foreign policy entity long before any turning points that define contemporary and modern international relations. However, first “encounters” with the modern international system tend to be defined with a certain diachronic hierarchy. As a result, the “century of humiliation” narrative is perceived and elaborated as preceding and outweighing the importance of the consequent “leaning on (the communist) side”, pre-modern sinocentrism gauging modernisation narratives, etc.

However, in order to start with methodological equality of different historical processes, we face the intensive rather than extensive task of determining the gradual development through which China began to perceive its relations with the outside world within the framework of modern (Western) international relations. Although regular relations with Western trade and maritime powers existed in the late Ming Dynasty (1368–1644), it was only after China began to interact more with the outside world *qua* modern international system during the period of the Qing Dynasty (1644–1912) that we see the evolution of the frameworks of thinking about the relationship with the outside world, behaviour, and communication in international interaction, and the implementation of policies towards foreign powers. On October 1, 1949, there were three significant catalysts in this process that influenced China’s foreign policy starting points:

1. *Century of Humiliation*. In this context, the period of the late Qing dynasty is particularly noteworthy, i.e., the time from the beginning of the First Opium War (1839–1842) until the Xinhai Revolution in 1911, when, influenced by the international situation, China's foreign policy awareness of its own "inferiority" and even the "orientality" of its own role in international relations matured (see Kaufman, 2010, pp. 1-33). The meeting of a feudal, bureaucratic, and isolated China with the first territorial incursions of more technologically advanced and trade-orientated colonial powers over the course of several decades threw China into a semi-colonial state of a passive market, a weak central government, without the know-how and experience necessary to adapt its own vision of foreign relations to the expanding imperialism that showed up at its borders and began to penetrate it.

One could say that the entire development of Chinese history since then was directly related to the way the Chinese understood and managed the relationship with the radically changed outside world and the novelty of the modern international system. The extreme complexity of Chinese foreign relations in these seventy years led to serious contradictions in the perception of Chinese national identity. Relations with the outside world greatly contributed to major societal changes and even partially governed the manner, scale, and objectivity of foreign political relations long after the fall of the Qing dynasty. Although we mostly refer to the circumstances that would later create the myth of the "century of humiliation", it should not be forgotten that this is also a period that shaped a unique Chinese national identity for the modern era. Some problems of cultural and national identity the Chinese face in understanding foreign relations today continue to follow the path of the basic problems that arose in the 19th century and which transcend the study of their influence on foreign policy thought.⁵

Despite modern theoretical knowledge of international politics and international relations, Chinese foreign policymakers in this period continued to pay more attention to their own historical tradition of managing foreign relations, deepening the gap with the modern capitalist powers with which China came into contact. China's enormous historical diplomatic and foreign policy experience in this period was overshadowed by the dominance of

⁵ Literature on "May Fourth movement", see: *The May Fourth Movement: Intellectual Revolution in Modern China* (Chow, 1980).

Western powers in their interaction with China. It appeared inferior to Western international political theories. Under the influence of the modernisation impulse, a parallel reaction emerged, trying to stop or ignore the enormous influence of traditional thinking. It was divided into groups and movements that followed the “deorientalisation” path, i.e., movements that tried to establish the Chinese nation and the Chinese relationship with the world in opposition to the traditional understanding, following the examples of modern European states. They were, however, followed by “nationalist” or “patriotic” movements that primarily wanted to regain prestige and strength, thus resisting foreign exploitation and the humiliation of China. Modernisation movements and societies that flourished at the end of the 19th century and the beginning of the 20th century were characterised by the syncretism of both foreign policy goals and the social background of these ideas in the last years of the Qing dynasty, which were filled with a multitude of associations, personalities, and movements that influenced social change, the development of foreign relations with certain Western countries, diplomatic activities, and foreign policy thinking. The one led by Sun Yat-sen evolved into the nationalist Guomindang movement, which, after the fall of the Qing dynasty and Yuan Shikai’s restoration, was the only movement faithful to modernisation and pan-Chinese (national) goals.

However, from the collapse of the Qing Dynasty through the failure of the Xinhai Revolution in 1911 to the social reaction of the May Fourth Movement in 1919, China’s role, rights, and interests in international relations were continuously challenged, while the interference of foreign powers in its internal affairs grew in parallel. The deepening of the social and political crisis and the fundamentally divisive attitude towards the “world at large” caused the growth and consolidation of the once disunited and scattered revolutionary movement. The May Fourth Movement, which arose from a wave of general disillusionment with the Versailles Peace Conference and the inferior and semi-colonial role the world powers forced on China after World War I, eventually converged into a massive revolutionary movement in the 1920s that would strongly oppose imperialism and express the demand for China’s social and political revival.⁶ The GMD, under the leadership of Sun Yat-

⁶ Without getting too deep into the details of the current debate, we can mention that certain authors may have leaned towards exaggerating the “revolutionary” character of the May

sen and later Chiang Kai-shek, continued to be the movement on which the main social reaction relied in China, which was divided by warlords in the 1920s. However, shortly after the Bolsheviks had come into power in Russia, a revolutionary movement led by the Communist Party emerged in 1921. The relationship between these parties and movements defined Chinese history until the Second World War.

2. *A revolutionary movement led by the CCP.* Despite the current perspective perceiving the revolutionary moment as a recessive feature in Chinese foreign policy, there is a so-called “natural connection” of the “New China” with the revolutionary movement led by the CCP from the 1920s to 1949.⁷ However, this “natural connection” goes beyond a mere administrative, diplomatic, or even “historical” connection. This phrase is actually intended to indicate that the fundamental driving force for the formation and development of foreign relations of the PRC derives directly from the revolutionary movement and that fundamental foreign policy values, such as indivisible sovereignty, the consistent acceptance of the equality of all (especially new or small international state entities), concern for the dignity of China as a nation, and the related values of future “soft power”, and other fundamental values, matured precisely during the revolutionary movement.

The revolutionary movement absorbed the modernisation and rejuvenation aspirations of its predecessors and adopted a three-fold mission of political emancipation, social transformation, and national liberation. One aspect of foreign relations—national liberation—was clearly focused on overthrowing imperialism in China, establishing a completely new (not exclusively owned) “Chinese” type of foreign relations and a new type of international order. The anti-imperialist revolutionary movement is directly

Fourth Movement and even suggested the possibility that, in fact, the first major social “revolution” occurred in China while denying the social character of the Russian one. In this idea they were guided by Mao Zedong’s Marxism, the later success of China’s growth, but also views on the overall “greatness” of Chinese civilisation, which at the end of the 19th and the beginning of the 20th century simply seemed to be “ripe” for great social upheaval that would give it new impetus. Considering the significant differences in causes, developments, “self-awareness”, and content of these events, as well as their mutual influence, the question really is how much such an approach needs to be developed at all. See, for instance, Chan, 2003, p. 29.

⁷ Original, *tianran guanxi*, see: Niu Jun, 2010, pp. 45-82.

related to the growth of the worldwide socialist movement after the October Revolution. It is particularly marked by Lenin's theory of imperialism, national emancipation, and colonialism in Asia after the First World War. These ideas were received with enthusiasm in the divided China of the early interwar period. Therefore, catchphrases of the time such as "following the Russian path" initially did not have a narrow Marxist interpretation but enjoyed broad support from urban workers and peasants, as well as intellectual elites—from the ranks of the GMD and the CCP in equal measure.

From its humble beginnings in Shanghai, numbering only a few hundred members, more intellectuals than workers and peasants, the CCP transformed into a force capable of changing Chinese society, primarily thanks to its organisational discipline, focused ideological-political determination, and direct work with the peasant and worker masses. There is no doubt that the consistent vision of the Chinese revolution, the strategic understanding of China's foreign relations, and deep reflection on the fundamental contradictions of imperialism and the revolution on Chinese reality (compared to the ideological and political wanderings of the GMD) are also reasons why the communists led by Mao Zedong managed to take control of the revolutionary movement. Highlighting the connection between the foreign relations of the PRC and the Chinese revolutionary movement is important because the CCP underwent a process of transformation from a revolutionary to a ruling party after the PRC was founded. This process is inseparable from the transformation of the first and second generations of Chinese leaders from revolutionaries to statesmen. In this transformation process, Chinese leaders formed a series of theoretical positions on international politics and an understanding of Chinese foreign relations that would inevitably have a significant impact on the foreign relations of the PRC. In this sense, the CCP continued to associate the mission of national liberation with the world revolution. Overthrowing the hegemony of foreign powers and ending unequal bilateral treaties imposed on China became associated with the idea of spreading the revolutionary movement to the entire capitalist world. Thus, the essentially anti-imperialist movement sought to integrate into the world revolutionary process of oppressed peoples and then unite with the world's proletarian revolutionary movement to defeat the common oppressor, i.e., international capitalist imperialism.

At this point, we should emphasise the distinction between “world revolution” as a specific type of theoretical precept from Marxist textbooks that continued to develop into the second half of the 20th century and “world revolution” as a political goal that has shaken the foundations of contemporary international relations, which largely lost its importance with the arrival of Stalin and the exile of Leon Trotsky from the “socialist vanguard” of the Soviet Union. The world revolution of the oppressed peoples is more than a mere proclamation of the development of the Chinese revolutionary movement and its subsequent “merger” with the foreign policy of the PRC. The product of the revolutionary movement was the rejection of all unequal inherited bilateral treaties, fraternisation with the colonised and developing world, and insistence on the integral and indivisible sovereignty of the Chinese state, in which there is no room for imperialist influence. If we translate the supporters of the so-called “world revolution of the oppressed peoples” to the later version of the “third world”, if we add consistency of the vision in which national liberation and the continuation of the revolution after liberation constantly took place against the backdrop of the international anti-imperialist revolution, we are left with China as the only great power that was consistently faithful to this revolutionary ideal in international relations. The world revolution was not subordinated to the tasks of the national liberation struggle, nor did the latter, as often happened after its own realisation or completion, substantially conform the internal revolution to international circumstances. Therefore, beyond the ideological cosmetics of that time, the fundamental connection between the world and national liberation revolutions consistently and originally formed the core on which China’s vision of modern international relations was built and fully influenced the definition of its role in the world.

3. *To follow the Russian way.* The revolutionary movement and the foreign policy alignment with the Soviet Union are, while historically connected, different processes.⁸ We deliberately separated these two momentums in order to illustrate the different ideological and policy scope of Chinese foreign policy thought and partly understand the ideological rift that arose between China and the Soviet Union in the late 50s and early 60s of the last century.

⁸ Originally *Zou Eguoren de lu*, understanding of this principle in the Chinese foreign policy, see: Brazinsky, 2017, pp. 63-68; Garver, 2016, pp. 101-104; Niu Jun, 2013, pp. 362-368.

The creation of the Soviet Union had ignited the revolutionary movement in China. However, the subsequent entry into the Soviet geopolitical orbit was the result of a set of historical circumstances that took shape in a consistent and logical choice only after the end of the Second World War. The Soviet leadership and experts had a tremendous influence on Chinese political conditions from the late 1920s. Soviet diplomacy, which fostered the first cooperation between the GMD and the CCP, had a decisive influence on the CCP during the Northern Expedition and the relations between “communists” and “nationalists” during the Civil War (1927–1937 and 1945–1950) and the War of Chinese Resistance to Japan (1937–1945). Unlike the GMD, the CCP established its international relations exclusively through the Soviet Union, acting as a branch of the Comintern or other organisations of the international communist movement. The window for establishing relations with the West opened during the formation of the second anti-Japanese national united front in December 1936. Then the Central Committee of the Chinese Communist Party (Central Committee of the CCP) proposed the alliance of the “Second United Front against Japan” with the world “peace front” led by the United States, Great Britain, and France and the establishment of joint resistance to Japanese imperialism. However, the expansion of Nazi Germany in 1939 and 1940 and the deterioration of relations between the still pre-war Soviet Union and the Western allies helped the parallel struggle between the GMD and the CCP to acquire a more defined outline of an ideological confrontation between imperialism and world revolution in which the West undoubtedly sided with the GMD. After the Soviet Union entered an anti-fascist allied coalition with the United States and Great Britain, Chinese Communist leaders revised the position of the irreconcilability of “revolution and counter-revolution” to a “new world order” in which major international issues were to be resolved among these three powers and internal issues between GMD and CCP in accordance with democratic principles. The GMD, influenced by the cooperation with the United States, did not share this vision and abandoned the project of radical social transformation, thus entering into a bigger chasm between them and the communists and resulting in the continuation of the civil war.

In the early postwar period, despite some differences that foreshadowed the Cold War, the leadership of the CCP still believed in cooperation between the Soviet Union and the United States. The outbreak of the military conflict between the GMD and the CCP in northeastern China in 1947 did not

fundamentally change the communist understanding of American-Soviet relations. On the contrary, for a while, the United States had some influence in mediating negotiations between nationalists and communists. With the intensification of the civil war and the apparently growing rift between the United States and the Soviet Union, the Communist leadership ultimately changed its position on equidistance to the idea of China as a “middle ground”, which argued that the struggle between the United States and the Soviet Union could not decisively affect the situation in China.

From the end of 1947, a bipolar worldview pervaded the communist leadership and reinforced the opinion that “two camps” were forming in the world: the democratic anti-imperialist camp led by the Soviet Union and the imperialist camp led by the United States. In the spring of 1948, the tendency towards the Soviet Union strengthened significantly, while political and ideological alignments within the party were consolidated. After the break between Josip Broz Tito and Stalin in June 1948, the Central Committee of the CCP firmly resolved to support Soviet policy, although the “revolutionary” momentum of support for Yugoslavia remained present. In the autumn of the same year, Liu Shaoqi published an article about the impossibility of “neutrality” between the two camps, revolution and counter-revolution, social progress and regression.⁹ The dramatic resonance of the news that the “world had lost China” in the American public clearly suggested the freshness of this foreign policy choice. Consequently, it was only in the second half of 1948 that China crossed its “foreign policy Rubicon”, i.e., started on the path of “aligning on one side” (*yi bian dao*), which was realised with the military victory of the Communists and the final establishment of the People’s Republic in October 1949. The dramatic echo of the news that “the world has lost China” in the American public clearly suggested the freshness of this foreign policy choice.

⁹ Liu Shaoqi: 论国际主义与民族主义 [On Internationalism and Nationalism]. People’s Daily. 1948.11.7, in: LSQSW, Vol 1.

THEMATIC CLASSIFICATION OF FOREIGN POLICY THOUGHT AND PERIODISATION OF THE HISTORY OF CHINESE FOREIGN RELATIONS

In order to avoid “aligned”, hierarchic, and reductionist historical interpretations on the development of Chinese foreign policy thought, the methodological challenge of capturing the plentitude of diverse and heterogeneous approaches comes to the fore. At the basic level, Chinese foreign policy encompasses a set of very diverse topics that reflect the scope and influence of contemporary China on international relations. Vertically, these are issues that substantively cover all dominant levels of foreign relations, from ideology to politics, economy, cultural and social issues, technology, etc. Horizontally, China is very extensively involved with the whole world. Along with the United States, it has the most extensive network of bilateral and multilateral relations with states and regional and international organisations. Although it is possible to find a certain stratification of Chinese foreign relations in both senses, the result will not lead much further than the already assumed understanding of the topics of Chinese foreign relations.

The topics of Chinese foreign policy and foreign policy thought can be classified *organically*, taking the importance and hierarchy of foreign policy issues as they arose in specific historical periods. There are issues of the first order, i.e., those related to establishing and developing the modern Chinese nation-state, such as ensuring the inviolability of sovereignty and territorial integrity, resolving territorial disputes, and preserving the stability and legitimacy of state power. These issues were particularly significant in the first few decades after the foundation of the People’s Republic. They were the reason for engaging in several limited wars and border conflicts that China had with its neighbours in the initial period.

The second order covers questions about the development of the economy and general social development or modernisation, which “broke through” as important issues during the beginning of the period of Reform and Opening-up. In that period, China’s foreign policy had begun serving economic development, which would soon become the dominant mode of interaction with many countries.

The third order of issues is related to maintaining and completing national unity (unification). In a superficial view of contemporary Chinese history, this set of questions is more closely identified with the last decade of the 20th and

21st centuries, with the escalation of tensions between Beijing and Taipei and the transfer of sovereignty of Hong Kong and Macau. However, the issue of national unification is much more sensitive. It “stands under the scrutiny of thousands of years of history” and influences the shaping of the fundamental issues of political management in a unified China.

The fourth order is connected with the construction of basic social and political values and the formation of a national identity. Every country that “starts from scratch” (*lingqi luzao*) is faced with the problem of building fundamental social and political values. Ideological and political polarisation in the Cold War period of the war exacerbated this problem, although an even greater challenge was posed by the ideological and political transformation that began during the period of Reform and Opening-up but maintained continuity after the general break that its end caused in international relations. The process of defining this continuity is deeply connected with the development of Chinese foreign relations and discussions about the understanding of Chinese foreign policy and the legitimacy of the party in the frameworks in which this continuity strengthens in parallel to the stronger social and economic influence of the outside world. One can also highlight the fifth issue of shaping foreign relations that arises from the specific relationship between the central and local (provincial) authorities. Thanks to exceptional geographical and population circumstances, this relationship was historically specific for the formation of Chinese foreign relations. Different regions depend on the outside world in different ways and are subject to different external influences, and as a direct result also develop differently. This developmental disparity is reflected in China’s foreign relations: different provinces display different needs and values, act independently in foreign relations to a certain degree, and have a complex influence on the central foreign policy.

In the mentioned organic classification of the source topics for Chinese foreign relations, the focus lies on understanding China’s role (whether central leadership, diplomatic professionals, professional public, media, or the people in general) in relation to the world and the international political situation. If we were to *formally* divide the development of Chinese foreign policy thought into themes and issues, we should introduce another significant division. Over the course of seventy years of development, the influence of international political and economic development trends on China’s foreign policy

crystallised around several dominant themes that interpermeated and co-influenced the understanding of the relationship between China and the world. These main international trends include a) the complex relationship between the great powers, primarily the United States and the Soviet Union during the Cold War and the even more complex multipolar or uni-multipolar (multiple great powers, one superpower) environment in the post-Cold War period; b) a shift of the centre of gravity of international relations from north to south and from west to east as a result of decolonisation and globalisation; c) the accelerated and comprehensive modernisation dominant in the economic sphere and a decisive factor for the initiation of Reform and Opening-up; d) the industrial and information revolution, the development of science and technology, which introduce substantive innovation and changes in the treatment of other countries; e) ideological confrontations and competitions that become more complex after the Cold War and include controversies with non-Western, globalisation, traditional, and other trends of thought.

In addition, there is a trend of “dialectical” thinking about the fundamental relationship between China and the outside world in the domestic (expert) public, which has influenced foreign policy to a certain extent. From the diachronic context of consideration by the Chinese academic and research community, the question of China’s role in international relations was initially formulated in accordance with the understanding of the fundamental foreign policy choice, i.e., the paradigmatic alignment with the international system led by the Soviet Union. Taking this choice almost as an axiom in the field of foreign policy, the academic study of China’s foreign policy and foreign relations has often involved strict methodological comparability with socialist countries, especially the Soviet Union as a socialist “role model”. Not only diplomatic issues but also the characteristics of the internal political and social system and the interpretation of changes in national development strategies or major domestic policies were factors whose interpretation reflected China’s foreign policy and foreign relations. In the first years “after liberation”, there was a certain type of totalitarian alignment in which this basic foreign policy choice not only influenced political and diplomatic issues but also played a role in some completely internal issues, such as, for instance, the development of industrialisation, economic planning, etc. In that process, ideology in guiding foreign policy excessively exploited the fact that some foreign policy issues encroached too much on the everyday experience of ordinary citizens.

Therefore, obvious shortcomings in following this foreign policy choice and its totalitarian application and research soon became apparent.

The deterioration of relations between the Soviet Union and China in the early 1960s and the start of the Cultural Revolution quite clearly showed a significant reaction of Chinese domestic politics to the inherent dominance of foreign relations, which manifested itself in foreign policy isolation and “withdrawal into oneself”, i.e., in a renewed search for internal reasons for one’s own relationship to the world. This marked the beginning of the phase in which Chinese internal circumstances exerted enormous influence on foreign relations. The process, degree, and unique manner of perceiving and analysing this influence in empirical research and methodological discussions were key to understanding the relationship towards the so-called underdeveloped countries (i.e., the third world), the “middle belt” (*zhongjian didai*), the inevitability of world revolution, etc. (He Yaqing, 2005). The profound logic of internal turmoil had a decisive impact on foreign relations, be it concerning issues directly related to foreign policy, changes in domestic development strategies, or changes in the domestic political atmosphere, media, and public that were inevitably reflected abroad. These factors directly or indirectly influenced or even triggered changes in foreign policy, and they had the greatest impact on changes in China’s national development and security strategies.

Although being historically present from the beginning of China-world relations, thinking about the overall relationship between China and the existing international order in a systematic way comes with the period of Reform and Opening-up. Originally initiated by reflection on Sino-US relations at the end of the Cold War and the oscillations in Sino-US relations in the 1990s, this line of scholarly thinking indicated that the most profound factor influencing Sino-US relations lies in the relationship between China and the modern international system. Of course, the latter relationship goes far beyond Sino-American relations. However, the challenges in the relationship with the United States have set a reference frame for research into the relationship between China and the existing international system and the degree of openness in other aspects to the outside world. Related positions, such as “integration process in the global economy”, “participation in the process of globalisation”, “constructive role in the international system”, “responsible big power”, etc., were formed for specific challenges such as the

improvement of Sino-American trade cooperation, the process of joining the World Trade Organisation (WTO), etc. Doubts and different currents of opinion formed around these challenges raised key questions still actively discussed by the Chinese (expert) public. Providing a simple answer to these is difficult and probably unnecessary. What is the relationship between China and the existing international system? Should China question the existing international system or take the path of least resistance while profiting from some of its contradictions and ambiguities? Furthermore, to what extent can China establish or help establish a new internationally recognised and acceptable international political and economic order, and what actions constitute a contribution to the improvement of the existing international system? These are questions that primarily involve the understanding of “adjustment” to external factors, most often represented by the dominance of Western developed countries in the international system. However, a significantly deeper factor comes from understanding the internal limits for China’s integration into the existing international system. The correlation of internal and external factors shows that Chinese influence on the international system, ultimately even a return to the common inter-national polity, is a complex process that exhibits unique elements that cannot be identified in any other way than to tautologically subsume them under “Chinese characteristics”.

The development of Chinese foreign policy and foreign relations formed in accordance with these formal, organic, dialectic, systemic, and dominant issues of foreign policy thought, defining a specific epoch and period by understanding the external conditions for solving these fundamental problems. China’s foreign relations are therefore composed of different historical periods and epochs whose definition is not so much related to the real or nominal rule of a certain leader or other defining event as it is related to the dynamics of the mentioned issues of the development of Chinese foreign policy thought. In this sense, the early Chinese foreign relations (until 1949) can be roughly divided into the previously mentioned period of foreign relations of the revolutionary movement led by the CCP and its inherited foreign policy choice of “following the Russian path” with which it is historically connected.

With the creation of the PRC and the establishment of the rule of the CCP, Chinese foreign relations had nevertheless entered a new period of development with a new beginning. The development of the PRC’s foreign

relations is manifested in periods and epochs that are inevitably the content of continuous scientific study and research. There are different opinions about how to divide the different periods of the history of foreign relations of the PRC, both in China and among the world's experts. Based on the most relevant and authoritative scientific and professional articles listed below, we can divide the development of Chinese foreign policy and foreign relations into two or three epochs that overlap with epochs of internal development and contemporary history in general. We can certainly count the end of the Cultural Revolution and the start of Reform and Opening-up as one turning point between epochs. If we take into account that the official Chinese interpretation considers Xi's leadership as a new epoch, we can conditionally view the beginning of Xi Jinping's reign as the second turning point for the currently developing epoch in Chinese foreign relations. The first epoch, from the foundation of the PRC in 1949 to the end of the Cultural Revolution in 1976, is dominated by the issues of the establishment of the New China, the preservation of sovereignty, the redefinition of China's international role and relations with the world, as well as the search for and questioning of relations with the world after the collapse of the initial foreign policy alignment on the side of the Soviet Union. In order to avoid the implicit teleology of the development of Chinese foreign policy, we could compare the basic dynamics of this epoch to the transition from the Renaissance to the Baroque period in Western cultural history. After establishing its "Chinese" measures regarding relations with the world, China in the 60s experienced foreign policy oscillations and ideological shifts regarding the understanding of equality in this relationship, neglecting interest-based interaction in favour of ideological orthodoxy. In the second era, which began with the Reform and Opening-up in 1977, Chinese foreign policy became more grounded, valued modernisation and development aspects of relations with the world, and ceased to be exclusive in interaction with the international community. If we continue with the logic of this analogy on the development of Chinese foreign relations, we can say that after the renewal of interest in "classical" questions of foreign policy thought, Chinese foreign policy entered its romantic period, which through its own tradition tried to find an authentic relationship with the world and also to make its own contribution to the creation of the international system. We have yet to see success in this respect in the ongoing third epoch that began in 2012, during which China gained a much stronger, confident, and realistic view of its own possibilities in helping to shape the international system.

CONCLUDING REMARKS

Despite the number of scientific contributions, different multidisciplinary approaches, and current “popularity”, the study of Chinese foreign policy thought and the history of Chinese foreign relations is actually a young and often inexperienced and pliable field of scientific study. One could say that the growing demand for quality, objective, and relevant research in this field is still not being met by the somewhat modest contributions from both China and the world’s academic communities. Despite the relative increase in relevant research results in the last twenty years, this scientific field is still waiting for a qualitative jump forward in research methods and contents that do not just continue or merely quantitatively expand the current body of knowledge but contribute to deeper, multidisciplinary, and more theoretical studies and discussions. The methodological and substantive foundations of the history of foreign relations require upgrading and continuous development, especially with regard to the expansion of the current creation of new areas of Chinese interaction with the world. The challenges ahead of this leap are complex and multifaceted, and we highlight a number of political and historical limitations that hindered research in this area as the main problem.

Primarily, real scientific research into the history of China’s foreign relations began relatively late, in an organised form only in the mid-1980s, after the intensification of academic cooperation with the United States. Until then, research on the history of foreign relations often just held up political propaganda to the outside world, which manifested itself in the politicization of scientific discourse, the neglect of critical research, alternative interpretations, and, consequently, a chronic lack of innovation. All these are ailments from which this young discipline can still suffer. Insufficient availability of archival material is another significant obstacle to research. There are several projects to classify, edit, and publish archival materials of the Ministry of Foreign Affairs or the Central Committee of the CCP. However, the pace and volume at which archival materials are opened fall far short of what is needed to develop the field. Researchers are often forced to take a detour, i.e., consult archival materials of the bilateral partner or third countries. In the end, perhaps the main reason lies in the fact that the history of New China is still “not quite history”. Due to the mentioned question of the continuity of legitimacy versus a general break in the international system, it is still difficult to see where history begins and politics ends. Every history of the

development of a certain social or political process in China is influenced by the political worldview, which affects the manner of criticism, revision, sharpness of analysis, and judgement in historical research. The situation concerning this issue is not much better on the other side. The tendency to focus on “hot” issues and the lack of archival materials in Western research can (despite analytical persuasiveness and methodological expertise) be akin to the couple of Chinese proverbs mentioned above. Therefore, the biggest challenge in writing the historical development of the Chinese foreign policy thought is to focus on actual history and avoid, as much as possible, the influence of politics from either side.

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CHINA AND GLOBAL CAPITAL ACTORS

Gökhan Tekir*

Abstract: The collapse of the Bretton Woods system and rising monetarist policies lifted restrictions imposed upon the flow of global capital. Besides financial connectivity, technological developments fostered political and social globalisation. Although states remain important actors in global politics, they are not the only actors. Global financial institutions emerged as another centre of power that influences states' economies. China is one of the countries that has benefitted from this increasing global mobility of capital. China attracted a significant amount of global capital after the initiation of Deng Xiaoping's economic reform. It formed a close relationship with global capital actors to fulfil its economic development goals. This brought economic success. China overtook Japan as the world's second-largest economy by nominal GDP. Instead of viewing a dichotomy between the West and the Rest, the collaboration of global capital actors and China focused on networks and interactions. Chinese leadership points out the continuation of this policy. The Belt and Road Initiative announced in 2013 is the materialisation of this collaboration. Moreover, it is striking that when protectionist policies became popular in the US during the Trump presidency, President Xi Jinping declared China the champion of globalisation at the World Economic Forum in 2017. Due to geopolitical factors such as increasing US-China competition and rising Chinese nationalist rhetoric concerning Taiwan, President Xi appears to prioritise strengthening the rule of the Communist Party over economic revival. As China's state power increased due to its close relationship with the global capital actors, the remarks and behaviours that could compromise the global capital actors' good relationship with China could also compromise its state power.

Keywords: China, global capital, economic development, geopolitical factors, tension.

* Associate Professor, Faculty of Economics and Administrative Sciences, Ankara Hacı Bayram Veli University, Ankara, Turkey; E-mail: gokhan.tekir@hbv.edu.tr, ORCID: 0000-0003-3985-7442.

INTRODUCTION

China's rise as a global power is one of the most significant events after the collapse of the Soviet Union. This ascendancy is due to Deng Xiaoping's reforms, combined with foreign direct investment (FDI) flow into China. Since the late 1970s, its strategic reforms and liberalisation measures have positioned China as a leading recipient of FDI, significantly contributing to its rapid economic growth and development. The Belt and Road Initiative (BRI), launched in 2013, further exemplifies China's ambition to reshape global economic networks by fostering infrastructure development and economic integration across Asia, Europe, and Africa.

This paper seeks to explore China's relations with global capital actors through its FDI policies and the BRI. To achieve this, the paper will employ a multi-method approach. Firstly, it reviews the evolution of the global financial system, from Bretton Woods to the rise of global finance, highlighting key milestones and shifts in financial practices. This historical context will provide a foundation for understanding contemporary developments. Then, it applies a quantitative analysis. Statistical data on global capital flows, FDI inflows, and financial market activities will be analysed to illustrate trends and patterns in global finance. That includes examining data on trading volumes, FDI stocks, and the impact of financial reforms. Furthermore, case studies of China's economic reforms, FDI policies, and the BRI will be conducted to understand the practical implications and challenges of these initiatives.

THE COLLAPSE OF THE BRETTON WOODS AND THE RISE OF GLOBAL FINANCE

In July 1944, delegates from 44 nations convened at the Mount Washington Hotel in Bretton Woods, New Hampshire, after three weeks of deliberation. Their objective was to adopt the Bretton Woods Agreements, which established the International Monetary Fund (IMF) and the World Bank. This gathering took place amidst the ongoing Second World War in Europe and the Pacific, less than two months after the Normandy invasion. The leaders of the Allied powers were resolute in creating a framework for postwar international economic and financial collaboration, aiming to rectify the perceived deficiencies of the ad hoc monetary systems of the interwar period. The Bretton Woods International Monetary System (IMS) introduced

three key elements. Firstly, the Bretton Woods International Monetary System (IMS) established fixed exchange rates, allowing only a 10% adjustment without the IMF approval. Secondly, the IMF gained the authority to extend credit to member countries facing financial difficulties by utilising quotas contributed by other members. Thirdly, the IMS authorised the IMF to mandate capital flow controls while gradually eliminating restrictions on current account transactions (Truman, 2017). The collapse of the Bretton Woods System in 1971 was a milestone for controls imposed over capital flows since the Second World War. During the Bretton Woods period, there were very small international capital flows between the US and Western Europe and between the US and the Rest of the World. Consequently, the economic landscape after the war might have diverged considerably had these controls not been in place (Ohanian, Restrepo-Echavarria, Patten, and Wright, 2023).

The breakdown of the Bretton Woods system, which had continued since the end of the Second World War, engendered new actors whose power was based on capital flows. Efforts to jumpstart the system within a framework of floating exchange rates revealed the emergence of more sophisticated and assertive financial players, institutions, and agendas within the US and UK economies, consequently influencing the broader global economic landscape (Karakılıç & Clark, 2021, p. 544). Thus, since the 1970s, financial activities have expanded on an unprecedented scale. Allen (2016) reports that the London Eurodollar market, which has evolved into the primary hub for the world's largest financial institutions, was in its infancy several decades ago. According to the same author, in 1970, it had an annual turnover of \$59 billion. However, by the mid-1980s, this market was handling an average of \$300 billion in financial capital per working day (Allen, 2016). This figure significantly exceeded the combined reserves of global central banks and the value of world trade in goods and services by at least 25 times. The Euromarket for all currencies, where issuers of securities circumvent domestic regulations, expanded to several trillion dollars in outstanding securities by the late 1990s. Between 1980 and 1985, the global foreign exchange trading volume doubled, reaching \$150 billion per average working day, surpassing the value of world trade in goods and services by at least 12 times (Allen, 2016). By 1990, daily foreign exchange trading volume had soared to \$600 billion, and during the European currency crisis in late 1992, it peaked at \$1 trillion per day. Since 1992, daily trading has consistently averaged over \$1 trillion.

Practically every category of international financial asset saw a comparable surge in trading activity, particularly during the 1980s and 1990s, with the array of these assets appearing boundless. Notably, Allen (2016) states cross-border trading of corporate stocks exemplified this trend, escalating from \$100 billion in 1980 to \$800 billion in 1986. Despite the setback of the global stock market crash in 1987, trading rebounded, reaching \$1.6 trillion by 1990 (Allen, 2016, p. 2). It can be assumed such a capital accumulation would also transform into political and commercial power.

The primary actors in the global financial structure, such as corporations, investment banks, hedge funds, and other equity firms, acquired political power emanating from its mobility. As foreign direct investment (FDI) has mainly emanated from multinational corporations, these corporations have employed FDI. The fear of exodus of capital has led to a “decade of tax reform”. Governments across all continents embarked on significant overhauls of their tax codes. These revisions aimed, among other objectives, to lower marginal tax rates on capital and limit the utilisation of tax policy for economic management purposes (Cohen, 1996, p. 281). This leverage is an important component of the political strength of the financial actors.

FDI involves converting capital transferred from one country to another into productive investments. This includes bringing financial capital, machinery, technology, management expertise, manufacturing capabilities, and marketing know-how to the host country. For nations struggling to meet investment needs, FDI serves as a significant financial resource, facilitating the transfer of technology, knowledge, and experience, thereby bolstering the host country’s macroeconomic indicators. With the advent of globalisation and the liberalisation of capital markets, developed countries with surplus capital and companies seeking to expand their market share find opportunities for international investment. Host countries stand to benefit from increased GDP per capita through technological advancements and knowledge transfer, which enhance productivity. Meanwhile, investing countries can reduce export costs and expand their market share. Multinational corporations also gain access to abundant manufacturing resources in host countries, contributing to global welfare enhancement (Akin, 2019, p. 238). Developing nations, emerging economies, and transitioning countries increasingly view FDI as a catalyst for economic advancement and modernisation, leading to income growth and employment opportunities. These countries have adopted measures such as

liberalising their FDI regulations and implementing other policies to attract investment. They are actively considering how to optimise domestic policies to fully capitalise on the advantages of foreign involvement in their economies (OECD, 2002). After Mao's death, as a developing country, China benefitted from FDI. FDI played a significant role in China's push towards a market-orientated economy.

CHINA'S "OPENING-UP" AND FDI FLOW

Deng Xiaoping's coming to power signifies a landmark in Chinese history. Deng shifted away from Mao's radicalism towards a determined push for modernisation. The economic reform officially commenced with the Third Plenary Session of the 11th Central Committee of the Chinese Communist Party in late 1978. The reform process gradually embraced a predominantly market-orientated approach and developed its own unique characteristics (Zhang, 2000, p. 7). During the initial phase of reforms initiated in 1978, the Chinese government tested preferential measures to incentivise foreign investment. Broadman & Sun (1997) reveal that from 1978 to 1995, China accumulated \$128 billion in FDI. In the 1990s, 40% of the total FDI was received by all developing nations, positioning China as the largest recipient of FDI among developing countries (Broadman & Sun, 1997, p. 339). That demonstrates that China's opening-up policy, determined by Deng Xiaoping, has been actively supported by global capital actors.

China's economic development is closely linked to its ties with financial actors within the context of its opening-up policy. From 1979, when economic reforms were initiated, until 2017, China achieved an average annual growth rate of nearly 10% in its real gross domestic product (GDP). According to the World Bank, China has undergone the most rapid and continuous expansion ever witnessed by a major economy, resulting in the elevation of over 800 million people out of poverty (Congressional Research Service, 2019). FDI flow into China has played a significant part in achieving this success.

The initial legal and institutional framework facilitating FDI inflow into China was established in the late 1970s and early 1980s. Since then, China has implemented several measures to boost FDI in the country or specific regions. These measures include the establishment of special economic zones and industrial parks, offering foreign-invested enterprises (FIEs) a more

favourable regulatory environment and better infrastructure compared to other areas. FIEs in these zones enjoy tax benefits, a relatively open foreign trade policy, and various other special conditions, creating markedly different operating conditions compared to businesses solely financed by Chinese capital (Khan, 1991). However, despite some progress, FDI inflows into China during the 1980s were hindered by regional and sectoral constraints and specific qualifications such as forex balances and local content regulations. These restrictions were motivated by concerns that foreign-invested enterprises (FIEs) could be exploited by foreign capitalists, leading to cautious growth in FDI during this period. It was not until China embraced a market economy more fervently in the early 1990s that substantial amounts of FDI began to flow into the country. Since then, there has been a remarkable surge in FDI inflows. According to a study by Taube & Ögütçü, between 1995 and 1999, China attracted 7.5% of global FDI flows, accounting for approximately one-quarter of all FDI directed towards developing countries. From 1993 to 1996, China even hosted more than one-tenth of global FDI. By 1999, China's accumulated FDI stock represented more than 6% of the global total (Taube & Ögütçü, 2002). Deng Xiaoping's southern tour was done to emphasise China's commitment to reforms and policies aiming at opening up the Chinese economy to the world. This tour ushered confidence, increasing the amount of FDI flowing into China. While FDI inflows decreased during the Asian financial crisis, they increased in anticipation of China's membership in the World Trade Organisation (WTO) (Tseng & Zebregs, 2002).

Liang, Lovely, and Zhang (2023) contend that in 1997, China's FDI regulations imposed entry restrictions on activities within 70 manufacturing industries. Upon joining the WTO, the number of industries subject to these restrictions decreased to 39, a reduction of 31. Concurrently, the number of industries where foreign investment was actively encouraged rose from 113 to 173, reflecting a net increase of 60 industries. Significantly, out of the 31 industries where restrictions were lifted, 24 were categorised as encouraged, making them eligible for investment incentives (Liang et al., 2023). FDI improved industrial production efficiency and accelerated technological progress. From 2008 to 2019, China was the second-largest IFDI country in the world for ten years (except for 2015 and 2016) (Feng et al., 2021, p. 2). This demonstrates that FDI flows into China have increased as the country implemented necessary reforms to attract them. The evolution of China's FDI policies and the remarkable growth in foreign investment have set the stage

for China's grander economic ambitions. Building on this success, the grand projects represent a strategic expansion of China's global economic influence, encompassing extensive investments and infrastructure projects that further integrate China into the global economy and foster international partnerships.

CHINA'S GRAND DESIGNS

The Belt and Road Initiative (BRI), unveiled in 2013, stands out as one of the most ambitious undertakings of the 21st century. It encompasses six key economic corridors: China-Mongolia-Russia, China-Central Asia-West Asia, China-Indochina Peninsula, the New Eurasian Land Bridge, the China-Pakistan Economic Corridor, and the Bangladesh-China-India-Myanmar Economic Corridor (Ministry of Foreign Affairs of the People's Republic of China, 2015). Investments within the framework of the BRI have surpassed \$1 trillion cumulatively. As of 2024, the BRI has attracted the participation of 149 countries (Nedopil, 2024). The Silk Road Fund, established for financing infrastructure projects, holds \$40 billion from China. The Asian Infrastructure Investment Bank boasts a capital of \$100 billion (The State Council of the People's Republic of China, 2016). Furthermore, Hong Kong has traditionally been a gateway for foreign companies to enter the China market. Recently, more overseas firms have sought to invest in China's infrastructure, a trend expected to grow under the Belt and Road Initiative. To strengthen its role in facilitating these investments, Hong Kong established the Infrastructure Financing Facilitation Office (IFFO). Current IFFO partners include major Chinese and international banks such as the Bank of China, HSBC, and Citigroup, as well as investment funds like BlackRock, Blackstone Group, and the Silk Road Fund (Morrow, 2017). This suggests that global investment funds indirectly participate in funding of the infrastructure development across the Belt and Road route.

In 2023, the State Council Information Office of China unveiled a white paper titled *The Belt and Road Initiative: A Vital Component of the Global Community with a Shared Future*. In this paper, the BRI is presented as a pragmatic approach to constructing a global community with a shared destiny, instigating fresh perspectives, and sparking global imagination. It aims to cultivate a more equitable and just global governance structure, guiding humanity toward a brighter future. Amid the growing deglobalisation trend,

the BRI remains steadfast in its commitment to global connectivity and interdependent development. It has expanded the primary channels of economic globalisation, facilitating the seamless flow of information, capital, technology, products, industries, and people, thus fostering closer and more extensive international collaboration. By promoting fairer distribution of the benefits of economic globalisation, the BRI aims to foster global development characterised by balance, coordination, inclusivity, and shared prosperity, fostering win-win cooperation and collective advancement (The State Council of the People's Republic of China, 2023).

The emerging land and maritime connections associated with the BRI appear to address the concerns raised by critics of traditional globalisation. These critics often point to the economic, political, and social disparities resulting from the unequal distribution of resources among nations. Many BRI projects seem tailored to align with the social and administrative norms of less developed countries. Furthermore, proponents argue that traditional globalisation neglects cultural and political systems diverging from the Western narrative, resulting in cultural dominance and political interference. In contrast, the BRI is seen as more accommodating of such differences, advocating for principles like sovereignty, diversity, and non-interference in domestic affairs (Yilmaz & Li, 2020, pp. 403-404). The BRI embodies China's fresh overarching strategy, through which Beijing endeavours to leverage connectivity initiatives to shape Asia and Europe according to its envisioned global order. In this envisioned order, China positions itself as the predominant normative power worldwide (Callahan, 2016).

Despite the significant surge in protectionism and anti-globalisation sentiments worldwide, the BRI is viewed as a promising prospect for outward-focused economies, multinational corporations (MNEs), small and medium-sized enterprises (SMEs), and an array of other stakeholders (Li, Qian, Zhou, Lu, and Liu, 2022, p. 844). Thus, China is actively advancing interregional infrastructure connectivity through the BRI platform, recognising its pivotal role in enhancing trade and propelling economic globalisation. China's emphasis on the infrastructure-focused BRI represents its endeavour to exert influence and leave its mark on the process of globalisation (Yu, 2024, p. 24).

The BRI is more than an infrastructure initiative. It is the materialisation of a Chinese bid for global leadership. As China increasingly becomes enmeshed in global affairs, its initiatives, notably the BRI, are actively transforming the

landscape of global trade and the economy. This transformation is evident through the establishment of parallel financial institutions and the creation of extensive networks of transportation and communication, all centred around China, effectively challenging the prevailing world economic system and the existing global economic order. At its essence, China is fundamentally challenging the existing global economic order. Moreover, China leverages the BRI as a tool to assert influence over the global agenda, disseminating its values, ideas, and norms. Over time, this dissemination of specific values and norms through the BRI could cultivate a favourable perception, potentially leading to widespread acceptance of the Chinese approach to international order. Extensive discussions have focused on the potential ramifications of the BRI, perceived as a form of economic statecraft that, over the long term, could provide China with heightened political leverage and coercive authority over its partners (Parepa, 2020, p. 176).

The Chinese government orchestrates the BRI projects by controlling financial resources. Li, Assche, Li, and Quian (2022) argue that Chinese state-owned enterprises (SOEs) are another key player, having become the primary drivers of Chinese outward foreign direct investment (FDI), which reached 4.9% of the global FDI stock (US\$1281 billion) in 2016. In projects funded by the Chinese government, over 80% of contracts were awarded to Chinese firms, predominantly SOEs. Host-country governments also contribute funds and provide location-specific resources such as land and electricity. Furthermore, multinational enterprises (MNEs) and governments from third countries participate in the BRI projects, although their involvement has been more peripheral. For instance, American multinational enterprises like Hewlett-Packard, General Electric, and Caterpillar have sought roles as subcontractors to major Chinese MNEs involved in BRI-related contracts. Siemens, a European MNE, has signed numerous agreements for the BRI projects with Chinese partners (Li, Assche et al., 2022, pp. 904-905). Although the BRI is primarily financed by China, it also contains foreign capital actors and multinational companies.

China views globalisation positively and sees the Belt and Road Initiative (BRI) as a way to promote Chinese values globally, offering an alternative to the Western model of globalisation (Callahan, 2016). The BRI envisions a world based on Sino-centric values linked with President Xi's ambitious foreign policy agenda. Xi passionately recounted China's significant contributions to

human civilisation across its 5000-year history. However, he acknowledged that despite its rich cultural heritage, China endured a period of semi-feudalism and semi-colonialism during the Century of National Humiliation, imposed forcefully. Since then, Xi has emphasised that the pursuit of national rejuvenation has become the paramount aspiration of the Chinese people and civilisation. At the 19th CPC National Congress, Xi highlighted that China has risen, prospered, and grown strong, now envisioning a future of rejuvenation and aiming to play a more prominent role on the global stage, contributing significantly to humanity. Thus, the concept of the Chinese Dream extends beyond domestic development, intertwining with China's perception of its global position and identity as a major power capable of shaping the international order. Moreover, asserting China's centrality as a global power relies on its ability to reaffirm sovereignty and exert effective control over its entire territory and maritime claims (Mazuelos, 2022, pp. 40-41). Within the geographical scope of the BRI, participating countries are offered membership in what could be likened to a club, granting access to the Chinese Dream. The BRI network thus functions as an exclusive conduit for these economies outside of China to engage with, realise, and benefit from the ideals of the Chinese Dream without necessitating physical relocation to China, unlike the countless legal and illegal immigrants who have historically journeyed to the US in pursuit of the American Dream. Through the BRI, over half of the world will find itself intricately connected to China politically, culturally, and economically (Lim & Wei, 2018, p. 71).

While the BRI represents China's effort to assert its global influence and promote its values on the international stage, recent geopolitical tensions have had a significant impact on FDI flows into the country. The election of Donald Trump and the subsequent US push for economic decoupling from China have introduced new complexities, influencing global investment strategies and reflecting a broader re-evaluation of China's role in the international economic system.

THE EFFECT OF DECOUPLING ON FDI FLOWS IN CHINA

The election of Donald Trump as the US president has caused unprecedented tensions between the US and China. US goals of maintaining military superiority over China, preventing espionage and sabotage, curbing

influence operations, opposing authoritarianism and repression supported by China, economic concerns such as addressing unfair practices and intellectual property theft, and leading in key industries have led to economic decoupling with China (Zhang, 2023, p. 357). President Donald Trump proposed “decoupling” from China, but this faced strong opposition from the business community, which found it impractical and costly (Kalwasinski, 2024). For instance, in 2021, BlackRock, the largest asset manager globally with \$9 trillion in assets, advised investors to significantly increase their exposure to the country, potentially tripling their current levels of investment (Johnson, 2021). However, another global capital actor, George Soros, the previous manager of Quantum Hedge Fund, criticised Blackrock’s decision to invest in China, noting that it is against the national security interests of the US and other democracies (Soros, 2021). This reflects a trend where firms and actors are exploring strategies to move production to trusted countries with aligned political views to mitigate supply chain risks from geopolitical tensions (IMF, 2023, p. 91).

The rising geopolitical tensions between the US and China were combined with the COVID-19 pandemic. From the second quarter of 2020 to the fourth quarter of 2022, FDI fell by nearly 20% compared to the pre-pandemic average (IMF, 2023). This decline varied significantly by region, with Asia losing ground as a FDI source and destination. Particularly, FDI involving China dropped more than the regional average, likely due to the pandemic and extended lockdowns (IMF, 2023, p. 96). The decline in FDI has been compounded by China’s broader economic slowdown. Wang’s study (2024) demonstrates that after an impressive 4.5% growth in early 2023, which exceeded expectations following strict COVID-19 policies, China’s GDP growth fell short of market expectations in the second quarter at 6.3%. Although it rebounded to 4.9% in the third quarter and ended the year at 5.2%, the overall trend shows a decline from its peak in the late 2010s (Wang, 2024).

Data from the Chinese Ministry of Commerce reveals that inbound FDI fell by 28.2% to 412.51 billion yuan (\$56.8 billion) in the first five months of 2024, continuing a downward trend from June 2023 (Wong, 2024). Julian Evans-Pritchard from Capital Economics suggests that increasing geopolitical tensions will hinder China’s ability to attract FDI, favouring emerging markets more aligned with Western interests (Reuters, 2023). This decline is evident, with FDI reaching its lowest point since Deng Xiaoping’s 1992 push for

economic reform. Foreign firms are withdrawing from China due to intensified national security measures and US restrictions on advanced semiconductors, dramatically reducing China's share of global chip-related FDI from 48% in 2018 to just 1% in 2022 (NikkeiAsia, 2024). Brad Setser of the Council on Foreign Relations notes that foreign companies are no longer reinvesting in China but are instead repatriating their profits swiftly (Financial Times, 2023). This shift has forced regions once reliant on foreign investment, such as Jiangsu province, to seek alternative funding from the government (Financial Times, 2023). While concerns about the impact of FDI outflows on China's economic growth are understandable, they may be overstated. FDI constitutes only about 3% of total investment in China. Its primary value lies in transferring international best practices and market discipline, which enhance the competitiveness and governance of domestic firms (Lo, 2023).

Decoupling and reduced FDI have significantly affected the Belt and Road Initiative (BRI). Initially, Chinese authorities estimated financing needs between \$1 trillion and \$5 trillion over five years, backed by nearly \$4 trillion in reserves and robust economic growth (Herrero, 2017). However, China's foreign exchange reserves have since decreased to \$3.2 trillion (Trading Economics, 2024).

To address the financing needs, China could leverage multilateral development banks like the AIIB, the Silk Road Fund, and the New Development Bank, where it holds significant stakes. While these banks could help distribute the financial burden and oversee infrastructure projects, their available capital falls short of meeting the full BRI financing requirements (Herrero, 2017).

As a result, engaging hedge funds and asset management companies has become crucial for advancing the BRI. The Green Belt and Road Investor Alliance (GBRIA), a global consortium dedicated to supporting sustainable and investable projects along the Belt and Road, plays a key role in this effort. GBRIA aims to develop effective strategies for attracting private capital alongside public funding, with major partners including the Agricultural Bank of China, China-Britain Business Council, Green Investment Group, JP Morgan, and Standard Chartered. The City of London Corporation, as the world's leading global financial centre, serves as the Secretariat for promoting BRI-related policies and investments (London & Partners, n.d.). Despite these efforts, the general decline in FDI to China and the broader trend of economic decoupling could hinder the

expansion and effectiveness of such collaborations, posing challenges to the continued success of the BRI. Therefore, President Xi has undertaken a proactive charm offensive to alleviate concerns and attract foreign investors, underscoring China's commitment to integrating with global capital markets and promoting mutual prosperity.

CHINA'S COURTSHIP WITH GLOBAL CAPITAL ACTORS

In 2023, President Xi Jinping announced plans to lift restrictions on foreign investment in manufacturing, emphasising that China's success is linked to global prosperity (Financial Times, 2023). In order to assuage the fears of the global actors, President Xi started a charm offensive for potential investors.

In November 2023 in San Francisco, President Xi Jinping hosted an event in which Larry Fink from BlackRock Inc. and Stephen Schwarzman of Blackstone Inc. participated. During the event, Xi portrayed China as a force for global peace, omitting any mention of Taiwan in his speech. This conciliatory approach may alleviate concerns among some of the world's most influential foreign investors, suggesting that the prospect of conflict is not imminent (Investment News, 2023). In March 2024, President Xi welcomed the US delegation, which included Cristiano Amon, the president of Qualcomm, a prominent chip maker; Stephen Schwarzman, the founder of asset management firm BlackRock; Raj Subramaniam, CEO of FedEx; Mark Carney, chairman of Bloomberg; Craig Allen, president of the US-China Business Council; and Graham Allison, the former dean of Harvard University's Kennedy School. Xi carefully listened to the speeches delivered by the US representatives and addressed their concerns individually. Xi acknowledged that Sino-US relations have encountered significant ups and downs in recent years. However, he sought to reassure foreign investors. Xi emphasised that China's reforms would continue without interruption, emphasising their unwavering commitment to openness. He mentioned ongoing efforts to implement significant measures to deepen reforms across various sectors, promoting a market-orientated, legally sound, and globally competitive business environment. The intention, he noted, was to create expanded opportunities for enterprises worldwide, including those from the United States (Wing, 2024). Yet this diplomatic offensive contrasts with domestic implementations.

Central to this overhaul is Xi Jinping's vision for China's future, which has profoundly altered the nation's economic landscape. Xi's doctrine of "common prosperity" aims to create a fairer society by narrowing the wealth gap and curbing the excesses of the privileged class. The financial industry, long seen as a symbol of wealth disparity, has become a primary target of this philosophy. Yet, this crackdown is more than an anti-corruption initiative; it serves as a mechanism to tighten control over the financial sector and realign China's economic priorities. During a 2017 study session with Politburo members, Xi Jinping underscored the significance of financial security in national interests. Concurrently, Beijing accuses "foreign forces" of attempting to hinder China's ascent as a global power, a narrative consistently reinforced by state media and diplomats, notably concerning Hong Kong and Xinjiang. With a perpetual political need for external adversaries, the risks for foreign financial entities are evident (Kwok & Patterson, 2021). China International Capital Corp. (CICC), once a symbol of Beijing's financial aspirations, vividly illustrates the change in the mentality. Established during a period of rapid economic reform, CICC aimed to compete on a global scale. However, under current regulatory conditions, the institution has undergone significant ideological and operational changes. A growing number of CICC bankers now hold membership in the Chinese Communist Party (CCP), reflecting the evolving political dynamics within China's financial realm (Lee, 2024).

CONCLUSION

China's dramatic rise as a global economic powerhouse has been driven by strategic reforms, substantial foreign direct investment (FDI), and ambitious initiatives such as the Belt and Road Initiative (BRI). Since the late 1970s, China has capitalised on its reforms to attract vast amounts of FDI, fuelling its rapid economic growth and technological advancement. The BRI, launched in 2013, further exemplifies China's global ambitions by fostering infrastructure development and financial integration across multiple continents.

However, recent geopolitical tensions, particularly between the US and China, coupled with global economic slowdowns, have cast uncertainty over China's ability to maintain its impressive growth trajectory and attract sustained foreign investment. The decline in FDI inflows, exacerbated by the COVID-19 pandemic and shifting geopolitical alliances, highlights the

vulnerabilities in China's economic model and its interactions with global capital actors. While China's leadership continues to pursue reforms and engage in diplomatic efforts to reassure investors, the broader trend of decoupling and shifting global capital flows may impact China's grand projects. As China navigates these challenges, its ability to adapt and realign its economic strategies will be crucial in determining its future position on the world stage.

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China and the EU:
Between Strategic Autonomy
and Interdependence

EU RELATIONS WITH CHINA: FROM UNDERESTIMATING TO DECOUPLING?

Marjan SVETLIČIČ*

Abstract: The paper evaluates the evolution of EU-China relations from initial attitudinal barriers/perils, underestimating China's economic development during its opening up in the 1980s, to present panic because of its spectacular technological achievements. The major stages of bilateral relations, from a strategic partner, competitor, systemic rival, strategic autonomy, and finally, "de-risking rather than fully decoupling", are evaluated. The "more robust" EU policy on China by addressing issues like limits of decoupling, heterogeneity of interests of the EU member countries, bandwagoning with the US or not, and how to balance incompatible values around the world with an economic interest-driven strategy is elaborated. The transformation of reactive/defensive into proactive "realpolitik" strategy, transforming rivalry into partnership in accordance with both national interests, and enhancing the EU's role in the global economy are advocated.

Keywords: China, EU strategy, autonomy, underestimation, values, bandwagoning.

INTRODUCTION

The notion that the West has dominated the world forever is widespread. However, the Pakistani Nobel Prize winner for physics, A. Salam, pointed out (Trieste 1985) that the West was technologically dominant for less than two hundred years. For the rest of history, the shares of China and India in world GDP were larger than those of Western countries. He neglected Hodgson's *tunnel vision* of the world, blind to all non-European contributions to the modern world (Hodgson, 1993).

*Prof. Emeritus, Faculty of Social Sciences, University of Ljubljana, Slovenia, Email: marjansvetlicic@siol.net, ORCID: 0000-0002-5821-6707.

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From such a historical perspective, the EU is a very young new actor in the world, fighting at this turning point in the historical development of geopolitical repositioning to enhance its geopolitical role, which China has already strengthened in the last few decades. "The EU has greatly benefited from China's economic rise. Meanwhile, the challenges are increasingly threatening to outweigh the opportunities that come with them...Europe must ensure that its own interests are sufficiently safeguarded in the practice of relations between the two superpowers, the US and China" (Bertelsmann-Stiftung, n.d.), claimed Bertelsmann-Stiftung. Finding the right strategy for bilateral cooperation between the EU and China is a burning issue in such a context.

Therefore, the objective of this article is to evaluate the past development of bilateral cooperation, followed by an evaluation of the main factors influencing such a strategy (unity or disunity of the EU, technological development, relations with the US, and the role of values). In the concluding part, we will look at the possible future development of such relations.

HISTORICAL EVOLUTION OF THE STRATEGY OF EU-CHINA BILATERAL RELATIONS

Contexts have always played an important role in social development (the constructivist school of international relations). Consequently, the history of EU-China relations has been influenced by the evolution of the general attitudinal barriers regarding cooperation with China since the late 19th century, when the first "Yellow Peril" as a fear of Chinese immigrants started to develop in the US. Following the spectacular technological rise of Japan (late 1950s), a new "Yellow Peril" emerged in the US. Today, we are encountering the third "Yellow Peril", i.e., China's rise to the dominant position in the world, which followed underestimating the role of China in the global economy after its opening up in the 1980s. Paranoia has started to be carved into Western mindsets, mainly due to different civilisational models and the country's size. What is common to all such fears is that they have surfaced whenever a power transition was underway and that they have been significantly overblown, including Servan-Schreiber's (1967) one regarding the US "colonising Europe" (Svetličič, 2020a). Let us not repeat such paranoia¹,

¹ Europe has nothing to fear from China's phenomenal growth, said EU Trade Commissioner Peter Mandelson in 2004.

which has historically been instrumentalised for agents' interests, and not be a victim of naïve expectations that China will change economically and politically, as was the case of China's entering the WTO.

In such a historical context, the bilateral relations between the EU and China have moved through several stages, each under the strong influence of China's development and its repositioning in the global power structure. On the other hand, the EU was not formed to play an international role. J.C. Juncker, president of the European Commission (2014-2019), nicely illustrated the evolution of the relationship between the EU and China in a dialogue with E. Macron, A. Merkel, and Xi Jinping by saying: "The Chinese see Europe as an economic power and a political player. When I told the latter that China was not only our strategic partner but also our competitor and rival, the Chinese president feigned surprise"² (Juncker, 2020, p. 3).

Soon after the establishment of diplomatic ties in 1975 and the first EU-China Summit (London 1989), relations between the EU and China started to develop. On this bumpy road, mutual relations oscillated between competition and cooperation. Europe wished to forge a tighter link and strengthen its influence through ever-increasing economic cooperation and shared values. "Founding its policies on values rather than power politics" (Geeraerts, 2011, p. 62) is why "the EU is still perceived more as a normative actor, a global regulatory superpower (see Bradford, 2020)". However, setting different standards can also be an economic power instrument.

Compared with US realpolitik, "*Make America Great Again*", and the trade war with China, the EU has a more flexible and less critical stance about China's market economy status. The EU's changing strategies concerning China have been influenced, besides hard economic and political factors, by public opinions on China. Initially, such opinions were positive (46% in Germany in 2004 but decreased to 20% in 2021, while negative opinions jumped from 37% to 74%). The situation in other EU countries was similar. Gradually, and particularly after the Great Recession, the Chinese takeovers of European "champions", the COVID-19 pandemic, and the lack of the

² China hates the term "systemic rival" and was surprised by the publication of "EU-China: A Strategic Outlook" in March 2019 (Szcudlik, 2020) outlining a "tripartite" strategy framework, seeing China as a "partner" but also as an economic "competitor" and a "systemic rival".

expected and even promised reforms by China in economics and human rights³, have led to a deterioration of opinions.

Since China's economic power and political influence have grown at unprecedented scale and speed, the balance of power between the EU and China has shifted. The EU has gradually become much more concerned and proactive about China, largely under the influence of US policies.⁴ The EU has been trying to ensure a level playing field for its firms in China's markets, parallel to its transformation from a developing to a technologically advanced country, rivalling EU firms. It came as a surprise and was a cultural shock for the West's prevailing ideology to realise that China has become a technological leader in many fields.

Internal changes in the EU (enlargement, Brexit, internal institutional changes, the worsening of the economic situation, particularly in Germany, etc.) have also influenced bilateral relations. In such an interplay of development on both sides, the evolution of bilateral EU-China relations can be summarised in the following stages:

1. Following its opening in the 1980s, China began to be recognised as an important export and FDI market.
2. China's entrance into the WTO in 2001 represented a significant push for bilateral relations.
3. Comprehensive Strategic Partnership (2003).
4. Reinterpretation of EU policy (2016): China became a cooperation and negotiation partner and competitor.
5. The paradigm shift from China being regarded as:
 - a. Strategic partner (in 2020),
 - b. Open strategic autonomy (2021), and finally

³ By joining the WTO in 2001, China agreed to reform and liberalise important parts of its economy. It made some progress, but many problems remain. Progress on human rights has also been slow, even getting worse recently.

⁴ Cases of Huawei, chip export bans, tariffs on electric cars, etc., not taking into account that US interests are much different from EU ones.

c. “De-risking rather than fully decoupling”⁵ or, better to say, a *managed decoupling* phase in which the EU is trying to reduce overreliance on China without hurting economic growth (Fasulo et al., 2023, p. 4).

Since 2003, the EU and China have acknowledged each other as strategic partners (Comprehensive Strategic Partnership). In its first EU policy paper, China recognised the EU as “a major force in the world”, while in 2006, the EU called China a “re-emerged major power”. A joint policy paper, EU-China 2020 Strategic Agenda for Cooperation (2013), encouraged cooperation in the fields of “peace, prosperity, sustainable development, and people-people exchange”. The policy was elaborated further in the “Policy Paper on EU” in 2014, followed by the new one in 2018.⁶ “The EU’s reinterpretation of its China policy started as a reaction to China’s takeover of the German company Kuka, a manufacturer of industrial robots, in 2016. This takeover made the EU aware of new potential threats from China, mainly regarding critical infrastructure and high-tech industries⁷. This acted as an alarm bell. The lingering process of sharpening the EU’s policy on China started” (Szczudlik, 2020).

The “New EU Strategy on China” was launched in 2016, stimulating cooperation in areas of reciprocal interest, promoting universal values, the rule of law, and a constructive management of differences. The EU officially endorsed the Communication “EU-China: A Strategic Outlook” (2019), and nineteen months later, China became a cooperation and negotiation partner, an economic competitor, and a systemic rival. To China, such a tripartite strategy looked like an ambiguous framework that enhanced its ambiguity (hard capitalism in economics and tough party control politically). “The two parties started now to operate within two different frameworks,

⁵ Strategic dependence on basic components produced in China as well as “huge sunk costs to decouple EU FDI in China, which can take more than 35 years” (Economist, Oct. 7th 2023: 7) limit the reach of a full-fledged de-risking strategy. China also dominates key sectors for the green transition. To reduce overreliance on China, the Union has recognised the need to engage other partners in the Asia-Pacific region that could help diversify European supply chains and, in the long term, enhance economic cooperation with Africa. Africa offers huge potential since it is larger than China, the US, and Europe together.

⁶ See the whole list of documents in Cvetanovska, 2024.

⁷ The characteristic of Chinese takeovers in the EU is a *light-touch* approach, leaving the takeover company operational autonomy.

and constructive cooperation has become increasingly difficult” (Politi, 2023, p. 688).

After the failure of the bilateral Comprehensive Agreement on Investment (CAI) in 2021, Europe dramatically toughened its political stance on China, labelling it as a systemic rival. The Comprehensive Strategic Partnership Strategy, updated in March 2019, looking at China mainly as a (difficult) partner, was partly a reaction to the Made in China 2025 strategy. It redefined the understanding of reciprocity in an attempt to convince China to open its market, introduce economic reforms, revise the subsidy system and violations of intellectual property rights (IPR), and start social or maybe even political reforms. Based on such reciprocity, the EU was set to close those areas that China closed for the EU. The debates were going from “global battle of narratives” (2020), “dialogue of the deaf” (2022), “de-risking”, and “economic security” (2023) to “overcapacity” (Fasulo et al., 2024).

In 2020, both sides adopted the EU-China Strategic Agenda for Cooperation (European Commission, 2020a). The need for a “more robust”, more assertive, but pragmatic EU approach was launched, aiming at achieving strategic sovereignty, “strategic autonomy”, “regulatory sovereignty”, and “digital sovereignty”. The latter is a very difficult task, complicating the already *spongy concept* of sovereignty by blurring state and corporate power. One problem is achieving digital sovereignty by “asserting control *over* artificial intelligence (AI) and control *through* AI”. The other is: could the EU realise it without the involvement of American companies? Srivastava, a political scientist from Purdue University, thinks it cannot (Srivastava, 2024, p. 3). Another reason for stronger assertiveness is that the EU and China have become competitors in third markets.

The concept of open strategic autonomy⁸, originally focused on security and defence, later expanded to encompass technological sovereignty as its heart and geopolitical, environment/climate, social, and civilisational issues. Strategic autonomy does not seek protectionism or isolationism but rather

⁸ It is defined as the “political, institutional, and material ability of the EU and its Member States to manage their interdependence with third parties with the aim of ensuring the well-being of their citizens and implementing self-determined policy decisions” (Helwig & Sinkkonen, 2022, p. 3). Although it is mostly understood in relation to China, the idea is to be also achieved in relation to other parties, particularly the US.

equips the EU to manage interdependence and growing geopolitical competition in line with its interests and values (Störmer et al., 2021, p. 1). Officially, it means “reaping the benefits of openness for businesses, workers, and consumers while protecting them from unfair practices and building up our resilience to be better equipped for future challenges” (European Commission, 2020b, p. 1). The new regulations of the European Parliament and the Council on foreign subsidies distorting the internal market objective (PE/46/2022/REV/1) defend EU industries against unfair competition, ensuring a level playing field between all companies active in the EU. This is “rewriting the Western policy playbook” because “it is reshaping a long-accepted Western norm in dealing with international trade and investment” (Wolff, 2024).

DISUNITED OR UNITED EU FRONT?

The starting point for EU-China relations is that neither the EU nor any member state could effectively achieve their aims without complete unity. Nevertheless, such an elusive, ambiguous, aspirational, top-down *work-in-progress* concept (Steinberg, 2024) leaves a lot of free space for individual members’ policies. Different countries attributed different weights to the constituent strategy elements, with economic interests prevailing in most of them. The weight of ideological values was more prominent in some.

The EU is obviously not as homogeneous as it seems. The first source of different interests is many internal problems that strongly influence relations with China at this historical junction the EU is facing. Differences between Germany and France, traditional engines of European integration, regarding many issues about the future of the EU, even on strategic autonomy, emerged recently. There is the rise of the extreme right, even neo-fascism, extreme conservatism (even authoritarianism), violating the achievements of the Enlightenment, and ethnonationalism (migration). There is a fight between sovereigntists/euro sceptics⁹ and federalists, those advocating EU à la carte, and a fight regarding the Russian aggression on Ukraine. All these loosen up the internal political autonomy/sovereignty of the Union.

⁹ Their narrow nationalistic/protectionist agenda does not favour cooperation with the outside world, China included.

Influenced by such internal contexts, and despite a strong recognition of the importance of a cohesive EU strategy, there is a lot of free space for separate international (economic) relations policies by individual EU member countries. The attitudes of the EU members towards China are rather different due to different histories, the intensity of economic cooperation, mutual dependency, the various perspectives on human rights and freedoms, and transatlantic relations. The EU member states with strong trade ties with China prioritise economic interests and cautiously balance them with political concerns. Others are more assertive in expressing concerns about China's unfair trade practices, market access barriers, and IPR violations and are more vocal in criticising China's human rights, political freedoms, and civil liberties record. They are more willing than others to enter into conflicts with China or the US. Although all EU members are highly dependent on China's imports, "Germany, Italy, France, Sweden, and the Netherlands accounted for the highest shares of China's import dependencies in 'strategic' products" (Arriola et al., 2024, p. 8). Differentia can also be observed between the north and south of the EU, rich and poor, old and new members, as nicely illustrated in the 17+1 scheme, which opens doors for turning some CEE members into China's "Trojan horses" in the EU.

Policies on Huawei and G5 are another factor of differentiation, raising major concerns regarding potential dependence on China. At the same time, reliance on American firms is not questionable. China has become Europe's biggest fear for ideological reasons. Non-binding guidelines were adopted in 2020, likely to hurt China's Huawei. Almost all member states have adopted a regulatory framework to restrict Chinese providers. However, only ten have restricted or banned China's Huawei (HWT.UL) and ZTE from their 5G telecom networks. Most EU members follow a rather pragmatic approach because "the costs of ditching Huawei are high" (Damijan et al., 2020).

In her profuse empirical-based PHD dissertation, based on the latest shifts and policies vis-à-vis China and their outward, mostly technology-seeking FDI, Cvetanovska has distinguished three general groups of EU members: from more relaxed, more neutral, to more firm at the other extreme (Cvetanovska, 2024, p. 161-163). In terms of their position towards Chinese FDI, she distinguished six groups of countries (bandwagoners, alarmists, bargainers, balancers, recalibrators, and friends).

One of the factors of differentiation is also relations with the US. In general, the EU does not want to be dragged into US “aggressive unilateralism,” costly trade war protectionism¹⁰, tough policies towards China, and, in a way, “benign neglect” of Europe. Some members see trans-Atlantic relations as a cornerstone of EU foreign policy, while others want a more independent strategy. China has also contributed to such differentiation by trying to exploit them and even build on them with its *divide et impera* politics in relations with individual EU members. President Xi hopes to loosen the EU’s ties with Washington and dissuade the bloc from hardening its stance towards China. The alarm bells have started to ring about China’s ability to use its economic power to undermine harmonised European policy on China. It is unrealistic to expect perfect unity between the EU member states on all issues related to China, despite all convergence efforts. Differences will stay with us, together with a pragmatic approach to them.

VALUES OR ECONOMIC INTEREST-BASED STRATEGY¹¹

The rivalry between the US and China, the West and Russia, and democracy and autocracy, as usually presented, has brought up the tough and slippery issue of the role played by cultures, values, and morality in international (economic) relations. In addition, U. von der Leyen promoted the “European Way of Life” and unity in diversity as two of her six priorities when she took office. For the traditional realist school, foreign policy is mostly immoral when realising national interests. Values are subordinated to interests (Oppenheim, 1998). “States are rational egoists with their own interests at heart; values and morality hold little sway in international life” (Mearsheimer, 2019; Helwig & Sinkkonen, 2022, p. 10). For constructivists, on the other hand, foreign policy should be value-based. Nagy also thinks “that trade can operate smoothly only if it is framed by an architecture of normative value standards, and international trade liberalisation has reached the level where further development calls for cooperation also in fields that, at first glance, may appear to be non-trade in nature” (Nagy, 2022).

¹⁰ According to Deutsche Bank, a full-fledged tech cold war could cost the global information and communications technology sector around \$3.5 trillion over the next five years.

¹¹ The chapter also on the Svetličić, 2022, and Svetličić, 2024.

The attitudes towards the role of values in international relations are different in different societies, attributing different weights to the values' elements. Some cultures claim that there are universal values; others insist that different civilisations/countries have different values. Asians, for instance, put welfare before liberty and freedom, while Westerners put liberty before equality. The third view is to build on diversity as a factor in boosting productivity, as the management literature suggests.

Based on the idea of universal values and the ethnocentric belief that one ethics is more important than another, their supporters have and are trying to impose them on others. Historically, it was frequently only a pretext for the realisation of their economic and geopolitical interests. Yet, democracy or other human values cannot be exported or imposed from the outside. Kissinger realised that "to seek to impose human rights, dignity, and popular participation by confrontation is likely to be self-defeating, especially in a country with such a historical vision of itself as China" (Kissinger, 2011, p. 464). It could only corrode the economic and other forms of badly needed cooperation for addressing common problems (climate, environmental, health, etc.). On the other hand, such a policy is "likely to consolidate authoritarian rule as to undermine it" (Weiss & Steinberg, 2024. 2) and even provoke a more aggressive response.¹² "It is a little naive to think that it would be possible to ask third countries to apply exactly the same rules as the EU" (Oejtan, 2024, p. 4), posited recently German Vice-President of the European Parliament Jan-Christoph Oejtan. Values must grow from the inside because they are deeply historically rooted in every civilisation. They can only change when the internal conditions are ripe.

English historian Toynbee criticised the view that Western civilisation is a universal one.¹³ He posited that "the Western civilisation based on individualism and greed, which are concealed by a respect for individual rights and freedoms, should not be imposed on others" (Toynbee, 1958), pointing

¹² In March 2021, China's senior diplomat Yang Jiechi publicly warned Secretary of State Antony Blinken not to "smear China's social system", and a Chinese foreign ministry spokesperson criticised the US delegation for creating a hostile atmosphere "filled with the smell of gunpowder" (Tyler, 2024, p.1).

¹³ Harvard professor J. Henrich (2020) "masses hundreds of pages of data to show just how unusual Western, educated, industrialised, rich, and democratic values are, and how the West cultures are complete outliers" (Brooks, 2022, p. 3).

to the “hypocrisy of the West declaring adherence to international law, but in reality, waging wars guided by selfish interest, nationalism, and racism” (Toynbee, 1958).

The other side of the story is whether other civilisations (in our case, China) also want to impose their values on others. History is full of examples of neglect and support for such an imposition. Many autocratic regimes have and are trying to minimise the importance of some generally accepted universal human rights to enhance their political power but not to promote the well-being of their citizens. They weaponised cultural differences, religious tensions, and status resentments to mobilise supporters, attract allies, and expand their power. It seems they are not immune to imposing their values on others as well. President Xi Jinping’s statement “that China does not want to be a “taker” of Western norms but a global power with an active role in shaping the norms of the international system” clearly illustrates this (Politi, 2023, p. 688).

What is a solution to these two sides of the value coin dilemma? History offers plenty of examples of countries with different values/ideologies successfully cooperating because the benefits of cooperation outweigh the costs of conflicts. On the other hand, there are even more cases of imposing one’s values on others as a pretext for realising one’s imperialistic objectives. In the near past, it was based on the naïve expectation that globalisation would lead to the global convergence of values and that the free market would change Russia (particularly by Europeans) and China into democracies (particularly by Americans). Therefore, it is better to assume realistically that the Chinese system will not change soon. Paradoxically, “the implications of Council Regulation (EU) 2022/350 even signal that, in the name of countering foreign propaganda, European governments have acquired drastic censorship powers, which they can apply to control what information their citizens can and cannot access” (Allen, 2024, p. 9).

On such a theoretical basis, it became clear that it would be very difficult to have a universal value-based international economic system, as constructivist schools would like. It would imply aligning it with some not universally accepted values¹⁴ (Brooks, 2022, p. 4). Those contained in the

¹⁴ Like humanism, rationalism, secularism, freedom, democracy, the rule of law, equality, and respect for human rights (see Horváthy, 2018, p. 6).

United Nations Charter and the Universal Declaration of Human Rights, like peace, non-violence, freedom, social progress, equal rights, and human dignity, may look universal, i.e., ones to which “humanity should strive” (Hedžet, 2023, p. 365)¹⁵, while others coexist and compete with each other, including democracy. Increasingly, such values should include economic and social rights, the right to education, work, housing, food, sanitation, health, water, a healthy environment and climate, and social security, showing that human rights are in flux (Mallard, Eggel & Galvin, 2022). These values, so far, have been pushed into the shadows. Standard human rights, being silent on global redistribution questions, are diverting attention from the pressing structural inequalities/injustices in the world (Moyn, 2018). Röpke thinks “that social and economic rights became adjuncts to humanitarian philanthropy, which viewed global poverty through the lens of humanitarian suffering, not structural inequality” (Röpke, 1942, p. 1). Today’s system is irreversibly tilted towards individual political and civil rights, leaving collective social, economic, and cultural rights at the altar.

Therefore, in the short and medium term, the idea of synchronising all values is unrealistic, if not utopian. If we want to change the present asymmetric interdependence into a symmetric one, i.e., to a truly broadly beneficial, just, inclusive, stable, and sustainable polycentric multilateral order, it should be based on values pluralism (like *the united in diversity* motto of U. von der Leyen). Universal humanitarian values common to all people on the planet as guidelines that tell states which actions are and are not appropriate could only be, as a motivating factor, gradually and consensually integrated into the system.

THE WAY FORWARD

The current phase of EU-China relations is part of the EU’s geopolitical repositioning. Rodrik and Stiglitz’s claim “that development strategies that worked well in the past are unlikely to do so in the decades ahead” (Rodrik & Stiglitz, 2024, p. 2) (because the situation is different) can also be applied to EU-China relations. There, we can also include their conclusion that “top-

¹⁵ Despite the critics claiming that they are inherently colonial (Kapur, 2012; in Hedžet, 2023, p. 364) or influenced by ideology, international politics, law, and power dynamics (Madsen, 2011; in Hedžet, 2023, p. 369).

down interventions in economic strategies by “hard” states that keep businesses and other stakeholders at arms’ length have to evolve in a new model of iterative, strategic collaboration between firms and government agencies” (Rodrik & Stiglitz, 2024, p. 15).

Any effective strategy has to start first with a realistic assessment of the situation, the position of one and the other partner in the world economy/system, and the context (internal and external) in which both operate. The position of the EU is not too optimistic. The managing director of the IMF, Georgieva, thinks that the EU “confronts a daunting list of challenges. Population ageing; weak productivity growth; energy security; climate change; and, not least, geoeconomic fragmentation” (Georgieva, 2024a), apart from Eurocentrism, a business model dependent on Russian energy and sluggish adjustment to global changes. The EU lags behind the US in many sectors, particularly in strategic ones like climate, defence, supercomputers, and energy. If we consider that Americans spend more on air conditioning, transport, home security (crime, etc.), and that Europeans have access to free education, health care, and cheaper public transport, Europe is not lagging behind the US that much. Competitiveness is waning, productivity is lower¹⁶, and the huge trade deficit with China is a major problem. “Europe did not benefit from the information, communications, and technology-driven productivity advancements¹⁷ that have occurred in the United States since the 1990s (Hazan et al., 2024, p. 6). The reason behind this is also lagging behind the US and China in investments in R&D and outdated R&D policies, investing more in traditional and less in high-technology industries, in the development of some critical or strategic high-technology industries¹⁸, AI, and the development of electric cars¹⁹. European

¹⁶ Despite the massive technological advancements over the past couple of decades, productivity has been declining (the productivity paradox).

¹⁷ One reason is the monopoly position of US technological giants established in cooperation with the American state (see Harris, 2023).

¹⁸ The Australian Strategic Policy Institute (ASPI) report found that China beats the US in 37 of 44 technologies. They included artificial intelligence, robotics, biotechnology, and advanced manufacturing. China is particularly dominant in research for the defence, security, and space sectors (Dziedzic, 2023).

¹⁹ The average prices of more than three times higher imports of electric cars from China in 2023 compared to 2020 are more than three times lower than the average price of electric

firms lag behind those in the US and China in software development, where US companies account for 75% of the global total, compared with 6% for the EU. The quasi-monopoly position of the US high-tech sector also applies to the next generation of upcoming software. The EU is in the middle of a technology trap (Fuest et al., 2024, p. 4).

The third starting point is a realistic assessment of China's future development prospects. While the EU's share of global GDP decreased from 18% in 2019 to 11% in 2050, China's share is projected to increase from 17 to 23% (Störmer et al., 2021). China has achieved spectacular technological achievements, becoming the leading producer of many high-tech products. The third plenum of the Chinese Communist Party (July 2024) just "reiterated China's commitment to a "new development philosophy," one focused on "high-quality economic development" driven by "all-around innovation. Today, key technologies are expected to form the foundation for a new era of growth (Tiezzi, 2024). China also has almost monopoly power over many strategic materials²⁰. On the other hand, China is facing many development problems, like slowing growth rates, growing wages, ageing and slow population growth, property market price crises, huge inequalities, a weak health care system, and environmental degradation. Most of them also have a social/political dimension, which can induce instability. China is even more dependent on Western economies as its major export market and a major source of technology, automotive products, pharmaceuticals, luxury goods, and investments. The economies are interdependent.

A different position of the EU compared to the US makes it inappropriate to bandwagon its zero-sum confrontation policy but follow a strictly autonomous interest-based strategy by enhancing smart power to compensate for weaknesses in its hard power. Strong security and, in some areas, even technology/economic dependence on the US limit such an independent strategy. In such a way, it would be possible to avoid the world

cars exported to China by EU exporters (Kirkegaard, 2024). It demonstrates the infancy of the European EV industry. The situation is similar to what it was in the solar panel industry some years ago. According to I. Seljak, CEO of Hidria Holding Slovenia, it is mainly the result of technical and technological innovations and their production processes supported by various digital instruments of AI (Weiss, 2024, p. 43).

²⁰ It holds 35% of global nickel refining capacity, 50-70% of lithium and cobalt, and over 90% of rare earth (Gili & Tentori, 2023, p. 14-16).

developing into a new Yalta-type division of interest spheres, now with different actors.

The framework for the future EU-China strategy can be summarised based on the following elements:

1. Realism and economic interest-based pragmatism.
2. Enhancing an autonomous EU strategy and reducing its bandwagoning with the US.
3. Abandoning Eurocentrism, complacency, and lofty attitudes as technologically more developed partners (reverse engineering, according to Damijan, 2024).
4. Dynamic, flexible, and gradual nudging values²¹ in cooperation.
5. Introducing “smart IP²²” (Damijan, 2024) to promote strategic European industries to reduce dependence on China.

Principles of realism and pragmatism stem from the position of the EU and China in the global economy and the need to react and adjust to current developments in the global economy. External and internal contexts of bilateral relations demand changing the weights of different aspects and elements of the strategy. Relations between China and Russia have, for instance, important implications for such bilateral relations. Former Russian finance minister Oleg Vjugin (SIOL, 2024) joined some Western authors’

²¹ See the Treaty of the EU obliging the Union to “promote”, “uphold”, “safeguard”, “protect”, and “assert” its values (see Horváthy, 2018, p. 7).

²² Industrial policy interventions globally have become very popular recently. They increased annually from 34 in 2010 to 1.568 in 2022 (Juhász, Lane & Rodrik, 2023, 37). Last year alone, we counted over 2,600 IP measures worldwide, with the US, China, and the EU making up roughly half. These measures covered at least one-fifth of world trade. More than 70 percent were trade-distorting (Georgieva, 2024a, p. 2). Research by Evenett and Fritz reports that trade distortion measures implemented since 2009 have reduced EU export growth by 10-20%. Arguments for using it are similar to those of strategic trade policy (Evenett & Fritz, 2017). According to the managing director of the IMF, Georgieva (2024a), IP should be used in three cases: i) climate change, ii) supply-chain resilience, and iii) strategic public goods, provided it does not undermine the internal market in the EU or create trade barriers, as well as to be more of a temporary nature, preserve competition, and be limited in scope. “Such measures must be implemented in a targeted, timely, temporary, and transformative way” (Mildner Stormy-Annika & Claudia Schmucker, 2023:184).

argument that Russia is increasingly becoming China's satellite, mainly a supplier of raw materials close to a *vassal* type of relationship.

The main factor is to foresee China's geopolitical role. Opinions on how Chinese leadership, Chinese scholars²³, and the West²⁴ see the future role of China in the world system differ. The transformation of its role from a "rule taker" (2001–2005) to a "rule shaker" (2006-2009) and then a "rule maker" (since 2010) (Gao, 2010; Mercurio and Tyagi, 2012; Toohey, 2011) provides some ideas of this role.

President Xi's (December 2023) "conception of the global order"—a "community with a shared future for mankind"—had evolved from a "Chinese initiative" to an "international consensus". It is to be realised through the implementation of four Chinese programs: the Belt and Road Initiative (BRI), the Global Development Initiative (GDI), the Global Security Initiative (GSI), and the Global Civilisation Initiative (GCI). It should be based more on international law than, as now, rule-based (Cai, 2023). It advances the idea that countries with different civilisations and levels of development can have different political and economic models and that no country or model has a mandate to control the discourse of human rights.

²³ "Many Chinese experts would agree that Mao Zedong inspired China to stand up, Deng Xiaoping made China rich, and Xi Jinping made China powerful" (Svetličič, 2020b, p. 61). Cai Xia, who was a professor at the Central Party School of the Chinese Communist Party from 1998 to 2012, thinks that breaking with Deng's dictum that China "hide its strength and bide its time," transformed into directly challenging the United States and pursuing a China-centric world order, encouraging his diplomats to engage in an abrasive style of foreign policy known as "Wolf Warrior" diplomacy (Cai, 2022). China may be a revisionist power bent on undermining US hegemony but Beijing has an overwhelming interest in preserving global stability not only because the prospect of a breakdown in multilateral cooperation is the single greatest danger to the global order since the collapse of the Soviet Union (Bremmer, 2022, 2).

²⁴ The senior Fellow at Stanford University, Hoover Institution, J. Economy (2024), posits that President Xi Jinping's ambition to remake the world is undeniable. He wants to dissolve Washington's network of alliances and purge what he dismisses as "Western" values from international bodies. He wants to knock the U.S. dollar off its pedestal and eliminate Washington's chokehold over critical technology. In his new multipolar order, global institutions and norms will be underpinned by Chinese notions of common security and economic development, Chinese values of state-determined political rights, and Chinese technology."

China has boosted its strategy by being both patient,²⁵ opportunistic, and long-term-oriented²⁶ and trying to present itself as a leader of the developing world, “something resembling a new non-aligned movement” (The Economist, 2023a, p. 50). Obviously, China is in “a paradoxical situation of being a major economic player while at the same time identifying itself as a developing country” (Gao et al., 2023, p. 223). The instrument to do so is “by winning their hearts and minds in a multipolar world” (Heer, 2024).

Clearly, China is likely to emerge as a powerful player. However, it will not be sufficiently powerful to dominate but strong enough to be a significant shaper of the world order. The Beijing Consensus is unlikely to substitute for the Washington Consensus. China was in a similar situation as Britain in the early 19th century, when, despite being more powerful, it could not dominate. It does not imply that the new order will be less hierarchical. China seems to be aware of the danger of strategic overstretch (Kennedy, 1987), “recognising that trying to establish Chinese global hegemony and impose their own system on the rest of the world would be counterproductive” (Heer, 2024).

A number of internal problems are also slowing down China’s ambitions. Brands and Beckley developed the “Peak China” theory, stating that “China has reached a point where it is strong enough to disrupt aggressively the existing order but is losing confidence that time is on its side” (The Economist, 2023b, p. 7). Yet China is not immune from triumphalism. Recent Chinese public diplomacy, replacing the previous “charm offensive” strategy (Kurlantzick, 2007, p. 6), illustrates such a more ambitious strategy even though its mission was initially to neutralise “China’s theory of threats” and thus improve China’s reputation in the world (Tai-Ting Liu, 2019, p. 77).

Such a power transition will be accompanied by tension, distrust, and conflicts, “even violence”, as dramatically concludes Vrečko Ilc (Ilc, 2023, p.

²⁵ H. Kissinger (2011, p. 38) illustrated this, positing that the “Chinese strategy was guided by the Chinese game of *wei qi*, not Western chess. In Western chess, the emphasis is on finding the fastest way to capture the king. In *wei qi*, the goal is to slowly and patiently build up assets to tip the balance of the game in one’s favour. The emphasis is on long-term strategy, not short-term gains”.

²⁶ Going Global Strategy (1999), Thousand Talents Plan (2008), the BRI (2013), Made in China 2025 (2015) with high technology ambitions, a New Growth Model of Dual Circulation Plan 2021-25 to China Going Global 2.0: Wolf Warrior Strategy.

325). Not surprisingly, “as China becomes more powerful in both economics and geopolitics, these changing perceptions are being translated into new misunderstandings and tensions” (Politi, 2023, p. 687) because China sees the EU strategy shift as ambiguous and confusing. Wang Yi, China’s Foreign Minister, illustrated it by positing that “it is hard to imagine that on the one hand, Europe seeks to build a comprehensive strategic partnership with China, and on the other, it defines China as a systemic rival” (Politi, 2023, p. 687). Therefore, we must be careful with forecasts, either underreacting or overreacting, as is happening today, and not jumping too early to over-pessimistic (“new Cold War”) or over-optimistic conclusions (size does not matter or China will become democratic as it develops). The EU has almost no space to pursue alternatives to de-risking policies facing China’s IP, US emphasis on economics, and other international players policies of reducing dependency in strategic sectors that also imply costs of trade fragmentation (Arriola et al., 2024, p. 104; IMF, 2023).

With these factors in mind, the EU’s approach to China has to be flexible, based on a cooperative model, and adaptable to changing internal and external developments.

It must avoid past mistakes when the EU was too slow to see the rise of China in the last 40 years. It should consist of long-term, solid, unchangeable anchors and more flexible, shorter-term, adjustable elements. The second characteristic should be the combination of elements of hard, soft, and smart power into effective strategies with different weights for each of them, as the situation would demand. Bilal and Hoekman posited that trade policy is a major instrument of EU soft power, increasingly used to pursue the Union’s non-trade policy goals, including its values (Bilal & Hoekman, 2019, p. 2). The degree of preferential access to the EU market can be conditioned on respect for human rights and improving regulations in China, for instance. The EU’s smart power is the only way to face the strong, hard, and growing Chinese holistic concept of soft power²⁷ (sometimes called *panda diplomacy* in the West), resulting in increasing influence within international organisations²⁸.

²⁷ It became China’s national objective in 2007, with economics as the most important ingredient. Not surprisingly, China moved from 21st place in Monocle’s index of soft power in 2015/16 to 3rd place by Brand Finance in 2024, surpassing Germany and France in 5th and 6th place, respectively.

²⁸ See the list of top positions held by Chinese in Svetličič 2020b, p. 27.

The only way to compete with it is not to revert to the historically embarrassing results of defensive protectionism, which is in fundamental contradiction with EU integration foundation principles, but to offensively engage in stimulating the competitiveness of its own companies through proactive IP. However, Georgieva is clear: “As a general point, IP can be a powerful tool, one that, on rare occasions²⁹, can be put to good use. But remember, history is littered with examples of IP interventions gone wrong”³⁰ (Georgieva, 2024a), of the failed policy of picking winners and losers, of national champions, and of the too-heavy hand of the governments. The major problem in applying it is to find the right trade-off between advantages of scale and scope and the dangers of large national or EU champions becoming monopolists that are not conducive to enhancing competitiveness and innovativeness, including its quality.³¹ According to M. Draghi’s expected report on the single market and competitiveness, it is important to advocate for achieving scale in sectors like telecoms, energy, and transport to be able to compete with ever-bigger US and Chinese firms without facing as strict a competition policy at home as EU firms do.³² A very detailed framework for future EU-China relations is *Implications for Future Reports* (Störmer et al., 2021), which presents detailed foresight scenarios on the global standing of the EU in 2040.

CONCLUSIONS

The atmosphere of fear-mongering has historically burdened bilateral relations between the EU and China. Such fears were overrated in the past. Are they also today? There are reasons to believe that innovative, long-term,

²⁹ Hufbauer & Jung’s evaluation of US experiences with IP claims that import protection seldom pays off. R&D subsidies work best when they encourage a competitive approach and defer to broad guidance by science and engineering experts (Hufbauer & Jung, 2021). Welfare gains from IP are relatively modest. They range from 0.40% of GDP for the United States to 1.36% for Luxembourg, with larger gains for more open economies. On average, gains from optimal industrial policy equal 0.69% of GDP (Bartelme et. al., 2019: 4).

³⁰ Already Hamilton and List warned of the dangers of excessive state economic activism (Helleiner, 2023).

³¹ Stucke and Ezrachi have demonstrated “that a large part of Big Tech innovation is not creating value but extracting or destroying value” (Stucke & Ezrachi, 2024).

³² Similarly, see also Letta’s report on the single market.

productive policies can successfully address the major problems in bilateral relations so that extreme fears will not materialise.

Interdependencies between the EU and China (although asymmetric) are so strong that any severe de-coupling or “weaponisation” of interdependence and rising geopolitical conflicts (an ugly scenario of world economic development, according to Rodrik) would be too costly for both sides (Rodrik, 2024, p. 1). The solution is only selective, managing de-coupling to improve resilience and reduce vulnerabilities and dependence, “balancing between domestic political autonomy and global integration, fostering a conducive environment for reconstructing national social contracts” —Rodrik’s good scenario (Rodrik, 2024, p.1). Driven by pragmatic mercantilist economic interest, bilateral strategy has limits based on the realisation that other values and different civilisational models are involved. Certain universal humanitarian values can be gradually introduced into the framework of relations consensually by persuasion³³ and nudging³⁴ (Thaler & Sunstein, 2008). It can be done in the very long term in the framework of a principle-based yet pragmatic approach floating between economic liberalism and realism, applying the carrots and sticks strategy. It “necessitates imagination, creativity, and a willingness to experiment” (Rodrik, 2024, p.7), if we borrow the idea from Rodrik regarding the development strategies. Values components are difficult to implement top-down in a hard way. In reality, it can be implemented from the bottom up in a soft way. Customers, for instance, can refrain from buying products produced under conditions that violate certain values/human rights.

The interest of both partners is to strengthen bilateral cooperation as the basis for enhancing their autonomous roles in the reconfiguration of the global economy by strengthening the competitiveness and resilience of both economies. EU-China relations should be mainly a function of economic interests, not ideology³⁵, with a touch of pragmatism, not dreaming of the China one might wish for. Pragmatic enhancement of economic relations is to

³³ Cialdini’s principles of reciprocity, authority, consistency, liking, and consensus are a good basis for it (Cialdini, 2006).

³⁴ Not forcing agents to follow what we want, but by creating stimuli that they do so voluntarily.

³⁵ Although ideational politics has recently gained importance on both sides.

be combined by enlightened IP to enhance its competitiveness and productivity by enhancing the ability to “deliver public goods that we all benefit from but that no country can deliver on its own, said Draghi” (Baccini, 2024).

The EU must overcome a defensive approach. Realistic, effective, coherent, and constructive engagement and dialogue with China following European interests and values by applying its relational power (S. Strange) is a starting point for the EU-China long-term strategy. It has to overcome the dichotomy between *interests versus values* or between material and ideational factors because relationships are much more complex (Xia, 2024).

In such historical junctions, in the “*age of anger*, of polarisation, and of instability”, as figuratively illustrated by Georgieva (Georgieva, 2024b, p. 1), the EU has to be more ambitious but realistic, more courageous (courage enhances creativity), and self-confident *at the table and not on the table*. The EU has to overcome quite a frequent complacency and self-satisfaction mentality, “which is the beginning of its collapse”³⁶. Finally getting over its Eurocentrism and adjusting to external challenges in advance, not ex-post, by enhancing its assertiveness in reaching its goals. In the words of Bilal and Hoekman, “The EU should be more ambitious and should use its soft power more assertively, in particular, to open up its partners’ markets (including in key services sectors) and defend core principles while promoting economic development outcomes based on its partners’ priorities rather than its own” (Bilal & Hoekman, 2019, p. 7).

It seems that all countries are today “flirting” with the old Keynes idea that there are sufficient good reasons why we may happen to want greater “national self-sufficiency, though it costs something—a luxury that we can afford. Yet, those who seek to disembarass a country of its entanglements should be very slow and wary. It should not be a matter of tearing up roots but slowly training a plant to grow in a different direction” (Keynes, 1933, pp. 178-179). There is no clear answer to this dilemma. What seems obvious is that we are moving in the direction of more self-sufficiency and less globalisation. A new trade-off between globalisation and self-sufficiency, “balancing openness with protectionism to prevent takeover of the EU’s critical assets” (Störmer et al., 2021, p. 80), is in the making. In such a way,

³⁶ Porter’s last, wealth-driven development stage can lead to regression.

the EU is combining liberalism at home with external protectionism. The idea is to be open where possible and protective when necessary. Arthur Leichthammer and Nils Redeker from the Jacques Delors Centre illustrate such a balance in relation to the policy on the import of electric cars from China. “The EV case gives some insights into how the EU can develop a more robust position on trade defence while navigating these trade-offs going forward. First, trade defence measures should be rules-based but strategic, concentrating on sectors where the EU has significant economic interests to protect. Second, the measures should be effective but keep the door open for competition from both imports and foreign investors. Third, these measures need to be embedded in much more forceful European industrial policies that mitigate any harm to European consumers and the climate” (Leichthammer & Redeker, 2024, p. 1). It also implies striking a new balance between economic interests, economic efficiency, security, openness, and protectionism, which are currently prevailing. The idea is to mitigate the risks, vulnerabilities, and environmental and social costs of globalisation and enhance autonomy, sovereignty, social justice/equality, and competitiveness.

Enhancing EU strategic autonomy would also mean enhancing autonomy vis-à-vis the US, reducing bandwagoning with the US’s hard policy on China and its trade war approach.³⁷ The US is facing a decline in its hegemonic power and is therefore trying to defend its privileged position in the global order, while the EU is struggling to become a more powerful international actor through smart power. Relations with China could be an instrument for enhancing the EU’s global role. It does not seem too optimistic to claim that the EU and China share the belief that “if we do not tackle economic insecurity and environmental emergencies together, the age of anxiety will become an age of extinction” (Kozul-Wright, 2023). The selection of the right policies and enhancing effectiveness in decision-making processes can be its smart power. It can be achieved by a more ambitious and self-confident long-

³⁷ The different approach to the protection of the electric car market is a good example of such a more autonomous EU policy. In June 2024, the EU also introduced 17.4% to 37.6% tariffs on Chinese electric vehicles for major Chinese producers, effective from July 4, for four months. While US 100% tariffs on Chinese EV imports are an open violation of WTO rules, European tariffs are following WTO procedures. The EU has also simultaneously, particularly under the influence of the German automotive industry, agreed to talk about it further with China.

term strategy for safeguarding its interests and its global role in a more assertive way. The only way to compete with China is to be faster, more innovative in leading technologies, and respond to customers' needs by providing not only products and services but also solutions to their problems.

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CONNECTIVITY STRATEGY: A COMPARATIVE STUDY BETWEEN CHINA AND THE EU

Lilei SONG*

Liang CAI**

Abstract: The concept of connectivity is at the heart of the Belt and Road Initiative. It also constitutes an important element of the EU's development paradigm. Following the introduction of the Eurasian Connectivity Strategy in 2018, the EU proposed the Global Gateway Initiative in 2021. The declaration stated that the programme would facilitate global investment, particularly in developing countries, with the objective of advancing connectivity. The programme represents a novel instrument for the EU to advance global connectivity, reflecting strategic geopolitical realignment on the part of the EU. This paper aims to examine the strategies developed by China and the EU and evaluate the impact of connectivity on China-EU relations. Simultaneously, it acknowledges the EU's "strategic anxiety" towards China and the competitive challenge it poses to China's Belt and Road Initiative. China should proactively engage with the values and norms that underpin the EU's advocacy of connectivity. This necessitates the pursuit of a convergence of interests between the two parties involved in China-EU connectivity, coupled with the reinforcement of third-party collaboration. This approach will facilitate the expansion of a new space for development, enhance strategic docking, and realise the mutual benefits of complementarity and win-win cooperation. Furthermore, efforts will be made to enhance strategic collaboration, capitalise on complementary strengths, and pursue mutually beneficial outcomes, thereby advancing towards the formation of a community with a shared future for mankind.

Keywords: Belt and Road Initiative, connectivity, China-EU relations, Global Gateway programme.

* Professor, Director of Centre for European Studies, School of Political Science & International Relations, Tongji University, Shanghai, PR China; Email: songlilei@tongji.edu.cn; ORCID: 0000-0002-7470-1817.

** Senior Research Fellow, Shanghai Institutes for International Studies (SIIS), Shanghai, PR China; Email: cailiang@siis.org.cn, ORCID: 0009-0004-1531-4077.

INTRODUCTION

Since the inception of China's Belt and Road Initiative, notable advancements have been made in the five key areas of policy, infrastructure, trade, financial, and people-to-people connectivity. The scope of the Belt and Road Initiative has expanded beyond Asia and Europe to encompass Africa and Latin America. To date, over 150 countries and 30 international organisations have entered into cooperation agreements with a view to advancing the Belt and Road Initiative. Three Belt and Road Forums for International Cooperation have been held, and more than 20 multilateral cooperation platforms in specialised fields have been established (Xinhua, 2023a). At the 24th China-EU Summit in December 2023, the President indicated China's intention to pursue the high-quality co-construction of the Belt and Road Initiative, including alignment with the EU's Global Gateway programme to facilitate the accelerated development of developing countries (Xinhua, 2023b).

China's Belt and Road Initiative has had a significant global impact, offering opportunities and challenges to major international actors. In response to the developments outlined above, the United States, the EU, and Japan have initiated their own overseas infrastructure investment programmes. As a prominent actor on the global stage, the EU pursues the objective of establishing "European sovereignty". The EU aspires to become a more autonomous player in global affairs and an active and influential participant in shaping international relations. Given the EU's efforts to re-establish "European sovereignty" through strategic thinking, the Eurasian Connectivity Strategy has emerged at an opportune moment. On September 19, 2018, the European Commission published a policy paper entitled *Connecting Europe and Asia – Vision for an EU Strategy* (European Commission, 2018). This document represents the most comprehensive and systematic policy proposal on Eurasian connectivity put forward by the EU to date. The EU Strategy for Euro-Asian Connectivity outlines the EU's philosophical stance on Euro-Asian connectivity, which is based on the principles of sustainability, comprehensiveness, and adherence to international norms and regulations. It delineates the principles and development priorities that the EU may apply to future Euro-Asian connectivity.

Connectivity represents the fundamental tenet of the Belt and Road Initiative and constitutes a pivotal development concept in Europe. The EU

has publicly refuted the assertion that its Eurasian Connectivity Strategy is a defensive measure against China's Belt and Road Initiative. In contrast, the EU's official position is to support China's connectivity initiative in principle, with the expectation that China's approach will align with the European model in terms of methodology and approach. The EU considers the process of economic cooperation and connectivity to be conducive to reshaping its soft power and influence in the EU's neighbourhood, as well as in Central Asia and the Asia-Pacific region. That will enable the EU to capitalise on its strengths in development assistance and project support, thereby enhancing its international image.

In the wake of the EU's unveiling of the Eurasian Connectivity Strategy, the EU formally unveiled the Global Gateway Infrastructure Investment Strategy Document (henceforth referred to as the Global Gateway programme) in 2021 (European Commission, 2021). It is anticipated that the implementation of high-quality infrastructure investment will facilitate the interconnection of goods, people, and services across the globe. As outlined in the document, between 2021 and 2027, the EU, in the form of "Team Europe", will mobilise 300 billion euros for the construction of global infrastructure. The EU's Global Gateway programme has identified more than 90 projects in several regions, including Africa, Latin America and the Caribbean, Asia and the Pacific, and the Western Balkans.

Given their status as the starting and ending points of Eurasian connectivity, China and the EU must collaborate to reinforce their development strategies. The realisation of the Eurasian connectivity must be achieved through coordinated efforts. This paper, based on the vision of China-EU connectivity, discusses the connotation and progress of the Global Gateway programme launched by the EU in 2021 under the vision of the Global Connectivity Strategy. This paper compares and contrasts the EU's Global Gateway programme with the Belt and Road Initiative in terms of their respective policy objectives, priorities, construction areas, implementation tools, cooperation mechanisms, and other relevant aspects. Additionally, the paper examines the interrelationship between China and the EU with regard to the Belt and Road and the Global Gateway initiatives. The paper concludes that there is a need for China and Europe to identify further areas of common interest and enhance third-party collaboration to achieve enhanced connectivity.

COMPARATIVE ANALYSIS OF THE EU'S GLOBAL GATEWAY PROGRAMME AND CHINA'S BELT AND ROAD INITIATIVE

Policy objectives

The EU's Global Gateway programme and the Belt and Road Initiative encompass two dimensions: "hard connectivity" and "soft connectivity". These include not only the tangible aspects of transportation and infrastructure but also the intangible elements of humanistic exchanges and cultural communication. In terms of fundamental concepts, both the EU and China's connectivity plans reflect the vision of their respective entities to reinforce regional collaboration and coordination, safeguard multilateralism, and advance the liberalisation of the global economy.

The EU's Global Gateway programme delineates five principal areas of investment, namely digital, climate and energy, transportation, health, education, and research. The EU considers the Global Gateway as an instrument for the implementation of its foreign and security policy. At the bilateral level, the EU engages in cooperative endeavours with target countries pertaining to matters of transport, trade, and networks. At the regional level, it provides assistance to regional cooperation initiatives with ASEAN and countries in Central Asia, Latin America, and Africa. At the international level, the EU seeks to reinforce cooperation with international organisations on matters pertaining to the basic rules' framework for connectivity. Since its inception in December 2021, the Global Gateway Initiative has facilitated the implementation of numerous projects with a particular focus on sub-Saharan Africa, in addition to Latin America and the Caribbean, the Middle East, Asia, and the Pacific. Nevertheless, the success of these implementations remains to be seen, particularly in light of the relatively brief period since their establishment.

The policy objectives of the Global Gateway are interrelated and encompass a range of domains, including politics, economics, ecology, education, security, and other aspects. The implementation of these objectives has the potential to enhance the geopolitical influence of the EU, fostering a competitive landscape in the overseas infrastructure investment market between the EU and other major global actors, including the United States, China, and the United Kingdom. Moreover, the promotion of strategic autonomy in a range of domains represents an underlying objective of the initiative. Besides, the EU increasingly emphasises its "normative power". The Global Gateway

programme is evidently orientated towards the export of values and is project-driven. The EU plans to utilise bilateral, trilateral, and smaller multilateral platforms for dialogue, with a particular emphasis on free trade agreements (FTAs) and connectivity. The EU has made it clear that its connectivity initiative is open to all countries and that they are welcome to join. Particular emphasis is placed on the EU's approach and paradigm in the context of Asia-Europe connectivity. One of the EU's principal objectives is to promote its standards.

The Belt and Road Initiative is founded upon the tenet of “extensive consultation, joint contribution, and shared benefits”, which facilitates communication and development policy through bilateral cooperation. The initiative emphasises the value of an open and mutually beneficial collaboration. It is committed to resolving any disagreements through constructive dialogue and consultation. Furthermore, the initiative will adhere to the principles of openness, environmental responsibility, cleanliness, high standards, and sustainability for the benefit of the people. It will also strive to build a global connectivity network covering land, sea, sky, and net, with economic corridors as the leading role, large channels and information superhighways as the backbone, and railroads, highways, airports, ports, and pipelines as the backbone (Xinhua, 2023).

It would be prudent for China to consider providing investment and financial support to infrastructure projects, industrial cooperation initiatives, and financial cooperation programmes in countries situated along the proposed trade route. Concurrently, it is imperative to implement measures to reinforce the aforementioned systems, policies, rules, and standards while also stimulating the vitality of factors such as capital. It is also necessary to reinforce the “soft connectivity” factors, such as systems, policies, rules, and standards, to stimulate the vitality of factors such as capital, technology, services, and data and to facilitate the integration of the region's markets. Moreover, it is essential to establish an environment of hard and soft connectivity by fostering multi-channel and multi-level exchanges among governments, parliaments, associations, think tanks, universities, media, and young people.

Focus areas

Regarding the focus area, the implementation zones of the Global Gateway programme and the Belt and Road Initiative are predominantly

located in Asia, Europe, and Africa. However, they are subject to disparate considerations concerning the pivotal construction zones and countries.

The focus area of the Global Gateway plan is based on the EU's own strategic needs, relying on existing strategic planning, continuing the historical ties between member states and former colonies, and striving to maximise the benefits of the EU, which is relatively decentralised. Regarding regional implementation preferences, the EU has taken connectivity in the Indo-Pacific region as a starting point, emphasising values and norms and seeking to reflect the European approach to the Indo-Pacific strategy. In April 2021, the EU put forward the EU Strategy for Cooperation in the Indo-Pacific, in which it recognised the geo-strategic importance of the region in the post-pandemic era and decided to strengthen high-quality and sustainable connectivity (EEAS, 2021). The report refers to the necessity of collaboration with China, citing the China-Europe Investment Agreement and the Asia-Europe Meeting (ASEM) process, in which China plays an active role. Nevertheless, the document also places considerable emphasis on the importance of ASEAN.

Furthermore, the EU is engaged in efforts to foster collaboration with Japan. The EU and Japan have concluded the EU-Japan Partnership on Sustainable Development and Quality Infrastructure, which sets out a programme of action designed to advance the "normative" principles for Eurasian connectivity (EEAS, 2019). The parties intend to collaborate in international and regional institutions, including such international forums as the Group of Seven, the Group of Twenty, the Organisation for Economic Co-operation and Development (OECD), the World Bank, the International Monetary Fund, the European Bank for Reconstruction and Development, and others. Additionally, the EU seeks to collaborate with the Asian Development Bank in matters regarding reconstruction and development. Moreover, efforts will be made to facilitate regulatory cooperation with the objective of implementing the Japan-Europe Economic Partnership Agreement. The mentioned cooperation is conducted in accordance with the provisions outlined in the Japan-Europe Strategic Partnership Agreement and the Economic Partnership Agreement. The areas of cooperation focus on the Western Balkans, Eastern Europe, Central Asia, the Indo-Pacific region, and Africa.

In contrast, the selection of the construction area of the Belt and Road Initiative represents both an inheritance and innovation of the ancient Silk Road. Furthermore, it not only continues the historical trajectory but also takes into

account the real geographical location factors. That is achieved by relying on international corridors on land, supported by central cities along the routes, and taking key economic and trade industrial parks as cooperation platforms for the joint construction of several international economic cooperation corridors. Additionally, key ports are identified as nodes on the sea to jointly construct transportation corridors that are smooth, safe, and efficient. In general, the construction area of the Belt and Road Initiative is characterised by a more advanced, integrated, and comprehensive planning approach.

Construction fields

With regard to construction fields, the construction areas of connectivity proposed by China and the EU exhibit notable congruence in investments in transportation, the development of communication infrastructure, and digitalisation.

The Global Gateway programme has been devised to facilitate the development of EU-compliant connectivity models through the implementation of significant investment initiatives in transport and energy domains. The mentioned investments are concentrated in industries with development potential and in alignment with the EU's developmental needs. In the field of transportation infrastructure connectivity, the Global Gateway programme advocates the establishment of sustainable, intelligent, resilient, inclusive, and secure transportation networks. From the EU's perspective, there is a clear commitment to the construction of regional strategic corridors. This is evidenced by the planned development of the Southeast Asia Regional Economic Corridor, the West Africa Strategic Transportation Corridor, the Global Marine Green Corridor, and numerous others. Conversely, the EU is engaged in bilateral negotiations with a number of countries, aiming to facilitate sustainable investment in these countries and support their efforts in transportation infrastructure development. To illustrate, the construction of the port of Mayo in Cape Verde, financed by the EU and the African Development Bank, was inaugurated in September 2022. The European Union and Angola agreed to construct a logistics corridor between the ports of Sines and Dandebala in order to support the supply chain of green energy and key raw materials. For the purpose of building infrastructure at the port of Pointe-Noire, the EU also concluded an agreement with the Republic of

the Congo. The planned expansion and upgrading of the port infrastructure began in 2023.

Moreover, the EU promotes the development of a sustainable economic model and renewable energy sources in the Global Gateway partner countries to address the global challenge of climate change collectively. In terms of projects already implemented, the EU has reached cooperation on green development with several regions and countries under the framework of the Global Gateway programme, especially regarding the strengthening of development and utilisation of hydrogen energy. Additionally, the EU aims to collaborate with partner countries in the development of novel energy sources, the enhancement of the utilisation rate of renewable energy sources, and the advancement of a green economy. The EU places particular emphasis on the integration of specific projects under the Global Gateway programme, taking into account the specific conditions of the countries concerned. For example, the Great Green Wall Initiative, which is backed by the EU, aims to re-green the African continent, extending from Senegal to Somalia, with the objective of promoting sustainable development.

Digital transformation has constituted a significant factor in the advancement of sustainable development, with the EU placing a particular emphasis on the reinforcement of digital infrastructure and the growth of the digital economy in the Global Gateway programme. That was accomplished primarily through multilateral and bilateral measures.

At the multilateral level, the EU advocates the creation of digital development centres or the formation of digital alliances to strengthen interregional connectivity and coordination in the digital marketplace. In March 2023, the EU-Latin America and the Caribbean Digital Alliance was formally inaugurated. The EU has established a strategic framework to facilitate substantial bi-regional cooperation in the digital and space sectors. This framework engages a number of institutions, including the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the International Foundation for Ibero-American Administration and Public Policies (FIIAAP), the Economic Commission for Latin America and the Caribbean (ECLAC), and the European Space Agency (ESA). The ultimate goal of supporting the partner countries in the African region is to fortify their digital and innovation ecosystems, with the aim of establishing a single market

for digital innovation that spans both continents. As outlined in the AU-EU Centre for Digital Development's 2022 annual report (AU-EU Digital for Development Hub, 2022), the EU provides African institutions with demand-driven technical assistance, offering support in the drafting of digital transformation plans, the assessment of needs, the development of action plans, and the promotion of digital transformation processes within African countries. In particular, the development of green data centres is intended to facilitate the establishment of a data economy in Africa and to ensure the protection of its data sovereignty through the provision of secure data storage and processing capabilities.

The reinforcement of digital interconnectivity with partner countries at the bilateral level facilitates the advancement of digital interconnectivity and the realisation of projects on the ground. The EU-funded Copernicus Philippines programme, commenced in April 2023 (EEAS, 2023), is a collaborative initiative between the European Space Agency and the Philippines, with the participation of EU member states and a budget of €37.2 million in EU assistance. A national site will be established to archive satellite data, ensure rapid access to Philippine data, promote education, research, and innovation, and mobilise markets for the digital economy. The objective is to extend the Copernicus mirror site to all ASEAN countries, thus providing high-speed internet capacity. The new Copernicus site will utilise space data to enhance the Philippines' capacity to respond to natural and man-made disasters.

The construction area of the Belt and Road Initiative is extensive, encompassing a range of interconnected elements, including policy, infrastructure, trade, financial, and people-to-people connectivity. China's eight actions in support of the high-quality construction of the Belt and Road Initiative are as follows (Xinhua, 2023): firstly, the provision of support for the construction of an open economy; secondly, the establishment of a Silk Road E-commerce cooperation pilot zone; thirdly, the expansion of market access for digital products and other market access; and fourthly, the organisation of the Global Digital Trade Expo on an annual basis. Furthermore, the establishment of the Silk Road E-commerce cooperation pilot zone represents a significant undertaking. Additionally, the Digital Trade Expo will be held annually, with the aim of advancing green development. This will entail a continuation of the deepening of cooperation in green infrastructure, green energy, green transportation, and other areas, as well as an increase in support for the

International Alliance for Green Development. Furthermore, scientific and technological innovations will be advanced through the sustained implementation of the Science and Technology Plan for the Belt and Road Initiative. To further scientific and technological innovation, the Belt and Road Initiative action plan for scientific and technological innovation will be continued, and a global artificial intelligence governance initiative will be proposed.

Financial instruments

In terms of financial instruments, the Global Gateway programme and the Belt and Road Initiative have a variety of funding sources. However, the selection of funding agencies and modalities varies.

The Global Gateway programme has the objective of “de-risking” innovative financing through the implementation of a combination of financing instruments, including grants, concessional loans, and guarantees, as well as operational tools such as technical assistance, policy and economic dialogue, trade and investment agreements, and standardisation. It is anticipated that a range of policy instruments will facilitate the mobilisation of private capital and attract private-sector investment. Regarding the sources of finance, the Global Gateway programme encourages investment in global connectivity. The EU emphasises multilateral arrangements, which encompass both public and private financing. By combining the EU External Action Budget, the European Strategic Investment Fund, other development-orientated investment instruments, and the sovereign funds of member states, the EU can attract both public and private investment funds, thereby creating a financing pipeline for connectivity projects. The Global Gateway programme is primarily financed by the Sustainable Development Fund, EU budgetary resources, the European Investment Bank, the European Bank for Reconstruction and Development (EBRD), and other financial and development institutions. Additionally, the Global Gateway will leverage private capital for investment. The EU has announced its intention to allocate further funds from the common budget, with effect from 2021, to provide support for the programme. Besides loans from private and development banks, the EU’s 2021-2027 multi-annual financial perspective allocates 60 billion euros in guarantees for the programme, intended to stimulate investor confidence. The goal is to guarantee that investors can recover their

investment if the investment project proves unsuccessful. It is anticipated that the fund will attract investment amounting to 300 billion euros in the period from 2021 to 2027. The majority of these funds will be invested in projects in Asia. Nevertheless, the EU cannot achieve this ambitious programme without the private sector and contributions from several development banks.

The financial channels for the Belt and Road Initiative have become increasingly diversified. Chinese banks continue to innovate products, services, and modes of cooperation they offer. Besides offering conventional credit facilities, they proactively engage in cross-border RMB financing operations, issue bonds aligned with the Belt and Road Initiative, and facilitate project financing through investment and loan integration. The goal is to expedite and coordinate capital market collaboration along the Belt and Road through the establishment of a bond market cooperation system, the creation of dedicated international cooperation funds, and the utilisation of these funds to bolster equity investment.

Cooperative mechanisms

In terms of the mechanisms employed to facilitate cooperation, both the EU and China attach considerable importance to the utilisation of such mechanisms. However, the specific methods deployed to achieve this end differ between the two entities. The Global Gateway cooperation mechanism is primarily led by the EU. The Commission's Directorate-General for International Partnerships has been charged with managing the Global Gateway's implementation. Other countries may only participate in the programme if they meet the conditions set by the EU. The programme's operations are led by EU institutions. At the organisational level, the Global Gateway programme is developed and delivered by a "Team Europe" approach (European Commission, 2021), which involves the participation of a diverse range of stakeholders, including EU institutions, Member States, European financial institutions, and, in collaboration with European businesses, governments, civil society, and the private sector in partner countries. The team is structured with a clear division of labour. The Chair of the Commission, the High Representative/Vice-Chair of the Commission, and the responsible Commissioners oversee the implementation of the project. The Global Gateway Board provides strategic guidance to the programme. The Business Advisory Group is responsible for

the private sector and civil society engagement, and the EU Delegations, Member State Embassies, and the Project Office facilitate the coordination and implementation of the project.

The Belt and Road Initiative emphasises policy coordination and the active utilisation of bilateral and multilateral cooperation mechanisms, aiming to promote the development of regional cooperation. Moreover, the Initiative strives to reinforce the function of multilateral cooperation mechanisms, including the Shanghai Cooperation Organisation (SCO) and the Asia-Europe Meeting (ASEM). Additionally, it seeks to play a constructive role in platforms such as regional and sub-regional international forums and exhibitions of the countries along the route. Moreover, it will engage constructively in relevant international forums, exhibitions, and other platforms in the regions and sub-regions of the countries situated along the route. The Belt and Road Initiative places significant emphasis on the importance of aligning with international development strategies, particularly the United Nations 2030 Agenda for Sustainable Development and the outcomes of the Hangzhou G20 Summit. Additionally, it underscores the value of integrating with regional development plans and coordinating with the development plans of the countries involved so as to achieve a greater collective impact.

CONSTRAINTS AND COMPETITION BETWEEN THE EU'S GLOBAL GATEWAY PROGRAMME AND CHINA'S BELT AND ROAD INITIATIVE

As a consequence of a number of constraints, the Global Gateway programme has encountered difficulties in its implementation. Firstly, there has been a restricted level of business involvement and inadequate financial contributions. The Global Gateway programme has introduced innovative financing mechanisms to mobilise the private sector for investment. The private sector is a critical actor in the Global Gateway. However, private capital is typically averse to political and economic risks and, as a result, reluctant to invest in overseas infrastructure projects with a long investment cycle, high risks, and slow returns. The emergence of a new epidemic and the intensification of the Ukrainian crisis have contributed to an environment of heightened uncertainty with regard to investment, resulting in a relatively limited level of participation from private capital. The Global Gateway emphasises its commitment to sustainability, standardisation, and the

minimisation of debt risk. The Global Gateway's principal goal is to provide financial assistance and loans, for example, those from Germany within the framework of the JETP with South Africa or for other mega-projects such as hydrogen production in Namibia. Nevertheless, the Global Gateway is not without financial risk for the countries receiving assistance (Bohne, 2023). At present, the programme offers minimal information regarding the criteria for the provision of economic assistance and the associated financing structure. Such opacity may also render partner countries vulnerable to debt risks.

Secondly, there is concern that developing countries may demonstrate resistance due to the presence of strong values and conditionalities. In light of the intricate historical background of European-African relations, the advancement of the Global Gateway initiative in Africa is based on a comprehensive geopolitical and values-based strategy. In the context of growing divisions over debt relief, climate change, and multilateralism reform, the EU has been the subject of criticism from the international community for its alleged "double standards" in the Russian-Ukrainian and Israeli-Palestinian conflicts. Furthermore, the professed morality and values of the EU have been called into question (Jones, 2024). Furthermore, the "Black Lives Matter" campaign has prompted the international community to reflect on the long history of systemic racism in European colonial history, the slave trade, and EU immigration policies (De Genova, 2020).

It is evident that the Belt and Road Initiative has yielded favourable outcomes; nevertheless, it has also brought to light many challenges. In terms of strategic risks, there have been instances where China's infrastructure projects in countries along the route have been subject to interference, cancellation, or modification. Additionally, there is a discrepancy between the interests of China and those of major powers in the region along the route. Furthermore, the Western-dominated international economic system has been strengthening its supervision of countries along the route. Moreover, the majority of countries situated along the route of the Belt and Road Initiative are characterised by intricate geopolitical landscapes. In the context of China's ascendant global status and the intensifying competition between the United States and other Western countries, the stability of bilateral relations between China and the host countries has diminished, thereby constraining the growth of China's direct investment.

The Global Gateway programme and the Belt and Road Initiative are currently engaged in a complex relationship characterised by elements of rivalry. In 2019, the EU published a new paper on China, proposing the three dimensions of its identity perception of China: a partner, competitor, and systemic rival in global governance (European Commission, 2019). These dimensions are in close alignment with the core elements of the Global Gateway programme. This stance is clearly exemplified in the context of Eurasian connectivity. The EU emphasises the necessity for Eurasian connectivity to be sustainable, comprehensive, and based on international rules. In light of the ongoing debate surrounding the “debt trap theory” in Western public opinion, as well as the persistent issue of “reciprocity” in Sino-European relations, the Global Gateway initiative can be seen as an expression of the EU’s evolving understanding of the competitive relationship between China and Europe. The Global Gateway programme is indicative of the EU’s evolving comprehension of the competitive relationship between China and Europe. In light of the ideological divergences between China and Europe, the multifaceted dynamics between China and the United States, and the intricate circumstances in the Eurasian region, the actualisation of the docking process is encountering certain obstacles (Lilei, 2022). On August 6, 2023, Wang Yi, a member of the Political Bureau of the Communist Party of China’s Central Committee and Foreign Minister, and Josep Borrell, the EU High Representative for Foreign Affairs and Security Policy, emphasised the EU’s commitment to developing positive relations with China. They also highlighted the similarities between the EU’s Global Gateway programme and the Belt and Road Initiative. The EU’s Global Gateway programme and the Belt and Road Initiative are not mutually exclusive but rather complementary. Both aim to promote global development, which has sent a positive signal of cooperation (Xinhua, 2023).

The implementation of the EU’s Global Gateway programme will undoubtedly present certain challenges to the Belt and Road Initiative in promoting infrastructure development in the relevant regions. China has, however, been able to leverage its considerable advantages in infrastructure construction, forging collaborative partnerships with countries along the route to advance the development of transport infrastructure, energy infrastructure, and communication networks. However, the infrastructure industry also exhibits characteristics of a natural monopoly and is shaped by historical factors. The EU exerts pressure on China’s market presence along

the Belt and Road by establishing regulatory and procedural norms that preclude Chinese entities from participating in local tenders. This is in alignment with the Partnership for Global Infrastructure and Investment (PGII) proposed by the United States as a counterbalance to China's Belt and Road Initiative. It also illustrates Europe's strategic concerns as it encounters challenges in containing the growing influence of China's Belt and Road Initiative. On the other hand, the implementation of the EU's Global Gateway programme will provide an opportunity for the Belt and Road Initiative to engage in collaborative infrastructure development in the relevant regions.

CONCLUSION

The launch of the EU's Global Gateway Initiative in December 2021 signifies a new phase in the EU's engagement with connectivity. In alignment with the EU's current stance of viewing China as a partner, competitor, and institutional rival, the EU has adopted a differentiated approach to connectivity, gradually identifying specific areas of cooperation, competition, and confrontation with China. At the twenty-fourth China-EU Summit, held in December 2023, the Chinese side expressed its willingness to continue promoting the high-quality joint construction of the Belt and Road Initiative, including in conjunction with the EU's Global Gateway initiative. In light of these circumstances, it is imperative that China and Europe respect and support each other, strengthen the alignment of their respective development strategies, and pursue a path of collective advancement. It is of paramount importance to facilitate an active exchange and sharing of experiences between China and Europe, capitalise on the existing China-EU connectivity cooperation platform, and expand the scope of connectivity cooperation.

At the level of the basic policy framework for further connectivity, China and Europe have established a series of cooperation mechanisms based on dialogue. These include the China-Europe Summit, the China-Central and Eastern Europe Cooperation Forum, the Asia-Europe Meeting, and various sectoral dialogues. With regard to policy communication, China has adopted an open and diversified approach, encompassing both institutionalised and non-institutionalised forms of cooperation, as well as regional and trans-regional collaboration. In general, China's approach to achieving Eurasian connectivity has been characterised by openness, pragmatism, and flexibility.

The principle of “joint business, joint construction, and joint use” represents the primary tenet of soft connectivity in China-EU relations, eschewing the hallmarks of compulsory standardisation and institutionalisation. Furthermore, the principal parties engaged in the collaborative endeavour are not limited to national entities. Instead, a diverse array of actors, including enterprises, localities, and cities with an interest in pursuing connectivity cooperation, are also eligible to participate. An important feature of the Belt and Road Initiative is its inclusivity. The content, rules, timing, and development direction are open and pragmatic. No specific timetable or framework of rules has been established. The overarching objective is collaboration, with mutual benefit and the sharing of resources as the fundamental principles. Concurrently, although somewhat regionally orientated, China encourages third parties to join, adheres to the principle of openness, promotes the “regional cooperation plus” model, and is open to third parties and stakeholders (e.g., observer state models).

The ideological differences between China and Europe, along with the complex situation in the Eurasian region, have led to a certain degree of resistance to the realisation of China-EU Belt and Road cooperation. While many European stakeholders are inclined to participate in the Belt and Road Initiative for the potential benefits it offers, the decision-making elites must consider it from a political and core values perspective, which may result in a contradictory stance on the China issue. The EU has advocated for a more robust strategy towards China, emphasising the principle of European sovereignty. Consequently, this elucidates the intricate policies and perceptions exhibited by the EU and its member states with regard to China. Even though China and the EU have a shared interest in promoting Eurasian connectivity, their respective actions may inadvertently impede the implementation of their proposed connectivity strategies due to competing interests and conflicting rules. However, should China and the EU make optimal use of the Belt and Road cooperation opportunity to enhance connectivity cooperation, it would prove conducive to the establishment of a stable and far-reaching relationship between the two parties. Furthermore, the China-EU Summit will facilitate more tangible collaboration and the attainment of sustainable development objectives.

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CHINA, THE GLOBAL SOUTH, AND THE EUROPEAN UNION: GRASPING OPPORTUNITIES, ACTING PRAGMATICALLY

Bart DESSEIN*

Abstract: After the former president of China, Hu Jintao, advocated the “harmonious society” and “harmonious world” concepts, current President Xi Jinping’s global initiatives are more illustrative of China being more proactive on the world scene. In all these initiatives, China has attested to “silent pragmatism”, grasping opportunities devoid of any ideological preference. More than being out to destroy the Bretton Woods’s institutions or later organisations, such as the World Trade Organisation (WTO), whose functioning has been of major importance for the country’s economic growth, China appears to be working to reform these institutions in accordance with the current balance of (economic) power. In this paper, I will discuss China’s current behaviour on the world scene against the historical background of the country. I will develop how acknowledging that (silent) economic pragmatism remains possible is conducive to maintaining “one world” and avoiding the development of a new bipolar world order.

Keywords: China, Global South, geo-economics, geopolitics, pragmatism.

INTRODUCTION

Over the last decades, there has been an important regional shift in global economic value. Figures differ depending on how “Developed/North” and “Developing/South” are defined. However, the fact that the economic value of the Global South has increased significantly, both in absolute figures and in relative terms, cannot be denied. Since the 1990s, “the economies of the Global South have consistently outpaced the Gross Domestic Product (GDP) growth of the Global North, at times exceeding it by more than threefold before the onset of COVID-19. Notably, contributions of the Global South economies to global GDP rapidly expanded from 19% in 1990 to 42% in 2022” (Born, 2023). East Asia has especially become the workbench of the Global South, and the

*Full Professor, Faculty of Arts and Philosophy, Ghent University, Belgium; Email: bart.dessein@ugent.be, ORCID: 0000-0001-8853-9665.

rest of the Global South has developed to be the suppliers of natural resources and commodities to East Asia. This pattern “is clearly reflected in global trade, with 25% of global trade in goods being South-South trade while 21% is South-North trade. Moreover, 76% of trade in goods consists of manufactured goods in East Asia, while natural resources and commodities account for 77% in Africa and 54% in Latin America and the Caribbean” (Born, 2023). According to a 2020 report from the United Nations Conference on Trade and Development (UNCTAD), the Global North’s share of global trade decreased from 52% in 1990 to 37.1% in 2020. Over the same period, the South’s share rose from 10.8% in 1990 to 25% in 2020 (UNCTAD, 2022). According to the December 2023 calculations of Brookings, South-South trade by 2009, i.e., around the time of the global financial crisis, increased from 10.9% to 25% worldwide, surpassing North-North trade for the first time in world history. According to the same Brookings calculation, today, 35% of global trade is accounted for by South-South merchandise trade, and just 25% of global trade is North-North trade. One important factor in this is the surging China-Africa trade. With China’s bilateral trade with Africa rising from 2.7 billion dollars in 1990 to 209 billion dollars in 2022, China has become Africa’s largest trading partner (Mold, 2023). The figures for EU-China trade in goods have, according to Eurostat, developed from a value of a total of 561.2 billion euros for the EU27 in 2019 to 586 billion in 2020, while for the same two years, the trade between the EU and the United States (US) decreased from 617 billion euros in 2019 to 555 billion euros in 2020 for the EU27 (EUROSTAT, 2022). In 2023, the trade in goods between the EU and China represented 15% of all EU trade in goods. The share of the US amounted to approximately 17%. Compared to 2000, the proportion of trade with the US has herewith decreased significantly. China’s share of EU trade has nearly tripled from 5% to the aforementioned 15% (Destatis Statistisches Bundesamt, 2024).¹ All in all, the EU, the US, and China remain the world’s three largest trading partners, absolutely speaking, but their relative weight has significantly changed.

FROM ECONOMY TO GEO-ECONOMICS AND GEOPOLITICS

The last few decades have witnessed significant regional shifts in global economic value and huge changes in the dynamics of global trade. However,

¹ For figures on EU and Chinese trade, see: European Commission, 2024.

these developments in the economic domain have also made it possible for China to initiate new alignments and alliances with geo-economic and geopolitical ramifications. One important example is the creation of the Shanghai Cooperation Organisation (*Shanghai hezuo zuzhi*; SCO). This organisation can be seen as a logical follow-up to the “go west” (*xi qu*) policy of the 1990s. After the launching of the “reform and opening-up” (*gaige kaifang*) policies in 1978 and after Deng Xiaoping’s famous statement in a meeting with a delegation of senior American entrepreneurs, “Let some people get rich first” (*Rang yi bufen ren xian fuqilai*), it were primarily China’s eastern and south-eastern coastal regions that economically developed (Dessein, 2024b, p. 3; Deng, 1997). That explains the launching of the “go west” policy that gradually shifted the focus to the west of the country, where the economic development was comparatively slow. The demise of the Soviet Union in the early 1990s brought about a new challenge for Beijing. The ensuing instability and rise of extremism and terrorism in the Central Asian region convinced Beijing of the necessity for countermeasures. This explains the creation of the Shanghai Five in 1996, a collaboration between China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan. After the adhesion of Uzbekistan in 2001, this organisation was renamed the Shanghai Cooperation Organisation. This was the first international organisation created on a Chinese initiative. First focused on the demilitarisation of frontier areas and countering extremism and drug trafficking, the organisation has gradually developed into an instrument of economic development and, increasingly, political cooperation (Bossuyt, 2015, p. 230; Rakhimov, 2018, p. 121). In this way, the “go west” policy further evolved into China’s “periphery policy” (*zhoubian zhengce*), and the SCO can be seen as a further expansion of the latter. China’s regional importance has been further enhanced through the adhesion to the SCO of Pakistan and India in 2017, and Iran in 2023. Moreover, since 2008, Sri Lanka, Turkey, Cambodia, Azerbaijan, Nepal, Armenia, Egypt, Qatar, Saudi Arabia, Kuwait, the Maldives, Myanmar, the United Arab Emirates, and Bahrain have become “dialogue partners” of the SCO. The expansion of the BRICS concept to BRICS+ came in 2023.² Different from the

² Note that the acronym BRICS, denoting the emerging national economies of Brazil, Russia, India, China, and South Africa, was originally coined in 2001 as “BRIC” by the Goldman Sachs economist Jim O’Neill in his November 30, 2001, report “Building Better Global Economic BRICs”.

SCO, an institutional organisation of global governance, BRICS+, i.e., the BRICS countries with the addition of Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates, is a dialogue platform without institutional structure. Be that as it may, it is one more example of the growing importance of the Global South in the domain of geopolitics.³ And then there is, of course, the Belt and Road Initiative (*yi dai yi lu changyi*; BRI), launched in 2013. By 2018, 139 countries had joined the BRI (Council on Foreign Relations, 2021). Italy, the only EU Western European country that signed a MoU with China on the BRI, withdrew from the scheme on December 6, 2023. Therefore, the BRI further enhances a focus on the Global South (Center for Strategic and International Studies, 2023).

TO A NEW WORLD ORDER?

The above-mentioned initiatives show that China is no longer merely an economic competitor on the global scene. It is also increasingly portraying itself as a norm/system setter rather than a norm/system taker. Pu Xiaoyu in this respect noted that a non-Western, *in casu* Chinese, normative order is theoretically speaking just as legitimate as a Western one (2012, p. 365). China's model of development and the country's increasing clout in the international arena have, more precisely, led to the concept of the "China model" (*Zhongguo moshi*). This has been accompanied by a new Chinese narrative perceived to counter the international political narrative dominated by the "political West", i.e., which acquired a monopoly in this respect after the end of the Cold War. China's alternative narrative related to the term I have coined China's "silent pragmatism", i.e., a pragmatic approach that focuses on economic interests and not on ideological values, has shown to be especially appealing to some countries of the Global South (Dessein, forthcoming). The recognition that discourse and narrative can indeed be used as tools for nations to tell their stories and experiences, create an international reality, and make sense of how the world and international politics operate was distinctly acknowledged by Xi Jinping. When he addressed a group study session of the Political Bureau of the Central Committee of the Chinese Communist Party

³ Note that in 2023, Argentina also signed up to the platform, but the newly elected President Javier Milei retreated membership soon after his election in December 2023.

(CCP) on May 31, 2021, he stated on that occasion that China should have “a profound understanding of how important and necessary it is to improve the country’s international communication and [...] develop a voice in international discourse that matches with China’s comprehensive national strength and international status”. China, so he stated, should “construct China’s own discourse and narrative, interpreting China’s practices by its own theories, [...] using new concepts, domains, and expressions to tell better China’s stories and the spiritual strength behind the stories” (Xinhua, 2021).⁴ In China, denying the country the possibility to bring its own narrative is perceived as the Global West’s begrudging the country’s economic growth and tantamount to denying its “right to existence”. Both for the “political West” and for China, political narratives have therefore become synonymous with an “ontological issue”.

The new Chinese narrative has incited the counternarrative that the world is increasingly evolving towards a new bipolar order, i.e., a dichotomy between the democratic countries on the one hand and the countries with an authoritarian political system on the other hand, just like in the case of the Cold War.⁵ The call for economic de-risking from China, as a direct result of the race for technological leadership between the Western world and China, can, in this respect, be seen as an important outcome of this “return of a bipolar world” narrative as well (Dessein, forthcoming).

GRASPING OPPORTUNITIES, ACTING PRAGMATICALLY

The initiatives of global governance mentioned above are often seen as parts of China’s “Grand Strategy”, aimed at establishing a new world order together with the countries of the Global South. The efficiency of the “Chinese model” can indeed be attractive for the countries of the Global South, and economic collaboration with these countries may give China the possibility to implement a geo-economic and geopolitical agenda. However, this does not

⁴ Also, Shaun Breslin states that, rather than passively sitting back and waiting for the Western mainstream discourse to become unattractive or invalid, China is “actively promoting a preferred idea of what China is and what it stands for in international relations” (2011, p. 1339). See also: Dessein, 2024a, p. 4.

⁵ In this respect, Sven Biscop speaks of a “mini–Cold War”: “mini, as long as the entire world is not divided into two rival blocs that gradually decouple from each other” (2023, p. 6).

necessarily mean that China indeed wants to or can create an alternative to the existing international system. After all, China owes its economic rise precisely to the existing international system. Furthermore, all countries with which China collaborates economically (and politically) are part of the existing international system, and collaboration with China does not separate these countries from this international system. In contradistinction to the SCO, which is an institutionalised organisation, the BRICS+ concept, as has been stated above, is more a dialogue platform and not an institutionalised organisation. Also, the BRI, to which only a few Central and Eastern European EU countries adhere after the retreat of Italy, is largely seen as a series of local initiatives on which the label “BRI” is pasted retroactively.⁶ What China appears to aim at is establishing an alternative way of doing international politics within the existing international system. In that sense, as Sven Biscop stated, “artificially dividing the world into a ‘good’, democratic, and a ‘bad’, authoritarian camp is a misreading of the dynamics of global politics” (2023, p. 11).

Given the current economic difficulties with which China copes, a looming middle-income trap, a greying population, massive youth unemployment, and debts of local governments, further collaboration with the rest of the world, including the EU, is necessary for the country to climb the production ladder. An implicit acknowledgement of economic realities can be traced in the speech Xi Jinping delivered on February 7, 2023, at the opening ceremony of the Seminar on Studying and Implementing the Spirit of the 20th National Congress of the Communist Party of China. In this speech, Xi Jinping, on the one hand, repeatedly referred to the ideological successes of the CCP since the 18th Party Congress, and, on the other hand, he stated that “In the new period of reform and opening up and socialist construction, our party has made a historic decision to shift the centre of the party and the country’s work to economic construction”, as well as that “promoting Chinese-style modernisation is a systematic project that [...] requires [...] important relations such as opening up to the outside world” (People.cn, 2023). This was seconded by Premier Li Qiang when he later mentioned his three “signals” (*xinhao*) and three “urgent tasks” (*jinpo renwu*) deemed

⁶ Jasper Roctus posited that China is deliberately presenting the BRI as an “empty” concept, open for all kinds of initiatives (2020, p. 4). At present, some 3000 projects have started under the BRI banner, creating some 420,000 jobs worldwide.

imperative after his first days in office. The three signals are a continuation of tax cuts in line with former Premier Li Keqiang's policies; enhanced attention to foreign investments and open pursuit of liberalisation of the economy; and a focus on the manufacturing industries. The three urgent tasks are restoring trust among private companies in the government; attracting FDI and restoring investors' confidence; and avoiding the "middle-income trap". Premier Li Qiang stated, "The real economy, especially the manufacturing industry, is the foundation of our country's economy. With the complex and profound changes in the domestic and foreign situation, the development of our country's manufacturing industry is heading toward an important juncture. Our determination to stick to the manufacturing industry cannot be shaken" (BBC Chinese, 2023; Dessein & Roctus, 2023).

MOVING FORWARD

The increasing instrumentality of the newly installed frameworks is, however, undeniable, as is the growing importance of the Global South. This raises the question of how EU-China relations could and should move forward.⁷ A new bipolarity cannot and should not be the outcome of this deliberation. Maintaining a "one world" strategy, aimed at growing well-being for all humans, hereby taking cultural differences into account, should be possible.

Looking back at the 1950s, Henry Kissinger stated that "from the outset, Mao [Zedong] had no intention to accept an international system in the design of which China had no voice" (2011, p. 132). This appears to remain true to this day. Contrary to expectations of the late 20th and early 21st centuries, China's political culture is, also today, unlikely to fuse into the liberal democratic view of the world.⁸ The current geopolitical, geostrategic, and

⁷ On these initiatives and their importance for global order, see: Roctus & Dessein, 2024, pp. 4-5.

⁸ In this respect, the contradistinction between the following two statements is telling. In the process of admitting the People's Republic of China (PRC) to the WTO in 2001, President Bill Clinton gave expression to this conviction as follows during a speech he delivered at the Paul H. Nitze School of Advanced International Studies of the Johns Hopkins University on March 9, 2000: "By joining the WTO, China is not simply agreeing to import more of our products. It is agreeing to import one of democracy's most cherished values: economic freedom. The more China liberalises its economy, the more fully it will liberate the potential

geo-economic features of the global world therefore have the potential to develop into two directions: either a decoupling and return to a bipolar world order (with the US and EU on the one side and China (and Russia) on the other), or a rebalancing of interests.

As alluded to, the People's Republic of China (PRC) has taken and still takes a very pragmatic approach, "silent pragmatism", in all its new initiatives and grasps opportunities when they occur. More than being out to destroy the Bretton Woods's institutions or later organisations such as the WTO, whose functioning has been of major importance for its economic growth, the PRC therefore appears to be out to reform these institutions so that they are more in accordance with the current balance of (economic) power. In this respect, the country's arguable alignment with principles of sovereign internationalism leaves open possibilities for cooperation with the EU and its member states. That is an approach to world order that focuses on national decision-making power in matters a given nation-state deems proper to itself, but that equally leaves open possibilities for dealing with global issues in an international context (Dessein, 2024b; Sakwa, 2019).

Looking back in history, it is clear that since the establishment of diplomatic relations between the then European Economic Community (EEC) in May 1975 and the signing of a trade and cooperation agreement between the EEC and China in June 1980, interconnectedness between the EU and China has experienced a remarkable pace of growth: the development of trade figures has been more than significant. While bilateral trade stood at ECU 2.4 billion in 1978, it rose to ECU 69.1 billion in 1999 (European Parliament, 2021). As already mentioned, by 2020, EU-China trade in goods was worth 586 billion euros for the EU27. As of 2021, China has become the EU's second trading partner, and the EU is China's biggest trading partner. As

of its people—their initiative, their imagination, their remarkable spirit of enterprise. And when individuals have the power, not just to dream but to realise their dreams, they will demand a greater say" (New York Times, 2000). In the document "National Security Strategy of the United States of America, 2017", e.g., we read: "For decades, American policy was rooted in the belief that support for China's rise and for its integration into the post-war international order would liberalise China [...] Contrary to our hopes, China expanded its power at the expense of the sovereignty of others [and] part of China's military modernisation and economic expansion is due to its access to the US innovation economy" (The White House, 2017).

far as Foreign Direct Investment (FDI) is concerned, the stock of EU FDI in China reached 178 billion euros in 2017, while the stock of Chinese FDI in the EU reached 59 billion euros, giving the EU an advantage (European Parliament, 2021). As a logical result, the EU and China hold major stakes in one another's sustainable growth and prosperity (Delegation of the European Union to the People's Republic of China, 2023). The fact that the EU continues to see the PRC as a "partner" and "competitor" in addition to a "systemic rival", as stated in the 2019 document *EU-China: A Strategic Outlook*, provides ample possibilities to further their relations, avoid a decoupling, and forge a rebalancing (European Commission, 2019).

Economic and ideological conservatives may have a strong voice in the PRC, but the country does not see its relations with the EU as a zero-sum choice. The EU and the PRC are and will remain important trading partners. Their interdependence has caused closer cooperation in facing common challenges such as climate change, food safety, and global health issues. This cooperation is not only a possibility but also a necessity. The urgency of dealing with these issues and domains requiring technological advancement will shift focus to a forward-looking discussion on research investments into technologies of the future. A focus on these topics was also prominent in the Resolution of the Third Plenum of the 20th Party Congress of July 17, 2024 (CCCCP, 2024). In a recent article, authored by the Research Institute of Party History and Literature of the Central Committee of the Communist Party of China, published in *Qiushi*, remarkable references to Deng Xiaoping, the famous Chinese paramount leader who was, in the past, praised for his pragmatism and who was well aware of the necessity to maintain "one world", were made (2024, August 16). Common challenges could and should therefore be conducive to fostering collaboration. In its dialogues with China, the EU and its member states should take into account that China has come to organise its foreign policy in a three-tier structure (for trade issues, e.g., there is a common European policy; this is not the case for industrial policies, which remain within the decision-making of EU member states). On the highest level, there are such global projects as the BRI. This level is followed by such regional platforms as the SCO. On the lowest, but not functionally less important, level are the bilateral relations. China appears to employ one of these three levels, depending on the specific policy domain that is targeted (Garlick, 2024). It should hereby be noted that, within China, there is no direct homologous institution for the EU, whose leaders further complicate

interactions. Be that as it may, there is no need to exclude a joint approach between the EU and the PRC in advance.⁹

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⁹ See, e.g., The EU flagship initiative on Climate Change and Biodiversity-CCB (European Commission, 2020).

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CHINA AND THE EUROPEAN UNION IN THE ARCTIC: WITH THE “ICE SILK ROAD” CONSTRUCTION AS A CASE

Jizhou ZHAO*

Abstract: This paper aims to discuss the China-EU relationship in the Arctic, specifically focusing on the construction of the “Ice Silk Road” that connects Asia and Europe. First, it argues that over the past decades, further opening up of the sea lanes (e.g., “the Ice Silk Road” as part of the Belt and Road Initiative (BRI)) between Europe and Asia through the Arctic brings about not only huge economic interest and investment chances but also concerns about traditional and nontraditional security, especially after the outbreak of the Russia-Ukraine conflict in February 2022. Second, the China-EU strategic partnership has faced many challenges in recent years, such as the EU’s “decoupling” and “de-risk” from China. China’s attitude and stance towards Russia during the Ukraine crisis are greatly misinterpreted by the EU. Third, with the distrust and confrontation between the EU and Russia, the Ukraine crisis, along with other affairs in their relationship, has been producing a “spillover effect”, which affects and even damages the relationship between China and the EU on geopolitical and economic issues such as the Arctic.

Keywords: China, the EU, “Ice Silk Road”, Arctic, Ukraine crisis.

INTRODUCTION

In the post-Cold War era, especially since the third decade of the 21st century, the Arctic has increasingly become one of the biggest concerns of international politics and global governance. Known as the “Ice Silk Road (ISR)”, the Arctic shipping route refers to a sea route that crosses the Arctic Ocean within the Arctic Circle and connects Europe and Asia. It is one of the key elements of the “Belt and Road Initiative (BRI)” proposed by China in 2013. However, the development and operation of the “ISR” or the Arctic shipping lanes will have a direct impact on traditional shipping routes and

* Assistant Professor, Institute of European Studies, Chinese Academy of Social Sciences (CASS), People’s Republic of China; Email: zhaojizhou@cass.org.cn, ORCID: 0009-0003-0841-892X.

bring about a fierce competition of interests of related actors, such as the eight Arctic countries.

Europe is the western end of both the BRI and the ISR. While some argue that promoting the construction of the ISR will boost Eurasian connectivity (Zhang, 2019), the challenges for China's participation in the Arctic shipping lane increased after the Ukraine crisis broke out in February 2022.¹ In recent years, the US, Russia, and many European countries have issued their new Arctic policy documents. The European perception and policy towards China have entered a new period of adjustment, with the negative role of the Russian factor in the development of China-EU relations on the rise. In June 2024, the US Department of Defence published its policy paper, the 2024 Arctic Strategy, which declares that "the United States is an Arctic nation" and the Arctic region "is critical to the defence of our homeland, the protection of US national sovereignty, and our defence treaty commitments". Therefore, "the United States must stand ready to meet the challenge alongside Allies and partners" (The US Department of Defence, 2024). Against the above background, the construction of the ISR will undoubtedly become an important issue in the future development of international and transnational relations. Therefore, this paper aims to introduce major relevant mechanisms and related disputes of the Arctic shipping lanes; assess the current situation of Arctic governance, including the construction of the ISR; and discuss and explore challenges (and opportunities, if any) China and the EU will face in future participation or even cooperation in the construction of the ISR from a scholarly perspective.

RELEVANT MECHANISMS AND DISPUTES

Due to the combined effects of global climate change, Arctic geopolitics, geo-economics, and other factors, the construction and operation of the ISR involve extremely complex actors, laws, and mechanisms and have given rise to controversies. For example, Russia sees the "Northeast Passage", which is mostly along the Russian coast, as its "domestic" marine line and insists that

¹ About the Arctic governance and China-EU cooperation in the Arctic prior to the break-out of the Ukraine crisis in February 2022, see Zhao, 2023, pp. 167-179; and Zhao, 2020, pp. 242-264.

all ships going along the passage must pay “tolls” to Russia. However, the US, Norway, and Sweden have insisted on the right of international passage, i.e., treating the waterway as international waters, and thus are in sharp opposition to Russia’s stance. In addition, the ISR will become a strong competitor to the Suez Canal during the summer weeks, which involves many more stakeholders. Strong procedures to reconcile these disparities are currently lacking, and governments cannot agree on how to open and use the ISR from different angles or at different levels.

As the Arctic ice melts at an increasing speed, more merchant ships will choose to take the Arctic route because of the advantages of the Arctic shipping lanes in terms of saving sailing time, reducing transportation costs, and avoiding piracy. The rich mineral resources in the Arctic and tourism development will also encourage more ships to navigate Arctic waters. In order to ensure navigation safety and protect the fragile Arctic marine environment, the International Maritime Organisation (IMO) has contributed a great deal to the development of special Arctic navigation norms. On November 21, 2014, the IMO’s Maritime Safety Committee (MSC) adopted the legally binding International Code of Safety for Ships Operating in Polar Waters (International Code of Safety for Ships Operating in Polar Waters, or ICSSP) at its 94th session. The safety part of the legally binding International Code of Safety for Ships Operating in Polar Waters (Polar Code) was adopted at the 94th session of the IMO Maritime Safety Committee (MSC). The environmental part was adopted at the 68th session of the Marine Environment Protection Committee (MEPC). This marks the gradual formation of international standards for the governance of Arctic navigation.

At the same time, with the prospect of Arctic shipping lanes becoming more navigable, the international community has intensified competition. Russia and Canada, the two countries closest to the Arctic shipping lanes, consider the Arctic shipping lanes their domestic transportation routes and require vessels from other countries to comply with their relevant domestic regulations. They have adopted domestic legislation to regulate the navigation activities of ships in the waters of the Northern Sea Route and the Northwest Sea Route. In addition, the Arctic Ocean coastal states represented by Russia and Canada actively participated in the formulation of the Polar Code in an attempt to protect their national interests by influencing the international rules and promoting the national practice of the international rules through

the amendment of their domestic laws after the entry into force of the Polar Code. Especially in recent years, when the changes in the natural environment and ecosystems due to global warming and the expectation of the exploitation of the embedded resources have led to a growing interest in the Arctic Circle around the world, “Russia, as one of the important countries in the Arctic Circle, has always attached importance to the construction of the Arctic shipping lanes and elevated this to the status of a national renaissance strategy” (Qi and Liu, 2023, p. 85). However, the Russia-Ukraine conflict since February 2022 has further exacerbated the deterioration of Arctic governance, including the ISR construction.

Currently, the legal models on polar governance include the Antarctic Treaty Model and the Svalbard Treaty Model. However, neither can be applied to Arctic waterway governance. Although the International Maritime Organisation (IMO), the Arctic coastal states, and other Arctic waterway governance have initially established several norms and systems, these still cannot meet the growing Arctic governance deficit and international disputes regarding the Arctic shipping lanes. At present, the complexity of the geographical location of the Arctic sea lanes determines that it is impossible to draw a uniform conclusion on their legal attributes. The Arctic Council, as an intergovernmental regime of Arctic governance, is not equipped to solve the international disputes around the Arctic shipping lanes peacefully. The United States and its NATO allies, which are also the Arctic Council members, such as Canada, Sweden, and Finland, have been on the opposite side of Russia over the Arctic issues, especially in the context of the Ukrainian crisis. That means there is very slim or little likelihood of a peaceful settlement of disputes over the Arctic shipping lanes between the US and its allies as one camp and Russia as the other in the foreseeable future.

ARCTIC GOVERNANCE IN THE CONTEXT OF THE UKRAINE CRISIS

Over the past years, Arctic governance and cooperation have struggled to move forward. In particular, the Ukrainian crisis, which has continued to fester since its outbreak in February 2022, has led to an escalation of regional tensions. Its adverse effects have spilt over into areas of global governance, such as climate change, and have had a significant impact on the governance of Arctic affairs. Against this backdrop, geopolitical conflicts between Arctic

countries, especially between the US and Russia, have intensified. In Arctic affairs, including the “ISR” construction, the great powers’ strategic competition game tends to bring about the risk of a sudden increase in traditional security pressure. To this day, Arctic governance has faced, to a large extent, three major challenges due to the Ukraine crisis.

Firstly, the intensification of the strategic game among Arctic powers.

Nowadays, the US competes with Russia to deploy its influence in the Arctic region, which means their power confrontation is on the rise. After the Biden administration came to power in 2021, the status of the Arctic in the US foreign and security strategy has rapidly increased. For example, after 12 years, the Arctic again appears as a separate region in the United States National Security Strategy. The first time the Arctic appeared as an independent region in a separate chapter of a US national strategy report was in the 2010 National Security Strategy Report. In the Biden administration’s National Security Strategy (NSS) in October 2022, the Arctic issues appeared as a separate chapter on a regional issue again, suggesting the Arctic has returned to US strategic considerations at the national security level. The NSS of 2022 outlined the Arctic agenda for the next ten years around the four pillars of security, climate change and environmental protection, sustainable development, and international cooperation. It highlights the Arctic security game of the big powers, emphasises investment in civil and military infrastructure construction, and advocates adopting a “whole-of-government” approach to deal with the Arctic challenges.

In order to alleviate and eliminate its own diplomatic isolation in the international arena after the Ukraine crisis broke out, Russia strives to play an increasingly evident role as an Arctic power, not only with strong political will but also its advantageous ability to develop the Arctic. Therefore, the Arctic strategy has already been an important part of its overall national strategy. After the Ukrainian crisis, Russia completely broke the illusion of the West, aimed to reduce unprecedented security pressure from its western flank, and made the Arctic its most important strategic breakthrough in its policy. In October 2023, Russian President Vladimir Putin announced to speed up the construction and operation of the Arctic shipping passage—the Northern Sea Route—in Russia’s official documents. Through such efforts, Russia wanted to break the strategic siege imposed on it by the West and

further strengthen its position as a global power. At the same time, Russia showed its willingness to deepen its relations with Asia-Pacific countries.

Secondly, the weakened functioning of Arctic governance mechanisms.

The Arctic Council, an intergovernmental forum comprising eight Arctic States, is an important multilateral cooperation mechanism in Arctic governance. After the Ukrainian crisis's outbreak, Arctic governance's mechanisms and functions have been severely weakened. In March 2022, the United States, Canada, and the European Arctic states announced the suspension of cooperation with Russia. This led to a temporary "shutdown" of the Arctic Council from 2021 to 2023 when Russia assumed the rotating chairmanship. After Finland and Sweden joined NATO in 2023 and 2024, respectively, Russia's voice in the Arctic Council was further weakened. In other words, due to the impact of the Russia-Ukraine conflict, the post-Cold War optimism and a "myth of cooperation" in the Arctic have disappeared, and the formation of alliance-based security rivalries between Russia and the other seven Arctic states, also NATO members, has accelerated.

In this context, Russia would no longer have expectations or even illusions about cooperation with the US and the West. In March 2023, the Russian government revised its position on international cooperation in the Arctic by removing from the Basic Document on the Policy of the Arctic State of the Russian Federation for the Period until 2035 references to two Arctic regional institutions: the Arctic Council and the Barents Council for the European Arctic.

Thirdly, continuing evolution of power dynamics in Arctic affairs.

After the outbreak of the Ukraine crisis, the Arctic and non-Arctic countries have increased their concerns about Arctic affairs. Apart from the United States and Russia, as mentioned above, many other actors, such as NATO, have also enhanced their involvement in Arctic affairs. With Finland and Sweden as its new members, NATO showed more willingness and built up its capacity to enhance its influence on Arctic affairs, which can be seen as one of the results of NATO's strategic transformation in the new security context. However, this can exacerbate military tensions in the short term. In the long term, it could force the Arctic to accelerate its integration into the global geopolitical confrontation, thus impacting its already established order.

Also, in recent years, the United Kingdom (UK) and other Western countries have successively adjusted their Arctic strategies and moved closer to the Arctic strategy of the United States. For example, in the 2022 NSS, the US proposed its “four pillars” and “five principles” for strategic “entry into the Arctic” over the next decade. Additionally, to “ensure security”, the US will strengthen its military presence in the Arctic region and take security measures with its allies and partners to protect common interests. The UK, as one of the closest US allies, released its 2023 Arctic Policy Framework report in February 2023, arguing that the Arctic has transitioned from a “low-tension region” to a “region facing increased competition and geopolitical games” and that the UK will play an “active, reliable, and robust role” in the Arctic. The UK will be an “active, reliable, and influential partner” in Arctic development and deploy and use its military forces to build a “green and stable Arctic”. This means that the US and its allies and partners may strengthen coordination in Arctic affairs in the name of ensuring security by military or hard power.

Japan and the Republic of Korea have also increasingly shown their interest in Arctic affairs. In particular, they have attached great importance to cooperation on Arctic shipping lanes and the development of polar resources and energy. India is committed to increasing its participation in international cooperation mechanisms in the Arctic. Furthermore, Italy, Germany, and France have all introduced their policy documents on the Arctic and advocated and pursued their respective interests in the Arctic. With the involvement of various actors (including the EU and the indigenous peoples of the Arctic region) in Arctic affairs, the conflict of interests and strategic games in the Arctic will become more and more complicated.

CHALLENGES TO CHINA-EU RELATIONS IN THE ARCTIC

In 2017, Chinese and Russian leaders jointly proposed the “Ice Silk Road (ISR)” to promote cooperation and development in the Arctic. According to Xinhua, a Chinese official news media outlet, “the ISR is an open initiative that abandons geopolitical thinking and advocates cooperation and a win-win perspective” (Xinhua Agency, 2020). Although China and the EU “share many similar strategic interests and diplomatic positions on Arctic affairs”, relations (rather than cooperation as before) between China and the EU on the

construction of the ISR after the outbreak of the Ukrainian crisis in 2022 face a number of challenges.

First, new developments in the geopolitical situation in the Arctic.

There is a more and more pronounced trend of camp-building in the Arctic. The US has pushed for great power strategic competition in the Arctic after the outbreak of the Ukraine crisis. The US enforced a series of severe sanctions against Russia, while its EU allies, including those Arctic countries, followed suit. Therefore, even from the economic perspective, the “Iron Curtain of trade” that fell in Europe today marked some features of camp formation and confrontation in the Arctic.

As the Arctic security landscape is undergoing a historic reshaping, with Finland and Sweden having joined NATO successively, NATO’s power will be able to reach Russia’s northwestern land and sea borders through Finland. At the same time, NATO’s strategic squeeze on Russia will fill the entire Arctic Circle, and Russia’s periphery and the Arctic’s security environment will deteriorate significantly. These new developments in the geopolitical situation in Europe and the Arctic may stimulate Russia’s possible “bounce-back” response and even military projection. On the other hand, these developments are not conducive for China-EU relations developments in many respects, including in the Arctic, not to mention their cooperation in the ISR construction in which Russia is playing a major enhancing role yet is termed by many EU official documents and speeches as Europe’s most significant geopolitical threat after the Second World War.

Second, developments of China-Russia relations in Arctic affairs.

In recent years, Russia and the ongoing Ukraine crisis have become important external factors that negatively affect China-EU relations (Yan, 2023). Following the outbreak of the Ukraine conflict in 2022, there have been criticisms of China’s posture and strategy from Europe. This has resulted in the EU holding China in low regard and enforcing strict policies.

In this case, China-Russia relations in the Arctic and in the ISR, in particular, will prevent China-EU relations from growing more healthy and robust in the Arctic affairs.

Since 2014, China and Russia have deepened their Arctic cooperation, and both countries have issued several joint statements establishing cooperation to promote sustainable development in the Arctic, including scientific research, the joint implementation of transportation infrastructure and energy projects, and the development and utilisation of the potential of the Northern Sea Route. In May 2024, China and Russia jointly declared they would “promote the development of the Arctic shipping lanes as important international transportation corridors” (Chinese Government, 2024). This signals a significant shift in China-Russian ties over Arctic issues, which will have a significant impact on the ISR.

It should be emphasised that China-Russia cooperation in the ISR and the Arctic affairs has never been an exclusive arrangement with “ulterior motives” but rather a complementary path that emphasises the participation of many other parties. But the proximity of China-EU relations, especially in the Arctic affairs, does not rule out some uncertainty in the future and remains to expect some positive outlook.

Third, the identity/status dilemma of China and the EU in the Arctic.

China is a “near-Arctic country” and became an observer member of the Arctic Council in 2013, while the EU does not have such a status in the Arctic Council. This identity or status dilemma may constitute a factor that prevents China and the EU from discussing and exchanging Arctic issues, including the ISR.

As mentioned above, the work of the Arctic Council, the most authoritative platform for international cooperation in the Arctic, came to a standstill in the wake of the Ukrainian crisis, especially from May 2021 to May 2023, when Russia acted as the Chair country of the Arctic Council. Although Norway has taken over the Chair role from Russia after May 2023, there is little likelihood that the function of the Arctic Council will resume, to some extent, if Russia-EU relations continue to be at a low ebb. In this sense, the EU will not be able to obtain its legal status as the Arctic Council observer without Russia’s support.

As a matter of fact, under the impact of the prolonged, expanding, and complicated Ukraine crisis, the EU, which advocated seeking “strategic autonomy”, has been faced with another dilemma of being a global player

and a strategic actor in Arctic governance or remaining only a follower of the US in security and even other aspects. In the past years, the EU accelerated its steps of “de-Russianization” in sectors like oil and gas imports from Russia, which makes it hard for the EU and its member states to join Russia and China in the ISR construction.

However, there are some positive signs for China-EU relations in polar affairs, which might open a window of opportunity for their relations and even cooperation in the Arctic and the ISR. In July 2024, when Italian PM Giorgia Meloni visited China, both sides agreed to strengthen polar cooperation, particularly in the Antarctic Ross Sea region, where both countries have established scientific research stations. Maybe in the future, China and some EU members will promote relations in the ISR and the Arctic. Thus, these relations could particularly avoid the EU’s identity and status dilemma.

CONCLUSION

China is a “near-Arctic country”, and the interests of shipping lanes are considered China’s most realistic and direct Arctic interests. However, the current Arctic governance has limitations and functional deficiencies and cannot solve the new problems arising in this area. After the outbreak of the Ukrainian crisis in 2022, the disputes among Arctic countries over the development and cooperation in the Arctic region have risen. The construction of the Arctic shipping lanes faces new challenges, such as the deteriorating international security environment, the malfunctioning of the major Arctic governance mechanism, namely the Arctic Council, and the continuing evolution of power dynamics in Arctic affairs.

In the future, there will be certain challenges (and opportunities or possibilities) for China-EU relations and cooperation in the construction of the ISR. With the increasing “camp-building” trend of Arctic governance and its inevitable spillover effects, it is likely that divergences and even conflicts of various interests and policy practices will arise between and among global actors such as the US, Russia, China, and the EU. In particular, due to the high degree of overlap between NATO’s European allies and the EU’s member states, the China-EU relations are, in some sense, relations between China and NATO (NATO countries). As such, it will be important to closely monitor China-EU relations in the Arctic and during the ISR’s development.

Nevertheless, the concept of a “community of a shared future”, a new concept of Chinese diplomacy, is expected to contribute to an important guiding value for the ISR construction and to improve the existing governance mechanism of harmonious coexistence and cooperation in the Arctic.

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EU-CHINA RENEWABLE ENERGY COOPERATION: BARRIERS AND PROSPECTS

Nevena ŠEKARIĆ STOJANOVIĆ*

Abstract: Given the imperative of energy transition targets across the nations, academic interest in renewable energy as a determinant of great powers' relations, among other targets, has begun to surge. With a shared commitment to combating climate change, the European Union (EU) and the People's Republic of China have recognised the significance of renewable energy cooperation as a cornerstone of sustainable development in the future. A significant alignment of their energy- and climate-related policies and dedication to similar energy transition targets opened the room for enhancing cooperation between the two actors in the renewable energy domain. Increased renewable energy investments, promotion of renewable energy development, and general willingness to engage in dialogue are seen as drivers of mutual recognition. However, some barriers stemming from different sectoral policies, such as regulatory frameworks, market access philosophies, or recent geopolitical tensions, make this relationship very complex. Since renewable energy cooperation between the EU and China has immense potential amidst global imperatives for sustainable development, both key barriers and prospects of this relationship have to be addressed. This research aims to provide significant insights into the multifaceted nature of EU-China renewable energy cooperation via three dimensions: the normative, the economic, and the (geo)political. Methodological tools used for the analysis refer to a literature review, qualitative content analysis of the EU's and China's energy- and climate-related policies, and secondary data analysis. The analysis led to the conclusion that by overcoming (geo)political and economic divergencies, both the EU and China stand to benefit from a more robust partnership in renewable energy, thus contributing significantly to the sustainable future as the common goal.

Keywords: EU, China, renewable energy, cooperation, barriers, prospects.

* Research Fellow, Institute of International Politics and Economics, Belgrade, Republic of Serbia; Email: nevena.sekaric@diplomacy.bg.ac.rs, ORCID: 0000-0002-4514-6498.

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INTRODUCTION

Current energy paradigm shifts towards sustainable energy solutions have produced significant consequences in the systemic and economic domains, but also in the (geo)political one. As stated by some authors, the energy transition is “much more than just switching from a diesel car to an electric vehicle. It affects how we produce, store, transport, and use energy in the future” (Keßler, 2024). It influences production processes and public awareness about the future of energy, as well as relations among key energy actors in the global market. Within this process, one of the key roles belongs to renewable energy sources (RES) and renewable energy (RE) technology. Today, renewable power generation is gaining momentum. The International Energy Agency (IEA, 2024) stated that the world’s capacity to generate renewable electricity is expanding faster than at any time in the last three decades. Renewable energy cooperation between states within the newly established context determined by multifaceted power relations is thus broadly analysed. Since the European Union (EU) and the People’s Republic of China (China) are highly dependent on fossil fuel imports and achieve significant carbon footprints, the burden of energy transition is expected to fall on these two actors, among others. Both sides declared targets for reaching carbon-neutral status in 2050 (the EU) and 2060 (China), respectively. According to official data, China was the main driver of electricity production from solar and wind energy in 2022 (IRENA, 2024). In the EU, power from low-carbon energy sources (including here RES and nuclear energy) increased from 68% in 2023 to 74% during the first half of 2024, thanks to higher renewable power generation (Enerdata, 2024). Renewable energy is generally the largest contributor to energy production in the EU in recent years—it stands at 43.2% of total EU energy production in 2022 (Eurostat, 2024). Additionally, China and the EU, together with the US, stand out as the largest producers of wind and solar power (Broadbent, 2021).¹ This makes the EU and China the leaders of the energy transition process on a global scale, and their (renewable) energy cooperation is one of the most important when it comes to the sustainable future.

¹ China (728 TWh), the EU (540 TWh), and the US (469 TWh) are holding together more than two-thirds of global generation of solar and wind power.

Given the abovementioned context, renewable energy cooperation between the EU and China is one of the subjects of emerging academic attention (Gippner & Torney, 2017; Sattich et al., 2021; Stevic & Popovic, 2021; Šekarić Stojanović & Zakić, 2024). A significant alignment of their energy- and climate-related policies offered room for enhancing cooperation in this domain. However, since the beginning of the 2022 Russian invasion of Ukraine, EU-China relations have been affected by diverse tensions. China's silence on the Russian aggression, coupled with the state of human rights in China and several geopolitical tensions in the Taiwan Strait and the South China Sea, has brought deterioration of relations with the EU. Apart from being leaders in the energy transition process, their (renewable) energy cooperation is characterised not only by prospects concentrated around common sustainable goals but also by some barriers stemming from the mentioned (geo)political dynamics. Within this context, it is valuable to evaluate the nature of renewable energy cooperation between the two sides, which presents the research objective of this study.

In light of the research objective, the analysis is structured around three key dimensions that shape the potential for renewable energy cooperation between the EU and China: the normative, economic, and (geo)political dimensions. The normative dimension examines the alignment of their current energy- and climate-related policies; the economic dimension explores the nature of their renewable energy economic relations; and the (geo)political dimension considers the established cooperation frameworks, alongside other significant partnerships or rivalries with substantial geopolitical implications. By analysing the current state of EU-China renewable energy cooperation through these three dimensions, this study aims to identify the primary barriers and prospects within this relationship.

THE EU-CHINA RENEWABLE ENERGY COOPERATION

EU-China relations are multifaceted by nature. The complexity of their relations springs from the frequent ambiguity where China is perceived as a partner, a competitor, and a rival at the same time:

“China is, simultaneously, in different policy areas, a cooperation partner with whom the EU has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic

competitor in the pursuit of technological leadership, and a systemic rival promoting alternative models of governance” (European Commission, 2019, p. 1).

This EU’s threefold approach towards China means balancing in practice: trying to keep good relations in certain areas while being aware of “fundamentally opposed interests” in others (Keßler, 2024), where economic and political interests are clearly determined as those with opposed interests. However, it seems that the renewable energy domain could offer space for enhancing cooperation on a mutual basis due to common interests in a sustainable future. Namely, RES have the potential to “de-geopoliticalise international relations and allow states to transcend the “zero-sum” thinking in their pursuit of energy security” (Sattich et al., 2021). The pre-existing complementary interests among states are the initial driver of developing cooperation potential, according to Keohane (Herbert, 1996, p. 225). Applied to the context of this study, common goals in terms of a sustainable future and clean energy should serve as the basis for establishing cooperative behaviour among states. However, this cooperation in the case of the EU and China is far from fruitful. The phenomenon of cooperation in this study should be understood as a broad framework where states engage in diverse forms of cooperative patterns, starting from formal international organisations and diverse fora arrangements to investment and trade relations, i.e., economic cooperation.

Contemporary relations between Brussels and Beijing are somewhere between competition and cooperation regarding climate and energy. For Altun and Ergenc (2023), EU-China relations in the RE area consist of consensus and contention, i.e., the “collaboration-competition nexus”. This ambiguity marked their relations throughout recent years. Currently, it shapes EU-China cooperation in many domains. With both representing great powers by all means, bilateral relations are affected by numerous tensions (Proroković and Stekić, 2024); since 2019, the rivalry has been intensified (Brinza et al., 2024), additionally reinforced by China’s silence over the Russian aggression in Ukraine after 2022. This is somewhat expected due to the ontological competition among great powers; however, some efforts have been made in the RE domain that should not be neglected. This is further fortified by the fact that the EU and China share similar energy- and climate-related goals and are dedicated to the common interest of a sustainable future. Since the

EU and China are significant global actors in achieving energy transition targets and are “highly complementary in pursuing green transition” (Yeping, 2024), there is a need to cooperate hard in the RE domain. In a similar manner, Yu (2022) highlights the necessity of fostering EU-China energy and climate cooperation, while Stensdal and Heggelund (2023) see energy and climate as two main opportunities for increased cooperation between the EU and China. However, some views are not so friendly regarding the EU-China renewable energy cooperation—according to some authors, European countries risk making the same mistake of being dependent on China in the case of RE, as they did with Russian gas (Dempsey, 2023). Nevertheless, the author’s position is to avoid extremely polarised debates and to contribute to the objective analysis of the EU-China renewable energy cooperation. This paper, thus, presents an attempt to fulfil the research objective via three dimensions (the normative, economic, and (geo)political one) to identify key prospects and barriers in this domain.

The normative dimension of the EU-China renewable energy cooperation

A literature review and qualitative content analysis of the EU and China’s energy- and climate-related policies served to identify the potential for enhancing EU-China renewable energy cooperation, at least within this normative framework. It is worth mentioning that only strategic policies are considered since they represent the umbrella framework for their mid- to long-term commitment to energy transition goals.

Strategic documents recognise the EU-China relationship as essential for the success of global climate actions and clean energy transition (European Commission, 2019, p. 3). China is simultaneously the world’s largest CO₂ emitter and largest investor in RE. On the other hand, although some of the EU countries have contributed to the current levels of greenhouse gases due to developmental reasons during the industrial revolutions, in recent years, the EU has been considered one of the biggest RE investors and one of the fastest climate-neutral status-reaching actors. Historically, the EU has been at the “forefront of climate policy initiatives” (Dupont, 2022), and the development of its environmental policies officially started in the 1970s. Recent years have brought the integration of energy and climate policies, as it is considered to be the most effective way to achieve energy transition goals

and become less energy dependent. These aspirations are materialised in the European Green Deal (2019) and in the long-term goal of becoming the first climate-neutral continent in the world by 2050. The EU's mid-term goals show no space for hesitation—the REPowerEU Plan is aimed at accelerating the transition to clean energy and diversifying energy supplies away from Russia (European Commission, 2022), while the revised Renewable Energy Directive aims to increase the share of renewables in the EU's overall energy consumption, raising the binding target for 2030 to 42.5% with the ambition to reach 45% (Official Journal of the European Union, 2023, art. (5)). The EU's RE approach is heavily regulated, with strict standards on energy and climate targets. Working with these ambitious goals, the EU often seeks to impose responsibility on other actors with a significant carbon footprint.

China, on the other hand, saw a significant surge in environmental policies and concrete climate actions at the beginning of the 21st century. Several subsequent five-year plans (FYPs), renewable energy regulation, and the so-called “ecological civilisation philosophy” have made RE a preferential area for energy development in China (Šekarić Stojanović & Zakić, 2024). Due to the problems with domestic pollution and as a reaction to the EU's call to peak its CO₂ emissions before 2030 in line with the goals of the Paris Agreement, Chinese President Xi Jinping launched the so-called *Goal 3060* in 2020, aimed at the stated target and becoming a carbon-neutral country by 2060. The current 14th FYP (2021–2025) set the additional goal of reducing 18% of carbon dioxide emissions per unit of GDP by 2025 (CSET, 2021, p. 9). However, this plan has no targets for a total coal phase-out, which normatively allows China to continue to build or reconstruct coal-fired power plants. Additionally, at the COP26 in 2021, China called for replacing the term “phase out” with “phase down” carbon emissions (Yifan, 2021), demonstrating thus the will for the gradual replacement of fossil fuels, which opposes the EU's efforts for immediate actions. China also announced a plan for establishing a coal production reserve system by 2027 that will be used in extreme occasions, such as “drastic uncertainties in the international energy market, extreme weather, or sudden changes in the supply and demand situation” (Song, 2024), with the assurance that they will not be used for increasing coal production capacities. China's Energy Law Draft, on the other hand, prioritising “the development of renewable energy; rational development of clean and efficient use of fossil energy; and orderly promotion of non-fossil fuel energy instead of fossil fuel energy and low-carbon energy instead of

high-carbon energy” (Patel, 2024), is largely criticised due to its long-term preparation² and its unclear outlook towards the future of fossil fuels, as stated above. As can be seen, unlike the heavily regulated EU’s approach towards RE, China’s approach is more state-driven.

Recent EU and China’s energy- and climate-related policies and targets primarily stem from international agreements. Šekarić Stojanović and Zakić (2024) offered an analysis of key similarities and differences in the EU and China’s environmental policies, led by several indicators: targets of the energy transition process, energy transition deadlines, the role of renewable energy sources in energy transition, and methods of achieving energy transition targets. This study showed great alignment of contemporary EU and China’s energy- and climate-related policies according to the prescribed indicators. The main difference springs from different perspectives on environmental responsibility: “While the EU calls for an urgent reaction, prioritising green financing and a total phase-out of carbon emissions, China’s camp stands for a more nuanced approach towards ambitious energy transition goals that will favour the national needs of a country” (Šekarić Stojanović & Zakić, 2024). This is primarily due to the high energy dependence on fossil fuels (coal in the first place) in China’s case, which, in turn, favours national interest in establishing renewable energy systems before the total phase-out of hydrocarbons, unlike the EU, which calls for simultaneous processes of cutting off fossil fuels and increasing the share of RES. The normative dimension, thus, shows great alignment of their environmental policies, but with a non-negligible difference in the approach towards achieving energy transition goals.

Although the normative dimension of EU-China renewable energy cooperation showed a significant level of alignment of their policies, the main question arises regarding the nature of this cooperation on a more practical level. Further research focus is thus orientated towards economic and (geo)political dimensions of renewable energy cooperation between the two sides.

² At the moment of submitting this paper, it passed 17 years of the Draft release.

The economic dimension of the EU-China renewable energy cooperation

Given that China is the EU's biggest source of imports and one of the EU's fastest-growing export markets, the economic dimension of this relationship needs to be tackled. For instance, the average annual trade growth rates for 2019-2023 can be used as indicators. According to the European Commission (2024a, p. 2), the average annual growth rate in the mentioned period was 9.1% in terms of imports and 3% in terms of exports. However, trade is highly unbalanced, and investment flows show great untapped potential. According to data for 2022, EU exports to China grew by 3.2% in sharp contrast to the 32.3% growth of EU imports from China year-on-year (EEAS, 2023). As a result, the EU bilateral deficit reached a record high of €396 billion, representing a 58.2% increase from 2021 (EEAS, 2023). In addition, while no new European companies have entered the Chinese market since 2020, most of those that are already established in China are "merely maintaining their presence" (Jarvis, 2023). According to some estimations, at the end of 2022, the cumulative stock of EU investment into China over the past 20 years was approximately around €170 billion—roughly the same amount EU companies invest in the US every 12 months (Jarvis, 2023). The tightness of China's market appears to be the greatest obstacle regarding deepening economic relations between Brussels and Beijing. However, the RE domain could offer some kind of revision.

Literature review showed that research on Chinese RE investments in the EU and *vice versa* is modest since most current literature examines investments in traditional fossil fuel facilities. Several studies showed that the amount of those RE investments is modest so far (Gippner & Torney, 2017; Lv & Spigarelli, 2015; Sattich et al., 2021; Šekarić Stojanović & Zakić, 2024; Zakić, 2024). Several trade disputes, market access issues, and the subsidies question appeared to be the most tangible obstacles within the economic dimension of their RE relations. China's general tightness of the market and heavy subsidy system raised concerns in the EU; in response, the EU has launched investigations into Chinese subsidies in battery electric vehicles and wind turbines (Bickenbach et al., 2024).³ These tensions resulted in raising

³ These subsidies have allowed Chinese companies to dominate global markets by offering products at significantly lower prices, which the EU views as unfair competition.

tariffs on imports from China of electric cars, solar panels, and other high-tech manufactured goods (Bradsher, 2024).

Several attempts to deepen economic relations between the EU and China have failed thus far. This was the case with the EU-China Comprehensive Agreement on Investment (CAI)⁴; after seven years of negotiations on this Agreement, the European Parliament froze its ratification in May 2021, just five months after its political agreement (McElwee, 2023). The CAI was imagined to replace the individual bilateral investment treaties that most EU member states have with China. While this mechanism was imagined as increasing and improving access to the Chinese market for EU investors and fair treatment for EU companies, on the one hand, it also needed to secure adequate regulatory mechanisms that should protect Chinese investment access abroad. As stated by the EU when CAI negotiations started, “the current level of bilateral investment between the EU and China is way below what could be expected from two of the most important economic blocks on the planet” (European Commission, 2014) since just 2.1% of overall EU FDI was in China back then. However, the ratification of CAI was suspended in May 2021 after tit-for-tat moves due to mutual sanctions posed by the EU and China, provoked by the human rights issues of Uyghurs in Xinjiang. Given the context prevailed by the human rights issues in China, the still ongoing debate on the nature and origin of COVID-19, and overall tensions between Brussels and Beijing, among others,⁵ the CAI was suspended. The Executive Vice President of the European Commission, Valdis Dombrovskis, said back then that “we cannot ignore the wider context of relations between the EU and China” (Euronews, 2021). The overall deterioration of relations between the EU and China showed that the geopolitical context prevailed in case of an economic issue.

However, the potential for the reconstruction of the relations between Brussels and Beijing lies in renewable energy cooperation. The abovementioned normative dimension of this cooperation already showed

⁴ An agreement to launch negotiations over a comprehensive investment agreement was reached at the EU-China Summit in 2012.

⁵ The inauguration of the new American president, Joseph Biden, and reserves of the newly established American administration on the CAI are also believed to be one of the factors that contributed to its closure.

significant alignment of their energy- and climate-related policies. In addition, the EU-China strategic outlook stated that “... the EU should deepen its engagement with China to promote common interests at the global level” (European Commission, 2019, p. 1). The 24th EU-China Summit underlined the necessity of enhancing economic relations between the two sides—the President of the European Council said:

“The EU-China relationship is one that matters. But we need to make our trade and economic relations more balanced, reciprocal, and mutually beneficial...” (European Council, 2023).

Since China grounds its energy and climate-neutral goals on scientific development and the EU holds the status of the innovators of green know-how technology, this mutual partnership seems to be logical in the ongoing energy transition (Stevic and Popovic, 2021, p. 3). Here it could be noticed that there is still room for cooperation, especially in research and development, technology exchange, and multilateral initiatives under international agreements. However, this cooperation will likely require careful negotiation and balancing of interests.

The (geo)political dimension of the EU-China renewable energy cooperation

The abovementioned analysis showed a significant alignment of the EU and China’s energy- and climate-related policies and non-negligible potential for enhancing their economic relations in the RE area. However, several issues that could be placed within the (geo)political domain have marked their relations in the last few years. The rise of negative sentiment towards China is generally seen across Europe in recent years, mostly tied to critical views on its policies on human rights (Silver et al., 2022). Non-economic issues also resulted in several withdrawals from the China-CEEC⁶ cooperation framework and general straining of relations between China and European countries (Lau, 2022; Stekić, 2022). At the already mentioned 24th EU-China Summit, some topics burdening mutual relations were mentioned, such as human

⁶ CEEC stands for Central and Eastern European Countries, commonly known as the 17+1 Initiative. After withdrawals of Lithuania, Latvia, and Estonia in 2021 and 2022 due to several diplomatic tensions and the Russian aggression in Ukraine, the current cooperation framework contains 14 countries.

rights issues in Xinjiang and Tibet, increased tensions in the Taiwan Strait, and warfare between Russia and Ukraine (European Council, 2023). Those (geo)political issues certainly block the further deepening of mutual relations, coupled with the strategic importance of winning in the “new energy race”.

According to IRENA’s Report, three types of countries have the potential to emerge as new renewable energy leaders—the first one refers to exporters of electricity generated by renewable sources; the second one is about controlling mining and processing critical materials used in clean energy (lithium, copper, cobalt, nickel, etc.); and the last one refers to leaders in technological innovation and to gaining a technological advantage (IRENA, 2019, pp. 39–40). With China holding the status of the leader of the second and third types and the EU having the highest growth in renewable electricity generation, the importance of the two as energy transition leaders and their renewable energy cooperation raised. In addition, several significant frameworks on climate and energy topics established by the EU and China show that some efforts are being made in this area (see Table 1).

Table 1. Key frameworks on energy and climate cooperation between the EU and China

Year	Cooperation framework
2010.	EU–China Environmental Governance Program
2012.	EU–China Environmental Sustainability Program
2015.	EU–China Joint Statement on Climate Change
2016.	EU–China Roadmap on Energy Cooperation (2016–2020)
2018.	China EU Leaders’ Statement on Climate Change and Clean Energy
2019.	EU-China Energy Cooperation Platform (ECECP)

Source: Self-made by the author for the purpose of this study.

When it comes to the renewable energy cooperation between the EU and China, possible (geo)political barriers spring from the competition for critical materials needed for RE tech⁷ and from the overall “new energy race” and strive

⁷ Such as copper, nickel, cobalt, lithium, and aluminium, among others.

to become the “energy transition leader” (Šekarić Stojanović, 2022, p. 108). Currently, China leads in critical materials’ processing. According to the United Nations Conference on Trade and Development’s data, China handles over half of global processing for aluminium, cobalt, and lithium and nearly 100% of natural graphite (UNCTAD, 2024). This kind of China’s RE market dominance could easily create competitive rather than cooperative behaviour patterns among states. Secure access to critical minerals certainly presents a strategic advantage, so there is no doubt that those resources are currently one of the most desirable assets. What may complicate the EU-China renewable energy cooperation is the fact that the EU imports more net zero energy technologies than it exports. Currently, the EU imports 98% of rare earths and 97% of magnesium from China, around 80% of the lithium from Chile, and more than 60% of cobalt from the DR Congo (European Commission, 2024b). That puts the EU in an unenviable position of technological dependence, especially when it strives to halt its energy dependency on Russia and other exporters. Recent EU’s energy- and climate-related policies try to avoid supply chain overdependencies within the complex geopolitical environment, and there is no surprise because they are targeting China as the current leader in renewable technology and green development. The “new energy race” and competition over renewable energy resources is thus expanded to investing in research and innovation in the RE domain.

China perceives energy and climate issues as inseparable from its deteriorating relations with the EU. The Chinese Ambassador to the EU, Fu Cong, said at the fourth High-Level Environment and Climate Dialogue in 2023 that “global climate governance does not happen in a vacuum. One should not seek political confrontation on the one hand and expect unconditional cooperation on the other” (Pongratz, 2023). China’s integrated approach to energy and climate issues varies from the mentioned EU’s threefold approach towards China. Thus, it leaves almost no space for enhancing relations in the RE domain in case of (geo)political tensions. In addition, many (geo)political tensions and escalations resulted in the securitization of energy issues, with the Russian invasion of Ukraine being the most obvious example. That clearly shows the impossibility of separating energy and climate issues from geopolitics, especially in the case of competitors and rivals such as the EU and China in several areas. Yet, observing the possible consequences of individual actions in combating climate change and leaving “the costs of cutting emissions to the rest” (Keßler, 2024), it becomes clear that the common interest overcomes

individual needs and requires joint efforts. There is a base for mutual action, but many other things need to be done since “the EU cannot undergo the green transition alone, nor can China” (Yeping, 2024). For this reason, they need to “work together within a rule-based system, including for trade, and maintain balance” (Yeping, 2024). Alignment of energy- and climate-related policies and dedication to sustainable goals on a normative level does not mean so much if not met in practice. According to Gippner and Torney (2017, p. 650), the alignment of policies is “a necessary but not sufficient condition for cooperation between parties”. Far more important proves to be overcoming (geo)political and economic divergencies (Šekarić Stojanović & Zakić, 20124), especially when bearing in mind the urgency in combating climate change and the common necessity for a sustainable future on a global scale.

Based on previous analysis, some remarks on key barriers and prospects of the EU-China renewable energy cooperation could be underlined:

- The normative dimension of their RE cooperation showed a great level of alignment, so the greatest prospects of deepening this relation lie in the similarity of their energy- and climate-related policies and in their long-term dedication to a sustainable future;
- Possible obstacles in the normative dimension could spring from different approaches in achieving energy transition goals—while the EU’s RE approach is heavily regulated with strict standards to follow, China’s approach favours national interest for development rather than total phase-out of hydrocarbons, which, in turn, could create barriers to joint activities;
- Economic and (geo)political dimensions of the EU-China RE cooperation, on the other hand, are mostly burdened by different philosophies towards economic and non-economic issues, including issues such as market access, trade disputes, human rights issues, China’s RE market dominance, and the overall “new energy race” over gaining energy transition leader position;
- Key barriers in the EU-China renewable energy cooperation thus spring from an economic and (geo)political background, i.e., divergent market philosophies, different core values, and opposing interests in the (geo)political sphere.

CONCLUSION

The post-pandemic environment and economic reconstruction, alongside the Russian invasion of Ukraine, have made the energy issues a priority of both the EU and China's agendas. Since the beginning of the third decade of the 21st century, all attention has shifted towards efficiently achieving energy transition targets. Despite shared targets and deadlines among leaders in the energy transition, geopolitical tensions often complicate potential collaborations aimed at achieving these common objectives. Such a dynamic is evident in the case of EU-China renewable energy cooperation.

This paper examined the nature of EU-China renewable energy cooperation through three dimensions: normative, economic, and (geo)political. The findings suggest that the potential for cooperation is most promising at the normative level, whereas significant barriers persist in the economic and (geo)political dimensions. These obstacles primarily arise from divergent market philosophies, different core values, and opposing interests in the (geo)political sphere. The analysis indicates that (geo)political tensions have a spillover effect, substantially influencing economic relations between the two actors. However, the shared commitment to similar renewable energy targets and a sustainable future—evidenced by significant normative alignment in their energy- and climate-related policies—offers opportunities to enhance cooperation in this domain. This should not be overlooked, considering the EU and China's roles as central global actors in the ongoing energy transition and as leading powers in the renewable energy sector.

Although the common energy and climate targets are evident, the EU and China's energy transition approaches and geopolitical realities differ, which, in turn, burdens further cooperation in the RE domain. However, failure to take joint action against climate change and towards energy transition could bring severe consequences for both parties. Therefore, the mutual need for a sustainable future should serve as the foundation for strengthening renewable energy cooperation between the two sides.

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PROCESS TRACING THE EVOLUTION OF SINO-GERMAN RELATIONS AMIDST THE UKRAINE WAR

Marija Adela GJORGJIOSKA*

Abstract: This article employs a process tracing methodology to examine the dynamic evolution of German-China relations from 2021 to 2024, with a particular focus on the impact of the Ukraine War on this bilateral relationship. By utilising media news analysis as a primary source of data, the study investigates how key events and policy decisions have influenced the trajectory of German-China relations during this period. It concludes that the war in Ukraine has resurrected and reasserted Lord Ismay’s original description of NATO’s purpose for the 21st century, now adapted to current geopolitical realities: to keep the Americans in, the Germans down, the Russians out, and increasingly, to try to draw the Chinese out.

Keywords: Germany, China, media, geopolitics, *Zeitenwende*.

INTRODUCTION

The war in Ukraine, which began in February 2022, will likely be remembered as one of the defining geopolitical events of the 21st century. Beyond its immediate security consequences, the conflict has also highlighted the extent to which global powers are deeply interconnected, where the reverberations of a conflict in one region can lead to substantial realignments in international relationships elsewhere.

In Germany, the war has been described as a *Zeitenwende*—a historical turning point for German foreign and defence policy—fundamentally challenging long-held foreign policy beliefs, particularly regarding Russia (Giegerich & Schreer, 2023). According to Bunde (2022), German elites had long struggled to adjust their core beliefs in response to what he calls the “mounting evidence of changing realities”, as these beliefs were deeply embedded in Germany’s national identity and economic interests. However,

* PhD, Director, ARETE, Institute for Sustainable Prosperity, Skopje, North Macedonia; Email: adela@aretenet.org, ORCID: 0000-0002-9864-3412.

the war in Ukraine has triggered a significant shift in German foreign policy (Bunde, 2022). One of the relationships affected by the war and the accompanying shift in the core beliefs has been the evolving partnership between Germany and China.

China's role as an essential economic partner for Germany has long been underscored by its position in global value chains and its strategic importance to German companies (Zaritskii, 2021). Since 2013, the Belt and Road Initiative (BRI) has significantly shaped Sino-German relations, with both countries deepening their cooperation. In this period, Germany became China's most important trading partner in Europe. At the same time, China was Germany's largest trading partner for eight consecutive years until 2023. However, while German industries benefited from increased trade, concerns grew over Chinese acquisitions of key German companies, prompting calls for a more structured regulation of the relationship (Ciesielska-Klikowska, 2020). Thus, even before the war in Ukraine, there were rising calls to label China as a "systemic rival" and to strike a "more cautious balance between economic openness and strategic prudence" (Cai & Efstathopoulos, 2023).

The calls for distancing away from China have intensified since the start of the war in Ukraine, gaining significant traction in both political and public discourse. The *Zeitenwende* has not only led to a reassessment of Germany's relationship with Russia but has also reshaped its triangular relations with the United States and China. As Biba (2023, 2021) observes, the war has "triggered an amplification of the previously existing trends", escalating tensions in the German-Chinese relationship while simultaneously strengthening Germany's ties with the United States.

A key development in this context was Germany's introduction of its first national strategy related to China in July 2023 (Auswärtiges Amt, 2023). As Munteanu (2023) notes, this strategy seeks to "reduce dependencies on Chinese value chains" while maintaining cooperation in key areas like trade, energy, and technology. This approach aligns with the European Union's wider strategy of "de-risking" rather than fully decoupling from China, reflecting the notion of China as a "partner, competitor, and systemic rival" (Munteanu, 2023). These adjustments reflect a significant recalibration in Germany's foreign policy. While the full extent of this shift remains uncertain, the ramifications are likely to be profound, with far-reaching consequences for the evolving European security and economic order (Bunde, 2022).

Indeed the consequences of this reassessment have already become evident. While China had been Germany's main trade partner for nearly a decade, recent shifts saw the United States overtake China as Germany's top trading partner in early 2024. With this trend continuing, the US could become Germany's largest trading partner in 2024, marking a notable shift in global trade dynamics (Wagner, Martinez, 2024).

This article aims to contribute to a better understanding of the ongoing evolution of German foreign policy, particularly in its relationship with China. By examining media coverage before and after the onset of the war in Ukraine, the analysis will explore how public and political narratives on China shifted in response to the *Zeitenwende*. It will also examine how these changing narratives have impacted the balance between economic cooperation and political rivalry, offering insights into the broader implications for Germany's bilateral relations with China and its position within the global power structure.

ANALYSING SINO-GERMAN RELATIONS: METHODOLOGY AND THEORETICAL LENS

This study utilises a media-based process tracing methodology to analyse Sino-German relations from January 2021 to September 2024, with news aggregation as the primary data source. A Google Alert focused on Sino-German relations was originally set up in January 2021—more than a year before the start of the Ukraine war—and has remained active throughout the period. For the purposes of this paper, this alert system functions as a tool to assess which news and events are deemed significant within mainstream Western discourse, particularly in terms of the narratives presented to Western audiences regarding the bilateral relationship between China and Germany. It captures coverage both in the year leading up to the war and in the two-and-a-half years that followed. The use of Google Alerts reflects the prioritisation of media topics in the Western landscape. By tracking the stories that receive attention, the methodology provides insights into which events, policies, and interactions between China and Germany are highlighted, offering an indirect gauge of how these relations are framed in Western media narratives.

Over nearly four years, Google Alerts has provided between one and three articles per day, totalling a data set of over 2,500 articles across the full

research period, creating a continuous stream of media coverage on the Sino-German relationship. These articles were aggregated and subjected to thematic and sentiment analysis, allowing the research to identify key trends, narrative shifts, and dominant themes.

Process tracing, a method originally proposed to combine historical narratives with theoretical explanations, is a central tool in this research. It allows for the investigation of causal mechanisms behind policy decisions and international relations, particularly focusing on how initial conditions, such as the Ukraine war, influence the evolving dynamics of state behaviour. As Falletti (2006) explains, process tracing “attempts to uncover what stimuli the actors attend to; the decision process that makes use of these stimuli to arrive at decisions; the actual behaviour that then occurs; the effect of various institutional arrangements on attention, processing, and behaviour; and the effect of other variables of interest on attention, processing, and behaviour” (Falletti, 2006, p. 2). Aggregating these articles not only enables the charting of key events—such as diplomatic visits, trade agreements, and policy shifts—but also facilitates a broader examination of trends, sentiment analysis, and shifts in narrative across different periods and media outlets.

PROCESS TRACING THE EVOLUTION OF SINO-GERMAN RELATIONS 2022-2024

The empirical section is structured to identify the events, actors, and documents drawn from thematic and sentiment analysis of media articles. It follows with the identification of the recurring themes of *Geopolitical Tensions*, *Economic Cooperation* and *Trade Policies*, as essential areas shaping Sino-German relations during this period.

Key Themes:

- 1. Geopolitical Tensions:** This theme covers the diplomatic and geopolitical aspects of the bilateral relationship between China and Germany. It also looks at how the war in Ukraine has influenced the dynamics of Germany’s relations with China.
- 2. Trade Policies:** Trade relations at the governmental and policy levels are covered under the second theme, which includes trade regulations, tariffs, and political decisions surrounding market access.

- 3. Economic Cooperation:** This theme refers to business-level relationships, including joint ventures, industrial collaboration, strategic partnerships, and investments in key sectors like automotive, technology, and industry.

Events, Actors, and Documents:

In 2021, German politics saw a major transformation with the departure of Chancellor Angela Merkel after 16 years in power, marking the end of an era for both Germany and Europe (Pongratz, 2021). The Social Democratic Party (SPD) won the federal election in September, leading to a new coalition government with the Greens and the Free Democratic Party (FDP). Olaf Scholz, leader of the SPD, took office as Chancellor in December 2021, initiating a shift toward an agenda focusing on renewable energy and social reforms (Knight, 2021). Regarding China-Germany relations, 2021 continued to see robust economic cooperation, although there were early signs of upcoming shifts. Scholz maintained pragmatic engagement with China, similar to Merkel's approach. However, his coalition partners, particularly Foreign Minister Annalena Baerbock, advocated for a more assertive stance towards China, which was apparent already in the Green Party's conditions for forming the 2021 coalition agreement (Wilms, 2022; Lai, 2024).

Prioritising trade and business interests had long been the cornerstone of the German government's approach to both China and Russia. However, in 2022, this approach had started to undergo fundamental shifts. The concepts of "Wandel durch Handel" (change through trade) with China and "Modernisierungspartnerschaft" (partnership for modernisation) with Russia, which were central to Germany's foreign relations until 2022, were starting to be replaced by the term *Zeitenwende*.

In 2022, the relationship between China and Germany experienced a turning point due to the war in Ukraine and Germany's *Zeitenwende*, as declared by Chancellor Olaf Scholz (Scholz, 2022). Scholz's visit to Beijing in November 2022 was the first visit by a European leader to China since the COVID-19 pandemic (Wilms, 2022). His visit also took place in the year that marked the 50th anniversary of Germany-China diplomatic relations. Amid pressure from the US and EU nations, German Chancellor Olaf Scholz defended his China position one day before his trip to Beijing, stressing that Germany doesn't want to decouple from China, and the country's rise did not

justify “the calls by some to isolate China” (Wang, 2022). During his visit to China, Scholz emphasised Germany’s commitment to maintaining economic cooperation and resisting decoupling, while also advocating for increased mutual investment between Chinese and German businesses, as reported by the Chinese Ministry of Foreign Affairs. On the same occasion, President Xi Jinping expressed China’s commitment to deepening economic ties (Ministry of Foreign Affairs of the People’s Republic of China, 2022). Scholz also used the opportunity to urge China to use its influence over Russia to help end the conflict in Ukraine (Hill, 2022). Western media viewed Scholz’s visit with suspicion, citing his role in the sale of a stake in the Port of Hamburg to a Chinese company. As reported by the BBC, six of his ministers, along with national security services, expressed concerns and urged caution over the transaction. Despite these warnings, Scholz reportedly pushed the agreement through, though with some reductions in the size and influence of the Chinese stake. The BBC also highlighted speculation in Berlin that Scholz may have intended to present this deal as a “gift” during his visit to China, further fueling scepticism about his intentions (Hill, 2022). Meanwhile, Foreign Minister Baerbock has advocated for a tougher stance on China’s human rights issues, highlighting the growing divide within Germany’s foreign policy toward China, particularly driven by the Green Party (Wilms, 2022).

In 2023, the diplomatic engagement between China and Germany continued to deteriorate, marked by the release of Germany’s new China strategy in June, which identified China as a “partner, competitor, and systemic rival”. The strategy emphasised de-risking rather than decoupling, particularly in critical sectors like technology and infrastructure, as Germany sought to reduce economic dependencies on China (Bartsch, Wessling, 2023; Glaz, Laurucci, 2023).

High-level meetings, such as the China-Germany Economic Advisory Committee, played an important role in maintaining dialogue between business leaders from both countries as relations began to strain (Embassy of the People’s Republic of China in India, 2023). However, these developments were largely underreported in Western media. Chancellor Olaf Scholz remained committed to economic ties with China while pushing de-risking strategies to mitigate reliance on Chinese imports, especially in the context of global tensions (Lai, 2024). Foreign Minister Annalena Baerbock, in contrast, maintained an aggressive and critical stance, particularly after

Chinese company COSCO acquired a portion of Hamburg port in May 2023, calling for increased scrutiny of Chinese investments in Germany's critical infrastructure (Bartsch, Wessling, 2023).

In 2024, geopolitical tensions between China and Germany escalated as Germany aligned more closely with NATO and the US while continuing to push for a strategy of de-risking from China. Germany's Indo-Pacific Strategy also gained importance in 2024, reflecting a stronger focus on diversifying economic partnerships with countries like Japan and India to counterbalance China's influence in the region (Legarda, 2024). Despite these shifts, forums such as the China-Germany Economic Advisory Committee and the Automechanika Frankfurt 2024 highlighted ongoing dialogue and mutual economic interests, particularly in the automotive and technology sectors.

Geopolitical tensions

In 2021, the geopolitical relations between Germany and China were characterised by increasing scrutiny and criticism, particularly in the context of the Comprehensive Agreement on Investment (CAI). Western media largely portrayed Germany's relationship with China as a "symbolic and strategic victory for Beijing", suggesting that it represented a successful Chinese strategy of "divide and rule" between the United States and Europe (Colson, 2021). This sentiment was echoed in discussions about the implications of Germany's stance, which some labelled as "a blow to the Transatlantic Alliance" (Lohman & Gardiner, 2021). Overall, there was disappointment in Western media regarding Germany's reluctance to confront China, even under the new leadership (Pancevski, 2021). Analysts noted that Germany appeared to be one of the nations least likely to align with a US-led anti-China coalition (Global Times, 2021).

In January 2021, calls began to intensify for Germany to increase its military presence in the Indo-Pacific region, leading to plans for a frigate to patrol the waters later that year (VOA News, 2021). By March, Germany announced it would send a warship through the South China Sea for the first time in nearly two decades as part of a "freedom of navigation" operation. Scheduled for an August 2021 deployment, the German frigate aimed to traverse contested waters, signalling Germany's commitment to international maritime rights amid escalating tensions over China's territorial claims

(McCartney, 2021). The United States lauded these plans in support of the rules-based order (Reuters, 2021).

In 2022, following the start of the war in Ukraine, German Chancellor Olaf Scholz's declared a "Zeitenwende" (turning point) signifying a major shift in Germany's foreign policy as the country began to reassess its dependencies on both Russian energy and Chinese economic power (Maurer, Raube, & Whitman, 2024). A prominent voice in Germany's political landscape, Norbert Röttgen, called for a firmer stance on China, stating, "We cannot afford to be naive with China any longer". He advocated for Germany to align more closely with the United States on the "China challenge" and warned that China posed a significant risk to the liberal international order (Laha, 2022; Chhetri, 2022).

China's perceived neutrality in the Ukraine conflict, along with its "continued partnership with Russia", caused considerable unease within Germany. While China maintained a neutral public stance, its "refusal to denounce Russia's actions" raised suspicions in Berlin. Reports noted that Foreign Minister Baerbock expressed Germany's growing unease, stating, "China's refusal to distance itself from Russia's aggression has complicated our geopolitical and economic ties" (Ji, 2022). This distrust was reflected in Germany's caution about its trade dependencies with China, with some voices in the German government calling for a strategic decoupling. Despite this, others warned against a "cold war" approach with China, suggesting a more measured engagement to avoid exacerbating tensions (Maurer, Raube, & Whitman, 2024).

Germany made its presence felt in the Indo-Pacific by participating in joint military exercises and deploying warships to the South China Sea, signalling support for the so-called "rules-based" international order (Liu, 2022). German officials, however, remained cautious, with Chancellor Scholz noting that "We will seek cooperation where it lies in our mutual interest, but we will not ignore controversies either." (Scholz, 2022).

Key meetings and documents from 2022 further reflected Germany's growing wariness towards China. A major focal point was the drafting of a new China strategy. Baerbock repeatedly emphasised the need for Germany to reduce its dependency on Chinese imports, remarking that "we cannot make the same mistakes with China that we made with Russia" (Ji, 2022). This policy direction underscored Germany's aim to de-risk its relationship with China while maintaining critical economic ties.

In 2023, media reports highlighted Germany's efforts to distance itself from China, partly due to pressure from its Western allies and a changing internal political landscape (Müller, 2023). A key theme throughout the year was Germany's pivot towards "de-risking" its economic ties with China. Baerbock was particularly vocal in framing China as a "systemic rival", emphasising the need for Germany to "become less dependent on Beijing for critical materials and technologies" (Schmidt, 2023). She stated, "We must not make the same mistake we did with Russia," in reference to Germany's past energy reliance on Moscow (Ibid).

A significant event in 2023 was Germany's growing focus on security in the Indo-Pacific region. In November 2023, German Defence Minister Boris Pistorius announced an expanded military presence in the Indo-Pacific, in line with Germany's NATO commitments. Pistorius underscored that "Germany must take responsibility for ensuring security in this vital region", further positioning Germany as a more active player in Indo-Pacific security (Dempsey, 2023). China, however, viewed these moves as provocative, with the Chinese foreign ministry accusing Germany of undermining regional stability, saying, "Germany's actions are not conducive to peace and stability in the Indo-Pacific" (Lai, 2024).

Diplomatic engagement, such as high-level meetings between Chancellor Scholz and Chinese officials, attempted to smooth over some of these tensions. However, Germany's geopolitical alignment with Western security interests, particularly through NATO, and its increasingly critical stance on issues such as China's human rights record in Xinjiang made balancing these tensions difficult. As one German outlet noted, "Germany finds itself walking a tightrope—keen to maintain trade ties but unwilling to ignore the mounting geopolitical risks posed by China's global ambitions" (Alipour & Noyan, 2023).

In 2024, Germany's naval deployment to the Indo-Pacific, involving the frigate Baden-Württemberg and the combat supply ship Frankfurt am Main, was widely perceived as a provocation aimed at bolstering Germany's presence in the region and reinforcing ties with partners like Japan, South Korea, and India (Schmidt, 2024). While Germany portrayed these moves as commitments to a rules-based order, China's reaction emphasised the need for dialogue rather than foreign military presence in its region (Presstv.ir, 2024). These moves were interpreted as attempts to assert influence in the region and were met with strong criticism from Chinese state media and

officials stating that “freedom of navigation does not equal willful trespassing, nor should it be used to provoke China or harm China’s sovereignty and security” (Liu, 2024).

German Chancellor Olaf Scholz’s meeting with Philippine President Ferdinand Marcos Jr. had already fuelled tensions in March 2024. Following the meeting Scholz stressed that “freedom of navigation” must be upheld, a stance China perceived as direct interference in its territorial disputes (Şimşek, 2024). Chinese media reacted by reiterating their call for dialogue and criticising Germany for what they saw as unnecessary meddling in regional matters (Philstar, 2024)

In relation to the Ukraine conflict, Germany’s diplomatic engagements with China were seen as half-hearted in Western media pushing for a more aggressive anti-China policy. Scholz was quoted as saying, “We must acknowledge China’s influence, but we cannot ignore the deeper strategic shifts that this entails” (Müller, 2024). In response, Chinese officials, including Foreign Minister Wang Yi, pushed back against Western narratives, stating that China was committed to peace and urging Western nations to stop framing its ties with Russia as adversarial (Liu, 2024).

Overall, rather than balancing its economic and diplomatic relationships, Germany appeared to succumb fully to NATO and US pressures between 2022 and 2024. Its actions in the Indo-Pacific, along with its focus on the South China Sea, highlighted Germany’s decision to escalate provocations, thereby further straining Sino-German relations. As a result, instead of walking a fine line, by 2024, Germany’s foreign policies tilted decisively towards Western security priorities.

Trade policies

During 2021, Germany was facing mounting pressure to balance its economic ties with China, particularly after the EU-China Comprehensive Agreement on Investment (CAI) was finalised in late 2020. The CAI, negotiated for more than seven years and started in 2014, was driven by Chancellor Angela Merkel’s push to strengthen economic ties between China and the EU, especially in key industries like automotive and technology. The agreement, which closely aligned with Germany’s economic interests, was

seen as a political win for China, raising concerns in the US that it might create divisions between Europe and the US amidst the US-China rivalry (Liu, 2021).

In the first quarter of 2021, media coverage on the CAI was overtly negative. Headlines like “China divides and conquers democracies again” (Heath, 2021) reflected the growing discomfort with the deal, and US commentators accused Germany of repeatedly choosing economic interests over support for freedom and democracy (Simonyi, 2021). This sentiment contrasted with the more positive perspectives from Asian sources like Global Times, which framed the CAI as a significant milestone in strengthening China-EU economic cooperation and a way for Europe to enhance its strategic autonomy and play a more independent role in global relations (Global Times, 2021).

However, the CAI collapsed within only five months, in May 2021, after the European Parliament voted to freeze its ratification. The decision was described as “driven by escalating geopolitical tensions, particularly after China sanctioned European lawmakers in response to criticisms of its human rights abuses in Xinjiang” (VOA News, 2021). CAI’s failure signalled the end of Germany’s pragmatic approach to China under Merkel, reshaping the debate on how Germany should balance its economic interests with broader geopolitical concerns in the post-Merkel era.

In 2022, Germany-China trade relations faced heightened scrutiny as Germany reassessed its economic dependencies in light of the Ukraine war. The war catalysed Germany’s reevaluation of foreign trade ties, especially its reliance on imports from China. Robert Habeck, Germany’s Economy Minister from the Green party, captured the shift in sentiment when he declared that “the time of naivety toward China is over”, signalling a more cautious approach toward economic cooperation with China (Duchâtel & Kefferpütz, 2022). Habeck’s ministry sought to implement policies aimed at reducing Germany’s dependence on Chinese imports while introducing a more stringent review of German investments in China. Habeck refused to provide guarantees for certain German companies investing in China, a move that came as a shock to the business community, underscoring this shift.

As 2022 progressed, there were increasing calls within the German government to diversify investments and reduce dependency on Chinese goods. Alternative Asian markets, such as Indonesia, were explored as potential destinations for German investments (Ulatowski, 2022).

One of the most notable debates surrounding Sino-German trade relations in 2022 revolved around COSCO's acquisition of a stake in the Port of Hamburg, which raised alarms about China's growing economic footprint in Europe. German officials expressed concerns over allowing such strategic investments, with critics warning that it could give China too much control over critical infrastructure. Despite these warnings, the deal proceeded with some limitations imposed by the German government. Another significant element in the trade discussions was Germany's reconsideration of investment guarantees for companies operating in China. For the first time, Volkswagen was denied an investment guarantee, reflecting Germany's growing reluctance to support firms expanding their operations in China without considering the broader geopolitical risks. Habeck emphasised that "we cannot continue to rely on trade policies that leave us vulnerable to authoritarian regimes".

In 2023, trade relations between Germany and China were increasingly shaped by the push to "de-risk" Germany's economic dependency on China. This shift was partly influenced by geopolitical factors such as the war in Ukraine and China's growing global presence (Biba, 2023). The German government made efforts to reduce its reliance on China, especially in critical industries such as technology, energy, and pharmaceuticals. Baerbock highlighted the need for this shift, stating that "Germany cannot rely on China as before" (Eder, 2023).

In 2024, trade policies between Germany and China were shaped by a mix of regulatory actions, strategic economic initiatives, and geopolitical considerations. A key focus of the year was the growing scrutiny around Chinese companies such as Shein and Temu, with Germany drafting regulations aimed at ensuring these retailers comply with European standards for product safety, environmental protection, consumer rights, and customs laws. The spokesperson of the German Economy Ministry emphasised that "existing regulations must be enforced as strictly for third-country retailers as they are for EU retailers" (Müller, 2024).

Another significant event was the European Commission's push to impose anti-subsidy tariffs on Chinese electric vehicles (EVs). This decision would impact Chinese companies like BYD, Geely, and other major players. German Chancellor Olaf Scholz and various automotive executives expressed concerns about these tariffs, particularly as Chinese EV manufacturers had started

gaining significant market share in Europe. The Chinese auto industry responded with calls for cooperation, as Victor Yang from Geely stated at the Automechanika Frankfurt trade fair in September, “Even if some in Europe turn against us, we will never turn against the European market” (Waldersee, 2024).

Despite calls for “de-risking” from China, German companies continued to invest heavily in local research and development within China, particularly to maintain a competitive edge in the rapidly evolving market. The German Chamber of Commerce’s Innovation Report noted that 63% of German companies were conducting research in China, with 69% developing products there, up from previous years. The report suggested that localising innovation in China was essential for these companies to remain competitive globally (Schmidt, 2024).

Economic cooperation

In the first half of 2021, economic relations between Germany and China continued to show significant growth despite global uncertainties. For instance, China remained the biggest export country for Germany’s electrical and digital industry in 2021 (Xinhua, 2022). This strong economic bond was further evidenced in the automotive industry, where China accounted for 38% of global car sales for Germany’s leading manufacturers, including Volkswagen, BMW, and Daimler. Both BMW and Daimler experienced record sales in China in 2020, with increases of 7.4% and 11.7%, respectively, as China’s quick economic recovery from the pandemic boosted demand for German cars (Xinhua, 2021).

Germany’s car manufacturers were not the only beneficiaries of the expanding trade with China. In 2021, Chinese ride-hailing giant Didi Chuxing announced plans to enter Western Europe, targeting markets such as the UK, France, and Germany. This expansion indicated China’s increasing investment in Europe, with Didi establishing teams in Europe to facilitate the rollout by mid-year (Bloomberg News, 2021). Meanwhile, China had already overtaken the US as Europe’s top trading partner in 2020, with European Union exports to China growing by 2.2% and imports from China rising by 5.6%, marking a historic shift in Europe’s trade dynamics (Amaro, 2021).

This mutually beneficial relationship, however, began to face growing challenges. The departure of Chancellor Angela Merkel in December 2021

marked a turning point. Merkel had long championed pragmatic engagement with China, balancing economic ties with broader EU and Western foreign policy concerns. Her departure, along with the formation of a new coalition government led by Olaf Scholz, brought a shift in Germany's stance on China. The outbreak of the war in Ukraine in early 2022 further complicated Germany's position, as it prompted a re-evaluation of the country's so-called "dependency on authoritarian regimes, including China", for critical economic sectors like energy and raw materials (Knight, 2021). The new German government signalled a shift towards reducing dependencies on China, particularly in strategic sectors, and aligning more closely with EU and US efforts to confront China's growing global influence. That marked the beginning of what has been described as a "more cautious and balanced approach to China-German relations, moving away from the heavy economic reliance that had characterised the previous decades (Bartsch, Wessling, 2023).

In 2022, economic cooperation between Germany and China faced increased scrutiny due to geopolitical shifts and Germany's reassessment of its dependence on China. Despite this shift, German industrial investments in China continued, particularly in key sectors such as automotive and chemicals. However, the allure of China's vast market remained strong, particularly in the automotive and chemicals industries, which saw record growth in Chinese markets throughout the year (Xinhua, 2022). Companies like Volkswagen, BMW, and BASF invested heavily in China, with German firms pouring nearly €10 billion into the Chinese market during the first half of 2022 alone (Bartsch, Wessling, 2023).

The deep-rooted economic interdependence sparked concerns among political leaders. However, industry representatives, such as the Asia-Pacific Committee of German Business, argued that "government support and protection of German companies' business in China must remain in principle".

In 2023, a key theme in Germany's foreign policy was the "de-risking" strategy aimed at minimising economic dependence on China without entirely cutting ties. Although the government had encouraged companies to diversify their supply chains and reduce their reliance on Chinese imports, many German businesses, especially in the automotive and chemical sectors, found it challenging to implement these changes. The growing reliance on China in these sectors made it difficult to pivot immediately to alternative markets without incurring significant costs. Nevertheless, the German

government's strategy in 2023 focused on gradually shifting these dependencies while maintaining vital economic links with China (Bartsch & Wessling, 2023).

Foreign Minister Baerbock, urged caution in engaging with China. Despite these calls from the German government, many German companies remained reluctant to disengage from China. As noted by CEOs, such as Gerhard Pfeifer of the Pfeifer Group, "avoiding contact with China is impossible" given its economic scale (Schmitz, 2024) This sentiment was mirrored by large automakers like Mercedes-Benz, Volkswagen, and BMW, who continued to view China as a critical market despite the rising political tensions. In 2023, Chinese imports to Germany grew by 34%, and Germany's top automakers still sold more than a third of their cars to Chinese consumers. Gerhard Pfeifer, CEO of the Pfeifer Group, stated, "Avoiding contact with China is impossible", highlighting China's crucial role in sectors like construction and automotive (Bartsch, Wessling, 2023). The CEO of Mercedes-Benz underscored this dynamic by stating, "De-risking means not reducing our presence in China but increasing it" (Schmitz, 2024). The automotive industry demonstrated this interdependence, with companies like Volkswagen, BMW, and Mercedes-Benz maintaining significant operations in China, where they sold over a third of their vehicles (Ibid).

In 2024, the United States overtook China as Germany's largest trading partner for the first time in nearly a decade. This shift occurred in the first half of 2024, with trade between Germany and the US totalling approximately 127 billion euros, compared to 122 billion euros with China (Asharq Al-Awsat, 2024; Bozoyan, 2024). Before this change, China had held the position as Germany's top trading partner for eight consecutive years, from 2016 to 2023 (Wagner, Martinez, 2024). Despite this shift, economic cooperation between Germany and China remained crucial, particularly in key sectors such as automotive, technology, and industrial innovation. Chinese companies like Geely and BYD maintained a strong presence in Europe. Victor Yang, a senior executive at Geely, emphasised that the company remained committed to its European market strategy, having sold 200,000 cars in Europe during the first half of 2024. Additionally, nearly 900 Chinese auto suppliers participated in the Automechanika Frankfurt trade fair in September 2024, highlighting the importance of Europe for Chinese automotive firms despite rising geopolitical tensions and new trade barriers such as the European Commission's proposed

tariffs of up to 19.3% on Chinese electric vehicles (Wagner, Martinez, 2024). Strategic partnerships continued to underpin Sino-German economic ties, such as Volkswagen's investment in XPeng, a leading Chinese electric vehicle manufacturer, and BMW's collaboration with CATL, a Chinese battery maker, to advance battery technology and environmental sustainability (Volkswagen Group, 2024). These initiatives emphasised both countries' commitment to green growth. Beyond the automotive sector, the collaboration between Germany and China expanded into renewable energy, particularly in hydrogen development. Florian Becker, a fuel cell engineer, emphasised China's massive hydrogen production capacity, which Germany seeks to leverage to advance its energy transition goals. This partnership underscored Germany's interest in utilising China's expertise to scale up production in green technologies vital for achieving climate objectives (Carney, 2024). At the Automechanika, the world's leading trade fair for the automotive service industry, both sides stressed the importance of separating economic collaboration from political disputes, with industry leaders calling for continued technological cooperation (Waldersee, 2024).

However, the main news in 2024 came from Volkswagen in September, with the company weighing whether to close factories in Germany for the first time in its 87-year history as it moves to deepen cost cuts (Waldersee & Amann, 2024). In 2019, Volkswagen chief, Herbert Diess, acknowledged that the company's future would be determined in China (Xinhua, 2019). However, by 2024, it became evident that his prediction was incorrect. The company's future had actually been shaped in the United States.

CONCLUSION

Observing the events before and after the start of the war in Ukraine, it is clear that the conflict has amplified pre-existing negative trends in the relations between Germany and China, many of which had begun to surface as early as 2021. The war has further destabilised economic and trade relations, which had long been the backbone of the bilateral relationship. As a result, (geo)political forces have taken on a more dominant and disruptive role in these relations, reversing the previous dynamic where economic interdependence often served as a stabilising force in bilateral relations and geopolitics. What is more, media narratives have played an important role in

pressuring German foreign policy towards a more adversarial stance towards China. These narratives have significantly impacted the balance between economic cooperation and political rivalry, overwhelmingly tilting the dynamic in favour of political competition, scepticism, caution and “de-risking”.

The onset of the war in 2022 has acted as a catalyst, shifting Germany away from Merkel’s policy of equidistance between China and the United States and aligning it more closely with NATO and the US. This shift has been marked by a growing military posturing in the Indo-Pacific and a more aggressive stance on issues like territorial disputes in the South China Sea. Moreover, the emergence of Germany’s new China strategy, which categorises China as a “partner, competitor, and systemic rival”, signals a profound recalibration of foreign policy priorities that prioritises security concerns over economic interests. As geopolitical tensions have risen, economic considerations have often taken a backseat, leading German leaders to pursue policies that do not align with their national interests or follow a rational choice framework. This shift has underscored how geopolitical imperatives have dominated the dialogue, pushing economic cooperation aside.

Certainly, the increasingly vocal influence of voices from the Green Party in the German coalition Government, most notably the Ministers of Economy and Foreign Affairs, have played important roles in this direction. Certainly, the increasingly influential voices in the German Coalition Government from the Green Party, particularly the Ministers of Economy and Foreign Affairs, have played a critical role in steering this shift. Their ideological and euro-atlantic stance on China’s human rights issues and strategic competition has further fueled this transformation in Germany’s foreign policy outlook. Nonetheless, it was the war in Ukraine that ultimately provided the conditions for these influences to take root and flourish.

Consequently, the war between Russia and Ukraine has had far-reaching implications in the triangular relationship between the US, Germany, and China. In many ways, it has resurrected and reasserted Lord Ismay’s original description of NATO’s purpose for the 21st century, now adapted to current geopolitical realities: to keep the Americans in, the Germans down, the Russians out, and increasingly, to try to draw the Chinese out.

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EU ACTORNESS ON TRIAL: CAN THE EUROPEAN UNION FORGE A COHESIVE CHINA STRATEGY?

Mehreen GUL*

Abstract: In an emerging economic order, new players advance their strategic leverage, driven by significant economic growth. Notably, as China ascends to the status of a US peer competitor, the European Union (EU) faces challenges in developing a unified strategy to engage with China. China's policy to go global also creates a dilemma for the EU in making a cohesive China policy. The EU, which has an important role as a global actor, has its own challenges in declaring its position in the multipolar world and with its complex internal structure of decision-making. The biggest challenge to the EU's quality as an actor comes from China's bilateral relations with the EU member states. The two biggest economies, France and Germany, influence the development of a cohesive China policy. For a sustainable China policy, managing the interests of member states and bringing them together on a single page is important. The paper examines the current EU's approach to engaging China, focusing on its actor quality. A cohesive EU policy is challenged by China's economic growth and increasing influence on the world stage.

Keywords: Economic order, unified strategy, competitor, multipolar, actor, sustainable, stature.

INTRODUCTION

China's economic growth has reshaped global governance systems, Asian security perspectives, and the increasing concerns for countries to assess their foreign policies towards China, including the European Union (EU). Maintaining cordial relations with China presents numerous opportunities for development and trade. Europe is no exception. China is the EU's second-largest trading partner for goods after the United States, with bilateral trade reaching €739 billion in 2023 (European Commission, n.d.). However, the

* Deputy Director, Pakistan Research Centre for a Community with a Shared Future, Islamabad, Pakistan; Email: mehreen123gul@gmail.com, ORCID: 0009-0003-2016-0714.

persistent trade balance in China's favour is an immense concern for the EU. This concern transforms into a strategic threat against the backdrop of US-China strategic competition in the bigger picture. The US and China share great importance, and at the bilateral level, several member states of the EU are hesitant to scapegoat their national interests in the strategic competition of Sino-America, informed primarily by ideological principles.

Von der Leyen, the president of the European Commission, the executive arm of the European Union, unveiled the EU's de-risking policy in its relations with China in March 2023: "I believe it is neither viable – nor in Europe's interest – to de-couple from China. Our relations are not black or white – and our response cannot be either. That is why we need to focus on de-risk – not de-couple. A strong European China policy relies on strong coordination between Member States and EU institutions and a willingness to avoid the divide-and-conquer tactics that we know we may face. But I also want to say that nothing is inevitable in geopolitics. China is a fascinating and complex mix of history, progress, and challenges" (Von der Leyen, 2023).

Even though the EU has been trying to safeguard its economic and security interests through a de-risking approach, it is confronted with the challenges of unity regarding the bilateral engagement of the EU member states with China. Currently, the EU is more concerned over its security and maintaining a three-fold strategy for perceiving China as an international competitor, partner, and systematic rival. The posture of the EU towards developing a cohesive strategy towards China depends on the interests of the member states, who influence the EU's decisions, but also on systematic pressure in the wake of Sino-US rivalry that has been continuously exerting force on the EU's rational approach and its transatlantic commitments. Thus, it is important to analyse the current EU strategy and opportunities for forging a cohesive China strategy.

THE EU AS AN INTERNATIONAL ACTOR

Over the past half-century, the single market, the office of the European External Action Service (EEAS), led by the High Representative for Foreign Affairs and Security Policy (HR/VP), and other executive institutions have awarded this supranational organisation an "actor quality". The EU's economy, being the second largest, stands as a single actor, and European

Standardisation gives it immense strength when making a cohesive policy. However, such unity is rarely witnessed in foreign affairs. A half-century-long integration project has faced stalemate in foreign affairs diffusion and sharing of authority. Former US Secretary of State Henry Kissinger's famous remark succinctly explained this: "Who do I call if I want to speak to Europe?" Solving the Kissinger puzzle took another 17 years after the Maastricht Treaty.

Although convergence is a critical element in the development of EU strategies, implementing common policies across the EU remains challenging. This difficulty arises from the need to amend national policies, a process that is often fraught with obstacles. Several EU states are reluctant to transfer their authorities for decision-making to EU institutions completely by supporting an inter-governmental approach to these processes (Delreux et al., 2012). The Common Foreign and Security Policy (CFSP) is an important aspect of the EU's decision for international relations. However, member states can significantly use their veto rights and powers due to their intergovernmental nature (Thomas, 2009). This prevents the EU from adopting common strategies, although most international policies are developed unanimously. Thus, taking a position on global issues or complex decisions requires consensus from member states.

THE EU-CHINA RELATIONSHIP

China has rapidly achieved its international goals and influenced global trade and investment patterns. The last three decades have been important for the rise of China as a powerful economic state. Also, during that period, relationships between China and the EU flourished (Dong, 2018). China's ambitions and goals are now the cause of the tensions when determining economic policies. The beginning of the China-EU relationship can be traced back to the 1998 Annual Summit, followed by continuous dialogues on important issues (Scott, 2007). As per Geeraerts (2019), China has also been an essential part of the EU security strategy adopted in December 2003. Although the summits and dialogues until 2007 had shown an optimistic approach regarding the discussion of critical global problems, the findings of Taylor (2022) indicate that the exchanges and discussions have been more economical and based on shared development ideas. The economic relations between the two actors developed immensely afterwards, along with the

beginning of a strategic partnership after the economic recession of 2009 (Xin, 2014). At that time, predictions were made on how the two countries' economic ties might develop in the future. Consequently, this relationship turned into a significantly important partnership, resulting in China becoming one of the most significant trade and investment partners of the EU after the US and Japan.

With the expanded investment cooperation in 2016, the agreements between China and the EU on high-tech projects and infrastructure development have been of utmost importance (Christiansen & Maher, 2017). The establishment of collaboration in social, security, and policy areas is intended to deepen the relationship between the EU and China. Annual summits and meetings regarding human rights and technological enhancement have helped expand political relations (Shaffer & Gao, 2021). Meijer (2021) depicted that the EU's policy towards China suggests support for China in increasing its positive role in global trade and economic developments by reducing the unfavourable aspects. Their relationship signifies dependency on meeting their trade and export market requirements. However, the relations between the two have been moving towards a potential trade war.

The capacity for enhanced strategic relations between the EU and China is high due to the number of common economic and sustainability interests. The EU is one of the major markets in Europe, with developed member countries and a high potential for trade and investments. On the other hand, China has also emerged as a global economic power motivated by the need for greater stability and technological development. Both are jointly interested in promoting their share and presence in the Middle East, Asia, and Africa (Taylor, 2022). Mutual gains and a desire for sustained growth are the main causes for the establishment of economic cooperation. Besides, the EU and China also share an interest in global politics and political reforms. In this context, the two actors are effectively working to enhance policies for security and sustainable energy usage to minimise environmental impacts and improve geopolitical relations (Delreux et al., 2012). As per Christiansen & Maher (2017), the EU-China relationship can be regarded as a structured partnership with a complex management of connections and a high level of differences in approaches towards global politics.

Effective cooperation between the two world powers is required to manage global economic balance and combat the impacts of complex global trade structures. However, the challenges in maintaining these strategic relationships arise with the China-US rivalry (Taylor, 2022). The increased EU-China cooperation can have mild to moderate repercussions for its relationship with the US, which is also an important trade partner of the EU. Increasing trade cooperation is therefore a crucial strategic choice that is influenced by both global politics and a cogent internal strategy.

ECONOMIC SIGNIFICANCE OF CHINA'S MARKET

China has shown remarkable growth over the past two decades, with a high GDP compared to many economic powers and promotion for technological development and innovations. After facing difficult economic challenges in its history, China made its way to progress by reaching 20% of the world GDP by 2016, leading to important projections regarding its future endeavours (Wu & Jensen, 2017). That also led to the development of China as an essential marketplace for planning trade decisions for balanced economic growth. The 2008 economic turmoil further enhanced the significance of the Chinese economy in reducing the economic issues in Europe by implementing financial support and helping countries stabilise their economies (Pavličević, 2019). Thus, China appeared as an important country that can be kept on strategic partner lists for the achievement of higher economic goals and maintaining global economic stability.

China led the global market in the pre-modern era during the Song Dynasty with the most sophisticated tools and techniques, a high rate of urban growth, and significant development in the iron production industry. However, between 1500 and 1800, the country began to lag behind the growing European civilisation because of its internal strife, succession issues, palace coups, and centralised political structure, creating obstacles in innovation and global market growth (Zhu, 2012). The establishment of the People's Republic in 1949 helped promote the country's industrial growth and enabled it to achieve its leading economic position once again (Zheng, Bigsten & Hu, 2009). There have been several reforms, including agricultural reforms, education development, and enhanced incentives to industrial workers to promote their participation, which played a significant role in the

country's economic race (Haini, 2021). The view of the historical position of China and its emergence as a significant economic power has revealed that the shift of the country from mere capital investment to the increment in productivity-based growth has helped achieve many of the political reforms.

China has implemented several economic reforms since the 1980s, leading to its development into an attractive global market with open ways for international investments, which was previously unpopular in the country. China has the privilege of a large population that helped the government implement its large labour force to support transformation into the world's factory (Haini, 2021). Hence, China not only enjoys a good reputation for making pronounced economic achievements over time, but it has also turned itself into an important manufacturing centre. China has a growing level of Foreign Direct Investment (FDI) in the EU, with almost \$118 billion of non-financial investment in 2015 (Wu & Jensen, 2017). The country also showed a 14.7% annual increment in the growth of FDI, showing its potential to gain more economic achievements and enhance its global presence. The significance of China's market for the EU can be evaluated if we analyse the EU's investment in China, which is also increasing at a slightly lower rate. However, the stock of non-financial FDI in China crossed almost 120 billion (Wu & Jensen, 2017). The Belt and Road Initiative (BRI), introduced for infrastructure development and cooperation across different countries in Asia, Europe, and Africa, is also a significant effort towards economic growth and cordial relations development by connecting the countries with the help of maritime and land routes (Ohashi, 2018). The significance of China for the EU is thus undeniable, and the inclusion of this important strategic partner in international policies with thoughtful consideration is immensely important.

Besides, China has sustained potential for long-term survivability in different industries at the global level. Therefore, reinforcing ties with China in the long run would be productive for the EU members. The beginning of coronavirus restrictions in the major Chinese markets, such as Shanghai, has highly disrupted the investments and market operations of European companies. Regardless of the challenges posed by the pandemic, China maintained itself as a profitable market for EU business with its steadfastness and determined labour power (Curran, Eckhardt & Lee, 2021). Notably, China safeguarded its economic ties while facing a highly competitive landscape that includes nations with rich resources and favourable natural environments

for many production businesses to thrive, such as Southeast Asia. Many EU members, including France, Italy, and Hungary, fulfil their needs for Information Technology (IT) products from China. Regional Comprehensive Economic Partnership (RCEP) brings together Asian-Pacific countries, including China, covering 30% of the world population. The agreement signifies the growing economic influence of the region and also carries some prospects and challenges in maintaining its future relations with China (Lu, 2019). China is the biggest renewable energy producer and the biggest emitter of CO₂, playing a decisive role in managing climate crises (Federal Foreign Office Berlin, 2023). The significance of China as a strategic global partner also lies in its actorness in solving major global issues such as climate change.

Although China has reserved itself as an important global player in many industries with its continuous economic inclination, dependency on the EU export market as a major supporter of China's trade must be underscored. Besides, the economic vulnerability of European countries led to the development of their relations with China.

DIVERGING PERSPECTIVES OF MEMBER STATES AND EU'S COHESIVE CHINA STRATEGY

Since the beginning of economic ties between China and the European Union (EU), their formal diplomatic relations have experienced numerous fluctuations. The EU-China relationship is not just an interaction for mutual economic benefits. Instead, it is a complicated relationship that considers several internal, regional, and global actions and policies. The individual states of the EU, having a stake in the international decisions for trade and diplomatic ties, also have an impact in deciding on contracts for international trade (Pavličević, 2019). China has ascended to its status as the world-level champion in exports and production, and, in this regard, it is important to analyse the strategy of the individual EU member states towards China.

Many EU member states have bilateral relations with China shaped by their national interests, a key variable influencing the overall EU's policy towards China. The economic relationship between Germany and China depicts one of the greatest trade relations between an EU member state and China. Approximately one million jobs in China depend on over 5000 German companies doing business there. Simultaneously, Chinese firms have become

increasingly important employers in Germany (The Federal Government of Germany, 2023). China was Germany's largest trading partner for goods in the EU in 2023, with a trade volume of over 254 billion euros. Prominent German companies such as Daimler, Volkswagen, and BMW have established production facilities in China. Siemens (a technology conglomerate) and BASF (the largest chemical producer in the world) have significant investments in China that intertwine the two countries in deeper economic ties.

Main Chinese Imports from Germany, 2023

Product category	Value (US\$) Billion
Vehicles other than railway, tramway	23.22
Machinery, nuclear reactors, boilers	22.79
Optical, photo, technical, medical apparatus	13.57
Pharmaceutical products	11.62
Miscellaneous chemical products	7.91

Source: ITC Trade Map, <https://www.trademap.org/Index.aspx>

Both countries have prioritised the expansion of economic relations over military engagement to achieve their international policy goals, leading to a heightened level of interdependence between them. The relationship between Germany and China is not just confined to trade agreements. Rather, the German-Chinese Rule of Law Dialogue in 1999 depicts their partnership on social and political issues, including law and order and human rights. In April 2024, the German chancellor's visit to China was interpreted as diverging from Brussels' more hostile stance. Germany prioritises short-term financial gain over long-term security (Butler, 2024). Scholz's visit to China confirms a persistent reluctance of Europe's biggest economy to play a central role in the EU, NATO, and other multilateral organisations (Dempsey, 2024). To a certain extent, Scholz's "high-profile" visit to China is just a return to the normalcy of bilateral relations (Global Times, 2024). Hence, it can be concluded that the Germany-China relationship is now shifting towards balancing political relations, trade, and investment dependencies. However, these relations have stumbling blocks, alleged human rights violations in the autonomous regions

of Xinjiang and Tibet, and civil and political rights, including freedom of the press and opinion, explicitly expressed by Germany in its first-ever “Strategy on China” in July 2023. According to UN News (2024), there are “reasonable grounds” to believe that Israel is committing genocide against Palestinians in Gaza”. Germany’s decision to stand by Israel firmly raises several questions about Germany’s commitment to universal human rights. Despite economic interdependence, Germany is the central part of the larger Western blocs that declared China a revisionist state, posing a grave threat to the liberal world order. China’s economic growth is enhancing its global stature, which in turn has given China a position to table the demand to reform the Western-dominated global governance system and the capability to develop a counter-normative structure to the liberal world order. Another contention between China and Germany is China’s arms supplies to Russia during the Russia-Ukraine war. Despite Western pressure, China remained reluctant to leverage its economic and strategic relations with Russia to dissuade Russia from its military campaign against Ukraine. The policy of “strategic omission” has been adopted by both sides to prevent the collapse of their economic relations. Germany straddles between the US and China for its security and economic benefits. Germany is quite skilfully navigating the complex situation between the two major powers while balancing its own interests, as it has done via *Ostpolitik* (Eastern Policy) during the Cold War. Of course, it will have long-term implications for EU cohesiveness.

Unlike Germany, France’s relationship with China predominately emphasises the political dimensions, as momentous political declarations and meetings have been part of the diplomatic engagements of both countries. In 1997, the Sino-French Declaration for a global partnership was signed, portraying France’s goal to enhance its global presence in the multipolar world by having China as a strategic partner (Weske, 2007). However, the relationship between these two countries does not always depict smooth interaction. Tensions arose due to the growing military equipment agreements concluded between France and Taiwan in the 1990s. The adjustment of France’s policies by ceasing its sales agreements with Taiwan and paving the way for a harmonious relationship with China proved significant in rehabilitating diplomatic ties. France also intends to promote economic ties along with political declarations previously not very effective due to the presence of Germany in the Chinese market. Nevertheless, with the diverging policies of the member states, such as France and Germany,

moving on different paths for economic relations, it is challenging for the EU to maintain its cohesive China policy. France's view of political engagement with China signifies its broader goals for maintaining international geopolitics (Peters, 2023). France shows a preference for multipolarity and considers the impact of the EU as a counterbalance for the US.

Along with maintaining economic and political ties with Western Europe, China extends its diplomatic ties with central Europe, including the Balkan states. The Central and Eastern European (CEE) countries gained the necessary attention from the world powers after joining the EU in 2004. The 16+1 initiative of China is introduced to attain economic cooperation with the CEE countries. Besides, the well-known Belt and Road Initiative (BRI) is also increasing its economic influence in this region (Bharti, 2022). The economic cooperation of China after the 2008 recession also helped the EU reach and form prime market regions in the CEE. Poland is the second-largest importer of China from the CEE. The cooperation of China in the Western Balkans is mainly focused on infrastructure projects and endeavours to connect with Europe. As China's strategic partner, Serbia welcomed the Belt and Road Initiative, became a Chinese arms purchaser, and became an important destination for China's investments in Southeast Europe. However, future Chinese economic projects in this region can stimulate responses from Western Europe, which has been the main economic supporter of the CEE countries. The mistrust and historical differences between the Western and CEE countries provide an understanding of how these countries can have differences of opinion in forging cohesive China policy (Zweers et al., 2020). Nevertheless, the CEE countries tend to improve their trading with China to reduce dependence on Western Europe.

The EU's actorness is waning as a result of its disparate agreements and relationships with its individual members. However, China prefers to make decisions based on the responses of individual nations. The contrasting trade and political interests of the members at a particular time can make EU decisions more complicated. However, building EU-wide strategies can also bring opportunities for long-term cooperation.

EMERGING GLOBAL POWERS AND EU'S POSITION

Emerging economies like India, China, and Brazil are currently important in the global environment. The goal of these emerging powers, particularly China, is centred on larger global and regional issues. The success of the most populous economies can be found in their convergence with the most sophisticated industrially developed actors, including the US, the EU, and Japan (Kahler, 2013). However, these economies' future impact on global institutes' decision-making is disputed. A pessimistic perspective on the convergence demonstrates the chances of highly conflicting situations among new rising powers and the existing powers, as the newly developed countries aspire to impact global decisions and institutions, thus portraying a desire for restructuring from existing foundations (Costa & Barbé, 2023). Given the convergence aspect in the rising powers and the views on the conflicting situations due to the differences of opinions, the analysis of the new structures and support systems is significant for developing international policies and taking a clearer position in the selection of global trade partners.

The challenges to the economic powers' convergence can occur due to the conflict of interests and divergence from the existing world order by supporting new preferences of the emerging powers. Additionally, this view also shows the fear of change of economic functions from a free flow market to the state to the state-controlled system since the growth of emerging economies such as China shows export-based growth with a neo-mercantilist approach (Kahler, 2013). It is also argued by Riddervold & Rosén (2020) that the success of emerging nations is not the result of natural economic policies and practices. It is a result of manufacturing development by increasing exports. However, the existing records of these states as emerging powers in global trade do not predict any such behaviour representative of their ideological points for changing economic factors. These countries' quest for more power also reflects their view on the convergence conflicts due to the chances of acquisition of governance order. There has been a strong historical connection and similarity of interests between the US and the EU, although many EU's current economic policies have China as a priority (Zhao, 2019). At present, as an international actor, the decision to take a clear stance for maintaining balance in global powers is important for the EU.

FORGING A COHESIVE CHINA STRATEGY: CHALLENGES AND OPPORTUNITIES

There are several challenges and opportunities for the EU when developing its cohesive China strategy and international policy representative of all its member states (Geeraerts, 2013). Internal cohesion is one of the main strategies for policy development. It is also the EU's main goal. However, the findings of Da Conceição-Heldt & Meunier (2017) revealed the EU's cohesive policy is not as effective in bringing the interests and decisions of all the member states on one page. Rather, the policy for many international relations is representative of only a few powerful member states exercising their power to influence the so-called cohesive policymaking of the EU. Expressing an individual national voice in the EU is among the major issues in the effective management of global policies towards the world's major economic powers. In this regard, the EU worked for its internal cohesiveness by introducing the Constitutional Treaty and Lisbon Treaty to empower its member states in the constitution's development and make more transparent decisions for public well-being (Da Conceição-Heldt & Meunier, 2017). The importance of maintaining internal cohesion and uniting all member nations at one time has motivated these initiatives.

The internal cohesiveness of the EU is either high or falls at low cohesiveness levels. Internal cohesive homogeneity of interests is not of prime significance. Rather, the policy is developed by collective rules for representing cohesiveness externally. The attitude of the members, such as France, Germany, and the Eastern European countries, has significantly shifted towards China. Although Germany promotes trade with China, German leader Angela Merkel has entirely avoided the Beijing Olympics, thus portraying cautious behaviour (Wai, 2011). Besides, France and Germany, although with different strategic goals, have a strong influence on cohesive policies and can impact future decisions (Müller, Pomorska & Tonra, 2021). In this regard, forging a China policy can only reduce the friction between member states and bring them on the same page regarding China policy.

The current change in global structures and increasing competition from emerging economies, such as China, offer significant opportunities for balancing global power structures. Consequently, China's economic influence increases daily, making it an important international market and investment partner. Additionally, China's new infrastructure initiatives initiate mutual

growth and benefit. Hence, the EU must enhance its international policy-making system by reducing barriers in its cohesive strategy. Improving the overall coherence of China policy will be facilitated by holding discussions with the members and making decisions by keeping them in agreement.

CONCLUSION

The EU-China relationship is characterised by significant economic interdependence and long investments and trade relations. The start of dialogues in the late 1980s marked the beginning of the two nations' relationship. However, the European economic crisis has fostered its economic relations with China, and a trade partnership has evolved over time. Along with this relationship development, the global position of China as an emerging major power has also become visible over time. With the change in the global structures and internal cohesive policies of the EU, the relationship strategies of the EU regarding China have also become complex and challenging. At the same time, China's market, with its tremendous growth, innovative technologies, effective production growth, and improved security conditions, makes China a beneficial economic partner for the EU. On the other hand, a cohesive China strategy is challenging for the EU to maintain due to the different strategic goals of its member states, such as France, which views China as a counterbalance to the US power. Germany considers economic growth and investment relations a top priority. Similarly, the growing infrastructure projects in Eastern European countries show different levels of Chinese cooperation there. Additionally, China's growth also gives rise to concerns over its intentions to take power and contest rules and economic policies by changing international structures and value systems.

The internal cohesive policies of the EU require bringing the member states to one page. In the case of China, several member countries with high power to influence the external EU decision-making express their cautious behaviour towards China. Germany and China have contrasting political views on issues such as China's cooperation with Russia and different interests in acquiring regional and international power. In this regard, the differences between member states can significantly impact the formal development of the relationship with China. Despite the member states' disagreement, the consequences can be mitigated by strengthening the strategic alliance with China.

China's market provides a significant opportunity for future growth and global development. The EU is one of the major importers of Chinese products and helps it gain a vital market position globally. Additionally, the EU is blessed with a potent power as an international actor and can decide whether to make its position clear. On the other hand, China is an important emerging economy with developed technological and manufacturing sectors. The individual members have their respective types of partnerships with China. However, for collective trade agreements, it is paramount to have cohesive decision-making. As a result, tensions may arise between the US and the EU. Thus, in order to maintain its worldwide position, the EU must consider its internal issues surrounding a cohesive China policy and keep a watch on its external role and strategic requirements.

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China and the Western Balkans: Testing new grounds

“STEEL FRIENDSHIP” OF THE POLITICAL ELITES: HOW CHINA BECAME A SOFT POWER PLAYER IN SERBIA

Dragan TRAILOVIĆ*

Abstract: In recent years, with varying degrees of success, the People’s Republic of China has been attempting to enhance its image in other countries through various public and cultural diplomacy strategies in order to increase its soft power. Notably, in the Balkans, Serbia stands out as a country where the promotion of Chinese soft power has been more successful than in other countries in the region. Indicators of this success are evident in the attitudes of Serbian citizens, with a large and stable majority holding favourable views towards China and considering it one of the most influential foreign policy actors shaping Serbia’s international position. Therefore, the question arises: How did China become such an influential soft power player in Serbia? In an effort to answer this question, we will present a set of the most significant factors that have positioned China in this manner: characteristics of political relations, economic cooperation, military and security cooperation, cultural cooperation, the conduct of the Serbian political elite, and the influence of the media. To understand the success of China’s soft power in Serbia, this paper will prioritise two key factors: the significant influence exerted by Serbian political elites in shaping a pro-Chinese narrative and favourable portrayals in the media. The first part of the paper will focus on the attitudes of Serbian citizens towards the People’s Republic of China, which will serve as the primary indicator of its soft power in Serbia. The second part of the paper will use contextual analysis to present the key factors shaping China’s soft power in Serbia.

Keywords: “steel friendship”, Serbia, China, soft power, political elites.

*Research Fellow, Institute of International Politics and Economics, Belgrade, Serbia; Email: dragan.trailovic@diplomacy.bg.ac.rs; ORCID: 0000-0001-9707-9867.

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INTRODUCTION

The development of soft power is a fundamental aspect of China's foreign policy and a key objective in its long-term international strategy. China has long understood the significant impact of soft power in shaping global perceptions and influencing other countries (Nye, 2023, pp. 89-130; 2015; 2012, pp. 154-155). Consequently, China has committed substantial resources and efforts to enhance its soft power capabilities. That includes investing billions of dollars in various initiatives, such as promoting the Chinese language and culture through Confucius Institutes and other cultural exchange programs. China also focuses on shaping its image through international media efforts, projecting a favourable narrative of the country. Additionally, China leverages the secondary effects of its economic power, such as infrastructure investments, to bolster its soft power (Repnikova, 2022; Albert, 2018; Lai & Lu, 2012).

The strategy of expanding and strengthening Chinese soft power is also directed towards Central and Eastern European countries, including the Western Balkans (Shopov, 2021). Remarkably, China's soft power influence in Serbia surpasses that of its neighbours (Trailović, 2021, pp. 46-48). Indicators of this success are evident in the attitudes of Serbian citizens, with a significant majority holding favourable views towards China and recognising it as an important actor in shaping Serbia's international standing (Gledić, 2024, pp. 9-12; IPS, 2022; 2018; 2017; 2016).

We argue that the notable success of Chinese soft power in Serbia is not solely attributable to the standard strategies (public and cultural diplomacy) employed by the Chinese state, which are applied across various countries. Rather, a unique combination of specific factors has played a crucial role. These factors are rooted both in the bilateral relations between China and Serbia and in Serbia's domestic political context.

We examine a range of factors, including political relations, economic cooperation, military and security cooperation, cultural cooperation, the conduct of the Serbian political elite, and the role of the media (Mitrović, 2023; Kowalski et al., 2022; Vuksanovic, 2021; Jureković, 2021). However, we highlight two key factors: the instrumental role of Serbian political elites in constructing a pro-China narrative and the media's reinforcement of this perspective (Vladislavljev, 2021a). Strong historical ties (Kolaković, 2021),

aligned political interests, and close and well-developed bilateral relations have created a fertile ground for Chinese influence in Serbia. On that basis, Serbian political elites have actively cultivated a pro-China narrative, amplified by the media, shaping public opinion in favour of China.

Soft power is inherently difficult to measure, but experts often use public opinion polls to assess perceptions, with public sentiment toward a country serving as a key indicator of its soft power (Xie & Jin, 2021).

The initial section of this paper will examine Serbian public opinion towards China, utilising public opinion surveys conducted by the Institute for Political Studies (Belgrade) from 2015-2018 and in 2022 as a primary metric for assessing China's soft power in Serbia. By analysing these surveys, we aim to quantify the extent of China's positive image and the favourable sentiment it holds among the Serbian population. Focusing on the role of Serbian political elites in promoting a pro-China narrative and the media's reinforcement of this view, we explored the correlation between citizens' trust in these institutions and their attitudes towards China. The insights gained from this analysis will serve as a foundation for the subsequent section, where we will explore the selected factors that have shaped these public attitudes over time.

SURVEYS: ATTITUDES TOWARDS CHINA

About the surveys

The Institute for Political Studies (IPS) conducted a series of seven surveys, six between 2015 and 2018 and an additional one in 2022, to gauge the attitudes of the Serbian population on a range of topics.¹ The surveys employed a representative sample design, ensuring that the respondents reflected the demographic makeup of the country as a whole. Sample sizes

¹ As a contributor to the Institute for Political Studies' public opinion surveys conducted between 2015 and 2022, the author was involved in all stages of the research process. This involvement encompasses participation in sample preparation, development of instruments (survey questionnaires), organization and implementation of the surveys, training and supervision of interviewers, as well as data collection, entry, and analysis.

ranged from approximately 1,200 to 1,400 individuals, providing a statistically robust foundation for analysis.²

Data collection relied on face-to-face interviews, a method that fosters a more detailed exchange of information compared to self-administered surveys. Structured questionnaires were employed to improve data analysis efficiency. To ensure the representativeness of the sample, a stratified three-stage probability sampling design was employed. The sampling frame was based on the data from the 2011 Census. In the first stage, polling station territories were selected using a random route technique. The second stage involved a random selection of households within these designated areas. Finally, respondents were chosen randomly from the selected households.

The survey instrument encompassed a comprehensive array of topics designed to capture the citizenry's political and social viewpoints. Core areas of inquiry included trust in political institutions, voting behaviour, and national identity. The surveys also explored public opinion on foreign states and international organisations.

Regarding China, the surveys explored two key aspects of public perception. Respondents were asked to register their overall attitude towards China on a spectrum ranging from highly unfavourable to highly favourable. Additionally, they were queried about their perception of China's influence on Serbia's standing in the international community, gauging whether this influence was viewed as positive or negative.

Data and results

The surveys included questions aimed at capturing citizens' opinions on specific countries, particularly those emerging as significant poles of influence in the international system, such as China. Respondents were asked to rate

² In 2015, the survey was conducted in the period from November 16 to 26, on a sample of 1272 respondents, 2016 in the period from November 20 to 30 on a sample of 1,272, 2017/1 in the period from May 25 to June 5 on a sample of 1,272, and 2017/2 from November 20 to 30 on a sample of 1,474. In May 2018/1, the survey was conducted on a sample of 1,480 respondents and in December 2018/2 on a sample of 1,450. One survey was conducted in June 2022 on a sample of 1,200 respondents.

these countries on a scale from one to five, where one represents a very unfavourable opinion and five indicates a very favourable opinion.

Table 1 and Table 2 present the percentages for China. Table 2 shows the percentages for unfavourable and favourable opinions, which are calculated by summing the percentages of responses categorised as “very unfavourable” and “unfavourable” for the unfavourable column and “very favourable” and “favourable” for the favourable column. The average rating of China on a 5-point scale is shown in Graph 1. Table 3 displays the percentage of respondents who hold unfavourable and favourable opinions of China compared to their opinions of other countries in 2022.

Table 1. Please give your opinion on the mentioned countries—China (2015, 2016, 2017, and 2018)

	Very unfavourable opinion (%)	Unfavourable opinion (%)	Neutral (%)	Favourable opinion (%)	Very favourable opinion (%)
2015	4,5	9,1	25,1	27,7	33,5
2016	4,7	9,9	23,6	28,6	33,2
2017/1	4,3	7,5	22,7	26,6	39
2017/2	5,1	9,5	27,9	28	29,5
2018/1	3,4	10,5	25,3	27,8	33
2018/2	4,1	9,5	24,7	25,6	36,1

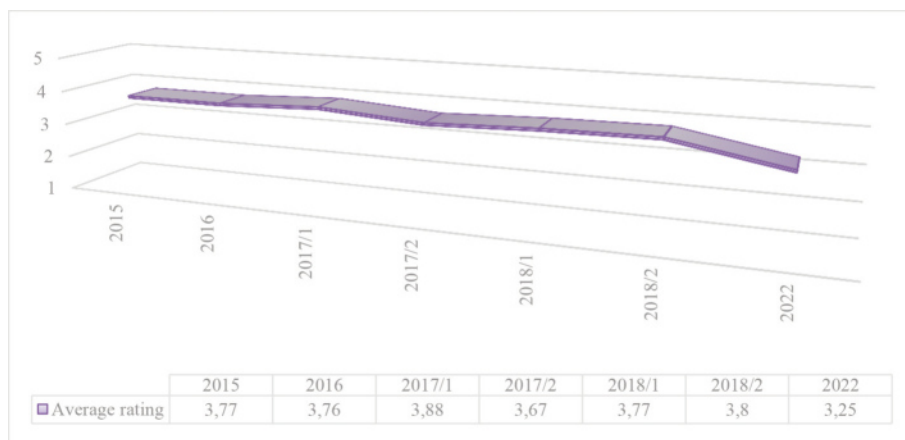
Source: IPS, 2018/1; 2018/2; 2017/1; 2017/2; 2016; 2015. Author’s calculation

Table 2. Please give your opinion on the mentioned countries—China (2022)

	Unfavourable opinion %	Neutral %	Favourable opinion %
2022	25,3	31,7	43

Source: IPS, 2022. Author’s calculation

Graph 1. Average Public Opinion Rating of China (2015–2018, 2022)



Source: IPS, 2022; 2018/1; 2018/2; 2017/1; 2017/2; 2016; 2015. Author's calculation

Table 3. Please give your opinion on the mentioned countries—China, Russia, France, Germany, and the US (2022)

	Unfavourable opinion %	Favourable opinion %
China	25,3	43
Russia	22,2	55,6
France	47,7	20,8
Germany	48,5	24,4
USA	63,1	13,6

Source: IPS, 2022. Author's calculation

Table 4 presents the results on how respondents assess China's influence on Serbia's political position in the world.

Table 4. How do you assess the influence of the listed countries and international organisations on the political position of Serbia in the world—China (2016, 2017, and 2018)

	Very negative influence %	Negative influence %	Neutral %	Positive influence %	Very positive influence %
2016	2,7	10,4	28,6	33,9	24,2
2017/1	2,9	10,8	26,3	29,8	30,2
2017//2	4,1	10,8	28,6	29,1	27,4
2018/1	2,9	12,1	29,5	26,5	29
2018/2	3,8	9,4	28,3	29,8	28,8

Source: IPS, 2018/1; 2018/2; 2017/1; 2017/2; 2016. Author's calculation

Correlation results

Given our focus on two key factors—the instrumental role of Serbian political elites in shaping a pro-China narrative and the media's reinforcement of this perspective—we examined the correlation between citizens' trust in these institutions and their attitudes towards China. The analysis utilised data from a IPS 2022 survey administered to a representative sample of Serbian citizens. Pearson correlation coefficients were employed to analyse the strength and direction of the relationships between these variables.

The findings showed the following correlations:

- Trust in Parliament and Attitude Towards China: A weak positive correlation was found, with a correlation coefficient (r) of .158 and a statistically significant p -value ($p < .001$).
- Trust in President and Attitude Towards China: A weak positive correlation was found, with a correlation coefficient (r) of .208 and a statistically significant p -value ($p < .001$).
- Trust in Government and Attitude Towards China: A weak positive correlation was identified, with a correlation coefficient (r) of .161 and a statistically significant p -value ($p < .001$).
- Trust in Media and Attitude Towards China: A very weak positive correlation emerged, with a correlation coefficient (r) of .122 and a statistically significant p -value ($p < .001$).

Interpretation and analysis

The data reflects a generally positive sentiment towards China among the Serbian public, with the majority of respondents frequently expressing favourable opinions. Despite some fluctuations, there is a general inclination towards favourable views, with the overall favourability (adding both favourable and very favourable) averaging around 60% across the years (2015-2018) and over 40% in 2022 (Tables 1 and 2). The average opinion across years is 3.7, reflecting a generally positive view of China among the respondents (Graph 1).³

The average unfavourable opinion (combining “very unfavourable” and “unfavourable” opinions) over the period 2015-2018, including the 2022 data, is approximately 15.36%.⁴

Compared to other countries, China holds a favourable position in Serbian public opinion. While China is not as highly regarded as Russia, which enjoys the most positive sentiment, it is viewed far more favourably than Western countries like France, Germany, and the US (Table 3).⁵

China’s influence on Serbia’s position in international relations, according to the Serbian public, appears to be generally positive, with an average positive influence of 57.74 across the measured periods. The most dominant sentiment throughout the period is Positive influence (Table 4).

All correlations were positive, though weak, suggesting a possible connection between trust in Serbian institutions and a more positive attitude towards China. The results suggest that individuals who have more trust in Serbian institutions (especially in the President)⁶ also tend to have a more

³ An analysis of the causes of changes in citizens’ attitudes towards China (changes in the context or sentiments) over time is not the subject of this paper. The presented data serve as an illustration of the frequently high percentage of favourable opinions towards China in Serbia.

⁴ It is important to note that there is also a certain percentage of citizens who have a negative perception of China’s engagement in Serbia, especially due to issues related to the enforcement of environmental standards and workers’ rights (Derans, 2024; Danas, 2024; Nova, 2021).

⁵ For more on Russian soft power and cultural diplomacy in Serbia, see: (Glišin & Despotović, 2022, pp. 107-131; Pejković, 2022, pp. 185-202; Atlagić, 2021, pp. 21-34).

⁶ For instance, 44.6% of respondents expressed high or relatively high trust in the President (combining ‘I have great trust’ and ‘I have trust’) in 2022 (IPS, 2022).

positive attitude towards China. Despite the limitations, these findings align with the argument that pronouncements and policies by these institutions promoting positive relations with China could influence public perception. For instance, if the President frequently emphasises the importance of the China-Serbia strategic partnership, these actions might be perceived positively by the public, leading to a more favourable view of China.

FACTORS CONTRIBUTING TO THE SUCCESS OF CHINESE SOFT POWER IN SERBIA

Strong, well-developed, and positive political, economic, cultural, and military cooperation between two countries can significantly enhance the image of one country in the public opinion of the other. This, in turn, can increase the soft power of the country. Joseph Nye argues that soft power is not solely derived from culture, values, and policies; economic and military resources also play significant roles (Nye, 2012, p. 153). Economic resources can generate both soft and hard power depending on their use—aid and trade can attract and build positive relations, while sanctions can coerce. Similarly, military resources, traditionally seen as hard power, can enhance soft power. Well-organised and professional military can enhance a country's image and attractiveness. Military-to-military cooperation, such as training programs or joint exercises, can build relationships and networks that improve a country's soft power (Nye, 2012, p. 153-154).

In addition to that, according to Dams, Rühlig, and Tonchev, while China's, for example, economic power can have secondary soft power effects, these actions do not automatically constitute soft power. The investment itself is not inherently soft power. Instead, for an investment in a country to present an opportunity to boost soft power, it must be accompanied by public relations efforts and campaigns to enhance its image (Dams, Rühlig & Tonchev, 2021, pp. 6-7).

In Serbia, the situation mirrors this dynamic, with Chinese engagement being heavily promoted not only by China but also by Serbian political elites and the media.

Political relations

The current relations between China and Serbia, although rooted in their shared communist past and China's support for the Non-Aligned Movement

during the Cold War era, are decisively shaped by events from the most recent history. Key historical events include the breakup of Yugoslavia and the subsequent political rapprochement between Serbia and China during the 1990s as a consequence of the NATO bombing of Belgrade in 1999, when the Chinese embassy was destroyed. These events prompted their alignment and fostered a strong bilateral partnership (Kolaković, 2021, p. 126). The incident prompted a closer alliance between the two countries based on shared opposition to Western interventionism (Jureković, 2021, p. 141).

The Sino-Serbian relationship has been developing since two countries signed a strategic partnership agreement in 2009. The relations further deepened in 2013 and then rose to the level of a comprehensive strategic partnership in 2016 (Ministry of Foreign Affairs, n.d.). In 2024, during the Chinese President's visit to Serbia, China and Serbia agreed to establish a "community of Serbia and China with a shared future in the new era" as the next step in strengthening the cooperation between the two countries. In particular, the cooperation between China and Serbia takes place within the China-CEEC cooperation framework, as well as the Belt and Road Initiative (Mitrović, 2023; Vuksanović, 2021).

Important features of the political cooperation between the two countries include an intensive political dialogue, visits at the highest political level, mutual political trust, and coordination at the multilateral level.

The relationship between Serbia and China has been marked by frequent high and high-level visits and significant diplomatic engagements. Serbian President Aleksandar Vučić has visited China multiple times, most recently in October 2023, for the Third Belt and Road Forum, where he met with Chinese President Xi Jinping. A pivotal moment in bilateral relations was the visit of President Xi to Serbia in June 2016, marking the first such visit by a Chinese president in 30 years and resulting in the signing of a Joint Declaration on the Comprehensive Strategic Partnership (Ministry of Foreign Affairs, n.d.). Chinese President Xi Jinping visited Serbia in May 2024, marking a significant event in the relationship between the two countries. On this occasion, a new chapter has been opened in the relations between China and Serbia. The existing comprehensive strategic partnership has evolved into a community of shared future between Serbia and China in the new era. Serbia is the first country in Europe to build such a partnership with China at the level of a shared future.

Parliamentary cooperation is also strong, with reciprocal visits by top legislative officials from both countries. In June 2024, a Serbian parliamentary delegation visited China, where they met with Zhao Leji, the Chairman of the National People's Congress (NPC) Standing Committee. Serbian officials have participated in major events in China and held meetings with Chinese leaders, further strengthening their bilateral ties. Chinese Premier Li Keqiang and Foreign Minister Wang Yi also made official visits to Serbia, emphasising the ongoing cooperation between the two nations (Ministry of Foreign Affairs, n.d.).

Thanks to strong political cooperation, China and Serbia share aligned positions on many global and national issues. Both nations firmly support the principles of territorial integrity and non-interference in the internal affairs of other countries. China's stance, as a permanent member of the UN Security Council, of not recognising the unilaterally declared independence of the Serbian Autonomous Province of Kosovo and Metohija is crucial for Serbia. Besides, China, with several other countries, voted against the UN resolution on Srebrenica in 2024. In return, Serbia officially supports the One China policy and China's policies regarding Hong Kong and Xinjiang. In 2019, Serbia signed a statement delivered by Belarus on Behalf of 54 Countries at the UN General Assembly's committee on human rights, praising China's policies in the Xinjiang Uyghur Autonomous Region (Xiao, 2019).

Economic cooperation

The Republic of Serbia bases its relations with the People's Republic of China on an established, comprehensive strategic partnership. As a result, Serbia is one of China's biggest economic partners in the Western Balkans. Serbia is also China's largest trade partner in the region and has become a key hub for Chinese investments. Through its companies and banks, China has a significant presence in Serbia. That is primarily manifested through loans, particularly for infrastructure projects such as bridges, highways, and railways. Additionally, China has made substantial investments in the metallurgy, energy, and mining sectors.

As noted, China and Serbia have established a strong bilateral trade relationship, with Serbia being China's leading trading partner in Central and Eastern Europe and China as Serbia's key trading partner in Asia. In 2023, the bilateral trade between China and Serbia reached significant levels, reflecting

the deepening economic ties between the two nations. The total trade value amounted to approximately \$6.46 billion USD. Of this, Serbia's imports from China were valued at \$4.80 billion USD, highlighting China's role as a key supplier to the Serbian market. Conversely, China's imports from Serbia were valued at \$1.66 billion USD, indicating a growing demand for Serbian goods in the Chinese market (International Trade Centre, 2024). The newly signed China-Serbia Free Trade Agreement (FTA) is expected to further boost trade by liberalising the exchange of goods across various sectors.

Since the signing of the Economic and Technical Cooperation Agreement in 2009, China has participated in several critical infrastructure projects, including the construction of the Pupin Bridge in Belgrade and the modernisation of the Kostolac thermal power plant. Between 2014 and 2022, China financed through loans several major infrastructure projects in Serbia, including high-speed railways (Belgrade-Stara Pazova and Novi Sad-Subotica), highways (Miloš Veliki and Corridor Fruška Gora), energy plants (Kostolac Thermal Power Plant), and metro systems (Belgrade Metro), with investments totalling billions of US dollars (Ivanović & Zakić, 2023, p. 78-79).

China's investment in Serbia is extensive, particularly in mining and the automotive sectors. Initiated in 2016 with the acquisition of the Železara Smederevo steel factory by the Chinese state-owned Hesteel Group, investments have grown to exceed \$3 billion by June 2022 (Ivanović & Zakić, 2023, p. 80). China has made significant acquisitions, such as the Smederevo Steel Mill and Bor mines, alongside new greenfield investments like the Čukaru Peki project. In the automotive industry, Chinese companies have invested in several key projects (Shandong Linglong, Mei Ta, Yanfeng, Xingyu, and Minth).

Military and security cooperation

In recent years, military and security cooperation between China and Serbia has grown significantly, marking a new dimension in their partnership. This collaboration extends across two key areas of Serbia's national security: the military and public security sectors (Trailović, 2020).

Sino-Serbian military cooperation has intensified since 2017, beginning with a visit by a Chinese military delegation to Serbia. The collaboration has expanded to include joint military exercises, defence technology development, and equipment donations, such as military gear. Key

agreements were concluded, including technology transfers for Serbia's defence industry and the exchange of military officers for training. The cooperation was highlighted by high-profile visits and significant donations, with plans for future joint military exercises (Trailović, 2020).

A significant sign of the deepening military cooperation between China and Serbia was the delivery of Chinese Unmanned Aerial Vehicles (UAVs) and surface-to-air missiles. In 2020, Serbia received six CH-92A drones and 18 FT-8C laser-guided missiles from China, along with technology transfer to help Serbia develop its own "Pegasus" drone (Knezevic, 2022; Jureković, 2021, p. 142-143). Chinese expertise was instrumental in the project's success. Additionally, Serbia acquired HQ-22 surface-to-air missile systems, delivered in 2022 (Knezevic, 2022).

According to the signed FTA, China will gradually eliminate tariffs on Serbian tanks and armoured vehicles over the next ten years, starting from a 15% tariff with an annual reduction of 1.5%. For artillery weapons and similar equipment, the current 13% tariff will be reduced by 2.6% each year over the next five years. Serbia will also eliminate tariffs on the import of Chinese weapons over the next ten to fifteen years. The current import tax on these weapons is 25% (Baletić, 2023).

China and Serbia are deepening their security cooperation, particularly in public safety, through technology transfers, such as facial recognition systems, and joint police patrols in Serbian cities (Jureković, 2021, p. 144).

Cultural cooperation

China cooperates not only with Serbia's official political institutions but increasingly with other societal institutions like universities, research institutes, and cultural organisations. These include Confucius Institutes and classrooms, academic and scientific partnerships, cultural activities organised by the Chinese Embassy, and media presence in the country.

The two countries have traditionally had good cooperation in the fields of culture and cultural activities. The Chinese Ministry of Culture and the Serbian Ministry of Culture signed and agreed on plans for cooperation, including exchanges and collaboration in various areas such as cultural festivals, literature, art, publishing, books, museums, archaeology, archives, radio, television, and film. During the official visit of the President of the

People's Republic of China to Serbia in May 2024, the Serbian Minister of Culture signed three documents aimed at further strengthening cultural cooperation and reaffirming the strong friendship between Serbia and China, according to the Ministry of Culture. The Minister of Culture and the Chinese Ambassador signed a Cultural Cooperation Programme between the two ministries for the period 2025–2028 (Vreme, 2024).

China promotes its culture through two Confucius Institutes at universities in Belgrade and Novi Sad. These institutes offer Chinese language courses, cultural events, and resources like libraries. Additionally, there are Confucius Classrooms in schools across Serbia. The construction of a Chinese Cultural Centre in Serbia, which is one of the largest of its kind in Europe, is another significant development in this cooperation. This centre aims to serve as a hub for cultural and economic exchanges between the two countries, reflecting the deepening ties and the strategic importance of cultural understanding in their bilateral relationship (Trailović, 2021, p. 56-59).

The First China-Serbia Culture Communication Forum took place in Belgrade, Serbia, in April 2024.

THE ROLE OF SERBIAN POLITICAL ELITES IN SHAPING A PRO-CHINA NARRATIVE

When discussing China's soft power in Serbia, it is important to note that this influence is not only a secondary effect of strong political, economic, cultural, and military cooperation but is also amplified by positive representation from Serbian political elites and media outlets. Simply put, China's political and economic engagement in Serbia has a positive and favourable PR campaign by the Serbian political elites.

This trend is particularly evident in the introduction of terms like "steel friendship" or "iron-clad friendship", which have become prevalent in Serbian public discourse when describing the relationship between the two nations. This notion gained prominence during the COVID-19 pandemic, championed by the highest Serbian officials (Kolaković, 2021, p. 128). Overall, pro-Chinese messages and narratives are regularly disseminated by top Serbian representatives, who, in various addresses to the public, often describe the Chinese nation as a "brotherly nation" and President Xi Jinping as a "friend and brother" (Subotić, 2022, 2021, pp. 82-84; Stojanović, 2020; Vučić, 2020).

Additionally, the pro-Chinese narrative is increasingly promoted in Serbia's public space, with Serbian officials frequently publicising and reproducing Chinese strategic narratives, such as the "community of a shared future", "mutual benefit", and "win-win cooperation" (RTS, 2024a; RTS, 2024b).

During the COVID-19 pandemic, Serbian elites prominently showcased China's aid and vaccine donations, portraying China as a dependable partner, especially in contrast to what was perceived as a slow response from the EU. Serbian President Vučić praised China as the only reliable ally, contrasting it sharply with his critique of the EU, particularly regarding Brussels's delayed transfer of medical equipment to non-EU countries. He highlighted China's friendly assistance while accusing the EU of egoism. Senior Serbian officials and the Chinese Ambassador to Serbia personally welcomed the first Chinese medical team at Belgrade's Nikola Tesla Airport, with President Vučić kissing the PRC's flag (Kowalski & Rekšć, 2023, p. 190).

In the Joint Statement signed by Serbian President Aleksandar Vučić and Chinese President Xi Jinping in 2024, the Serbian side emphasised the deep and evolving partnership between Serbia and China, highlighting the "iron-clad friendship" and comprehensive strategic cooperation between the two nations. The statement portrayed China as one of the main pillars of Serbian foreign policy and a crucial partner in Serbia's economic development, especially through initiatives like the Belt and Road and infrastructure projects. The statement reflected Serbia's appreciation for China's support in areas such as economic growth, healthcare, and regional connectivity, while also affirming Serbia's commitment to the One China policy and mutual support on key international issues. The Serbian side framed the relationship as mutually beneficial, underscoring a shared commitment to peace, development, and respect for sovereignty (Ministry of Foreign Affairs, 2024).

The joint statement by the presidents of Serbia and China, issued during the Chinese president's visit to Serbia in May 2024, effectively describes and summarises how Serbian political elites have portrayed China in recent years. Serbian political elites have cultivated strong diplomatic and economic ties with China, portraying the relationship as mutually beneficial. China's support for Serbia on the Kosovo* issue, particularly in international forums where China has opposed Kosovo's* independence, has been leveraged by Serbian elites to justify closer ties with Beijing. Furthermore, Chinese companies' involvement in high-profile infrastructure projects in Serbia, such as the

construction of bridges, highways, and railways, is portrayed as vital to Serbia's economic development and highlighted as evidence of a successful partnership (Vladisavljev, 2021a, p. 10). The political elites emphasise the benefits of these investments while downplaying potential negative aspects, such as environmental concerns or labour issues. Serbia's participation in the China-CEEC framework of cooperation is described as a critical aspect of Serbia's economic modernisation, reinforcing China's image as a crucial partner and saviour (Prelec, 2020, pp. 10-13).

It is important to note that positive attitudes towards China in Serbia are largely shaped by the ruling political elites. On the other hand, opposition parties portray China's role in the country differently, expressing concerns about Chinese involvement and conducting a negative representation of China. The members of certain opposition political parties emphasise that one of Serbia's foreign policy pillars is cooperation with the European Union, which requires meeting certain conditions as part of the EU accession process. Despite the extensive economic cooperation between EU countries and China, there is significant criticism from EU institutions regarding the political, economic, cultural, and security aspects of China-Serbia relations (European Parliament, 2021). Critics, including voices from the EU and parts of the Serbian opposition, highlight issues such as the lack of transparency in deals with Chinese state-owned or state-influenced companies, bypassing the EU-standard business practices, the absence of competitive tenders, and concerns over corruption. Additionally, they warn that the reliance on loans from Chinese banks for these projects may lead Serbia into a debt trap (Cvetković, 2021). Despite this approach and the criticisms from EU institutions and part of the Serbian political elite about China's "debt trap", "lack of transparency", and overall "malign influence", the outcomes continue to be favourable for China.

Media's Reinforcement of the Pro-China Narrative

The role of the media is significant in promoting a positive narrative about China in Serbia (Subotić, 2022, pp. 41-44; Vladisavljev, 2021b; Šteric & Bjeloš, 2021). An example of that is the tabloid "Informer", which set up public billboards expressing gratitude to President Xi for China's assistance during the COVID-19 pandemic with messages such as "Thank you, brother Xi" (Jureković, 2021, p. 139).

There are two main pathways for promoting a pro-China narrative in Serbia. One consists of Serbian media outlets, while the second involves Chinese media operating directly within Serbia. The favourable portrayals of China are reinforced by various Serbian broadcasters, including prominent television stations like Radio Television of Serbia (RTS).⁷ Among the Chinese media, China Radio International, which provides content in Serbian, and China Global Television Network (CGTN), available on major cable distributors, are noted as the most visible in Serbia (Vladislavljev, 2021b).

Three major Serbian media outlets and the press service of President Aleksandar Vučić signed agreements with state-owned Chinese media companies during Chinese President Xi Jinping's visit to Belgrade in May 2024. Key figures from Serbian media, including the Director of Radio Television of Serbia, Dragan Bujosević, and the Editor-in-Chief of Politika newspaper, Marko Albinović, exchanged agreements with Shen Haixiong, a top official in the Chinese Communist Party and head of the China Media Group, to deepen cooperation. Additionally, the Serbian President's media advisor, Suzana Vasiljević, and the Director General of the news agency Tanjug, Manja Grčić, signed agreements with Chinese counterparts from the China Media Group and Xinhua news agency, respectively, to facilitate news exchange and cooperation (Stojanović, 2024).

The majority of Serbian media often portray any form of Chinese presence in Serbia, especially in the economy, positively, emphasising the benefits to the Serbian economy, job creation, and infrastructure development, which reinforces a favourable image of China. According to the CRTA media monitoring report (July 1 to August 31, 2021), coverage of China was predominantly positive, unlike the more negative coverage of the European Union and the United States. When China was reported in the context of politics, military, healthcare, economy, and Kosovo*, the reports were consistently favourable (CRTA, 2021). Another report on media monitoring in Serbia published in 2023 reveals that China was consistently portrayed in a positive light, maintaining double-digit net positive sentiment, similar to

⁷ RTS reports that since 2017, one of its channels has had a regular time slot for airing Chinese documentaries and has so far broadcasted more than 200 Chinese documentaries on the country's history, customs, cuisine, culture, traditional crafts, landmarks, and the daily lives of its people (Krstić & Bogdanović, 2024).

previous monitoring periods. According to the report, China's portrayal remained stable and positive in influential media outlets despite being mentioned less frequently than Russia or Ukraine. The report concludes that China was the most positively represented foreign actor during the observed period, standing out for its stable and favourable portrayal compared to other countries and organisations (Rašeta et al., 2023).

According to the report "Odnosi Kine i Srbije: mediji i stavovi građana", published in January 2024, in recent Serbian media coverage, the relationship between Serbia and China has also been framed positively, especially following the signing of a Free Trade Agreement. This arrangement is portrayed as a significant opportunity for Serbia to expand its market access, particularly in agriculture. China is showcased as a benevolent partner eager to support Serbia's economic growth in Southeast Europe. The report stated that China is consistently seen in most Serbian media as Serbia's most reliable and powerful ally (Rašeta et al., 2024).

Just as there is a certain percentage of Serbian citizens and members of the Serbian political elite who hold a negative opinion of China, there are also media outlets that critically assess China's role in Serbia, also portraying it negatively in certain areas. In these media outlets, China is portrayed as a country that brings "dirty investments". China and its investments are often targeted, particularly on environmental grounds and their impact on ecology. Moreover, China is frequently portrayed as a country to which Serbia is heavily indebted, with occasional references to "debt slavery" in the context of their relationship (Rašeta et al., 2023, p.7; Savić, 2023).

CONCLUSION

In Central and Eastern Europe, Serbia stands out as a country where the promotion of Chinese soft power is more successful than in other regional countries. Public surveys reveal that Serbia generally holds positive views of China, with a consistently favourable opinion over the years. China is viewed more favourably in Serbia than Western countries, and there is a positive correlation between trust in Serbian institutions and a more positive attitude towards China.

This success story is not merely a result of China's generic soft power strategies but is deeply intertwined with Serbia's domestic political dynamics.

This study highlights that the success of Chinese soft power in Serbia is not a product of a passive public easily influenced by foreign factors or only a byproduct of well-developed and positive bilateral cooperation, but rather underscores the active role of domestic forces in constructing and disseminating favourable narratives about China.

The historical and political ties between the two nations have fostered a conducive environment for Chinese influence. Serbia's positive historical associations with China and strong political relations between their governments have laid a solid foundation for cooperation and mutual trust. Serbia's domestic political context has significantly contributed to the receptivity of Chinese soft power. Serbian political elites have actively promoted a pro-Chinese narrative, viewing China as a valuable ally and partner. This endorsement from influential political figures has been instrumental in shaping public opinion and enhancing China's image within Serbia. Additionally, the Serbian media has played a vital role in reinforcing this narrative. Favourable portrayals of China in Serbian media outlets have further amplified the positive perception of China among Serbian citizens, contributing to the success of China's soft power.

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MILITARY-TO-MILITARY DIPLOMACY AND COOPERATION BETWEEN CHINA AND SERBIA: GENESIS AND FUTURE PROSPECTS

Slobodan POPOVIĆ*

Ljiljana STEVIĆ**

Abstract: This paper aims to analyse the genesis and prospects of Sino-Serbian military diplomacy. Both nations seek to enhance their bilateral relationship, aiming to create a mutually beneficial environment by upgrading comprehensive strategic partnership into the agreement on a community with a shared future in the new era. The paper is structured into three parts. The first part theoretically addresses the concept of military diplomacy. This theoretical framework distinguishes military diplomacy from related phenomena such as gunboat and coercive diplomacy. The second part examines the evolution and role of military diplomacy in China's efforts to achieve its national ambitions and the Chinese dream concretised into "Two Centenary" goals. At the same time, it represents an analysis of how military diplomacy contributes to China's efforts to enhance confidence-building measures and strengthen inter-state relations within the framework of global governance. The third part focuses on the bilateral military diplomatic relations and cooperation between China and Serbia. This section highlights the areas and methods through which China and Serbia have developed military-to-military diplomacy. It further explores how this cooperation has influenced the Sino-Serbian Comprehensive Strategic Partnership, elevated to a community with a shared future in the new era, Serbia's military

* Research Fellow, Institute of International Politics and Economics, Belgrade, Serbia; Email: slobodan.popovic@diplomacy.bg.ac.rs, ORCID: 0000-0002-8094-8445.

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** Assistant Professor, Faculty of Philology, University of Banja Luka, Banja Luka; Email: ljiljana.stevic@ff.unibl.org, ORCID: 0009-0009-5126-8385.

neutrality, its ambitions to become a regional leader, and China's geopolitical intentions in the Western Balkans.

Keywords: Sino-Serbian relations, Western Balkans, military-to-military diplomacy, geopolitics, global governance.

INTRODUCTION

The scope of this paper is to analyse bilateral military diplomatic relations between the Republic of Serbia and the People's Republic of China. The authors consider this as one of the most important aspects of bilateral Sino-Serbian diplomatic relations for various reasons. First and foremost, China regards its military as a resolute defender of world peace (SCIOPRC, 2019). In the process of defending world stability, development, security, and simultaneously bettering the global order, the Chinese army faithfully adheres to the concept of a global community of a shared future, actively fulfils the international responsibilities of the armed forces of a major country, and comprehensively advances international military cooperation in the new era. Therefore, the Chinese military serves as a strategic safeguard for world peace and development and contributes to building a better world of lasting peace and common security (SCIOPRC, 2019). Second, Serbia follows the course of military neutrality. Third, Serbia and China build together a community of a shared future in a new era in which strong military and stable and wide military diplomacy networks are required.

The consistent pattern of China's foreign policy behaviour, in both economic and security domains, is characterised by proactivity, epitomised by its cooperative and relational "Going Global" strategy since 2015, shaped to form a global community with a shared future for mankind. This strategic approach signifies that the global order, security architecture, and geoeconomic distribution of wealth are entering a new phase in which China is becoming one of the most confident and influential actors. China is guiding and bringing for what it believes to be a bright future for humanity on the new crossroads. In this context, Serbia, as it does not exist isolated from the international community, is also influenced by the emergent global presence of China and its transformative and, for some observers, pretentious initiatives such as the Global Security Initiative, the Global Development Initiative, and the Global Civilisational Initiative.

Diplomatic relations between China and Serbia are maintained on both bilateral and multilateral levels, with a constant emphasis on deepening, broadening, intertwining, and enhancing their fruitfulness, practicality, and cordiality. In terms of multilateral engagement, Serbia is a member of the Asian Infrastructure Investment Bank (AIIB) and participates in the China+Central and Eastern European Countries framework of cooperation, former “17+1”, which was established by China in Warsaw in 2012 (Mitrovic, 2014; Mitrovic, 2016). Through this cooperative mechanism, the 16 European states have the opportunity to create more concrete and suitable *modus operandi* in dealing with China and to be the bridge between modern West and newcomer modernity offered by China.

Bilaterally, Serbia overtook diplomatic relations that former Yugoslavia established with China on January 2, 1955.¹ Sino-Serbian bilateral diplomatic relations are shaped and supported by many visits on a high political, military and economic level and by many agreements such as the Comprehensive Strategic Partnership, Memorandum of Understanding between the People’s Republic of China and the Serbian Government on jointly promoting the construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road, Agreement on a community with a shared future in a new era, Free Trade Agreement, Memorandum on Exchange and Cooperation in Economic

¹ Sino-Serbian relations had their ups and downs. Josip Broz Tito, a former Yugoslav Marshall, wanted to engage more strongly with China, but this was ignored by Mao Zedong because of Tito’s split with Stalin. For the first time, Tito visited China in 1977, when Sino-Soviet relations suffered many changes. High political visits continued, and former Chinese Premier Zhao Ziyang visited Belgrade in 1986. After that, former Serbian president Slobodan Milošević visited China. This visit was two years after the famous Dayton Peace Agreement. Milošević’s China visit was portrayed as a success story in Belgrade, lending evidence to claims that the international isolation of the Yugoslav Federation could be overcome. The diplomatic breakthrough for Milošević allowed him to challenge the Pariah status in Europe with political support from his traditional ally Russia and supplement it through his Chinese interlocutors (Bastian, 2018). After this, Sino-Serbian relations were reinforced by the NATO bombing of Yugoslavia and the destruction of the Chinese embassy in Belgrade on May 7, 1999 (Vuksanovic and Le Corre, 2019). In recent times, the breakthrough has been supported by purely practical reasons. Namely, Aleksandar Vučić, in a speech he delivered at the Faculty of Security, University of Belgrade, declared, “Thirty years ago, you had one absolutely dominant military, political, and economic power [the US]...With its economic, but also with its military and political power, [the] People’s Republic of China dramatically catches up” (Kurir, 2017).

Development Policies, Memorandum on Joint Improvement in Industrial and Investment Cooperation Between Serbia and China, and the Mid-term Action Plan on Joint Implementation of the Belt and Road Initiative Between the Governments of the PRC and Serbia (The Government of the Republic of Serbia 2018) (The Ministry of Foreign Affairs of the Republic of Serbia; Ministry of Foreign Affairs of the People's Republic of China, 2019).

The grandiose political and, in many respects, unbalanced economic cooperation between China and Serbia is garnering significant attention not only from Serbian academia and public policymakers but also from regional countries and organisations interested in Serbia's political, economic, and security realities. On the other hand, Serbia focuses primarily on economic relations, particularly the challenges and opportunities presented by an increasingly intensive Chinese presence in Serbia, additionally reinforced by the signed Free Trade Agreement, which entered into force on July 1, 2024. That suggests that Serbian leaders see political cooperation between the two countries as stable. Simultaneously, there is a perception of a lack of understanding that deeper political cooperation translates into increased Chinese economic and security dominance. The complicated geopolitical setting of Serbia at a crossroads as the world enters a new era should help Serbian leaders realise that partnership should be built on mutually agreed-upon win-win cooperation.

Thus, a critical question arises regarding the extent to which these relations are conditioned and shaped by Serbia's ambitions to become a regional leader and bridge the "political distance", "value misunderstandings", and "economic links" between the Orient and West. Besides that, the authors examine the capacity and structural power of the Serbian government to influence the agenda of Sino-Serbian relations beyond the framework defined by China's understanding of win-win cooperation. Furthermore, the question arises whether Chinese investments enhance Serbia's social, business, and ecological environments. Are these investments and loans aligned with Serbia's efforts to further develop its economy and improve living standards and quality of life for its citizens?

In other words, will China leverage its economic strength to bolster the Serbian economy in accordance with Serbian developmental strategies, or will it seek to direct and shape this development according to its own preferences? Is there togetherness and mutuality, or only China's way?

Regarding international perspectives, the primary concern originates from the European Union (EU). According to EU officials, China's political and economic practices pose a threat to Serbia's European integration since Serbia supports Chinese initiatives aimed at interconnectivity not only in the region (such as the former "17+1" framework for cooperation²), but also globally through the Belt and Road Initiative and a global community with a shared future, among others.

The main argument of the EU is that China will use this mechanism to exploit EU position burdened by many crises, such as economic, ecological, security, political, and the crisis of EU identity and system of values.³ For example, Sigmar Gabriel, former Minister of Foreign Affairs of Germany, stated at the Munich Security Conference that China, alongside Russia, is constantly trying to test and undermine the unity of the European Union, seeking to influence individual states with "sticks and carrots". The initiative for a new Silk Road is not, as some in Germany believe, a sentimental reminder of Marco Polo. Rather, it stands for an attempt to establish a comprehensive system for shaping the world in Chinese interest. It is no longer just about the economy: China is developing a comprehensive system of a modern alternative to the Western one, which, unlike our model, is not based on freedom, democracy, and individual human rights (Miller, 2018). Those concerns are additionally reinforced by the possibility of greater Chinese involvement in the Mediterranean Sea. Besides Greece and Italy's decisions to welcome Chinese capital in the development of its ports, China, in its first Military Strategy from 2015, announced that it will enhance its maritime geopolitical course to achieve the *Chinese Dream* concretised in *Two Centenary* goals (Ministry of

² This regional initiative evolved from the "16+1" framework, but following the Dubrovnik summit in 2019, Greece became a full member state. This Greek manoeuvre, coupled with Italy's signing of a Memorandum of Understanding (MoU) on the Belt and Road Initiative and a MoU for the development of the Italian port of Genoa with Chinese funding, has further complicated China's geopolitical and geoeconomic leverage in the "Old continent", particularly concerning EU unity (Il Secolo, XIX 2019; Popovic, 2021). However, Italy withdrew from the BRI.

³ On the other hand, 18 EU member states [now 17 since the United Kingdom is not an EU member state anymore], including the richest economies of the EU, have joined the Asian Infrastructure Investment Bank (AIIB), which gives great credibility to Chinese-led banks (European Parliament, 2019). At the same time, those countries record high trading values with China.

National Defence of the People's Republic of China, 2016). In that context, the predominant positions of the EU, the US, and NATO in controlling the eastern hemisphere and sea lanes of communications (SLOCs) are facing new challenges mirrored into a changed Chinese military position as a manifestation of China's ideas and power projection capabilities. Having all this in mind, it is obvious that China is a missing puzzle in debates regarding European security, economy, and political affairs.

In addition, Tilly's statement captures the essence of the relationship between military power and state formation: "War made the state, and the state made war" (Tilly, 1992, p. 42). This quote succinctly illustrates the interconnectedness of military power and state authority. However, we will see to what extent this quote explains the type of military diplomacy between Serbia and China since both of them are military neutral countries and China's way of dealing with security issues is through diplomatisation, i.e., security issues have to be resolved through diplomacy (Stefanović-Štambuk and Popović, 2022). China itself cannot be described by this type of quotation.

Serbia and China have nurturing practical, cordial, and future-orientated cooperation, while the world is standing on the new crossroads with powers creating the context of war as a manner of advancing. According to some authors, Serbia has become one of China's most reliable partners in Europe (Vuksanovic and Le Corre, 2019). This argument is supported by examples extracted from the practice of bilateral Sino-Serbian cooperation. Serbia and China support each other's territorial sovereignty, which is of tremendous importance for Serbia. Namely, the southern part of Serbia, the autonomous region of Kosovo, by non-abiding the rules of international law, strives to create its independent state. Chinese support is a mighty tool in Serbian efforts to sustain its sovereignty and prevent Kosovo's secessionism, encouraged by some countries in international society. Concomitantly, Serbia is a strong supporter of the "One China" policy.

THEORETICAL FRAMEWORK OF MILITARY DIPLOMACY CONCEPT

This section of the paper addresses the concept of military diplomacy from a theoretical perspective by exploring several key questions: What are the main features of military diplomacy? What criteria differentiate military diplomacy from gunboat and coercive diplomacy? How does military

diplomacy impact a state's security and making strategic decisions and strategic choices? How is military diplomacy used in knitting inter-state relations and confidence-building measures?

Historically, military diplomacy has been examined through the lens of realism, primarily as a tool for forming military alliances. However, with the emergence of a multipolar international order and China's rise, there is a need to reconsider the characteristics and activities defining military diplomacy as an activity of making military alliances. At a time when the militaristic promotion of democracy is increasingly questioned, military diplomacy now focuses more on creating stable and peaceful environments through confidence-building measures rather than hegemonic stability and power politics. Developing military diplomacy through cooperation and coordination of security interests rather than an arms race renders the security dilemma an unsustainable relational concept in international relations.

Erik Pajtinka asserts that, compared to the 19th century, the contemporary functions of military diplomacy are significantly more diverse. He identifies five fundamental functions of modern military diplomacy:

1. Gathering and analysing information on the armed forces and security situation in the host state.
2. Promoting cooperation, communication, and mutual relations between the armed forces of the sending and receiving states.
3. Organising official visits by defence authorities and facilitating the peaceful presence of military units from the sending state in the receiving state.
4. Supporting business contracts involving arms and military equipment between the sending and receiving states.
5. Representing the sending state and its armed forces at official ceremonies and events in the receiving state (Pajtinka, 2016, p. 188).

Andrew Cottey and Anthony Forster note that military diplomacy operates in various ways and on multiple levels:

- Military diplomacy has a political role, symbolising the ambition of countries to develop broader, more practical cooperation.
- Military diplomacy enhances transparency regarding defence budgets, intentions, ideologies, and power projection capabilities.

- Defence diplomacy can build perceptions of common interests and foster confidence among states.
- “Disarmament of the mind”.
- Defence assistance may also encourage global partners to cooperate in other areas (Cottey and Forster, 2004).

Considering these activities, we can surmise what military diplomacy entails. According to Erik Pajtinka, military diplomacy can be defined as a set of activities primarily carried out by representatives of the defence department and other state institutions. These activities aim to pursue the foreign policy interests of the state in the field of security and defence policy through negotiations and other diplomatic and economic instruments (Pajtinka, 2016, p. 176). In contrast, Lt Gen Kamal Davar argues that there is no official definition or standard interpretation of military or defence diplomacy. While the terms “military” and “defence” are often used interchangeably, the concept of “military diplomacy” appears to be an oxymoron. The military typically achieves national objectives through hard power, and diplomacy seeks to accomplish goals through soft power, including dialogue, persuasion, cooperation, treaties and alliances, aid (both economic and military), and other forms of humanitarian assistance (Kamal, 2018, p. 2).

In accordance with the aforementioned definitions, military diplomacy in a world fraught with uncertainties and doubts can be understood on several levels. Firstly, military diplomacy serves as a highly effective, non-violent, and well-planned tool for fostering partnerships and avoiding conflicts and misunderstandings between nations. Additionally, it helps to comprehend other countries’ military positions, ambitions, and strategies. Furthermore, military diplomacy promotes the development of a common approach to addressing both traditional and non-traditional security challenges through diplomacy. Thus, military diplomacy is a tool of diplomatization (Neumann, 2022).

As previously discussed, the concept of military diplomacy shares similarities with, and yet differs from, gunboat and coercive diplomacy. Before outlining the similarities and differences, it is important to define gunboat and coercive diplomacy.

James Cable defines gunboat diplomacy as the use or threat of using limited naval forces to secure benefits or prevent losses in an ongoing international conflict. Traditionally, gunboat diplomacy is employed to protect

economic interests. However, it may also lead to disruptions such as cutting pipelines, communications breakdowns, strikes, boycotts, and the sabotage or hijacking of airlines (Cable, 1994, pp. 39, 79). In this context, gunboat diplomacy cannot be considered a form of diplomacy or negotiation. Instead, it should be seen as an instrument of intimidation and pressure to achieve national goals (Pajtinka, 2016, p. 185).

Coercive diplomacy, on the other hand, involves the use of all components of the armed forces (both air force and ground troops) as a tool of intimidation to achieve foreign policy objectives (Pajtinka, 2016, p. 186). Anton du Plessis further argues that coercive diplomacy, or the diplomacy of force, involves the supposedly “bloodless” use of military action or the coercive application of armed force to support diplomacy and pursue political objectives (du Plessis, 2008, p. 94).

The similarities between these forms of diplomacy lie in the actors involved and the goals pursued. The actors are invariably individuals and institutions related to the defence or military sectors. The desired goals typically involve altering the behaviour of other states in economic, political, and security domains. The main differences arise in the methods and tools employed. Military diplomacy leans towards non-violent methods, whereas gunboat and coercive diplomacy rely on violent approaches. Regarding tools, military diplomacy is based on negotiations and confidence-building measures. In contrast, gunboat and coercive diplomacy focus on the use or threat of weaponry.

Military diplomacy highlights that the term “military” should not be perceived solely in traditional militaristic terms involving the use of weapons. Instead, it should be interpreted and analysed as a set of activities—a channel of communication between stakeholders at the negotiating table rather than on the battlefield.

CHINA’S SEARCH FOR MILITARY DIPLOMACY

Within global governance, China’s actions and inactions have become a central topic of debate. Every decision made by China is meticulously analysed by academics, mass media, public policymakers, and numerous other entities uninvolved in China’s direct affairs. China’s decisions bring changes to global governance.

As China signals its intent to reform global governance, Beijing, both officially and unofficially, faces new and more complex challenges, which require a more resilient, flexible, and, at the same time, tougher China. China's national interests are increasingly global, thus complicating their protection. Yan Xuetong notes that rising powers, declining powers, and global superpowers have different national goals and face distinct challenges (Yan, 2006).

Since the 18th National Congress of the Communist Party of China (CPC) held in November 2012, the Central Committee, with Xi Jinping at its core, has undertaken significant theoretical and practical efforts to determine the nature of the military required to meet the demands of the new era and contribute to the realisation of the great Chinese Dream of national rejuvenation. These deliberations have culminated in what is now recognised as Xi Jinping's thoughts on strengthening the military. Central to this doctrine is the "Ten-Point Guidelines", which Xi Jinping articulated at a crucial military meeting following the 19th CPC National Congress. These guidelines underscore the necessity for continued development and reform of the military to enhance its preparedness across various domains, in alignment with China's principle of "active defence" (China.org, 2021).

The concept of active defence is fundamental to the CPC's military strategic thought. Stemming from the extensive experience of revolutionary wars, the People's Armed Forces have developed a comprehensive strategic framework of active defence. This strategy emphasises the unity of strategic defence with operational and tactical offence, the principles of defence, self-defence, and post-emptive strikes, and the stance that "We will not attack unless we are attacked, but we will surely counterattack if attacked" (Ministry of National Defence of the PRC, 2021).

In a press conference held by China's Ministry of National Defence on December 28, 2023, Senior Colonel Wu Qian, spokesperson for the Ministry, outlined the essential functions of military diplomacy within the context of China's foreign policy. He identified three principal functions of military diplomacy. First, military diplomacy serves to advance China's overarching political and diplomatic objectives. Second, it is crucial in safeguarding national sovereignty, security, and development interests. Third, military diplomacy is instrumental in expanding foreign-related military operations. For instance, the People's Liberation Army (PLA) has organised and conducted 34 joint training exercises, drills, and international military games, including the China-Russia

“Beibu Unity-2023” joint exercise, the “Aman Youyi-2023” joint exercise with Southeast Asian countries, the China-Cambodia “Golden Dragon 2023” joint exercise, and the China-Laos “Friendship Shield-2023” joint exercise. By engaging in these expanded bilateral and multilateral exercises and training sessions, the PLA has deepened mutual trust and cooperation with the militaries of relevant countries and played a positive role in maintaining regional stability. Fourth, military diplomacy serves to provide innovative efforts in multilateral diplomacy. Fifth, military diplomacy contributes to building a community with a shared future for mankind (Li, 2024).

China’s ambitions as a rising global power are simultaneously advanced and endangered by the Belt and Road Initiative (BRI), announced in 2013 (China Power, 2017). The BRI, encompassing the Silk Road Economic Belt and the 21st Century Maritime Silk Road, represents China’s bold strategy to assert greater influence in global economic and political affairs. This initiative exemplifies China’s aspiration to shape both the world’s and its own future (Mitrovic, 2019). As a result, the BRI has garnered support and criticism from various nations. Criticism often centres on concerns regarding the initiative’s transparency, accountability, respect for state sovereignty, and adherence to ecological standards. Nonetheless, the support or opposition to the BRI largely depends on the geopolitical and geoeconomic interests of individual countries and their willingness to engage in cooperation with China.

The geopolitical protection of this new global initiative has significant geoeconomic implications. According to the Chinese scholar Cao (2019), trade between China and BRI countries totalled 1.3 trillion US dollars in 2018, marking 16.3 per cent year-on-year growth, 3.7 percentage points higher than China’s overall trade growth in 2018. China exported goods worth 704.73 billion dollars to BRI countries, a 10.9 per cent year-on-year increase, while importing goods worth 563.07 billion dollars, a 23.9 per cent year-on-year rise. Chinese firms invested 15.64 billion dollars in non-financial sectors in BRI countries, an 8.9 per cent year-on-year increase while receiving 6.08 billion dollars in investments from these countries, an 11.9 per cent year-on-year increase (Cao, 2019).

A stable and peaceful environment, continuous flow of goods, people, and ideas, and enduring military, diplomatic, and political relations are crucial for the sustainability and feasibility of the BRI. In this context, the Office for International Military Cooperation held a briefing on military cooperation along

the BRI on July 4, 2017, attended by over 60 military attachés from more than 50 states. Participants highlighted the main security concerns that could jeopardise further implementation of the BRI (China Military Online, 2017).

Therefore, Chinese policymakers must anticipate and prevent situations that could lead to global turmoil, which can endanger China's peaceful development. As China's ambitions are becoming more intertwined in the domestic security and economic policies of countries spanning the globe, particularly the Global South countries, China is forced to be more proactive, assertive, and cautious in bettering global governance. Consequently, Beijing has started defining its "interest frontier" and pursuing result-orientated security cooperation (Xiong, 2009). The decision of the People's Liberation Army (PLA) to go global is a natural extension of China's expanding power and interests. That represents a significant shift from the early years of the open-door policy, which focused on domestic economic and security challenges (Lai, 2009). Over time, China, as a non-Western power, has become a more prominent and influential global player without yet becoming a military superpower.

As a confidence-building instrument, military diplomacy serves to counter doubts about China's alleged intentions to base its foreign policy on militaristic expansionism. In this context, military diplomacy plays a geopolitical, geoeconomic, and soft power role in portraying China as a responsible and benevolent global stakeholder. Gerald Chan highlights that questioning China's responsibility is inevitable as China grows stronger and has the potential to become much stronger (Chan, 2013, p. 60). However, there are many ambiguous interpretations of "responsibility" in the anarchic international arena. The criteria for responsibility remain unclear—whether they are based on Western, Asiatic, Sinocentric principles, United Nations principles, or international law. Additionally, it is uncertain whether responsibility is judged by soft or hard power and who determines which state is responsible. This judgement could fall under the auspices of international institutions such as the UN, the International Court of Justice, the International Monetary Fund, AIIB, or the Cold War victors and their allies.

In conclusion, China's approach to military diplomacy reflects a strategic blend of soft power, proactive global engagement, and pragmatic cooperation. Fostering stable, pragmatic, and cordial military relations with great powers, neighbouring states, and developing countries (Fan and Shixiong, 2019), China has positioned military diplomacy as an increasingly

influential element of its foreign and security policy. As China navigates the complexities of global governance and aims to achieve the China Dream and Two Centenaries, military diplomacy will continue to play a pivotal role in ensuring that its strategic interests are safeguarded and its global influence is effectively projected.

SINO-SERBIAN MILITARY-TO-MILITARY DIPLOMACY

The diplomatic and deepening cooperation in the military and armaments sectors between China and Serbia represents a newly opened area with significant potential to become an additional pillar in Sino-Serbian geopolitical and geoeconomic togetherness as part of broader bilateral diplomatic relations.

In 2018, China and Serbia signed the Programme for Bilateral Military Cooperation. The programme was signed by Colonel Milan Ranković, the then Head of the Department for International Military Cooperation of the Defence Policy Sector of the Ministry of Defence of the Republic of Serbia, and Senior Colonel Ma Yongbao, the then Military Attaché of the People's Republic of China in Serbia. According to this programme, the two sides agreed to enhance existing collaborations and explore new areas for future cooperation. The official website of the Serbian Ministry of Defence states: "In addition to improving military-technical and military-economic cooperation, it was also concluded that there is a possibility to develop cooperation in other areas, such as military-to-military, military medical, and military educational cooperation, as well as other acceptable forms of cooperation. Both sides agreed that there is a possibility for defence cooperation to be raised to an even higher level by planning and implementing activities of international military cooperation of common interest" (Ministry of National Defence of the Republic of Serbia, 2018). In line to deepen military cooperation, Serbia and China held their first military drill in 2020. On this occasion, Serbian Minister of Defence Aleksandar Vulin asserted that this military drill would provide the Serbian military with new experiences. As a non-member of any military alliance, China has become one of the most advanced military states in technology and weaponry. That fact is of tremendous importance for Belgrade, which seeks to maintain military neutrality and develop its military capabilities (Baković, 2019).

Military cooperation is complemented by high-level military visits, both bilateral and multilateral. According to the Ministry of National Defence of the People's Republic of China, on July 25, 2018, General Zhang Youxia, Vice Chairman of China's Central Military Commission (CMC), met with Aleksandar Vulin, then Defence Minister of the Republic of Serbia, in Beijing. On the same day, Wei Fenghe, the then China's State Councillor and Defence Minister, also held talks with Vulin. Participants of these meetings agreed that military diplomacy holds a key position in comprehensive Sino-Serbian relations. In recent years, China and Serbia have recognised the myriad opportunities for developing military diplomacy. China seeks to collaborate with Serbia to enhance military cooperation and strengthen bilateral military ties as a development accelerator of their relationship. Consequently, high-level exchanges between Chinese and Serbian militaries have been frequent, resulting in the smooth development of further bilateral cooperation. Expanding the scope of Sino-Serbian military diplomacy will enrich the Sino-Serbian comprehensive strategic partnership (Yao, 2018).

On August 27, 2019, during her visit to the then Serbian Minister of Defence Aleksandar Vulin, the then Ambassador in Serbia, Her Excellency Chen Bo, remarked that Sino-Serbian military cooperation is one of the most important aspects of the Sino-Serbian Comprehensive Strategic Partnership. She expressed her expectation that military cooperation between the two countries would further develop and attract greater attention from the region and other states (Ministry of Foreign Affairs of the People's Republic of China, 2019). In September 2019, Chinese Central Military Commission Vice Chairman Zhang Youxia visited Belgrade for five days, watching the "Return 2019" Serbian tactical military drill (Gucijan, 2019). This visit represented another powerful signal of China's willingness to elevate Sino-Serbian military diplomacy to a higher level (China Military Online, 2019). At the multilateral level, then Serbian Minister of Defence Aleksandar Vulin participated in the Xiangshan Forum in China, where he articulated Serbian concerns about regional and global security challenges and discussed China's role in preserving world peace, stability, and prosperity.

In conclusion, the burgeoning military diplomacy between China and Serbia exemplifies a deepening strategic partnership with potential far-reaching geopolitical and geoeconomic implications. This cooperation, marked by significant high-level exchanges and collaborative military exercises, not only

enhances bilateral ties but also positions both nations to address regional and global security challenges more effectively. As China and Serbia continue to explore and expand their military collaboration, this partnership will likely become a cornerstone of their comprehensive strategic relations, contributing to mutual growth and stability in the international arena. Sino-Serbian military cooperation also involves the Serbian import of Chinese weaponry. During the second Belt and Road Forum in China, Serbian President Aleksandar Vučić announced that Serbia would purchase weaponry from China as part of its military modernisation process, affecting 3,000 Serbian soldiers. China will also transfer know-how technology to improve Serbia's "Pegasus" programme (Popadic and Bakovic, 2019). As part of its military modernisation and efforts to boost power projection capabilities, Serbia is acquiring military drones from China. Specifically, Serbia has ordered nine Chengdu Pterodactyl-1 drones, known in China as Wing Loong, with predictions that an additional fifteen drones will be ordered in the near future. These medium-altitude, long-endurance drones are intended for surveillance and aerial reconnaissance and can be equipped with bombs and missiles for striking ground targets (Yan, 2019). The wingspan of these drones is nearly 10 meters, with a range of 4,000 km and an endurance of almost 20 hours. Their maximum speed is 200 km/h. Training for Serbian operators who will manoeuvre this equipment will be conducted in China (Politika, 2020).

Serbia is the first European country to purchase Chinese military drones and military equipment. This decision is part of Serbia's longstanding policy of maintaining good relations with China, which includes not imposing sanctions on China after the 1989 Tiananmen incident. This purchase represents Beijing's most significant foray into a continent where armed forces traditionally relied on US and European weapon-makers (Lekic, 2019). While this represents a considerable geopolitical breakthrough for China, it is anticipated that its future influence in the European arms market will face significant challenges due to the dominant positions of the US and top European suppliers such as France and Germany. Furthermore, NATO recognises China as a geopolitical and security challenge.

In 2017, the PLA donated military equipment worth approximately \$1 million to the Serbian army. This donation included 16 rubber boats with outboard engines, five snowmobiles, and ten portable devices for detecting explosives and narcotics, handed over to the Serbian army at the military

barracks in Pančevo (Huang, 2017). In an interview with VoA, the then Serbian Prime Minister Miloš Vučević highlighted military cooperation as the most critical aspect of Sino-Serbian relations. He stated that the Chinese medium-range air defence missile system FK-3 and the drones CH-95 and CH-92A are “undoubtedly” among the most important defence systems that Serbia has acquired. Serbia showcased its Chinese surface-to-air missiles in April 2022, alongside other military hardware purchased from Russia and the West. Serbia purchased the FK-3 air defence system in 2019, comparable to the Russian S-300 or the American Patriot system. It was delivered in 2022 (Reuters, 2023).

In conclusion, the evolving military cooperation between China and Serbia signifies a strategic partnership with substantial geopolitical and geoeconomic implications. The procurement of advanced Chinese military technology and the deepening of military ties reflect Serbia’s commitment to modernising its defence capabilities while maintaining its policy of military neutrality. This cooperation, marked by significant high-level exchanges and collaborative military exercises, positions both nations to address regional and global security challenges more effectively. As China and Serbia continue to explore and expand their military collaboration, this partnership will likely become a cornerstone of their comprehensive strategic relations, contributing to mutual growth and stability in the international arena.

As is well known, the Serbian government bases its foreign policy on four pillars: the European Union, the United States, Russia, and China. In this context, Serbia strives to maintain its military neutrality while NATO and Russia seek to influence its position in line with their respective military and security interests. Therefore, importing arms from China and incorporating the “China factor” into Serbian security could enhance Serbia’s ability to balance these competing influences. In this regard, China’s stance of not forming or participating in military alliances could serve as a significant source of legitimacy for Serbia’s ambitions to remain a militarily neutral country. According to military relations analyst Aleksandar Radić, China must identify new markets for its arms exports beyond Asia, Africa, and Latin America. He asserts that China aims to position Serbia as a bridge to access potential European buyers (Radio Slobodna Evropa, 2018).

CONCLUSION

As the largest holder of foreign exchange reserves, China stands at a pivotal juncture in its pursuit of becoming the most technologically advanced nation globally. In this context, China is compelled to assume a prominent role in bettering global governance, where its relational and structural power is perceived as both a challenge and an opportunity in terms of international stability and security. Consequently, China has developed a keen interest in establishing a suitable international order that serves as a platform for achieving the 17 United Nations Sustainable Development Goals, alongside its national aspirations encapsulated in the China Dream and the Two Centenary Goals.

Goal-orientated military diplomacy has become a crucial element of China's intensive, deep, sophisticated, and assertive integration with the international community. This multifaceted diplomatic approach plays a positive role in enhancing and deepening cooperation with the armed forces of other nations. Through these efforts, China seeks to promote its foreign relations and contribute to maintaining world peace and global stability (Xiong, 2009). Military diplomacy is, thus, intended to foster a long-term, peaceful international and regional environment conducive to national development. It should actively implement a new security concept while mitigating the influence of hegemonism (Xiong, 2009, p. 285). General Liang Guanglie has stated that the Chinese military's engagement in the international security arena is not aimed at undermining the global security architecture; rather, China aspires to be a constructive participant and builder of this system, providing additional public goods from which the entire international community can benefit (Chi, 2015).

China's approach indicates that it does not intend to be a "free rider" or challenger while fostering conditions for the development of other states. However, a pertinent question arises regarding the operating conditions of the world order: Will the Western self-proclaimed Manifest Destiny give way to a Sinocentric system? As noted by Mitrovic, if China disregards the diverse needs and ambitions of other nations, it risks replicating the very mistakes of "Western universalism" that it has endeavoured to avoid while leading developing states in various arenas and bilateral cooperation (Mitrovic, 2018, p. 24).

In this context, Serbia views China's "go global" policy favourably, as a perspective reflected in the Serbian National Defence Strategy (Ministry of Defence of the Republic of Serbia, 2009). Serbia sees China as a partner that supports its territorial sovereignty, integrity, and economic development and provides political leverage at the regional level. Through the development of military-to-military diplomacy with China, the Serbian government seeks to maintain its military neutrality and position itself as a military balancer in the volatile Western Balkans. By preserving its military neutrality, Serbia aims to leverage its geopolitical and geoeconomic position as a bridge between East and West. Additionally, this stance is a preliminary step in Serbia's broader ambitions to act as an "appeaser" in the ongoing geopolitical polarisation within the Western Balkans.

Historically, the region has been plagued by conflict, driven by nationalist politics and the geopolitical ambitions of various stakeholders, both direct and indirect. From this vantage point, China's involvement in Serbian military affairs could mitigate concerns about potential regional instability, particularly in response to NATO's efforts to curtail Russian influence in the area.

In conclusion, Serbia's strategic engagement with China through military diplomacy reflects a broader effort to navigate the complex geopolitical landscape of the Western Balkans. By fostering a partnership with China, Serbia reinforces its military neutrality and strengthens its position as a regional balancer and intermediary between the East and the West. This relationship is a critical component of Serbia's broader foreign policy objectives, enabling it to assert its sovereignty while simultaneously enhancing its regional influence. Moreover, China's involvement in Serbian military affairs offers a stabilising counterbalance in a region historically characterised by conflict and external power struggles. As Serbia continues to cultivate its role as a mediator in the Western Balkans, its strategic comprehensive partnership with China may prove pivotal in shaping the future dynamics of regional and global geopolitics.

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BINARY PERCEPTIONS AND IRRECONCILABLE DIFFERENCES: EUROPEAN UNION AND CHINESE POLICIES TOWARDS BOSNIA AND HERZEGOVINA

Muamer HIRKIĆ*

Abstract: As Bosnia and Herzegovina (BiH) advances along its European Union (EU) integration path, the looming spectre of foreign influences, often spotlighting China, becomes prominent. This influence, in particular, is the subject of intense scrutiny and concern within media discourse, official reports, and academic literature. The paper seeks to explore the idea of “China as a threat”, moving beyond binary categorisations of either benign or malign, and examine the complementarity of the EU and China’s policies towards the country. Nonetheless, the research attempts to clarify the diverse ways in which EU and Chinese engagement manifests in BiH, acknowledging potential objectives, methods, and outcomes while also considering the role of local agencies in geopolitical positioning amidst competing interests. The inquiry delves into media texts and academic papers to unpack the dimensions of Chinese involvement in BiH. Moreover, the analysis is further enriched with insights from expert interviews. By employing a constructivist lens, the goal of the paper is to re-think the prevalent narratives surrounding Chinese influence, which tend to oversimplify the complexities inherent in such relationships.

Keywords: EU integration, Chinese influence, BiH, threat perception, intentions, outcomes.

INTRODUCTION

The geopolitical landscape of Bosnia and Herzegovina (BiH) is influenced by multiple global powers, with the European Union (EU) and China playing particularly significant roles. While the EU has long been a dominant force in the region, promoting integration and reform, China’s recent economic and political engagements, particularly through the Belt and Road Initiative (BRI), have introduced new dimensions to the regional landscape. This paper

* Senior Associate, Faculty of Political Science, University of Sarajevo, Sarajevo, Bosnia and Herzegovina; Email: muamer.hirkic@fpn.unsa.ba, ORCID: 0000-0002-6071-3657.

explores the contrasting policies and perceptions of the EU and China in BiH, examining the ways in which local agencies navigate these competing interests. This study adopts a constructivist framework to understand the social construction of international realities, emphasising the role of local political elites and societal actors in shaping responses to external influences. By analysing media texts and academic papers and conducting expert interviews, the research aims to provide a comparison of EU and Chinese policies, their objectives, methods, and outcomes, and to unpack the narratives surrounding the perception of China as both an opportunity and a threat in BiH. The paper is structured as follows: The literature review and theoretical background provide an overview of the existing scholarship on China's and the EU's roles in the Balkans, particularly in BiH. The methodology section outlines the mixed-methods approach employed in this study, including text analysis and expert interviews. The results section presents the findings on the objectives, methods, and outcomes of EU and Chinese engagements in BiH, as well as the role of local agencies. The discussion section aims to provide a pathway for future research on this topic, while the conclusion synthesises the key insights.

LITERATURE REVIEW AND THEORETICAL BACKGROUND

The establishment of the China-Central and Eastern European Countries (CEEC) cooperation mechanism around 2012, which later became part of China's Belt and Road Initiative (BRI) launched in 2013, has significantly influenced the geopolitical landscape of the region. In the context of contemporary Balkan discourse, China is often viewed as an economic opportunity or a source of *malign influence* (Pan, 2012; Pavličević, 2018, 2019). Since the BRI's inception, China has markedly increased its economic and political engagement in the Balkans (Jačimović, Deichmann & Tianping, 2023; Vangeli, 2019; Zweers et al., 2020). The China-CEEC framework has reinforced China's presence, enabling investments in infrastructure, energy, and trade (Djindjic, 2023; Shopov, 2020; Vangeli, 2020). Although some local actors perceive China's rising role in the Balkans as a positive development, Western narratives often portray China's actions as a strategy to undermine Western influence and produce dependencies during negotiations regarding EU and NATO membership.

The literature on China's presence in BiH is relatively sparse, encompassing economic, political, and cultural dimensions. Hasić (2022) highlights the dual nature of Chinese investments in BiH, which provide economic relief but also raise concerns about dependency and potential political influence. Hirkić (2020) finds that young politicians and civil society members in BiH support greater Chinese involvement, particularly in cultural activities, but stress the need for compliance with EU standards in infrastructural projects. Pekmez (2022a) points out the discrepancies between promised and actual Chinese investments, noting that the government of the Republic of Srpska often announces deals based on non-binding Memorandums of Understanding. Perceptions of Chinese influence in BiH are somewhat ethnically divided; BiH Serbs generally view China positively, while Bosniaks and Croats are more sceptical, reflecting broader geopolitical, historical, and contemporary contexts (International Republican Institute, 2024). Shopov (2020) notes a strategic shift in China's approach to the Western Balkans, moving to more localised engagements with authorities, non-state actors, and journalists, thereby enhancing its soft power and long-term presence. Stević (2022) explores Chinese cultural diplomacy through initiatives like Confucius Institutes, which have successfully shaped positive perceptions of China. Lastly, Wunsch Gaarmann (2023) underscores the need for the EU to adopt a bolder geopolitical approach and increase funding to politically and economically engage the Western Balkans, despite the current lack of political will and shifting threat perceptions due to the war in Ukraine.

To comprehensively examine the EU and China's actions, objectives, methods, and outcomes concerning BiH, as well as the responses of local agencies and political elites, it is essential to adopt a constructivist perspective. This theoretical framework is particularly convenient, as constructivism emphasises the social construction of international reality, as articulated by Wendt (1995). Unlike traditional international relations theories that concentrate on state actors and material power, constructivism highlights the significance of individuals in shaping the social world through their actions and interactions (Onuf, 2013). Constructivists assert that agency and structure are mutually constitutive, with agents, such as political elites, having the capacity to transform structures. This perspective underscores the importance of ideas, beliefs, and social constructs. Applying this approach to the analysis of China's influence in BiH allows for a better understanding of how material investments intersect with ideational factors like ethnonational perceptions and geopolitical alignments.

METHODOLOGY

Research objectives

The main research objectives of this paper are to analyse and compare the EU and Chinese policies towards BiH in terms of their objectives, methods, and outcomes; to assess the actual impact of Chinese and EU engagement on BiH; to investigate the role of local agencies in BiH in navigating and responding to the competing interests of the EU and China; and to deconstruct prevalent narratives around the concept of *China as a threat*. Therefore, the study employs the following research questions:

1. How do the EU and Chinese policies towards BiH differ in terms of objectives, methods, and outcomes?
2. How do local agencies in BiH interact with China's interests?
3. Why is China seen as a threat?

Research activities and sample description

This research employs a mixed-methods approach to explore the complex dynamics of EU and Chinese policies towards BiH. The inquiry delves into a comprehensive analysis of media texts, official reports, and academic papers to unpack the dimensions of Chinese involvement in the country. To complement this analysis, nine expert interviews were conducted with professionals who either focus on China in their work or possess expertise in the geopolitics of the region. These interviews were carried out between March and July 2024, either in person or via Zoom, ensuring flexibility for the participants. Adhering to ethical research practices, the rule of anonymity was strictly applied, ensuring that no personal data connecting respondents to their answers is disclosed throughout the paper. The interviews utilised a qualitative, semi-structured list of questions, allowing for consistency across respondents while also providing the flexibility to explore unique insights from each expert. This methodological approach facilitates an understanding of the perceptions, intentions, and outcomes of EU and Chinese engagements in BiH, grounded in both documentary analysis and expert opinion.

RESULTS

Objectives, methods, and outcomes

BiH's geopolitical position is complex and shaped by the influences of major powers such as the US, the EU, China, and Russia. Perspectives on BiH's role vary, with some viewing it as a regional actor lacking clear direction and others seeing it as significantly influenced by the US and the EU.¹ Respondent 1 suggests that BiH holds limited geopolitical significance, serving more as a negotiating ground for larger powers without a defined direction or stance.² Conversely, Respondent 2 highlights the growing regional divergences, particularly in attitudes towards EU and NATO integration, as well as China and Russia.³ Both the EU and China support BiH's EU integration, although NATO membership remains a contentious issue. The EU and China approach their policies towards BiH differently, with the EU placing a strong emphasis on transparency and reforms, while China's approach often includes practices that are perceived as less transparent by the local stakeholders, particularly in the context of project contracts. Respondent 6 notes that Chinese projects in BiH are frequently controversial, whereas the EU focuses on reforms aimed at improving citizens' lives, despite a noticeable *EU fatigue* in the country.⁴ The EU aspires to be BiH's main trading partner, leading in investments alongside the US. However, China's presence introduces further competition. Respondent 3 states that the EU is the largest investor with a diverse portfolio, while China targets large state projects and operates primarily as a lender without direct investment.⁵ Respondent 7 points out the underexplored relationship between the EU and Chinese companies, which currently dominate construction projects, suggesting that cooperation between the EU and China is feasible, as evidenced by the construction of the Pelješac Bridge.⁶ These projects enhance the portfolios of Chinese companies, particularly if the entire region eventually joins the EU (Kuloglija-Zolj, 2023). The EU has a systematic growth plan for the region, whereas China's approach to regional

¹ Interviewees #1, #2, #3, #4, #5, #6, #7, #8, #9, Sarajevo, 2024.

² Interviewee #1, Sarajevo, 2024.

³ Interviewee #2, Sarajevo, 2024.

⁴ Interviewee #6, Sarajevo, 2024.

⁵ Interviewee #3, Sarajevo, 2024.

development is less systematic and more profit-orientated (see European Commission, n.d.-a). Nevertheless, it is important to note that the EU's Global Gateway initiative generally aligns with China's Belt and Road Initiative in terms of green energy projects, despite being conceived as a counterweight to China's initiative (see European Commission, n.d.-b).

Investment strategies in BiH often prioritise the exploitation of raw materials and cheap labour, lacking strategic plans for long-term development that would benefit citizens. Respondent 1 underscores the absence of a comprehensive development strategy both domestically and from foreign investors.⁷ Respondent 2 highlights the importance of the origin of investments and the need for transparency.⁸ The EU advocates for political and economic reforms in BiH, emphasising the significance of transparency in investments and governance. In contrast, Chinese investments frequently involve loans that often engage local agencies, potentially fostering corruption among political elites.⁹ In terms of outcomes, the EU wants to continue to be BiH's primary trading partner, highlighting its significant economic influence in the region. Meanwhile, China strategically invests in infrastructure projects within the country, aiming to ease access to the EU market and strengthen its position once BiH achieves EU membership. However, this increasing Chinese investment comes with risks. Respondent 8 points out the dangers of Chinese loans, warning of the potential for state asset takeovers if BiH defaults on its debt.¹⁰

Local agency

China places a high priority on maintaining long-term relationships. It frequently invites various guests to conferences, including former government officials who played significant roles in establishing bilateral ties, even if these individuals no longer hold influential positions in their respective countries. One notable example includes Mladen Ivanić, a former member of the Presidency of BiH (BiH), who is welcomed and respected by Chinese officials

⁶ Interviewee #7, Sarajevo, 2024.

⁷ Interviewee #1, Sarajevo, 2024.

⁸ Interviewee #7, Sarajevo, 2024.

⁹ Interviewees #8, #9, Sarajevo, 2024.

¹⁰ Interviewee #8, Sarajevo, 2024.

even though he is no longer holding a prominent position in the government.¹¹ Another example is Serbia, where former President Tomislav Nikolić welcomed Xi Jinping during his 2024 visit, just as he did during Xi's first visit in 2016. In the previous years, China has also made concerted efforts to engage young politicians from different ethnonational groups in BiH by organising joint activities and providing them with opportunities to interact. These initiatives are viewed as contributions to fostering peace and interpersonal relationships within the political landscape, under the belief that China represents a common interest for all, regardless of internal differences. Although it is difficult to evaluate such initiatives, they are regarded as positive efforts.¹² This strategy aligns with the EU's approach of bringing together young politicians from all political parties through various projects to foster improved relations between different ethnonational groups.

Examining current interactions between China and local political elites reveals several critical points. Politically, the Communist Party of China (CPC) has long-term cooperation agreements with parties such as the Alliance of Independent Social Democrats (SNSD), the Party of Democratic Action (SDA), and the Croatian Democratic Union (HDZ). However, all respondents agree that the CPC and SNSD have the closest relationship, marked by a strong commitment to strengthening their strategic partnership, formally established in 2016.¹³ The International Republican Institute's 2024 survey confirms the constructivist approach, demonstrating how local agency influences the perception of China. Respondents from the Republic of Srpska exhibit a much more favourable view of China. Conversely, the critical stance of political elites towards the EU shapes public opinion, resulting in a more unfavourable perception of Western countries (see International Republican Institute, 2024). A notable issue raised by respondents is China's inclusive approach to engaging with political elites, irrespective of their reputation.¹⁴ This non-selective engagement can sometimes negatively affect China's perception in countries where individuals engaged in politics are not well-regarded. This approach contrasts with the EU's more selective engagement strategy concerning local agencies.

¹¹ Interviewee #9, Sarajevo, 2024.

¹² Interviewees #4, #5, #6, #7, #8, #9, Sarajevo, 2024.

¹³ Interviewees #1, #2, #3, #4, #5, #6, #7, #8, #9, Sarajevo, 2024.

¹⁴ Interviewees #1, #2, #6, #7, #8, Sarajevo, 2024.

In the Republic of Srpska, the ruling authorities consider China a crucial partner, intensifying cooperation and undertaking numerous projects (Cviko, 2024; Katic & Milojević, 2023). Notable examples include the Foča-Šćepan Polje highway, the Bijeljina-Brčko highway, the *Beaver* wastewater treatment plant, a hospital in Doboj, and the hydroelectric power plants *Buk Bijela*, *Bistrica*, and *Dabar* (Cviko, 2023). For instance, Milorad Dodik signed a *Memorandum of Understanding and Cooperation on Highway Construction Projects* with representatives of China Road and Bridge Corporation. Chinese companies are favoured in the Republic of Srpska due to easier entry and higher centralisation, although they are also present in the Federation (Pekmez, 2022b). Numerous projects, such as the Ivovik Wind Farm, confirm this presence (Degirmendžić, 2022). On the state level, BiH has already established the Joint Commission for Trade and Economic Cooperation and the Coordination Team for Cooperation and plans to form a new body for economic rapprochement with China, which will be coordinated by representatives of the Foreign Investment Promotion Agency (Katic, 2023a). Additionally, the Parliamentary Assembly of BiH has an Asia Group, composed of current parliamentary members. Respondents generally highlight that these increasing loans and investments carry significant risks of non-transparency and corruption by domestic politicians. They further note that political elites in BiH “do not feel the need to explain to citizens how they spend their money”, identifying this lack of accountability as a major issue.¹⁵ Respondent 7 observes that Chinese companies find easier entry through the Republic of Srpska but are also active in the Federation, with BiH authorities overlooking their past poor practices in both cases.¹⁶ Respondent 8 confirms the growth of Chinese loans and investments but cautions that politicians from both entities may exploit these loans for short-term financial gains.¹⁷

China as a threat

Respondents agree that China is perceived as a threat primarily due to its non-transparent dealings and the economic dependence its loans

¹⁵ Interviewees #1, #2, #3, #4, #5, #6, #7, #8, #9, Sarajevo, 2024.

¹⁶ Interviewee #7, Sarajevo, 2024.

¹⁷ Interviewee #8, Sarajevo, 2024.

produce.¹⁸ Chinese projects often lack transparency, which could stimulate corruption among political elites and contrast sharply with the EU's emphasis on reforms and transparency. The lack of accountability from political elites regarding public spending exacerbates governance issues and erodes public trust. Furthermore, China's inclusive approach to engaging with local political elites, regardless of their reputations, can negatively impact its perception among the locals, especially when compared to the EU's more selective engagement strategy. Additionally, multiethnic countries such as BiH require a more strategic and systematic approach to engaging with local agencies. The close ties between the CCP and local parties like SNSD further intensify concerns about undue political influence (Katic, 2023b; Milojevic, 2023). Lastly, China's strategic investments in large infrastructure projects, aimed at facilitating access to the EU market, are seen as profit-orientated and less systematic compared to the EU's regional development plans.

DISCUSSION

While the realist perspective tends to focus on the pursuit of national interests by external powers such as China, a constructivist approach reveals the intricate ways in which local actors interpret and respond to these influences. This study demonstrates that perceptions of China and the EU in BiH are not monolithic but are shaped by a variety of factors, including ethnonational identities, historical contexts, and the specific nature of the engagements. For instance, Chinese investments, often seen through the lens of economic opportunity by some local actors, are simultaneously viewed with suspicion and fear by others due to concerns about transparency and potential political dependencies. Future research should delve deeper into these perceptions, particularly examining how the EU's Global Gateway Initiative and China's Belt and Road Initiative might coexist or even complement each other in the Western Balkans. This involves moving away from a simplistic binary of *good* versus *malign* influence and instead critically evaluating the specific impacts and intentions behind foreign engagements. By doing so, scholars and policymakers can better understand the potential for collaborative projects that align with the developmental goals of BiH while

¹⁸ Interviewees #1, #2, #3, #4, #5, #6, #7, #8, #9, Sarajevo, 2024.

ensuring that local agency and transparency are upheld. Additionally, exploring why China has made significant progress in BiH, despite the EU's robust policy framework, could shed light on the local and regional dynamics that influence foreign engagement success. This line of inquiry might also reveal gaps in the EU's approach towards BiH. Moreover, addressing the EU's requirement for candidate countries to assess the malign influence of third countries necessitates a clear delineation of what constitutes malign influence, providing a more precise framework for evaluating foreign engagements. This approach could pave the way for more constructive and beneficial interactions that support BiH's long-term development and stability.

CONCLUSION

In conclusion, the intricate dynamics between the EU and China in BiH underscore the complex nature of international influence and local agency. The EU's approach, characterised by an emphasis on transparency, reforms, and long-term regional integration, contrasts sharply with China's strategy, which focuses on economic investments and infrastructure projects. While the EU seeks to promote governance improvements and alignment with European standards, China's engagements often appear less transparent but provide immediate economic benefits. These differing approaches have shaped the perceptions and responses of local actors, revealing a landscape marked by both cooperation and contention. The constructivist perspective employed in this study highlights the significance of local agencies in interpreting and reacting to external influences. Different perceptions within BiH towards China, contrasted with the more uniform but increasingly fatigued view of the EU, reflect broader geopolitical alignments and historical contexts. For instance, while BiH Serbs generally view China's presence more favourably, Bosniaks and Croats are more sceptical, aligning their perspectives with broader Western narratives that emphasise the risks of dependency and political influence. Understanding these perceptions is crucial for comprehending the broader implications of EU and Chinese policies in the region. This research contributes to a better understanding of the global-local interplay in BiH, offering insights relevant for policymakers and scholars alike. It underscores the need for strategies that consider the local socio-political fabric and the complex perceptions of external influences. As BiH continues its path towards EU integration while engaging with Chinese economic

opportunities, a balanced approach that leverages the strengths of both engagements while mitigating their risks is essential.

APPENDIX

Questionnaire

1. How would you characterise Bosnia and Herzegovina's current geopolitical position? Why do you believe it holds this position?
2. Which foreign influences are most prominent in the country today? Can you explain how these influences are shaping the country?
3. How do you perceive the investment strategies of the European Union and China in Bosnia and Herzegovina?
4. What are the primary objectives of the European Union and China in Bosnia and Herzegovina, and what methods do they use to achieve them?
5. In your view, are the policies of the European Union and China towards Bosnia and Herzegovina fundamentally different or irreconcilable, or do they share complementary aspects? Could you provide examples to support your view?
6. Does China appear to favour specific groups or individuals in Bosnia and Herzegovina? Who within the country is most inclined towards cooperation with China, and why?
7. To what extent is it justified to consider China a potential threat to Bosnia and Herzegovina? What factors influence your perspective on this issue?

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EU AND CHINESE INTERESTS AT THE WESTERN BALKANS CROSSROADS: ECONOMIC CHALLENGERS OR POLITICAL AND SECURITY COMPETITORS

Mitko ARNAUDOV*

Nataša PAJIĆ

Abstract: Over the past decade, the Western Balkans (WB) has increasingly become a focal point for various global powers across multiple domains. Precisely, a significant debate has emerged around the economic role of Chinese investments in the WB region, ranging from radical perspectives claiming that the economic interests of the People's Republic of China (PRC) are a precursor to the Chinese political and security interference in the region to more pragmatic views that suggest Chinese investments in the WB region will compete with and challenge the role of the European Union (EU), particularly in the context of the *frozen* EU integration process. Therefore, this paper aims to analyse the last ten years, using deduction to determine whether Chinese economic inflows in the WB region could lead to greater influence in the political and security domains. Additionally, based on this research and through the method of prediction, the authors will provide potential answers regarding future Chinese foreign policy steps and its role in the WB region. From a theoretical perspective, the paper seeks to demonstrate that the implementation of political and security interests of so-called global players, such as China, is not always rooted in economic mechanisms and resources. From a practical perspective, the research aims to explain whether China's presence in the WB region accelerates or hinders the EU integration path for WB actors—from the normative perspective.

Keywords: Western Balkans, China, European Union, economic interests, political and security challenges.

* Research Fellow, Institute of International Politics and Economics, Belgrade, Republic of Serbia; Email: mitko@diplomacy.bg.ac.rs, ORCID: 0000-0002-3274-347X.

Research Assistant, Institute of International Politics and Economics, Belgrade, Republic of Serbia; Email: natasa.pajic@diplomacy.bg.ac.rs, ORCID: 0009-0007-7231-1421.

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INTRODUCTION

The construction of modern international relations is grounded in the multi-sectoral interweaving of economic, political, and security dynamics. For an accurate understanding of current international relations, it is essential to analyse these structures through key economic, political, and security determinants that seem to be intertwined to create a mosaic of current international relations at the global, regional, and bilateral levels. Different determinants offer a clearer understanding of international dynamics, especially in the current period of international relations where national and allied-bloc interests often diverge—particularly in political and security matters—while at the same time, economic interests tend to serve as a common denominator for all factors of international relations in the process of ensuring sustainability. In this context, it is equally important to grasp the regional political, economic, and security flows shaped by both regional challenges and interactions with external actors, especially those seeking to assert their interests in a specific regional geographic area.

Therefore, this paper focuses on the Western Balkans (WB) region as a political entity and its relations with the European Union (EU) on one side and the People’s Republic of China (PRC) on the other, aiming to scientifically explain why this region has become an important determinant in the foreign policy activities of major international actors. The paper also seeks to analyse how this multilateral external interest in the WB region will influence the foreign policy positioning of regional political entities and their efforts to achieve economic sustainability and stability in the face of contemporary security challenges, threats, and risks. The authors focus on the relations of the WB actors with the EU and the PRC, recognising the importance of these two international actors in regional frameworks and bilateral interests—primarily in the economic and political domains, which inevitably carry long-term security implications. From an academic perspective, this work, grounded in neorealism and neoclassical realism theories, aims to enhance our understanding of how the foreign policy manoeuvring space for small international actors expands during periods of destabilised international relations. In a practical sense, it contributes to a better understanding of current regional and international relations, with a particular focus on the WB region.

NEOREALISM AND NEOCLASSICAL REALISM THROUGH THE PRISM OF THE EU AND CHINESE RELATIONS WITH THE WESTERN BALKANS

Classical realists argue that international relations are fundamentally driven by the pursuit of national or state interests. They contend that interstate cooperation is nonexistent, replaced instead by *forced* communication aimed at achieving these interests, with competition and hostility being the *natural* state of these relations. However, from today's perspective, the history of international relations suggests a shift toward a new model of understanding international relations. It brings us closer to the model of realism—neorealism, which, according to Dragan Živojinović (2008, p. 375), 'finds the main causes of events in international relations in the structure of the international system, i.e., in the analysis at the level of the international system'. Nevertheless, to build a robust theoretical foundation in this work, it is crucial not to overlook the perspective of neoclassical realism. Unlike neorealists, neoclassical realists 'find the main causes of events in international relations in human nature and the nature of states, i.e., in the analysis at the individual level and the analysis at the state level' (Živojinović, 2008, p. 375).

To better understand the relationships between the WB region and the PRC, on the one hand, and the WB and the EU, on the other, it is almost impossible to rely solely on one theoretical framework. Doing so would obscure the whole picture of these relationships—their determinants, conditioning factors, and future prospects. These are intertwined political, security, and economic relations shaped by specific events within the so-called international structure, as well as by leadership dynamics and state positions, alongside the indirect interests of involved actors. In this paper, we will demonstrate how the aforementioned theoretical approaches are interwoven and how they can be *coordinated* and applied in the practice of contemporary international relations, specifically through the example of China and the EU's relations with the WB actors.

There is little doubt that state interests today are primarily achieved through interstate cooperation. Cooperation is a minimum prerequisite for realising these state interests. However, questions arise about the extent to which this cooperation necessitates integration, both comprehensive and sectoral, to achieve these interests fully. Does comprehensive cooperation represent a logical and natural progression, or can it be effectively limited to

specific sectors? Can national interests at a given moment conflict with foreign policy goals, and how is this possible if foreign policy goals are defined by national interests? In the given context, do political entities in the WB face a certain *internal conflict* between foreign policy goals and national interests? Through the analysis of these relationships in this work, we will seek to answer these questions, contributing significantly to the theoretical understanding of contemporary international relations and the foreign policy of small political entities, using the Western Balkans as a case study.

ECONOMIC DIMENSION

The analysis of economic relations between subjects of international law has always been a crucial factor in understanding international relations and forecasting the development trajectory of these relationships. While not an absolute rule, economic indicators significantly aid in understanding comprehensive trends in international relations, given the interweaving nature of economic, political, and security relations. Therefore, a vital segment of this analysis is the examination of economic relations between the EU and the WB region, on the one hand, and between the PRC and the WB countries, on the other. This dichotomy is established to address the research questions posed in the paper, wherein the projection of political and security power and interests of both the EU and the PRC in the WB region is primarily interpreted and anticipated from an economic standpoint.

China-Western Balkans relations

The economic role of the PRC in the WB region is becoming an increasingly significant factor in its economic landscape, particularly in the infrastructure, energy, and investment sectors. Before delving into the specifics of this cooperation, it is essential to highlight the observation made by Stanojević and Zakić, who assert that ‘the Balkans (which in a geographical sense encompasses the political area of the Western Balkans) is inextricably linked to the Belt and Road Initiative, as evidenced by the establishment of the so-called Balkan Silk Road. The main objective is to connect the Greek port of Piraeus by road and railway with North Macedonia, Serbia, and Hungary, and subsequently with the rest of Europe’ (Станојевић и Закић,

2023, стр. 361). In this context, the Western Balkans represents an indispensable and integral part of China's economic positioning within Europe.

In 2012, Beijing initiated the Cooperation Mechanism between China and Central and Eastern European Countries (CEEC), which has included all five WB countries since its inception (Mitrović, 2023, p. 78). However, as Katarina Zakić explains, research on projects initiated after 2012 reveals that most are individual projects contracted bilaterally between national governments and Beijing, with far fewer being regional projects agreed upon under the multilateral platform (Заквић, 2020, cited in Mitrović, 2023, p. 79). This is already an important determinant in attempting to understand and create a projection of China's economic presence in the WB region and, by extension, the potential political and security influence China may wield in this region. In this context, it is challenging to fully justify Dejan Pavličević's assertion that 'China's approach to the Western Balkans is perceived in Brussels and other European capitals as a strategy based on expansive geopolitical intentions, in which the engagement of economic resources attempts to increase political influence, on account of the central role that the Union plays in the region today' (Павлићевић, 2023, cited in Mitrović, 2023, p. 80).

On the other hand, the Belt and Road Initiative (BRI), established in 2013, aims to boost China's economic development, open new commercial routes, and enhance its global presence by investing in a network of transport infrastructure (Stanicek & Tarpova, 2022, p. 3). The following tables (Table 1 and Table 2) provide a detailed view of China's financial involvement within the Western Balkans:

Table 1. Investments by the People’s Republic of China in the Republic of Serbia, 2021

Serbia	Project	Worth
	Belgrade-Budapest railway	€1.4 billion
	Zelezara Smederevo by China’s Hesteel Group	US\$120 million
	Zijin Mining	€ 1.260 billion
	Linglong Tire	€ 800 million
	Hbis Group	€ 466 million
	Minth Group	€ 370,9 million
	Mei Ta	€ 124,4 million
	Hisense Group	€ 101,2 million
	Johnson Electric	€ 65 million
	Xingyu Automotive	€ 60 million
	Yanfeng	€ 47,1 million
	BMTS	€ 22,5 million

Source: Vukašinović, 2024.

Table 2. Ongoing Projects by the People’s Republic of China in the Republic of Serbia

Serbia – Ongoing projects	Company	Capacity	Worth
Hybrid RES plant in Bor	Shanghai Fengling Renewables	2 GW	€ 2 billion
Wind green	PowerChina and CWP Europe	300 MW	/
Agrosolar in Kula	MK Fintel Wind and PowerChina	660 MW	€ 350 million
Solar power plant in Smederevo	PowerChina and AVR Solar Park	9,95 MW	/
Solar power plant in Bela Palanka	PowerChina and AVR Solar Park	150 MW	/
A factory for the production of solar panels and a solar power plant in Paraćin	Hunan Rich Photovoltaic Science and Technology	1GW factory, 200 MW solar power plant	€ 310 million

Source: Peljto, 2024.

In the previous tables, we used Serbia as an example since it is a WB country with the most pronounced economic cooperation with China. This cooperation is strategic, bearing in mind the sectors in which Serbian-Chinese investment, economic, and financial relations have been concluded, realised, or are currently in progress. Other WB countries also exhibit increasing cooperation with China, though not to the same extent as Serbia. For instance, according to data published by the Central Bank of Montenegro in October 2020, China became the largest investor in Montenegro that year, with €70 million in direct investments. However, despite numerous warnings regarding the economic and fiscal unsustainability of the project, in 2014, the Government of Montenegro took a loan worth €809 million from the Chinese EXIM Bank for constructing the Bar-Boljara highway, which led to a dramatic increase in Montenegro's public debt (Kovačević, 2021).

China's investments in Bosnia and Herzegovina (BiH) started relatively recently, amounting to approximately \$1.3 billion. The majority of these investments have been directed towards the transport sector, particularly in infrastructure development such as highways and main roads. Notably, work is currently underway on the section Banja Luka-Prijedor, a project valued at nearly \$300 million; with the Shandong Gaosu company, the Bosnian government signed a 30-year concession agreement for the use of this road section (Radio Slobodna Evropa, 2022, cited in Станојевић и Закић, 2023, стр. 378). Additionally, the Chinese companies China State Construction Engineering and Synohydro Power China were awarded contracts to work on the section of Corridor 5C on the Počitelj-Zvirovići section. The value of this project is €100 million (Večernji.ba, 2019, cited in Станојевић и Закић, 2023, стр. 378). It is also worth mentioning that China had already engaged in a significant project in BiH before the establishment of the Belt and Road Initiative. Between 2010 and 2014, Dongfang Electric Company, in partnership with EFT Group, built Stanari—the first thermal power plant in Bosnia, which has a capacity of 300 MW; the Chinese company invested €350 million (Sadiković, 2019, cited in Станојевић и Закић, 2023, стр. 378).

Like its neighbouring countries, North Macedonia primarily imports technologically advanced products from China, including electrical machinery and appliances (computers, monitors, telephones, and switchboards). Its main export to China is iron. In 2021, China recorded a trade surplus of approximately \$436 million, which increased to \$577 million in 2022. While

these are relatively small amounts, given the scale of North Macedonia's economy, the 25% increase in one year is a significant change in the parameters. However, as shown, these parameters have reached much more dramatic growth. In the infrastructure sector, North Macedonia has agreed with China to work on the improvement of transport infrastructure, focusing on two highway sections, Miladinovci-Štip and Kičevo-Ohrid, with a total value of \$490 million. The Miladinovci-Štip section is completed, while the second section is still under construction (Станојевић и Закић, 2023, стр. 385). On the other hand, China has made two smaller investments in North Macedonia in recent years, worth €47 million (Филиповић и Игњатовић, 2021, cited in Станојевић и Закић, 2023, стр. 386).

From January 2024, China is Albania's second-largest trading partner (INSTAT, 2024, cited in Musabelliu, 2024). The import and export rates have intensified despite the distance, differences, and political implications. For instance, in 2023, the distribution of Albania's trading partners was as follows: Italy (29.2%), China (7.9%), Turkey (6.8%), and Greece (6.5%) (INSTAT, 2024, cited in Musabelliu, 2024). From an investment perspective, according to the Bank of Albania (2022), by the end of 2021, in the list of Foreign Direct Investments (FDI), China ranked 31st. In 2014, it was publicly announced that one of the most important arteries of the country's routes would be built by a Chinese company. Arbri Road was considered a crucial investment to modernise the country's infrastructure. A memorandum of cooperation with the Chinese Exim Bank on opening a project site in Albania was signed in December 2014, securing Chinese financing. 'The first project that will open the beginning of a new era of cooperation between Albania and China', wrote Rama on his social media on the same day (Musabelliu, 2022). Labelled in Albania as a political saga, the run for the construction of this highway was one of the major electoral promises of Edi Rama. In 2015, the Albanian government led by Rama approved a special law, offering China State Construction Engineering Corporation (CSCEC) the authority to complete the Arbri Road under a concession deal. China EXIM Bank would provide the financing for the project. However, two years later, the winner of the tender for the construction of this road was Gjoka Konstruksion, an Albanian-run company that was the apparent winner of the government bid, facing no rivalry from two other Albanian companies disqualified for dubious reasons (Musabelliu, 2022). The other major deal that was initiated but did not go through between China and Albania was

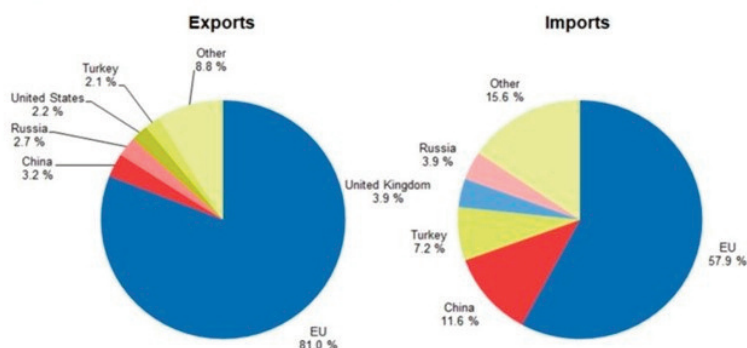
the project for the construction of the Blue Corridor motorway. This project aimed to connect the entire eastern shore of the Adriatic and Ionian Sea—from Trieste in Italy to Greece via Croatia, Montenegro, and Albania (Musabelliu, 2022). The only *stronghold* left is Bankers Petroleum, a fully-owned subsidiary of Geo-Jade Petroleum, the dominant oil operator in Albania. Shanghai-listed Geo-Jade Petroleum bought Bankers Petroleum in 2016 in a \$381 million deal. Patos-Marinza is the largest oil deposit in Albania and one of the largest onshore fields in Europe. According to their official statements, \$3.5 billion was spent on the Patos-Marinza Oilfield; \$587 million in royalties was paid to the Albanian State Budget. The company counts 2,000 employees, 530 direct employees, and 1,470 subcontractor employees. Over time, it has become one of the biggest contributors to the Albanian economy. Over the last 15 years, the company has paid more than \$740 million in taxes in Albania (Musabelliu, 2022).

Overall, from the perspective of the WB as a whole, when it comes to investments, China ranked 4th in total investment stock in the WB region, with €4.369 billion at the end of 2022. However, as Ana Krstinovska (2024) explains, €4 billion, or the quasi-totality of the investments, is concentrated in Serbia, while in other WB countries, China does not even rank among the top 10 investors.

EU-Western Balkans relations

The economic relations between the WB countries and the EU cannot be viewed solely through the lens of economics, finance, or investment. These relations are deeply intertwined with political and security dynamics, shaped by bilateral integration processes—specifically, the EU’s enlargement agenda and the shared foreign policy objective of EU accession among the WB countries. Therefore, it is crucial to consider the interconnected nature of these political, economic, and security relations when analysing the ties between the EU and the WB.

Figure 1. Trade relations of Western Balkans actors with main partners



Source: Stanicek & Tarpova, 2022, p. 2.

The table shows that over four-fifths of the WB's exports are directed to the EU. It is a clear indicator of the intensity of economic relations at the EU and the WB levels. From 2011 to 2021, EU trade with the WB region grew by nearly 130%. In the same period, WB's exports to the EU increased by 207% (EEAS, 2022a).

In contrast, this is not the case with other external economic partners of the WB. The EU stands as the largest financial donor in this region. Through the IPA II funds, aimed at pre-accession assistance in the European integration process, almost €4 billion was allocated to individual partners in the WB, with an additional €3 billion from funds for several countries from 2014 to 2020 (EEAS, 2019).

Furthermore, in terms of direct investment, EU companies accounted for over 65% of foreign direct investment in the WB in 2018, positioning EU businesses as the leading investors in the region. The *Economic and Investment Plan for the Western Balkans 2021-2027* further underscores the EU's commitment to the region, focusing on three pillars:

1. *Instrument for Pre-Accession Assistance (IPA III)*: Up to €9 billion in EU funding, aimed at supporting economic convergence with the EU, competitiveness and inclusive growth, sustainable connectivity, twin green, and digital transition.

2. *Western Balkans Guarantee Facility*: Up to €20 billion in investments, designed to reduce the cost of financing for public and private investments and mitigate the risk for investors.
3. *COVID-19 EU Support Package*: Up to €3.3 billion, directed towards supporting the health sector, businesses, and public sector socio-economic recovery, as well as the transport of equipment.

POLITICAL DIMENSION

The relationships between political entities in the WB and various foreign actors are mainly determined by the interests of *external and larger actors* instead of the strategic foreign policy positioning of the WB as a whole. The WB as a whole exists in the political vocabulary of the EU. In fact, the political dictionary of the EU coined the term *Western Balkans*, which refers to the political entities in the post-Yugoslav region that are not yet EU members, including Albania. It is a clumsy geographical term with a precise political meaning. In today's circumstances, we are talking about political entities that declaratively set membership in the European Union as their strategic foreign policy goal. However, the factual situation both on the side of these actors and on the side of official Brussels does not testify to *two-way steps* towards that foreign policy commitment. Simultaneously, there has been a noticeable increase in political cooperation with other major *external actors* interested in establishing their influence in this region.

China-Western Balkans relations

Local media report that 'economic underdevelopment and reduced democratic capacities, as well as the reserved and insufficient presence of the European Union and the United States of America, have enabled China to position itself as an important factor in the Western Balkans' (Durović, 2022). The Digital Forensic Centre (DFC, 2023) states that 'China's modus operandi is clearly profiled primarily through cooperation within infrastructure projects and by offering cheaper services compared to American or European competitors, which as a result provides Chinese cooperation with the countries of the region'.

On the other hand, despite its significant economic presence across the Balkans, China's influence is limited for now due to the lack of strong political support. That was particularly evident in Albania and Montenegro, where the Chinese presence was significantly reduced. Also, due to the Russian invasion of Ukraine, the West is more focused on the traditionally unstable WB, which further complicates China's efforts in the region. The exception is Serbia, where the ruling structures and the media close to them represent an important lever of Chinese influence.

Furthermore, it remains challenging for China to properly establish a strong political influence in the WB region despite the huge investment cycles carried out by Chinese companies. The foreign policy goals of the region's political entities have not changed. Beijing does not publicly oppose the potential for political and economic integration of the WB with the EU, apart from the existing disagreements between Brussels and Beijing regarding the status of Kosovo and Metohija. While Beijing insists on a dialogue based on the principles of international law, Brussels declaratively maintains a status-neutral dialogue between Belgrade and Pristina, which, still not officially, is interpreted as acceptance of the unilateral independence of Pristina by Serbia within the European framework. The status of Kosovo and Metohija is actually a point of divergence in the understanding of regional political conditions by China on the one hand and the EU on the other.

The political relations of the People's Republic of China in the Western Balkans are most prominently manifested in its relationship with Belgrade. At the same time, Serbia is a most valuable economic partner of China in the region and, equally important, a political ally. This political partnership is currently grounded in the principles of international law, particularly the respect for territorial integrity, as evident by the relations between Serbia and China regarding the southern Serbian province of Kosovo and Metohija. While a number of the countries have recognised the unilateral declaration of independence by the institutions in Pristina, the People's Republic of China firmly supports the principles and norms of international law and thus the position of Serbia, i.e., that Kosovo and Metohija, in the form of a province, is an integral part of the integrity of the territory of Serbia. Besides common positions on the Kosovo and Metohija issue, Belgrade and Beijing, in the context of ongoing international developments, including the Ukrainian war, destabilisation in the Middle East, and the Israel-Palestine conflict, have

reached new momentum in their political relations. The recent official visit of Chinese President Xi Jinping to Serbia was used as an opportunity to enhance political ties between these two countries, from a strategic partnership to a common future in the upcoming era, which is a concept promoted by the Chinese president at the Moscow State Institute of International Relations in 2013. This concept emphasises the pursuit of permanent peace as an ultimate goal, achieved through dialogue, consultation, and common security, alongside progress based on universal cooperation. Additionally, it encompasses the exchange of scientific achievements, including student exchanges and a shared commitment to environmental protection. Notably, Serbia is the first European country to sign such a joint statement with Chinese officials (Draškić, 2024).

EU-Western Balkans relations

Considering the EU's cooperation with political entities in the WB, it is important to point out that it is primarily defined by the *Stabilisation and Association Agreement* as a basic document and then by numerous concrete agreements, including pre-accession and accession processes. Currently, it seems that the political relations of the WB countries are the most intense precisely with the EU, and they are regarded as a *fait accompli* on both sides even though the current political tendencies do not go in that direction. The fact is that political relations between the EU and the WB as a whole are stable but also notably uneven, especially in the context of the Ukrainian conflict.

In 2003, in Thessaloniki, a city in the north of Greece, the leaders of the EU declared for the first time that the countries of the WB would one day become EU members. They had, as Brussels said, a "European perspective". Twenty-one years later, the stance that the region has a European perspective is still present, but it is also emphasised that the EU must strengthen its engagement with the countries there. Much can be inferred from the context of the *necessity of additional EU engagement in the Western Balkans*. With a skilled diplomatic dictionary, it was determined that there is a certain problem in relations between the WB and the EU. In that context, a question remains open: what is missing to restore the so-called Thessaloniki momentum when the EU was set to become a main foreign policy partner of this region? The latest concrete step on that path is the *Growth Plan for the Western Balkans*.

It foresees a total of €6 billion for the WB countries from 2024 to 2027—€2 billion in grants and €4 billion in loans (Evropska unija, 2024, p. 1). It is based on four pillars, namely 1) strengthening economic integration with the single market of the EU; 2) strengthening economic integration within the WB region through a common regional market; 3) accelerating fundamental reforms; and 4) increasing financial aid (Evropska unija, 2024, p. 1). However, the conditions for using these grants and loans are directly related to the reform process, so it is stated:

1. The release of all funds will depend on progress in the implementation of measures from the Reform Agenda.
2. In case the payment conditions are not met, the European Commission will suspend or deduct the corresponding amount from the payment. The WB partners will have 1-2 years to fulfil all the conditions. Otherwise, the amount will be redistributed to others in subsequent years (Evropska unija, 2024, p. 3).

It seems that the EU has not abandoned the integration of the WB region, but it has not given up on the reform preconditions either. It is difficult to predict how the process will unfold, bearing in mind the internal challenges faced by Brussels and the *traditional* institutional, political, security, and economic challenges in the WB region. However, it is almost certain that it will be difficult to reinstate the Thessaloniki momentum in the current decade, as well as the attractiveness of the Union itself in the WB as it was at the beginning of the 21st century. The essence of understanding the current relations between the European Union and the Western Balkans lies not only in the contemporary challenges on the international and European stage but also in the uneven approach Brussels has taken in the enlargement process over the past two decades. That is particularly evident in the case of North Macedonia, where the country's European trajectory has been largely determined by political disputes with neighbouring Greece and Bulgaria rather than being based on key accession criteria. An even more complex scenario is the European integration of Serbia, where official Belgrade is required to normalise relations with the self-proclaimed authorities in Pristina. This requirement persists, although Kosovo and Metohija, which unilaterally declared independence in violation of established international principles and norms, remain integral parts of Serbia's territorial integrity. From this perspective, it is important to point out that the relations between the EU

and the Western Balkans are not merely a *two-way street*. They are rather complex *intersections* shaped by numerous *input-output* determinants, giving rise to a new form of these relations.

SECURITY DIMENSION

China's security engagement in the WB region has been increasing over the years, especially as these countries remain in *the EU waiting room*. Considering that EU membership is a strategic goal for the WB countries, the EU's role in the region's security is potentially crucial. Therefore, this section of the paper explores the security-related relations of the WB countries with both China and the EU.

China-Western Balkans relations

Besides Serbia, most WB countries do not maintain military, defence, or security ties with China. The reason their collaboration with China in the security realm is limited or nonexistent lies in their NATO membership. As NATO members, Albania, Montenegro, and North Macedonia are bound by alliance policies that oppose China's actions in the region. Regarding the unilaterally proclaimed independence of Kosovo and Metohija, China firmly supports the territorial integrity of Serbia and does not have diplomatic ties with *independent Kosovo*. Another factor is the EU membership and accession, requiring the WB countries to comply with the EU's Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP). Therefore, they chose not to engage with China in the defence and security realms to avoid complicating their standings and accession processes. However, Serbia, which maintains military neutrality and seeks to pursue independent foreign and security policy, does not follow this pattern.

Serbia has extensive and growing cooperation with China in the security field, including military donations, the procurement of military equipment, joint drills and training, police cooperation and patrols, and the purchase of surveillance cameras. In 2009, former Chinese Foreign Minister Wang Yi visited Serbia and proposed deepening the Belgrade-Beijing relationship through a strategic partnership. During President Xi Jinping's visit to Belgrade in 2016, this partnership was elevated to a comprehensive strategic

partnership. In the aftermath of President Xi's first visit to Serbia, high-ranking military officials from Serbia and China met in Beijing, where they outlined key cooperation areas further strengthening military-to-military collaboration, such as joint drills, exchanges, military medicine, and anti-terrorism activities (Global Times, 2016). Since 2017, there have been several significant meetings between Serbian and Chinese high-ranking military officers, resulting in agreements on joint military training and officers' exchanges, military technology transfers, as well as joint participation in the UN peacekeeping missions (Траиловић, 2020).

In that regard, a steady increase in defence and security collaboration is visible during the analysed period, both quantitatively and qualitatively: what started with military donations is lately being upgraded with the purchases of advanced weapons and military equipment. Between 2008 and 2020, China's donations to the Serbian Ministry of Defence increased significantly (for a detailed list of contracts, see Траиловић, 2020, стр. 134-135). In 2023, China became the largest military donor in Serbia, surpassing all donations from the US for that year (Petaković, 2024). Purchases of military equipment and weapons, such as drones (CH-92A) and air defence missile systems (FK-3), illustrate how the China-Serbia comprehensive strategic partnership has expanded into the security domain. Serbia is currently the only European country that has bought Chinese weapons and armament (Reuters, 2022). Further strengthening of military cooperation is anticipated under the Free Trade Agreement (FTA) between Serbia and China. The FTA will allow for a gradual reduction in tariffs on Chinese weapons over the next 15 years (Bjeloš, Resare & Wang, 2023). This arrangement can help bolster Serbia's military capabilities and deepen its reliance on Chinese military equipment and technology, which can have broader implications for Serbia's geopolitical positioning in the WB region and Europe.

In addition to growing military cooperation, the public security domain has been another area of interest for the two countries in deepening their relations. For instance, to assist Chinese tourists in Serbia, joint police patrols with Chinese officers were carried out in Belgrade, Novi Sad, and Smederevo (Čarnić, 2023), alongside joint law enforcement exercises focused on releasing hostages and neutralising terrorists, conducted at the Železara Smederevo facility in 2019 (N1 Beograd, 2019). However, the project *Safe City* has attracted significant attention from the Serbian public, neighbouring

countries, and the international community. It was considered a *backdoor* entry for Chinese security technology into the EU security market. Serbia and Chinese Huawei signed a contract to install over 1,000 high-definition surveillance cameras equipped with facial recognition software at 800 locations in Belgrade (Stojkovski, 2019). Another WB country that agreed with Huawei was Bosnia and Herzegovina in 2018 (Sarajevo Times, 2018), but there have been no further actions since. In contrast to Serbia's openness to collaborating with Chinese companies, other WB countries opted to support the ban on Huawei and other *untrusted vendors*, such as Chinese ZTE, thus sidelining the EU and the US on this matter (see Vladislavjević, 2021).

One of the reasons behind China's growing security presence in the region, facilitated by Serbia, is the obvious need to protect its investments, particularly as the vital corridor from the port of Piraeus to Central Europe passes near disputed Kosovo and Metohija (Митић, 2022, стр. 26). As Mitić (2022, стр. 20) notices, new and evolving threats to China's expanding economic footprint and constant broadening of its *interest frontiers* require constant 'transformation and expansion of foreign policy and security activities'. While safeguarding Chinese capital is significant, it is not the sole motive for extending its military and security presence. Many scholars argue that Serbia serves as its *wild card* for entering the European defence and security market and bypassing restrictions (Митић, 2022; Trailović, 2020; Vukosavljević & Ejduš, 2023). Although President Xi's first visit to Belgrade in 2016 was primarily focused on economic issues, his second visit on May 7, 2024, marking the 25th anniversary of the NATO bombing of the Chinese embassy in Belgrade, carried a strong symbolic significance and was mainly political, bringing new opportunities in the security realm as well. President Xi and President Vučić signed a *Joint Statement on Deepening and Elevating the Comprehensive Strategic Partnership and Building a China-Serbia Community with a Shared Future in the New Era*, whose aims are, *inter alia*, long-lasting peace and common security. The statement underscored Serbia's readiness to take active steps in developing and implementing Chinese global initiatives, including the Global Security Initiative (GSI), further highlighting the mutual support of the two countries when it comes to vital interests, such as territorial integrity and sovereignty (MFA RS, 2024). The *iron-clad friendship* between Serbia and China has been upgraded from a comprehensive strategic partnership to a *community of shared future*, making Serbia the first European country to have such a partnership with China. As Trailović (2020)

observes, military and security cooperation in Serbia could serve as a case study for China's new role in Europe, announcing its extended engagement. Given this development, it is clear that Serbia remains a priority on China's agenda, with Sino-Serbian bilateral relations deepening across various domains, including defence and security matters. Serbian President Vučić described it as 'a new milestone in the history of this bilateral relationship' (Xinhua, 2024). Considering these developments, we can anticipate a greater security role for China in the region in the coming years.

EU-Western Balkans relations

According to the Austrian Foreign Minister Schallenberg, 'the Western Balkans are not Europe's backyard, as they are sometimes mistakenly called. Rather, it is the inner courtyard, the patio. Therefore, we must come closer together and firmly anchor the region in our European family' (Federal Ministry of the Republic of Austria for European and International Affairs, 2024). This statement underscores the strategic importance of the WB region to the EU and emphasises that the stability and security of the WB are integral to the overall European security architecture; the WB stability directly impacts European security due to the region's proximity—it is a critical region where security challenges, like organised crime, migration flows, and external influence (e.g., from China and Russia) can have significant implications for Europe. Hence a need to *bring it closer* through integration to ensure long-term peace and security. Furthermore, this statement also reflects the EU's strategic interest in preventing the WB countries from becoming the sphere of influence for non-European powers. In the context of our analysis, fear of such external influence in the WB could be regarded in light of China's expanding influence in the region. It should be noted that China has been perceived as a country that challenges EU values and the Western *rules-based order*, thus being designated as 'an economic competitor and a systemic rival' in the EU's threat-based document titled *A Strategic Compass for Security and Defence* (March 2022) (Janković & Mitić, 2024, p. 119).

The driving force behind security cooperation in the WB is the prospect of EU membership. Through its enlargement policy, the EU has significantly influenced security matters in the region, particularly through the required reform process and alignment of countries' foreign and security policies with

EU regulations. However, the EU enlargement policy and accession conditions in the WB region have been heavily influenced by security reasons and the EU's involvement in internal political issues of candidate countries, requiring stability before integration (Петровић, Ковачевић и Радић Милосављевић, 2023, стр. 96-97). In 2018, the European Commission adopted the *Western Balkans Strategy* to enhance and strengthen the cooperation between the EU and the WB countries. This Strategy aims to 'expand and deepen CFSP/CSDP dialogues, increase Western Balkans contributions to EU missions and operations, and further develop cooperation on hybrid threats, intelligence, space issues, and defence and security sector reform' (EEAS, 2022b). An important requirement is resolving bilateral disputes, including border disputes, with *normalisation* between Belgrade and Pristina being a key step for Serbia to continue its EU path. This normalisation has a significant security dimension, especially considering recent escalations. However, as normalisation implies official recognition of Kosovo and Metohija independence—a condition unacceptable for Serbia—it becomes a *stumbling block* for Serbia. That consequently influences its strategic decisions, such as forging closer ties with China and Russia on security issues.

As cooperation under CFSP/CSDP is one of the priorities, alongside comprehensive security sector reforms and alignment with restrictive measures, the WB countries are increasingly meeting EU demands to contribute to EU-led missions aimed at promoting peace, security, and stability, focusing on crisis management, peacekeeping, and conflict prevention. The WB countries have demonstrated their commitment by participating in various EU-led missions and operations under the CSDP. For instance, Serbia has engaged in four EU missions—EUNAVFOR Somalia Operation ATALANTA, EUTM Somalia, EUTM RCA, and EUTM Mozambique—within a broader EU security framework (MFA RS, n.d.; Ministry of Defence of the Republic of Serbia, 2024). Similarly, Albania and North Macedonia are involved in regional security initiatives through their participation in the EULEX Mission in Kosovo and Metohija and the EUFOR Operation ALTHEA in Bosnia and Herzegovina (EEAS, 2022b). Beyond these missions, the EU and the WB countries are collaborating on a wide range of security challenges, such as irregular migration, organised crime, small arms trafficking, and counter-terrorism. Serbia and other WB countries continue implementing the *EU Action Plan on the Western Balkans*, adopted in December 2022, for managing mixed migration flows (European Commission, 2023). This

multidimensional cooperation on security matters underscores the broader EU approach to security in the region, which stands in sharp contrast with China's current reach in this domain. However, we should look at the other side of the coin as well. While the EU aspires to be an important security actor in the WB region, its real capabilities and security policies are (overly) dependent on US interests through NATO, which serves as the primary security provider for the EU countries. Therefore, challenges the EU faced in the security realm constrain its capabilities in the WB as well. Hence, there is a discrepancy between the EU's ambitions and the practical outcomes of its missions under CDSP. Therefore, Janković and Mitić (2024) aptly question the success and effectiveness of the EU missions by highlighting their shortcomings and failure in practice.

As defence remains within the domain of national competence and sovereignty, defence procurements, such as arms acquisitions, are largely driven by national preferences. Many EU members and candidate countries continue to source arms and equipment from non-EU countries, including Turkey, the US, Israel, China, and Russia. Regarding the arms acquisitions between the EU members and WB countries, France and Germany are the primary suppliers to WB countries, especially Serbia and Albania, while Italy, Austria, and Ireland also play significant roles, particularly in Montenegro and North Macedonia; the US maintains a traditional presence in the region's arms acquisitions, and Turkey has steadily increased its foothold by providing arms to most WB countries, especially Albania and so-called Kosovo (Vulović, 2023). Serbia remains the only country in the region purchasing arms from Russia and China. In April 2024, during his state visit to Paris, Serbian President Vučić announced a potential deal with France for the purchase of Rafale fighter jets, which would represent the largest financial procurement for the Serbian Armed Forces (SAF) (Laurent, 2024). While this move might be a strategic attempt by the Serbian *elite* to balance relations between the East and the West, it could also signal a switch to Western technology. However, suppliers might bring their own interests to the forefront to influence and shape political alignments. For instance, France has reportedly set geopolitical conditions for the purchase of Rafale fighter jets, i.e., 'confirmation on the political evolution of the country', given Serbia's close ties to Russia and China, as well as 'the need to ease tensions in relations with Kosovo' (Laurent, 2024). So, it is evident that Serbia is under pressure to distance itself from China and Russia and *normalise* its relations with Pristina. The deal worth 3 billion euros

was finalised during French President Emmanuel Macron's state visit to Belgrade in August 2024. According to a French official, the procurement is 'part of a larger strategy of "bringing Serbia closer to the EU", with the Rafale being a "strategic choice"' for Belgrade's fleet upgrade (Stojanovic, 2024). The exact conditions of the deal and Serbia's acceptance of them remain to be seen. Despite Serbia's engagement in arms trade with Western countries like the US, Germany, and France, its military purchases from *the East* have drawn significant EU scrutiny and criticism. This further highlights the ongoing competition for influence in the region.

EU candidates are expected to gradually conform to the EU foreign and security policy, which is both a prerequisite and a sign of their commitment to the process. In that regard, it is noteworthy to mention that North Macedonia, Albania, and Montenegro are fully aligned with the CFSP (EEAS, 2022b). In contrast, Serbia has consistently demonstrated a lack of alignment, particularly regarding sanctions on Russia and declarations and restrictive measures related to China's sensitive security issues, such as Taiwan, Hong Kong, and the rights of Uyghurs. As a result, Serbia faces heavy pressure to align with EU policies. Its current alignment is limited and moderate; it is estimated to be around 46% in 2022 and 51% in 2023 compared to other WB countries that are fully compliant (European Commission, 2023). In that light, the EU has expressed concerns that Serbia's close relationship with China 'raises questions about the country's strategic direction' (Bjeloš, Resare & Wang, 2023). Besides the issues of Kosovo and Metohija, *the China factor* strongly influences the dynamics of Serbia's relations with the EU. In that context, Serbia-China relations are often viewed through a highly securitised lens within the EU, framing China's influence as *malign* and potentially *destabilising* EU integration efforts, and 'undermining regional stability' (Bergreen, 2024). In that regard, Serbia's acquisition of Chinese defence and military equipment has attracted significant international scrutiny, raising concerns and criticism from neighbouring countries, with the EU being quite sceptical about the motives behind these procurements. It is suggested that Serbia's advanced military build-up with China's assistance may heighten regional tensions, and 'the military cooperation with China might push Serbia to adopt a more assertive behaviour *vis à vis* its unfriendly neighbours' (Knezevic, 2022). As noticed by Vukšanović and Ejđus (2023), the fact that Serbia became the largest drone operator in the region raised fears among neighbouring countries, who followed suit with their purchases of drones

from Turkey and Israel. Furthermore, the China-Serbia FTA would lead to 'further distancing the Balkan nation from the rest of Europe' while allowing sanctioned Chinese defence companies to operate in Serbia (Bjeloš, Resare & Wang, 2023). Likewise, Serbia's collaboration with Huawei on surveillance cameras has faced severe scrutiny from the EU because that is not in line with the EU General Data Protection Regulation (GDPR). This collaboration raises significant concerns regarding data protection, human rights, and the privacy of Serbian citizens due to its intrusiveness (Krstinovska et al., 2023; Stanicek & Tarpova, 2022). One common misconception is that Beijing opposes Belgrade's EU path. In reality, China would benefit from Serbia's EU membership by gaining easier access to the European (defence and security) market. The real issues stem from the EU standards and regulations that clash with China's interests and business practices. Furthermore, the EU aims to keep the region on a Euro-Atlantic trajectory and counter foreign influence from China and Russia, which is why deepening security cooperation with the WB countries is seen as a strategic move to assert its influence.

CONCLUSION

This analysis has explored the economic, political, and security dimensions of Western Balkans relations with the European Union and China, underscoring the contrasting roles and influences of these two external partners in the region.

From an economic perspective, the EU is a significantly more comprehensive, concrete, and committed partner in the WB region than other external actors, including the PRC, which we analysed as a case study. Since Beijing is an important economic, trade, and investment partner, it would be inadequate to equate China's relationship with the WB to that of the EU. There are certain advantages in economic and financial relations with China, particularly given the political and security dimensions shaping the region's ties with the EU. However, a comprehensive and strategic analysis reveals that Brussels' role is more attractive for pragmatic economic policies aimed at strategic growth and long-term sustainability aligned with emerging political, economic, security, and energy trends. However, this does not mean that the People's Republic of China is an unreliable economic partner for the Western Balkans. Rather, it suggests that economic logic favours stronger and

more intense cooperation in geographically proximate areas, which is also understandable from a logistic perspective within the context of modern global economic and trade flows grounded in the principles of capitalism and market economy.

In the political framework of the WB region, the EU clearly takes the lead, especially when contrasted with the political role of the PRC in this part of Europe. Official Brussels, along with the EU member states, is deeply involved in numerous and fundamentally important political processes, making its political role more pronounced. Bearing in mind the position of Brussels as a formal mediator in solving essential internal and regional open issues and disputes, the fact is, along with the existing economic mechanisms on the side of European investors, that the EU still represents a generator of political processes in this part of Europe. However, the role of China should not be overlooked, particularly when considering its investments in strategic sectors such as energy, infrastructure, and mining. These investments position China as a *challenger* to the implementation of European policy in the Western Balkans in the medium term. The positioning of the People's Republic of China as a challenger does not necessarily imply the opposition to Brussels' policies towards the Western Balkans. Instead, China's role in this politically defined region can be interpreted as a comparative advantage in EU-Western Balkans relations and a *reminder* to leaders in Brussels of the critical importance of fully integrating the Western Balkans into European infrastructure, which is essential for building a stable, developing, and sustainable European Union in contemporary political circumstances.

When it comes to the security dimension, China lacks a regional approach to the WB countries compared to the EU. Given that EU membership is a strategic objective for the WB countries and that the rest of the region is compliant with EU policies and demands, the EU's role remains dominant, especially in comparison to China's current position. The EU efforts are driven by the overarching goal of integrating the WB region into the European security architecture. That requires normative and legal alignment across many areas, thus giving its impact a broader scope than China's. However, it is important to consider the growing *trend* of the EU's dependence on NATO and, in particular, the United States for security matters, which significantly shapes its policies, limits its autonomous actions, and constrains its capabilities in the Western Balkans. Meanwhile, Serbia stands out as China's

main partner in the region, with military and security ties to other WB countries limited or nonexistent due to their NATO membership. Nevertheless, China's security and defence initiatives in Serbia offer chances for the country to gradually gain more clout and a substantial presence in the area. China has already been involved in regional security dynamics, and it shows a clear intention to become an important security player in the region over time, particularly through Serbia's engagement in implementing the GSI. However, for now, its security reach is limited. To date, Belgrade has not aligned with the EU's CFSP/CSDP regarding declarations or restrictive measures on China and Russia. Instead, despite facing Western pressures and severe criticism, Serbia has affirmed its respect for China's territorial integrity and sovereignty. The issue of Kosovo and Metohija is probably the most prominent reason for Serbia's non-alignment with EU policies concerning China and Russia since these Security Council permanent members strongly support its territorial integrity and sovereignty. Since Serbia is often described as an *outlier*, this misalignment could impact its EU accession process.

While the European Union remains the dominant actor in shaping the region's economic, political, and security landscape, China's growing influence, particularly through its high-level partnership with Serbia, suggests that its role could expand in the future, potentially altering the balance of power in the region. China introduces competing interests and challenges alignment with EU policies, which, in the case of Serbia, might complicate and potentially slow down its accession process. However, we are primarily talking about mid-term assumptions, largely based on the current marginalisation of the European Union's enlargement policy concerning the Western Balkans. From an academic perspective, given the ongoing unstable political and security circumstances on the European continent, it would be imprudent to predict the development of relations between the EU and the Western Balkans on the one hand and the EU and the People's Republic of China on the other. Such predictions risk creating the erroneous perception that the EU is losing its *stable* position within the Western Balkans while China's influence is simultaneously strengthening. Consequently, the key findings of the paper are as follows:

- The EU continues to lead a comprehensive approach to the Western Balkans across different sectors, including politics, economics, and security matters;

- China’s involvement in the Western Balkans is more selective, focusing on specific sectors and actors;
- The EU is currently experiencing a decline in support within Western Balkans societies, closely linked to the marginalisation of its enlargement policy;
- China is encountering a lack of regional political support, especially among NATO member states within the Western Balkans;
- Future security developments will likely determine the positions of the PRC and the EU in the Western Balkans, ranging from potential partnerships in addressing contemporary challenges to possible adversarial relations.

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A DECADE OF BELT AND ROAD INITIATIVE IN THE COUNTRIES OF FORMER YUGOSLAVIA: INFRASTRUCTURE PROJECTS

Jovana DUBONJAC*

Abstract: Over the past decade, the countries of the former Yugoslavia have undergone significant infrastructural transformations, largely catalysed by the Belt and Road Initiative (BRI). This paper examines the multifaceted impacts of BRI infrastructure projects in this region, with a particular focus on economic, social, and environmental dimensions. The analysis begins with an exploration of the historical context of relations with China, highlighting the strategic significance of the region for Chinese investments. Through the use of case studies and empirical evidence, this paper provides a comprehensive overview of key infrastructural projects implemented under the BRI framework in the region, including highways, railways, energy infrastructure, etc. The paper assesses the benefits and challenges associated with these projects. The examination also extends to policy frameworks and institutional support mechanisms that underpin BRI infrastructural development in the countries of former Yugoslavia. By adopting an interdisciplinary approach, this study contributes to a deeper understanding of the transformative impact of the BRI on regional connectivity, economic development, and geopolitical dynamics. Ultimately, the paper concludes by evaluating the significance of infrastructural investments in promoting regional cooperation and sustainable development in this part of Europe within the context of evolving global dynamics.

Keywords: Belt and Road Initiative, China, Yugoslavia, infrastructure projects, Chinese investments.

CHINA'S BELT AND ROAD INITIATIVE

Ancient China, renowned for its production of glossy silk fabrics, jade, paper, porcelain, and various luxury goods, engaged in extensive trade with Europe, Persia, and other Eurasian regions through a network of trading posts

* PhD candidate, University of Belgrade, Faculty of Philology. E-mail: jovanadubonjac@gmail.com, ORCID: 0009-0007-4300-0632.

along caravan routes. The Venetian explorer Marco Polo (1254–1324) made this route famous through his extensive travels to China and Mongolia, where he served as an advisor to the Yuan Dynasty Emperor, Kublai Khan (Ali, 2021). However, the route was only named the “Great Silk Road” in 1877 by German historian Ferdinand von Richthofen in his work *China* (Ali, 2021).

Many centuries after Marco Polo’s travels, in April 2019, Xi Jinping, General Secretary of the Communist Party of China, President of the People’s Republic of China, and Chairman of the Central Military Commission, hosted the Second Belt and Road Forum for International Cooperation (BRF) in Beijing, which saw participation from a greater number of national leaders than the inaugural BRF in 2017. At the first Belt and Road Forum (2013), Xi officially launched China’s Belt and Road Initiative (BRI), originally called the One Belt, One Road (OBOR) Initiative. The BRI was conceived to connect 64 Asian, European, and African countries to China through new or upgraded transportation and communication networks, pipelines, ports, digital infrastructure, and trans-border regulatory frameworks. By early 2018, the Belt and Road Initiative had expanded its reach to encompass at least 68 countries, with projected investments amounting to as much as \$8 trillion. These investments primarily targeted infrastructure development across Asia, Europe, and Africa, with further extensions into Oceania and Latin America anticipated (Ali, 2021).

Cooperation within this initiative should be implemented through various avenues, including economic, infrastructural, and cultural cooperation, as well as cooperation in areas such as education and healthcare. President Xi Jinping emphasised that the path to achieving closer economic ties, deeper cooperation, and greater development opportunities lies in building both the Silk Road Economic Belt and the 21st Century Maritime Silk Road. The key to implementing this vision includes strengthening policy communication, improving connectivity, facilitating unimpeded trade, enhancing monetary circulation, and increasing mutual understanding among people. This last aspect is crucial, as the successful implementation of these areas of cooperation requires the support of the people (Xi, 2019).

Through this initiative, China established cooperation and helped many regions across the world. In Europe, Chinese investments helped the modernisation of Greece’s Piraeus port. One of the most important multilateral projects Chinese companies have been working on is the

development of the Budapest-Belgrade railway in Serbia and Hungary, with substantial financial backing from Beijing (Berman et al., 2023). In Africa, China invested in many countries, such as Djibouti, Egypt, Ethiopia, Tanzania, Zambia, Angola, etc. In Egypt, China invested in the Suez Canal Corridor (Dianjaya, 2019). China's involvement in Africa includes the construction of an extensive network comprising over 6,000 kilometres of railways, an additional 6,000 kilometres of roads, and the establishment of nearly 20 ports across the continent (Omoruyi, 2023). Numerous projects in Latin America have made significant contributions to local societies while also deepening the relations between China and the countries participating in the initiative. These projects play a vital role in advancing local development and strengthening diplomatic and economic ties between China and Latin American nations within the framework of the Belt and Road Initiative.

Considering the countries of the former Yugoslavia, the situation regarding cooperation with China is diverse. There are various forms of collaboration, whether in infrastructure, tourism, trade, education, culture, or other areas. In this paper, the author will provide an overview of the infrastructure projects resulting from cooperation between the countries of the former Yugoslavia and China within the framework of the Belt and Road Initiative. This paper will first describe how diplomatic ties were established between China and each of the former Yugoslavia's countries. It will then provide a brief synopsis of each country's areas of collaboration with China under the Belt and Road Initiative. Finally, the paper will highlight key infrastructure projects that have characterised the decade of the Belt and Road Initiative in this region.

Former Yugoslavia and China's relations

China and Yugoslavia established diplomatic relations in 1955. However, a key moment in the development of bilateral relations was the visit of Josip Broz Tito to China in 1977, which led to the renewal of state and party relations between the two nations (Arežina, 2018). From that point onwards, relations between the two countries progressed steadily regardless of the leaders in power. Today, the countries that were once part of Yugoslavia are Slovenia (established relations with China in 1992), Croatia (established relations with China in 1992), Bosnia and Herzegovina (established relations with China in 1996), North Macedonia (established relations with China in

1993), Montenegro, and Serbia. Serbia and Montenegro initially maintained strong relations with China as a federation, and following the dissolution of the union into two separate entities, both Serbia and Montenegro established individual relations with China in 2006 (Arežina, 2018).

Since establishing diplomatic relations with China, there have been numerous dialogues between these countries and China; however, tangible outcomes have been limited. With the launch of the One Belt, One Road Initiative, these dialogues have deepened, leading to the development of various sectors. In recent years, trade relations have significantly advanced, with a growing number of products from these regions being exported to China. Concurrently, investments are increasing, with China adopting various modes of cooperation, including investment through concession agreements and favourable loans provided by Chinese banks. These developments reflect an expanding and diversified engagement between China and the region.

So far, only Serbia has established a visa-free regime and concluded a Free Trade Agreement, solidifying further bilateral ties and enhancing trade and mobility between the two nations. In the realm of education and culture, which are crucial and influential aspects of diplomatic relations, all the countries mentioned above have established Confucius Institutes, where numerous cultural activities take place throughout the year. In addition to the Confucius Institutes, Serbia also hosts a Chinese Cultural Centre, which promotes various cultural initiatives. This Cultural Centre, constructed and invested by the Chinese company Shandong Hi-Speed Group, is located on the site of the former Chinese Embassy, bombed by NATO in 1999. The following table provides an overview of the Confucius Institutes operating in these countries, highlighting the year of opening for each. Notably, in some of these countries, these educational institutions were established even prior to the implementation of the Belt and Road Initiative, reflecting an early commitment to promoting cultural and educational exchanges with China.

Table 1. Confucius institutes in Slovenia, Croatia, Bosnia and Herzegovina, Montenegro, North Macedonia, and Serbia

Country	Confucius Institute	Year of opening
Slovenia	Ljubljana	2010
Croatia	Zagreb	2012
	Rijeka	2016
Bosnia and Herzegovina	Sarajevo	2015
	Banja Luka	2017
Montenegro	Podgorica	2015
North Macedonia	Skopje	2013
Serbia	Belgrade	2006
	Novi Sad	2014

Source: websites of the Confucius Institutes mentioned in the table.

Besides economy, infrastructure, culture, and education, as a part of the cooperation between these countries and China, the acquisition of medical equipment and the COVID-19 vaccines played a significant role. Serbia, Montenegro, and North Macedonia were among the Balkan nations that received Chinese vaccines, which were crucial in safeguarding the health of their populations (Obradović, 2021).

Infrastructural projects in the countries of former Yugoslavia within the Belt and Road Initiative

Slovenia

Although the People's Republic of China and Slovenia established diplomatic relations in 1992, Chinese investments in Slovenia remain relatively limited. Until 2002, foreign investments were constrained by legislative regulations from the 1990s. Slovenia was not sufficiently open to foreign

investments, and domestic investors and companies were favoured. However, in 2009, the Chinese Development Bank opened an office in Slovenia, providing favourable loans for energy infrastructure projects (Arežina, 2018).

So far, one of the biggest cooperation projects within the initiative in Slovenia is the Port of Koper. In 2015, China expressed interest in participating in the renovation and upgrading of the Port of Koper, as well as railway projects. China saw the potential for collaboration in trade zones, logistics, equipment manufacturing, and transportation infrastructure, particularly through initiatives connecting port areas in the Baltic, Adriatic, and Black Seas (CD, 2015). Later, in 2018, during the international conference *Maritime Silk Road Port International Cooperation Forum* in Ningbo, China, two sides signed a Memorandum of Understanding. The purpose of this memorandum was to enhance trade between China and Central and Eastern European countries, whose overseas trades are mostly routed through the Port of Koper. Consequently, the Port of Koper has been formally integrated into the economic belt initiative, also known as the 21st Century Silk Road (POK, 2018.). The development of the Port of Koper is closely tied to the potential development of a rail line between Piraeus and Budapest. However, the growth of EU-China trade, particularly through Adriatic ports, will largely depend on increased European exports to China. In this context, the integration of the Port of Zadar in Croatia into broader transportation networks is of critical importance. Such integration would stimulate investment in the port and catalyse broader investments in railway infrastructure, enhancing the region's connectivity and trade capacity (OBOR, 2019).

Considering the unsuccessful Chinese acquisitions in Slovenia, the China Global Investment Tracker (CGIT)¹ database recorded a transaction of 790 million USD for the Maribor Airport project. However, it was not fully realised. Specifically, the Chinese company SHS leased this airport through a 15-year concession and signed an agreement with the Chinese state company State

¹ The China Global Investment Tracker is the only comprehensive public data set covering the country's outbound investment and construction, which are documented both separately and together. It includes over 4400 large transactions across transport, metals, real estate, agriculture, and other sectors (plus 390 troubled transactions). The full set with the amount, Chinese parent firm, host country, and sector is available for public use with proper citation. The tracker is published by the American Enterprise Institute.

Construction Engineering, valued at around 790 million USD, to expand and modernise the airport. However, in 2019, SHS unilaterally terminated the contract, stating that it was unable to reach an agreement with the Slovenian government, primarily regarding flight zoning and financial assistance for debt restructuring. The government rejected these suggestions, stating they were not stipulated in the contract (Stanojević, Zakić, 2023, p.376-377).

Interestingly, Slovenians also rejected the proposal for the modernisation of the Slovenian railway network because it was contingent upon the arrival of Chinese engineers and technical assistance, who would be involved in the modernisation efforts (Stević, Grujić, 2015).

Croatia

Croatia plays a pivotal role within the China-CEE (Central and Eastern Europe) Cooperation framework and the Belt and Road Initiative, which have both fortified its relationship with China and facilitated an increase in high-level political engagements. The Croatian government has expressed a keen interest in advancing cooperation with China, particularly in the modernisation of Croatian railway infrastructure. Nonetheless, challenges to this cooperation arise from external factors, notably international economic relations shaped by global superpowers. This context impacts Europe and, by extension, Croatia. It is pertinent to emphasise that Croatia's involvement in Chinese initiatives does not compromise its relations with the European Union, as this engagement is entirely complementary to the EU-China relationship (Plevnik, 2022).

When it comes to infrastructure, the most significant project is the Pelješac Bridge. Constructed by a Chinese consortium led by the China Road and Bridge Corporation (CRBC), the bridge was officially opened to traffic, symbolising the deepening cooperation between China and Croatia. This strategic infrastructure project spans 2,440 meters across the Bay of Mali Ston in the Adriatic Sea, connecting Croatia's mainland with the Pelješac Peninsula, significantly reducing travel time between the northern and southern regions of the country (GT, 2022). The Pelješac Bridge marks a significant milestone as the first EU-funded project won and executed by a Chinese company. This project is expected to enhance local connectivity, boost economic development, and contribute to the broader goals of the Belt and Road Initiative (GT, 2022). The construction of the bridge significantly contributed to local employment and international

collaboration. The project engaged over 250 local workers, 45 construction companies from the European Union, and 112 suppliers of equipment and materials sourced from Croatia, Germany, Poland, and other countries (Xinhua, 2023). Chinese interests in Croatia are directed towards three main areas: besides infrastructure, there are shipbuilding and maritime ports. The most intense discussions so far are focused on ports (AJ, 2018).

Beyond maritime infrastructure, China aims to enhance the transportation of goods via multimodal networks, particularly through rail. The Rijeka-Zagreb railway revitalisation is thus a pivotal project, with plans to extend the line to Budapest, facilitating greater trade flows between China and Europe. During the 17+1 summit in Dubrovnik, a memorandum of cooperation was signed between Croatia and the China Road and Bridge Corporation for the construction and concession management of the Rijeka-Zagreb railway. Croatia opted for a concession model over EU funding, although part of the railway has already benefitted from EU-supported revitalisation efforts. However, the section between Karlovac and Rijeka remains problematic due to the European Commission's assessment of its financial viability. China's involvement increases the likelihood of completing this critical infrastructure, which aligns with broader initiatives like the Belgrade-Budapest railway (Zakić, 2020).

The Unska Railway project, a crucial yet long-delayed initiative, aims to establish the shortest railway connection between the mainland and southern Croatia via Bosnia and Herzegovina. This railway is of paramount importance for the ports in central Dalmatia, particularly the Port of Zadar (EKAPIJA, 2024). The project was officially taken over by a Chinese luxury real estate company, which has expressed its willingness to invest in the renovation and modernisation of this railway. Should the project commence as repeatedly anticipated, it would signify the reestablishment of cargo railway transport and the movement of goods from South-Eastern Europe to the Adriatic ports of Zadar, Šibenik, and Split after a hiatus of over two decades (RCSE).

North Macedonia

North Macedonia and China established diplomatic relations in 1993. China has provided aid to North Macedonia on several occasions. Cooperation between the two countries has evolved in various directions. In terms of infrastructure, at the 16+1 summit held in Belgrade in December 2014, two sides signed an agreement for the construction of a high-speed railway line

from Budapest to Thessaloniki. To facilitate this project, the Macedonian government purchased six passenger trains from China, which were delivered to the Macedonian government in 2015 and 2016. Additionally, in 2017, four locomotives were also ordered (Arežina, 2018).

Two major China-related projects in North Macedonia are the construction of two highway sections: Miladinovci-Štip (47km) and Kičevo-Ohrid (57km). These projects are funded by loans from Chinese banks and executed by the Chinese company Sinohydro. The initial loan amount was approximately \$561 million; however, over time, this figure has increased to exceed 700 million dollars (ECOFR). Kičevo-Ohrid, a 600 million EUR project, is still not finished, even though it started in 2014. It is expected to be done by 2026, with a 36-month delay [WOH, 2024].

Besides the major projects mentioned above, in 2019, company Sinohydro successfully secured two other public contracts for road construction in North Macedonia through competitive tenders. One of these projects was the Krupište-Kočani road, where itemised costs were significantly lower, up to four times cheaper than those for the Kičevo-Ohrid highway. This road became operational in January 2022. Another project undertaken by Sinohydro was the Gradsko-Prilep section, specifically the Faris-Drenovo section, covering 10.2 kilometres and costing 33.3 million EUR. This project was funded by the European Bank for Reconstruction and Development (EBRD). Sinohydro took over the contract from the Spanish company Construcciones Rubau SA, which abandoned the project in 2019 after completing about 35% of the work. However, the lack of substantial progress on previously announced projects and the shift in government focus reflected in later documents indicate a cooling of relations and a re-evaluation of Macedonia's strategic priorities away from China towards deeper integration with Western institutions (Gjorgjioska, 2024).

Considering the current state of infrastructure in North Macedonia, it is evident that such projects will significantly benefit the local community and serve as a catalyst for the development of various industries in the future, provided, of course, that there are no delays that could incur costs for the country.

Bosnia and Herzegovina

In April 1995, Bosnia and Herzegovina and the People's Republic of China established diplomatic relations at the ambassadorial level. The two

governments agreed on joint development and cooperation and mutual respect for sovereignty and territorial integrity. Since 2013, the relationship between the two countries has gradually improved (Stopić, 2020).

Regarding investments in Bosnia and Herzegovina in the previous years, 610 million USD flowed in from China, including contributions from Power China, Sinomach, China Nonferrous, and Shandong Hi-Speed in the transportation, energy, and metals sectors. These Chinese investments pertain to the period 2019 to 2021 (NN, 2023).

The first section of the planned highway within this cooperation was the future Banja Luka-Mrkonjić Grad-Mlinište-Glamoč-Livno-Split highway, and it represents a continuation of the European Corridor E661 (Stević, Grujić, 2015). The portion of Corridor E661 from Gradiška to Banja Luka has already been completed and is in use. Regarding the first section, Chinese company Sinohydro expressed interest and signed the Memorandum of Understanding for the construction of one part. The second section of the highway is the future Banja Luka-Prijedor-Novi Grad-border with the Croatia route. The aim of the project is to connect the existing Banja Luka-Gradiška highway (Corridor E661) with European corridors in Croatia to the west, thereby fully linking the European corridors within the Republic of Srpska (Stević, Grujić, 2015). In 2015, a Memorandum of Understanding was signed with the Chinese company China Shandong International Economic & Technical, which includes the first phase from Banja Luka to Prijedor. The third section is the future highway Vukosavlje-Brčko-Bijeljina-border with the Republic of Serbia. Representatives of the Chinese company CRBC have expressed interest in designing and constructing this highway section. In early April 2014, a Memorandum of Understanding was signed between the government of the Republic of Srpska and this company (Stević, Grujić, 2015).

In 2021, construction commenced on the Banja Luka to Prijedor section, with the project valued at 297 million EUR. The entire project is financed by the Chinese side and will be repaid through a concession agreement (Nezavisne novine, 2021).

In addition, in 2024, the company CRBC and the government of the Republic of Srpska signed another Memorandum of Understanding and Cooperation for the project aimed at improving the road section of the main route Brod na Drini (Foča)-Hum (Šćepan Polje), estimated value 100 million EUR (Nezavisne novine, 2024).

Montenegro

The Belt and Road Initiative facilitates cooperation between Montenegro and the People's Republic of China, focusing on infrastructure, energy, communication, finance, and cultural exchange. Montenegro considers the BRI crucial due to its strategic geographic position and ambition to serve as a key corridor in Southeast Europe for trade between the EU/Europe and China/Asia, especially through the development of the Bar-Boljare highway and the Port of Bar. The construction of the Bar-Boljare highway is Montenegro's largest infrastructure project executed by a Chinese company so far. On July 4, 2013, the government of Montenegro accepted the bid from Chinese companies for the design and construction of the priority section Smokovac-Uvač-Mateševo (VCG). This highway is considered of utmost importance for Montenegro's development and is described as a historic project. The contract value for the design and construction was 809.6 million EUR, with 85% of the funding provided by a loan from the Exim Bank from China and 15% from the Montenegrin state budget (VCG).

The construction on the Smokovac-Mateševo section began in May 2015. Funding for this project was secured through a loan from the Exim Bank of China worth around 690 million EUR at the time, but the value of this loan increased over time (ECFR).

Regarding the future collaboration between Montenegro and China, particularly in infrastructure projects, it is important to address the controversies surrounding the Bar-Boljare highway. Questions have arisen about the necessity of the highway, given Montenegro's difficult mountainous terrain and concerns over environmental impacts, especially the potential pollution of the Tara River from bridge construction. Additionally, the decision to take on a loan that jeopardises Montenegro's financial stability has been widely debated, especially in the context of economic uncertainty. The COVID-19 pandemic further delayed construction in 2020. Although the highway was completed in 2022, Montenegro sought EU assistance to repay its debts as it struggled to meet the second loan instalment (Stanojević, Zakić, 2023, p. 381). In 2021, the government entered a hedging arrangement to convert dollar-denominated debt into euro-denominated debt. This arrangement was made on July 8, 2021, in order to protect Montenegro's public finances from the risks arising from fluctuations in the euro-dollar exchange rate, which directly impacted the size of the debt. However, the government of

Montenegro later decided to terminate the hedging arrangements with four Western banks and opted to continue repaying the loan to the Chinese side independently (SE, 2023).

Even though the Bar-Boljare highway construction raised many concerns about whether to continue working with Chinese companies on infrastructure projects due to loan obligations, the much-anticipated reconstruction of Montenegro's busiest coastal road—the main route from the Tivat Airport to Jaz—began in 2023. The project is executed by the company Shandong Hi-Speed Group (CRI, 2023).

The interest of the Chinese side to continue investing in infrastructure projects in Montenegro still exists. However, the problem with the Bar-Boljare highway made the situation a little more difficult. Certain representatives of the government believe that it is necessary to involve more of the European Union in future projects because they believe that, in this way, the control of finances and protection of the ecological environment will be better (SE, 2022). Although there were difficulties, China and Montenegro are willing to continue further cooperation, and the construction of roads given to Chinese companies to execute speaks in favour of this. Considering Montenegro's maritime potential and its prospects for collaboration, it is highly likely that, in the near future, there will be a substantial increase in projects spanning not only tourism, trade, education, and culture but also infrastructure.

Serbia

Over successive years, the collaborative ties between the People's Republic of China and the Republic of Serbia have exhibited a consistent trajectory of improvement. This trajectory is substantiated by a burgeoning portfolio of projects that unequivocally attest to the deepening partnership between the two nations.

In the Balkans, Serbia has the most robust ties with China. Despite the criticisms from Western countries regarding its collaboration with China in the context of candidacy for EU membership as the most important foreign policy goal, Serbia remains committed to nurturing these bilateral relations (Obradović, 2021).

The synergy between these two countries is particularly evident in the infrastructure and energy projects. Among the numerous collaborative

initiatives, several projects warrant special attention. First to mention among these projects is the construction of the Pupin Bridge, a critical infrastructure link connecting the regions of Zemun and Borča (in Belgrade). Additional undertakings include the ongoing construction of the segments of the Miloš the Great Highway, the extensive revitalisation of the Kostolac Thermal Power Plant, and various other infrastructural projects. (MFARS). Within the framework of China-CEEC cooperation, substantial progress has been achieved in advancing the trilateral railway modernisation initiative along the Belgrade-Budapest corridor. This collaborative endeavour, involving the Republic of Serbia, the People's Republic of China, and Hungary, exemplifies the strategic alignment and developmental commitment intrinsic to this multilateral cooperation framework (MFARS).

In support of the fact that cooperation between Serbia and China is most developed in the area of infrastructure, it is necessary to mention that only in October 2023 the two sides signed commercial contracts related to infrastructure development in Serbia. The total value of these contracts is nearly four billion euros, and they will result in the construction of approximately 300 kilometres of new roads. One of the projects is the so-called *Smile of Vojvodina*, which begins at Bački Breg and passes through Sombor, Kula, Vrbas, Bečej, and Novi Bečej, continuing to Kikinda and finally to Srpska Crnja. The length of this route will be 186 kilometres, with an additional section to Srpska Crnja, bringing the total length to nearly 200 kilometres upon completion. This will be a crucial road, connecting not only the northern part of Serbia but also Hungary and Romania. Additionally, a contract was signed for the construction of a highway between Belgrade, Zrenjanin, and Novi Sad, which will span 105 kilometres (ES, 2023).

Given the expansive infrastructure projects emerging from the cooperation between China and Serbia under the Belt and Road Initiative framework, it is essential to underscore some of the most significant developments.

Table 2. Chinese projects in Serbia

Project name	Estimated value and finance	Contractor	Year
1. Novi Sad-Ruma expressway (Fruškogorski Corridor) 47.7 km	Financing: RS budget 15%, loan from EXIM Bank 85%. Estimated value: 715.7 million USD	China Road and Bridge Corporation	Commercial contract for construction signed on October 6, 2020.
2. Highway E-763, Section: Preljina-Požega 30.96 km	Financing: RS budget 15%, loan from EXIM Bank 85%. Estimated value: 523.5 million USD	China Communications construction company Ltd.	Commercial contract for construction signed on November 27, 2017.
3. Section: New Belgrade-Surčin 7.9 km	Financing: RS budget. Estimated value: 70.5 million USD.	China Communications construction company Ltd.	Commercial contract for construction signed on August 18, 2019.
4 Bypass around Belgrade, Sector B (sectors 4, 5 and 6): Ostružnica-Bubanj Potok 20.4 km	Financing: RS budget 15%, loan from EXIM bank 85% (loan funds were fully used in 2022). Estimated value: 1.69 billion CNY	Power China	Commercial construction contract signed November 2016.
5. Iverak-Lajkovac expressway 18.3 km	Financing: RS budget 15%, loan from EXIM Bank 85%. Estimated value: 158 million EUR	Shandong Hi-Speed Group	Commercial contract for construction signed on June 12, 2020.
6. Požarevac-Golubac expressway 70 km	Financing: RS budget 20%, loan from domestic commercial banks 80%. Estimated value: 337 million EUR	Shandong Hi-Speed Group	Commercial contract for construction signed on August 28, 2021.

<p>7. Highway E-763, Section: Požega-Duga Poljana-Boljare 107 km</p>	<p>Financing: RS budget and credit (not provided).</p>	<p>China Road and Bridge Corporation</p>	<p>Commercial contract for Section: Požega-Boljare signed on November 5, 2021, and for Denoca: Požega-Duga Poljana (75 km) was signed on December 26, 2021.</p>
<p>8. Bypass around Novi Sad with a bridge over the Danube 2.4 km</p>	<p>Financing: RS budget 15%, loan from EXIM Bank 85% (pre-financing by the Contractor until the loan is secured). Estimated value: 175.5 million EUR</p>	<p>China Road and Bridge Corporation</p>	<p>Commercial contract for construction signed on March 19, 2022.</p>
<p>9. The new bridge over the Sava River in Belgrade 1,046 km</p>	<p>Estimated value: 94 million EUR</p>	<p>Power China</p>	<p>Contractual agreement signed on December 11, 2020.</p>
<p>10. Belgrade-Zrenjanin-Novi Sad highway (110 km) *Spatial plan of the special purpose area adopted on October 20, 2021.</p>	<p>/</p>	<p>Shandong Hi-Speed Group</p>	<p>Memorandum of understanding on the preparation of planning and technical documentation for the construction project of the highway Belgrade (Borča)-Zrenjanin and Zrenjanin-Novi Sad, in Belgrade on January 22, 2021, with Shandong Hi-Speed Group, commercial contract signed in October, 2023.</p>
<p>11. Bypass around Gornji Milanovac (9.5 km).</p>	<p>Financing: RS budget Estimated value: 30.4 million EUR</p>	<p>Power China</p>	<p>Commercial contract for construction signed on November 12, 2021.</p>

<p>12. Bypass around Užice (4.85 km)</p>	<p>Financing: in accordance with the possibilities of the RS budget. Estimated Value: 29.8 million EUR, the final value will be determined after negotiations with the Contractor.</p>	<p>Power China</p>	<p>Commercial contract for construction signed on March 11, 2022.</p>
<p>13. Bypass around Požega (3.8 km)</p>	<p>Estimated value: about 14 million EUR. Financing: in accordance with the possibilities of the budget of RS.</p>	<p>Power China</p>	<p>The project is part of the Agreement of December 11, 2021.</p>
<p>14. Project of construction of communal (sewage) infrastructure and infrastructure for municipal solid waste disposal in the RS- <i>Clean Serbia</i></p>	<p>The project is partially financed from the BANK OF CHINA LIMITED HUNGARIAN BRANCH loan, which amounts to 203.4 million EUR</p>	<p>China Road and Bridge Corporation Ltd.</p>	<p>The commercial contract on design and execution of works was signed on February 5, 2021.</p>
<p>15. Construction of a sewage treatment plant in Veliko Selo</p>	<p>The value of the first phase is around 270 million EUR, and the funds are mostly secured from loans.</p>	<p>China Machinery Engineering Corporation</p>	<p>Agreement between the Republic of Serbia and the People's Republic of China on economic and technical cooperation in the field of infrastructure, signed in 2009, the Government of the Republic of Serbia concluded the "Agreement for the Implementation of the Wastewater Collection and Purification Project of the Central Sewage System of the City of Belgrade" which refers to Phase I of the project</p>

<p>16. Reconstruction and modernisation of the railway section Rasputnica G–Rakovica-Resnik total length 7.5 km</p>	<p>Finance: EBRD loan Value 24.5 million EUR</p>	<p>China Civil Engineering Construction Corporation</p>	<p>Completed in 2019.</p>
<p>17. Reconstruction and modernisation of the railway section Novi Sad-Subotica-state border with Hungary. Total length: 108 km.</p>	<p>Finance- loan from the Chinese EHIM Bank. Total value: 1.16 billion USD</p>	<p>China Railway International; China Communications construction company Ltd.</p>	<p>Commercial contract, July 2018.</p>
<p>18. a. Reconstruction and modernisation of the section of the Belgrade Center-Novi Sad railway (total length 75 km); b. Reconstruction and modernisation of the section Belgrade Center-Stara Pazova Total length: 34.5 km</p>	<p>Finance – loan from the Chinese EHIM Bank a. total value of about 1.1 billion euros EHIM Bank, credit of the Russian Federation and the budget of the RS b. Total values: 350.1 million. USD, with additional works around 475 million USD</p>	<p>China Railway International; China Communications construction company Ltd.</p>	<p>a. On March 19, 2022, commercial traffic was established.</p>
<p>19. Construction of Pedestrian and Bicycle Bridge in Novi Sad Total length: 450 m.</p>	<p>/</p>	<p>Shandong Hi-Speed Group</p>	<p>In March, 2024, MOU was signed.</p>

Source: Ministry of Construction, Transportation and Infrastructure of Republic of Serbia. Projects. Available at: <https://www.mgsi.gov.rs/cir/projekti>.

For the execution of all of the projects mentioned above, Chinese companies employ both Chinese and Serbian workers, which leads to the development of the economy, both at the local and state level. These listed projects are proof that the presence and investments of Chinese companies are of great importance for local development. In addition to the importance that companies have at the local level, the preferential loans Serbia takes from China are also of immense importance, contributing to the faster implementation of certain infrastructure and other projects, thereby supporting the development of the entire country. The construction of new roads opens up a whole range of new jobs that play a major role in local development, not only in terms of business but the development of local tourism and other industries (Dubonjac, 2023).

CONCLUSIONS

Upon reviewing the available data and information, it is evident that each country mentioned in the paper has developed varying degrees of relations with China concerning infrastructure projects. As a leading global power, China seeks to establish relations with all countries and bring its investments to these regions, thereby opening doors for future business ventures. Following several unsuccessful projects discussed in the paper, the European Union has expressed concern over infrastructure tenders. In response, new policies were introduced to regulate tender procedures, aiming to increase the participation of EU companies and enhance their chances of winning future contracts. These measures reflect the EU's commitment to transparency, fairness, and competitiveness in public procurement.

Regarding certain infrastructure projects and tenders, the European Construction Industry Federation has outlined policies to enhance EU companies' chances of securing contracts. These recommendations include tools such as the international procurement instrument and measures against foreign subsidies. These instruments allow the EU to investigate restrictive markets or suspected subsidies, consult with the third country involved, and, if necessary, restrict bids from that country or company, ensuring fairness in the public tendering process (Carragher, 2022).

It is apparent that Serbia has made significant efforts to establish relations with China, resulting in a greater number of projects compared to other

countries in the region. However, this does not imply that China is not striving to achieve equally strong relations with other countries. Given that China and Serbia maintain a strategic partnership based on numerous signed memoranda and agreements, Serbia will likely continue fostering new investments and infrastructure projects in collaboration with China. This approach is expected to provide more employment opportunities for its citizens and stimulate other sectors, such as tourism.

Croatia and Slovenia, given their European Union membership, are anticipated to maintain favourable relations with China within the constraints imposed by EU policies. New solutions will be pursued in infrastructure development as China holds advanced technological capabilities pertinent to the advancement of these nations' infrastructure. Crucially, China is expected to focus on constructing infrastructure that links ports within Croatia and Slovenia and extends connectivity to neighbouring countries. This strategic development will facilitate a more efficient and expedited route for Chinese goods to Europe, thus offering mutual benefits such as enhancing the connectivity and economic prospects for Croatia and Slovenia and simultaneously optimising China's trade routes into the European market.

For Montenegro, Bosnia and Herzegovina, and North Macedonia, there is a significant potential for collaborative infrastructure projects. Such initiatives offer the promise of advancing transportation and construction, improving the quality of life for the local populations, and fostering the growth of new industrial sectors. However, a critical issue is the extent of investment these countries can accommodate, given their fiscal constraints, before encountering financial challenges akin to those experienced by Montenegro.

To assess this, it is essential to analyse each country's budgetary capacity and debt sustainability. Effective investment planning must consider the immediate economic benefits and also the long-term financial implications, including potential impacts on national debt levels and economic stability. Careful management and strategic allocation of resources are crucial to avoid scenarios where the scale of investment exceeds the financial capacity of these nations, thus ensuring sustainable development and mitigating risks of economic distress.

Considering China's diplomatic strategies and the objectives of the Belt and Road Initiative, it is anticipated that there will be a significant increase in Chinese investments and collaborations with local populations and

businesses. Such investments are expected to yield benefits not only for China in terms of expanded trade opportunities and strategic influence but also for the local communities and economies. These benefits include improved infrastructure, economic growth, and enhanced connectivity, which can collectively contribute to the mutual development of both China and the host countries. By fostering a collaborative environment, these investments aim to open avenues for shared economic advancement and socio-economic improvements, creating a synergistic relationship supporting long-term, sustainable development for all parties involved.

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CHINA-CENTRAL AND EASTERN EUROPEAN COUNTRIES COOPERATION: CHALLENGES AND RESTART

Ju WEIWEI*

Abstract: The cooperation mechanism between China and Central and Eastern European countries has achieved significant results over the past 12 years. However, it now faces challenges and adjustments due to changes in the international landscape and factors such as the Russia-Ukraine conflict. The United States' geopolitical influence, various crises within and outside Europe, and the diverse interests of CEEC countries have all had an impact on the cooperation mechanism. At the same time, there is immense potential and opportunity for cooperation in areas such as trade, cultural exchange, and green cooperation. Future cooperation must be revitalised to achieve a win-win outcome through high-level leadership, economic and trade collaboration, and local partnerships.

Keywords: China, Central and Eastern Europe, cooperation mechanism.

INTRODUCTION

Over the past 12 years since the establishment of the China-Central and Eastern European Countries (CEEC) cooperation mechanism, an effective framework for cooperation has been built between China and CEECs across various fields and levels. This mechanism has played a positive role in promoting inclusive regionalism and supporting the comprehensive development of China-Europe relations. However, with changes in the

* Associate Professor, Director, Department of Central and Eastern Europe, Institute of European Studies, Chinese Academy of Social Sciences, Beijing, PR China; Vice-President and Manger Director, China—CEE Institute, Budapest, Hungary, Email: juww@cass.org.cn, ORCID: 0009-0008-8605-1111.

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international landscape and adjustments in the European regional order, the protracted and complicated nature of the Russia-Ukraine conflict has brought additional challenges to China-CEEC cooperation. The cooperation mechanism has inevitably entered a phase of readjustment and adaptation amid various difficulties and challenges, leading to stagnation in cooperation in certain areas. While maintaining the stability of the mechanism, there is a need to find new driving forces for cooperation, which, in a sense, will help “restart” the cooperation mechanism and bring new prospects and opportunities for collaboration between China and CEECs.

CHALLENGES OF COOPERATION

This article first summarises the long-term and strategic challenges the China-Central and Eastern Europe (CEE) cooperation mechanism faces. These challenges primarily involve the following aspects:

1. The Spillover Effects of US-China Strategic Competition

The US’s strategic adjustment has intensified great power competition and a return to geopolitics, further exacerbating the “security dilemma” between China and the US. The US has designated the CEEC region as a primary battlefield for competition across multiple domains with China, aiming to curb China’s practical cooperation with CEE countries. In 2022, the Biden administration’s National Security Strategy report indicated that the next decade represents a historical crossroads, with great powers’ competition replacing the post-Cold War international order (NSS, 2022). Comprehensive strategic competition is visible between the US and China in a number of policy issues and various strategic regions.

The CEE region has become one of the areas where US-China competition escalates and conflicts intensify. Against this backdrop, the US has emerged as the largest disruptor and obstacle to cooperation between China and CEE countries.

The US and Western countries have stigmatised China-CEEC cooperation, undermining the social and public opinion foundation for this collaboration. From the inception of the China-CEE cooperation mechanism, there has been no ideological confrontation or infiltration, nor has it been marked by

ideological boundaries. However, the US has smeared China's economic cooperation and cultural exchanges with European countries, creating negative narratives attacking China-Europe cooperation and framing it as an infiltration of values and ideology through economic investment and cultural exchanges in CEE countries. For instance, the National Endowment for Democracy in the US has been running projects such as "CHOICE" or "Chinfluence"¹ over several years in CEE countries. These initiatives, carried out through non-governmental organisations, think tanks, and academic institutions, continuously promote and infiltrate a "suspicion of China" and "defamation of China" mindset in these regions.

The United States links the reshaping of Central and Eastern Europe to the comprehensive strategic competition between China and the US, elevating it to the level of strategic games concerning global order and international rules. Given the increasingly close cooperation between China and CEEC countries, the US questions China's "rule-changing" behaviour and other economic and legal norms, believing that China's economic involvement in the region has strategic intentions. This poses a direct threat to the US's competitiveness, governance model, normative concepts, and strategic interests. For instance, the US has signed 5G security agreements with some CEEC countries, prohibiting Chinese companies from participating in the construction of 5G networks (Huxiu, 2020). The US views these countries as important chess pieces in suppressing the rise of Chinese influence, aiming to weaken its impact in Europe, limit China's cooperation and development space in Central and Eastern Europe, and support US efforts to contain China.

2. Dramatic Changes in the European Geopolitical Environment

For some time, Europe has faced multiple challenges, including the European debt crisis, Brexit, the refugee crisis, and the COVID-19 pandemic. European elites firmly believe that crises drive reform and even view crises as catalysts for transformation. The intensification of geopolitical competition has compounded Europe's inherent structural crises, exacerbating the EU's internal

¹ See: *China Observers in Central and Eastern Europe (CHOICE)* website: <<https://chinaobservers.eu/>>, *Central European Institute of Asian Studies (CEIAS)* website: <<https://ceias.eu/chinfluence-2/>>.

and external developmental dilemmas and fostering concerns among European elites and the public about the “marginalisation of Europe”. The European security order, as well as the political and economic order, is rapidly entering a new phase of adjustment and restructuring that has had numerous adverse effects on China-CEEC cooperation. Some CEE countries have adjusted their attitudes towards China due to security threats from Russia. The Ukraine crisis has led to changes in the CEEC diplomatic policies and priorities. These nations share direct borders with Russia and have extraordinarily complex historical ties, making their relationships difficult to navigate. Following the outbreak of the Ukraine crisis, national security has become the primary concern for CEE countries, temporarily sidelining important economic and social issues related to national development and public welfare. Simultaneously, as the Ukraine crisis continues to escalate, anti-Russian sentiment is likely to rise, with public opinion in CEE countries predominantly supporting Ukraine and opposing Russia. Consequently, amid the crisis, CEE nations tend to interpret China-Russia relations through a geopolitical lens, and their perceptions of security threats from Russia inadvertently influence their attitudes towards China. The principal stance of “de-geopoliticisation” in China-CEE cooperation has been impacted. The US “return” to Central and Eastern Europe has worsened the geopolitical tensions in the region, affecting the practical foundation of China-CEE cooperation. China has no intention of engaging in strategic competition with the US in Central and Eastern Europe, nor does it wish to act as a geopolitical player or become involved in any geopolitical disputes. In June 2022, NATO released a new “Strategic Concept” document for the first time in a decade, stating that China poses a “systemic (institutional) challenge” to NATO and viewing China’s “rise” as a threat (NATO, 2022). Under US influence and guidance, some CEE countries have amplified the geopolitical framing of China-CEE cooperation, revealing signs that zero-sum competition is overshadowing the cooperative win-win model. The principal stance of “de-geopoliticisation” in China-CEE cooperation has clearly been impacted.

3. Diversity of Interests and Demands Among CEE Countries

The CEE region is characterised by a multitude of small countries with significant diversity in culture, history, and religion. Furthermore, these countries exhibit differences in economic levels, population sizes, industrial structures, and market demands. That leads to a plurality of demands in

political structures and strategic choices among CEE nations. The complexity and diversity of this region have multiple impacts on the cooperation between China and CEE countries.

The roles and strategic choices of CEE countries are also increasingly varied. Firstly, attitudes toward Russia differ; countries like Poland and the Czech Republic adopt a pro-US and anti-Russian stance, while Hungary maintains a balanced position in great power dynamics. Secondly, their attitudes toward the European Union (EU) contrast; the Czech Republic and Slovakia are pro-EU, whereas Hungary and Poland have experienced tensions with the EU over issues such as the rule of law. Additionally, the Western Balkan countries (Serbia, Montenegro, Albania, Bosnia and Herzegovina, and North Macedonia) are actively seeking EU membership. The varying relationships these countries have with the EU influence the atmosphere and space for cooperation with China. Fourthly, attitudes toward China-CEE cooperation also differ among CEE countries. Lithuania, Estonia, and Latvia have unilaterally declared their withdrawal from China-CEE cooperation. However, Hungary, Serbia, and other CEE countries continue to support and actively participate in cooperation, prioritising their own developmental interests over geopolitical security concerns.

The number of internal cooperation mechanisms within the CEE region continuously increases, showing trends of nested mechanisms, internal differentiation, and diverse objectives. While actively participating in European integration and EU accession, sub-regional cooperation mechanisms in CEE develop simultaneously. However, the cohesion of the region remains relatively low and even shows a declining trend. As of the end of 2022, there are at least six regional cooperation mechanisms in this area, including the Visegrád Group, the Central European Cooperation Initiative, cooperation among Poland, Lithuania, and Ukraine, the Bucharest Nine Initiative, the Three Seas Initiative, and the Open Balkans Initiative. Currently, cooperation within the Central European sub-regional mechanisms is robust, Southeast European cooperation appears somewhat lagging, and Northeast European cooperation mechanisms are in the process of formation. Therefore, the diversity of existing regional cooperation mechanisms in CEE presents certain challenges for China-CEE cooperation, complicating the compatibility of CEE regional cooperation mechanisms with the EU and increasing the complexity of aligning China with these mechanisms.

4. The complexity and contradictions in Europe's perception of China

The changing global landscape and the transformations within Europe prompt a reevaluation of Europe's international role. In recent years, there has been an increase in political bias and systemic precaution against China in Europe, where the perception of China has become more diversified, negative, and characterised by a harder stance in policy. The European Union's (EU) foreign policy towards China reflects a dualism between economic interests and values and a complex and sometimes contradictory interplay among economic interests, geopolitical considerations, and values. In March 2019, the European Commission published a policy report titled "EU-China: A Strategic Outlook", describing China as a "cooperation partner, economic competitor, and systemic rival" (European Commission, 2019). In September 2021, the European Parliament passed the "EU-China Strategy Report" (European Parliament, 2021), stating that while China is a partner for cooperation and negotiations, it has increasingly become an economic competitor and systemic rival. The report calls on the EU to develop a more confident, comprehensive, and coherent strategy towards China that aligns with its own values. At the same time, the EU has accelerated the issuance of policy documents related to economic and trade investment, applying a "broad securitisation" and "broad politicisation" approach and attempting to use regulations to constrain China's economic and trade cooperation with CEE countries. This positioning of EU policy towards China creates guiding effects on CEE nations, whether member states or candidate countries, leading them to harbour reservations about cooperation with China. It has also resulted in security concerns among some CEE countries, increasing the scrutiny and politicisation of normal investment activities by Chinese enterprises. Consequently, pro-EU forces within Central and Eastern Europe have used this situation as a significant basis for reducing their willingness to participate in cooperation with China and CEE nations.

In the context of the simultaneous prominence of the importance and complexity of China-Europe relations, European perceptions of China reflect the following characteristics:

First, there is a deep sense of the deterioration of the global political and economic security environment, leading to an increased emphasis on China's role. Despite the current turmoil in the global geopolitical security landscape and insufficient economic growth, European countries view the opportunities

presented by emerging developing countries, represented by China, as significant. They recognise that pragmatic cooperation with China is beneficial for their own economic development. Given the threats posed to humanity by nuclear war, climate change, and artificial intelligence, individual European countries feel powerless to cope alone and look to major powers, especially China and the United States, to play crucial roles in addressing these crises.

Second, while emphasising the independence of their foreign policies, they actually rely on the United States and the European Union. The EU and individual European countries stress the independence of their foreign policies and are committed to enhancing the EU's strategic autonomy, free from external influence. However, they also clearly state that joining the EU and NATO is aimed at strengthening their alliance relationships and ensuring adequate political, economic, and security interests. CEE countries, on the one hand, assert that their current policies towards Russia and China are the result of independent decision-making based on their own interests; on the other hand, they emphasise their security dependence on the United States and justify the EU's "de-risking" policy towards China, revealing a clear contradiction between their theoretical stance and practical realities, making their claims of "independent and autonomous" foreign policy difficult to reconcile logically.

Third, there is concern about the deterioration of the geopolitical environment in Europe and a lack of systemic methods and suggestions for addressing the current political and military security challenges. No comprehensive or systematic solutions have been proposed regarding the political security landscape in Europe. Politicians, scholars, think tanks, and media in European countries emphasise the seriousness and escalation of risks while acknowledging that the EU has become increasingly conservative and inactive in dealing with the current deterioration of the geopolitical environment and China-Europe relations.

Fourth, while there is an expectation for China to play a significant role in resolving the Russia-Ukraine conflict, there is also a belief that the impacts of the pandemic and the spillover effects of the Russia-Ukraine conflict have led to a relatively negative perception of China's international image and credibility. In the context of the overlapping impacts of the COVID-19 pandemic and the political spillover effects of the Russia-Ukraine conflict, the mainstream attitude in Western media is one of distrust towards China's international image and

credibility, even exhibiting a certain degree of “aversion”. Overall, European politicians and scholars have a relatively objective perception of China, acknowledging its status as a major power internationally, and they also hope that China can provide substantial assistance in resolving the Russia-Ukraine conflict and alleviating Europe’s economic difficulties. However, given the currently poor overall public opinion regarding China in the US and Europe, alongside the complex and changing nature of China-Europe relations, European media and think tanks express distrust towards China while simultaneously demanding that China assume great power responsibilities, which undoubtedly reflects a contradictory mindset.

Fifth, although there is a desire to improve China-Europe relations, there is no proactive stance from the European side; rather, there is an expectation for China to adapt to European policy attitudes. Most European countries maintain a relatively positive attitude towards ensuring the good and stable development of China-Europe relations. However, they also exhibit a clear dependency, expecting “more contributions from China” and “more statements from China” while lacking self-reflection and introspection regarding their own issues. Some European scholars have strongly expressed dissatisfaction with Europe’s foreign policy and the US-led global hegemonic order but do not reflect on Europe’s responsibilities. That still reflects their unchanged “Western-centric” mindset.

COOPERATION OPPORTUNITIES

Although cooperation faces the mentioned challenges and issues, after ten years of development, the China-CEEC cooperation mechanism has become increasingly refined, with visible achievements in cooperation, a formed cooperation benefit chain, and a solid foundation remaining. As the COVID-19 pandemic gradually weakens and the geopolitical security landscape in Europe stabilises, the long-term development goals of CEE countries, along with China’s vast market scale and significant overseas investment capacity, continue to offer substantial potential and opportunities for cooperation, with promising prospects ahead.

1. High-level leadership is the guiding direction for China-CEEC cooperation

Currently, the cooperation between CEE countries is significantly impacted by the Russia-Ukraine conflict. Yet the cooperation mechanism will remain an important platform for enhancing friendship, expanding cooperation, and seeking common development between China and CEE countries. Notably, the continuous injection of new cooperation momentum by leaders from China and certain CEE countries into this platform is crucial. Following the outbreak of the COVID-19 pandemic, leaders from China and CEE countries have maintained close communication and guided all parties to carry out many fruitful collaborations in the fields of medical care and epidemic prevention. Before the outbreak of the Russia-Ukraine conflict in February 2021, General Secretary Xi Jinping hosted the China-CEE leaders' summit via video link and delivered a keynote speech emphasising China's willingness to align with CEE countries in response to the prevailing trends of the times, achieve a higher level of common development and mutual benefits, and work together to build a community with a shared future for mankind. In May 2024, President Xi Jinping's visit to Serbia and Hungary not only upgraded the quality of bilateral relations but also instilled confidence in China-CEE cooperation. As representatives of emerging economies in Europe, CEE countries will also actively commit to their own development paths, seeking modernised routes that align with their interests and characteristics. CEE countries are important partners in the construction of a community with a shared future for mankind and in co-building the "Belt and Road" initiative. Under high-level leadership, the cooperation between China and CEE countries enters a new phase of quality improvement and upgrading, promoting high-level, high-quality, and precision development of bilateral and multilateral cooperation.

2. The calls for ceasefire and peace from CEE countries are growing stronger

The Russia-Ukraine conflict has fallen into a prolonged predicament, while the influence of CEE countries within the EU and Central European cooperation continues to persist. Against this backdrop, "Eastern Europeanization" will continue to exert influence, becoming an undeniable force within the European political landscape. Currently, CEE countries are relatively diverse and still have differences on some issues. Countries like

Serbia and Hungary maintain a reserved attitude towards Europe's "de-Russification" policies. The region remains diverse, with disagreements on various topics, and the threat of war has not yet fully materialised. The main proponents of anti-Russian policies in Central and Eastern Europe are concentrated in frontline countries like Poland, the Baltic States, the Czech Republic, and Romania. Should unfavourable conditions arise on the battlefield, internal divisions within Central and Eastern Europe will likely emerge first, diminishing the influence of those advocating for geopolitical policies. At present, the calls for peace and cessation of hostilities in Europe are increasing, which to some extent promotes the early arrival of the peace process. The Russia-Ukraine conflict will eventually be resolved. At that moment, major European powers will inevitably rethink and redefine their relationship with Russia. Russia is a neighbour that Europe cannot move away from, and it is unrealistic to make security arrangements while ignoring Russia's existence. In this regard, traditional European powers will undoubtedly promote the restart of peace talks, foster a new version of the European political process, and strengthen European strategic autonomy, thereby regaining their voice. Meanwhile, the CEEC bloc will return to a position of diminished influence, further reducing its impact and leading the European political landscape back to a trend of "Europeanization". A more cohesive, inclusive security approach and a quicker economic recovery path align with the interests of the vast majority of Europeans and political parties. The anticipated reconstruction dividends following the end of the war are expected to emerge significantly, presenting an opportunity for China.

3. Economic and trade cooperation is the cornerstone for China-CEEC collaboration to mitigate the negative impacts of the Russia-Ukraine conflict

The pragmatic economic and trade cooperation between China and CEEC will not be interrupted by the Russia-Ukraine conflict. In recent years, the trade volume between China and CEEC has rapidly increased. From 2012 to 2022, bilateral trade increased by 142.6% (Zuokui, 2022). According to official statistics, in 2022, the two-way investment scale between China and CEE countries approached 20 billion USD (People's Daily Online, 2023). Overall, the strong industrial complementarity and significant development potential between China and CEEC continuously inject vitality into economic and trade cooperation and investment growth. Meanwhile, the digital economy and

cross-border e-commerce will play a significant role in boosting trade between China and CEEC. China's ongoing development and openness will inject strong momentum into global economic recovery and growth and open up broader spaces for cooperation between China and CEEC.

The Russia-Ukraine conflict has, to some extent, shifted the strategic focus of CEE countries, placing greater emphasis on the risks associated with geopolitics and security. However, the cooperation between China and CEE countries remains centred on pragmatic economic and trade collaboration without involving defence and security matters. As the geopolitical environment in Europe stabilises, issues such as economic development and social welfare will gradually regain prominence. There is still significant potential for cooperation between China and CEE countries in areas such as investment, industry, tourism, technology, and culture. In particular, there is a substantial demand gap in areas like agricultural product exports, greenfield investments, port construction, infrastructure renovation, energy development, and innovation cooperation, with a strong desire for collaboration with China.

4. The Demand for Cultural Exchange and Cooperation between China and CEE Countries is Strong

Cultural exchange and cooperation play an important role in deepening the collaboration between China and CEE countries. In recent years, the ongoing impact of the COVID-19 pandemic has affected cultural exchange cooperation between China and CEE countries. The situation has further been exacerbated by the Russia-Ukraine conflict, which has struck a blow to cultural exchange cooperation. Nonetheless, facilitating personnel exchanges and enhancing mutual understanding remains a shared aspiration for China and most CEE countries.

The foundation for cooperation in the education sector between China and CEE countries is solid. Universities from both sides engage in comprehensive collaboration, covering almost all fields, including language and literature, arts, science and engineering, medicine, agriculture, and forestry. China has established 23 CEE research centres in 20 universities and research institutions, 17 country-specific research institutes in 12 universities, and offered programmes in non-mainstream languages of the CEE countries

at 19 universities (Wu et al., 2020, pp.181-183). Think tanks, such as the “China-CEE Countries Think Tank Exchange and Cooperation Network” and the “China-CEE Research Institute”, actively develop a coordination mechanism for think tanks between China and CEE countries and provide more intellectual support for cooperation in other areas. Despite the Russia-Ukraine conflict, educational cooperation and think tank exchanges between China and CEE countries have not ceased; rather, they continue to inject momentum into cooperation. There is a robust demand for tourism cooperation between China and CEE countries. Tourism cooperation is viewed as a “potential stock” in the collaboration between China and CEE countries. Following three years of disrupted tourism due to the COVID-19 pandemic, the need for cooperation between China and CEE countries is expected to become more pronounced. As the recognition of CEE countries in China continues to rise, the number of Chinese tourists travelling to CEE countries is steadily increasing. There has always been a significant demand for the development of the tourism industry in CEE countries, thus making tourism one of the most promising areas for cooperation between China and CEE nations.

5. The Demand for Green Cooperation in China-CEEC Cooperation Has Increased

Due to the Russia-Ukraine conflict, China-CEE countries focus on green development to create future-orientated cooperation momentum. Both sides face common and urgent emission reduction targets, as China’s energy structure is similar to that of some CEE countries, which primarily rely on fossil fuels. Accelerating the development of renewable energy’s share in the energy mix is an urgent task. Moreover, China has rich experience and mature technology in renewable energy fields such as photovoltaics, hydropower, and wind energy, along with production capacity advantages that facilitate collaborative efforts to expedite emission reduction tasks. The two sides have been actively building platforms for cooperation in the green sector and initiating a number of energy transformation projects that benefit people’s livelihoods and the influential new energy projects, significantly contributing to the acceleration of their respective emission reduction tasks and goals and enhancing economic and environmental benefits. Projects such as the Mojkovac Wind Farm in Montenegro, the Pančevo Combined Cycle Power Plant in Serbia, and the Dabare Hydropower Station in Bosnia and

Herzegovina have become iconic projects in international energy transition cooperation. As the Russia-Ukraine conflict continues, expectations of energy and economic crises are growing stronger, leading Europe to experience a shift from geopolitical to livelihood politics. European countries need Chinese investment and to engage in more economic and trade cooperation with China, particularly in the renewable energy sector, to alleviate energy and livelihood challenges and to present opportunities to China. On the one hand, energy shortages and the green transition are increasing the demand for cooperation between Europe and China, while Europe's attempts to reduce dependence on China come at a high cost. However, the reason big European businesses are keeping steady greenfield investments in China is due to factors such as geopolitical conflicts and potential energy crises, in addition to financial gain.

6. Significant Effects of Local Cooperation

In the cooperation between China and CEE countries, local cooperation has always been an important focal point. With its pragmatic approach, flexibility, and the effective utilisation of overseas Chinese businesspeople, international contacts, and sister cities, local cooperation has generated numerous collaborative outcomes in the partnership between China and CEE countries. Local governments, represented by cities such as Ningbo in Zhejiang Province and Cangzhou in Hebei Province, have fully explored the cooperative potential with CEE regions while seeking precise points for collaboration, achieving certain results, and reinforcing local confidence in engaging in practical cooperation with CEE countries.

As of January 1, 2019, China and the 16 CEE countries have established 173 pairs of sister cities, covering 15 of the 16 countries except for Estonia. The number of sister city pairs between China and Hungary ranks first (38 pairs), followed by Poland (36 pairs) and Romania (35 pairs) (Wu et al., 2020, p.45). Local cooperation between China and CEE countries spans various practical fields including trade, investment, culture, tourism, customs, and transportation, leading to the emergence of "star cities" like Ningbo, Chengdu, and Chongqing. This has enriched the channels for close exchanges with provincial and municipal governments in CEE regions, resulting in frequent interactions between local governments that continuously drive the

deepening and updating of collaborations. For instance, the cooperation between Chengdu and the Polish city of Łódź has expanded from the China-Europe Railway Express to areas such as dining, tourism, and investment. Ningbo City has leveraged its sister city relationships to launch the China-CEE Economic and Trade Cooperation Demonstration Zone and the China-CEE Countries Expo, among other initiatives.

THE FUTURE OF CHINA-CEE COUNTRIES COOPERATION: BILATERAL PROMOTION AND INTEGRATED DEVELOPMENT

Strengthening cooperation between China and CEE countries aligns fundamentally with the long-term interests of both sides, contributing to regional prosperity and stability. Currently, the cooperation between China and CEE countries enters its second decade, facing significant developmental opportunities alongside some serious internal and international environmental challenges. Looking ahead, China and CEE countries should continue to enhance confidence, solidify foundations, improve quality and efficiency, and tap into the potential for expansion, jointly promoting high-quality and sustainable development of China-CEE cooperation.

1. China's Commitment to Deepening Opening-up and Realising Chinese-style Modernisation Injects New Momentum into Cooperation

In July 2024, the communiqué from the Third Plenary Session of the 20th Central Committee of the Communist Party of China highlighted that openness is a defining feature of Chinese-style modernisation. It is essential to adhere to the basic national policy of openness, promote reform through openness, utilise China's vast market advantages to enhance opening capacities in international cooperation, and build a new system for a higher-level open economy. We must steadily expand institutional openness, deepen foreign trade system reform, improve foreign investment and outbound investment management reforms, optimise the regional openness layout, and enhance mechanisms for high-quality collaboration in the Belt and Road Initiative. This important discourse reveals the intrinsic relationship between opening-up and Chinese-style modernisation and marks that China will expand the development space of Chinese-style modernisation with an

increasingly proactive opening strategy and higher-level opening achievements. Despite the influences of complex international factors, China's economy achieved a growth rate of 5.2% in 2023 (Xinhua News Agency, 2024). The International Monetary Fund forecasts a potential growth rate of 4.6% for China in 2024, while the economic growth rate for emerging markets in Europe, including CEE countries, may reach 2.8%, considerably outpacing the Eurozone's overall growth and that of major European economies like Germany and France (International Monetary Fund, 2024). The robust economic resilience and potential inherent in China and CEE countries will provide a sustained and strong impetus for cooperation.

In the process of China's deepened opening-up and realisation of Chinese-style modernisation, CEE countries can serve as a bridge between China and Europe, collaborative partners, and companions in modernisation development according to their needs.

2. Enhancing Political Mutual Trust and Strengthening Civil Friendship Between China and CEE Countries

CEE countries are generally among the first to establish diplomatic relations with the new China, characterised by frequent government and civil exchanges and deep traditional friendships, void of historical entanglements and current geopolitical conflicts. Since the establishment of the China-CEE cooperation mechanism, the benefits of this mechanism have facilitated close interactions among leaders of China and CEE countries, providing an effective platform to enhance political mutual trust and promote practical cooperation. Since 2023, leaders from China and CEE countries have engaged in face-to-face dialogues through various multilateral activities and bilateral visits, aiding both sides in fostering trust, dispelling doubts, managing differences, and rebuilding and enhancing political mutual trust. By the end of 2022, the leaders of China and Europe held their first face-to-face meeting post-COVID-19, followed by visits to China from German Chancellor Scholz and EU Council President Michel. Since then, political figures and leaders from EU institutions have been increasingly visiting China, successfully holding meetings between China and Europe, further strengthening political mutual trust and practical cooperation. Against the backdrop of the gradually established face-to-face meetings among leaders of Europe and China, relations between Europe and

China have been improving, thus creating a more favourable external environment for the smooth development of China-CEE cooperation.

Since the establishment of the China-CEE cooperation mechanism, through joint efforts, cultural exchanges between China and CEE countries have become increasingly close, with numerous cooperative activities taking place in education, culture, tourism, media, and sports. A growing number of Chinese tourists are choosing CEE countries as their travel destinations. There are three major advantages to tourism cooperation between China and CEE countries. First, there are visa exemption advantages. Serbia, Bosnia and Herzegovina, Albania, and Montenegro have successively implemented visa exemptions or relaxed visa policies for Chinese citizens. China has also granted short-term visa exemptions for most CEE countries. Second, direct flight advantages. Beijing, Tianjin, Shanghai, Xi'an, Chongqing, and Shenzhen now have direct flights to CEE cities. Third, attractiveness advantages. In recent years, countries like Serbia and Hungary have made a significant impression on the Chinese public, becoming "viral countries" in the eyes of many. In short, the China-CEE cooperation mechanism has been continuously deepening, with progress in trade cooperation, cultural exchanges, and bilateral investments, allowing more Chinese people to recognise and appreciate CEE countries, thus greatly promoting the development of tourism in these regions.

In the future, large-scale personnel exchanges will enhance the vitality and popularity of China-CEE cooperation, solidifying the foundation for collaboration. During this process, China and CEE countries should be proactive and leverage existing cultural dialogues and cooperation mechanisms between China and the EU. They should also leverage the China-CEE cooperation realm to intensify promotional efforts regarding tourism, education, sports, and cultural resources and products, continuously strengthening the cultural ties of cooperation between China and CEE countries.

3. Streamlining Cooperation Mechanisms, Enhancing Inclusivity and Transparency

Statistics show that, since the establishment of the China-CEE cooperation mechanism, over 50 various cooperation mechanisms covering different levels, countries, and fields have been established. They formed a relatively

complete cooperative framework that has played a significant role in promoting the ongoing development of cooperation between China and CEE countries. However, the proliferation of mechanisms may also increase coordination costs and burdens for participants, with many platforms becoming “zombie mechanisms”, negatively impacting the efficiency of cooperation—having more mechanisms is not necessarily better. In the future, China and CEE countries have to analyse and optimise the performance of existing mechanisms based on comprehensive and accurate evaluations. On the one hand, it is crucial to address functional overlaps between different mechanisms by eliminating those with insufficient efficacy, thus alleviating the coordination burden, particularly for CEE countries. On the other hand, the timely establishment of corresponding cooperation mechanisms in emerging fields will drive continuous advancements in China-CEE cooperation.

Both China and CEE countries firmly believe that openness creates opportunities while inclusivity achieves diversity. At the EU level, major European nations such as Germany and France possess considerable political influence over CEE countries, with their enterprises forming tight economic and investment networks within these nations. By adopting a tripartite cooperation approach, fully utilizing the capacities of the EU and Germany alongside forces from outside CEE countries, and involving businesses from other European nations in project design, construction, and evaluation processes, it is possible to achieve mutual benefits, share risks, and reduce scepticism from the EU and countries like Germany regarding China-CEE cooperation.

4. Areas Where CEE Countries Can Take Initiative

The achievements of the past 12 years of China-CEE cooperation demonstrate the enormous potential and broad development space embedded in this collaboration.

First, there is a need for gradual addressing of the trade imbalance issues. The imbalance in trade and investment between China and CEE countries remains quite serious, with China’s exports and investments in CEE nations significantly exceeding CEE countries’ exports and investments in China. This situation stems from profound structural economic reasons and shared efforts needed from both sides to gradually narrow the trade deficit. On the one hand,

China should continue to enhance its opening-up efforts, alleviating regulatory bottlenecks and fully utilising the China-Europe Railway Express to create more opportunities and conveniences for high-quality, high-value-added products from CEE countries to enter the Chinese market; on the other hand, China and CEE countries should steadily advance investment cooperation, utilising various policies and financial instruments to create favourable conditions for enterprises from both sides to enter each other's markets.

Second, China and CEEC should start exploring new cooperation growth points. Over the past decade, China and CEE countries have focused on collaboration in agriculture, tourism, education, and transportation infrastructure, yielding a series of important cooperative outcomes. Currently, China, the EU, and European countries, including CEE nations, collectively prioritise digital and green transitions as central to their future development strategies. Moreover, Chinese companies possess strong competitiveness in the electric vehicle sector and have gradually opened up in the European market. In 2022, Contemporary Amperex Technology Co. Limited (CATL) announced its investment in Hungary to establish a factory for battery swap stations that provide services for electric vehicles, while CATL invested €7.34 billion to establish a factory in Hungary for producing power batteries (Xinhua Net, 2022). In the future, focusing on green and digital transitions, China and CEE countries can actively explore new growth points in next-generation energy technologies, green industry developments, energy transition experience sharing, digital standards, and infrastructure construction, injecting new momentum into China-CEE cooperation.

Third, China and CEEC should actively harness local and civil forces. Local cooperation is a crucial component of China-CEE collaboration. The China-CEEC Local Leaders' Meeting has been successfully held five times, playing a significant role in fostering friendly exchanges and mutually beneficial cooperation between China and Central and Eastern European countries. Currently, China and these countries have established 212 pairs of sister provinces and cities, promoting cooperation across various fields (China News Network, 2021). That has greatly enriched the content of China-CEE cooperation and produced significant results. The Chinese government encourages local collaboration and hopes that more local governments in CEE countries will actively engage with Chinese local governments, aligning with China's local economic development plans and resource advantages, thus

enriching the content of China-CEE cooperation and benefiting the peoples of both sides.

Furthermore, businesses, chambers of commerce, and non-governmental organisations from CEE countries are also important forces participating in China-CEE cooperation. These entities are characterised by diverse roles, flexible methods, and broad coverage, serving as vital means to enhance the vitality of China-CEE collaboration. Under the China-CEE cooperation mechanism, several collaborative platforms and projects have been established to facilitate trade and investment exchanges, such as the China-CEE Investment Promotion Agency liaison mechanism, the China-CEE Economic and Trade forum, the China-CEE Expo, the China-CEE Joint Chamber of Commerce, and cross-border e-commerce cooperation platforms. Enterprises from CEE countries can leverage these platforms to explore the Chinese market and find partners, thus enhancing the visibility of their products in China.

Over the past 12 years, China-CEE cooperation has achieved remarkable accomplishments, significantly benefiting the peoples of China and CEE nations, stabilising China-Europe relations, and maintaining regional and global prosperity and stability. As cooperation enters its second decade, both opportunities and challenges coexist, requiring both sides to be more proactive in driving China-CEE cooperation to a new level.

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SERBIAN DEVELOPMENT PATH OF FDI: NAVIGATING BETWEEN THE EU AND CHINA

Katarina ZAKIĆ*

Abstract: Foreign direct investments have been a crucial element of Serbian economic development since 2001. Various domestic governments had positive attitudes towards attracting FDI, which resulted in legal changes and favourable business conditions to encourage the inflow of investment. As a result, Serbia has become a leading destination for FDI in the Western Balkan region in recent years. While EU countries were previously the largest investors in Serbia, China has recently surpassed them. The main objective of the research was to analyse the results, trends, perspectives, and risks associated with FDI from both the EU and China in Serbia. Statistical data was primarily sourced from the National Bank of Serbia, supplemented by the UNCTAD database. The origins of FDI are shifting, and the long-term implications of this trend remain uncertain. EU investments are more diversified than Chinese investments, reflecting the differences in their respective investment histories. While the impact of FDI from the EU and China has been positive, there are associated risks, including labour rights, environmental pollution, sector-specific investments, and repatriation of profits. However, political risks related to Serbia's foreign partnerships have recently affected the results of FDI inflows and changed the trajectory of Serbian economic development.

Keywords: foreign direct investments, Serbia, European Union, China, results, trends, perspectives, risks.

* Research Fellow, Institute of International Politics and Economics, Belgrade, Republic of Serbia; Email: katarina@diplomacy.bg.ac.rs, ORCID: 0000-0002-6091-8433.

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INTRODUCTION

Significant negative disruptions in the world economy do not occur regularly. But when they do, the consequences are profound and long-lasting. It takes time to return to a previous balance and results. That was the case with the financial crisis in 2008/09 and the COVID-19 pandemic in 2020. The pandemic profoundly impacted the global economy, and geopolitical tensions escalated, making the recovery even more challenging. The situations in Ukraine and Gaza are not settling down, and the prognosis for peaceful resolution and an end to these conflicts is grim.

In such challenging circumstances, it is hard to plan the economic development of a country. Uncertainties and risks are higher than ever nowadays, particularly due to partnerships with different international partners. Regardless of the development strategy a government might employ, setbacks and problems can occur. Serbia, a middle-income continental country with a population of 6.6 million and a nominal GDP per capita of around US\$ 12,000, faces similar challenges. External shocks, along with internal domestic struggles, particularly concerning the privatisation process, the rule of law, corruption, and unemployment, have led to setbacks in national development. Due to such diversified problems, starting in 2006, different Serbian governments employed a national development strategy for attracting foreign direct investments (FDI). This strategy has changed somewhat over time, but its focus has not: to provide the best business conditions and a stable macroeconomic and political environment to foreign investors through various incentives. Such an economic development strategy relying on foreign and not domestic investors has many pros and cons. In the global economy, FDIs play a significant role in development; hence, a thorough assessment of the trends and risks associated with FDIs is crucial. Serbia's two main economic partners are the European Union (EU) and China. Therefore, while accessing economic cooperation between Serbia, the EU, and China, we should pay special attention to the complexity of those FDIs.

The main research objectives of this study are to compare the volume, structure, and impacts of FDIs from the EU and China on the Serbian economy and to analyse the main trends and risks associated with FDIs in Serbia originating from the EU and China. There are multiple reasons for a gap in the existing literature on these issues. The first reason is that Chinese investments in Serbia started in 2014, so there is a relatively short time frame

to provide a detailed and precise analysis of the trends and outcomes related to Chinese companies' investments in Serbia. The second reason is the limited availability of information about Foreign Direct Investments (FDIs) from reliable state sources, such as the National Bank of Serbia (NBS), which is responsible for reporting on this topic at the national level. Some valuable data are not provided by NBS, which could help in conducting analysis, so researchers can only use approximate data from other sources. That also implies that the results of scientific analysis might differ from the ones in practice. The issue is particularly evident with investments originating from the EU due to the presence of tax havens, such as the Netherlands, Luxembourg, and Cyprus, which mask the true origin of the investments supposedly coming from the EU. Another problem is the lack of publicly available data about the nature of investments, the given incentives, and the performance of foreign companies. Nonetheless, this research will try to provide all relevant and available data and give recommendations for Serbian public policies related to investment relations with the EU and China.

A qualitative and descriptive statistical analysis was used to analyse datasets related to the FDI inflows and outflows gathered from the National Bank of Serbia (NBS), the United Nations Conference on Trade and Development (UNCTAD), and the Development Agency of Serbia (RAS). The observed period is from 2010 to 2023, aligning with changes in international practice for calculating FDI flows that began in 2010, to which the NBS, as the primary data source in this research, adheres.

The research uses the datasets obtained from NBS and UNCTAD, which both adhere to the same definition of FDIs provided by the International Monetary Fund (IMF). Because of that, this definition was one used in research. According to the NBS, "Foreign direct investment means the attempt by a resident of one country to exercise control or influence over a legal entity resident in another country. According to the IMF's Balance of Payments Manual, Fifth Edition (BMP5), an investment by a resident of 10% or more in the ownership of a legal entity that is a resident of another country, as well as any further investment in that legal entity, constitutes foreign direct investment. If a resident owns 10% or more of shares in a non-resident legal entity owned by another legal entity, this second legal entity is also indirectly owned by the resident" (NBS).

The UNCTAD's (2022) definition, based on definitions formulated by the Organisation for Economic Co-operation and Development (OECD) and the

IMF, states that “FDI implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy. Such investment involves both the initial transaction between the two entities and all subsequent transactions between them and among foreign affiliates, both incorporated and unincorporated. FDI may be undertaken by individuals as well as business entities”.

The first part of this analysis will focus on a historical review of the establishment of FDIs in the Socialist Federative Republic of Yugoslavia and the Republic of Serbia. Serbia was one of the six republics in Yugoslavia and its legal successor. Therefore, a historical review will help assess the trajectory of the development of foreign investments. The next chapter will explain the circumstances that led to Serbia’s institutional implementation of a strategy for attracting foreign FDIs during the 2000s. The Serbian government provided various benefits and incentives to attract foreign investors, and it is crucial to analyse implemented measures versus achieved results. A separate chapter will show the results of EU and Chinese investments in Serbia. The final chapters will summarise the results, identify the key risks, and give recommendations for downsizing or avoiding risks.

HISTORICAL REVIEW OF FDI IN SERBIA

As the sole successor of Yugoslavia, the Republic of Serbia continued with the implementation of its constitutional provisions related to the rights of foreign investors on its territory. Namely, the Constitution of Yugoslavia from 1971, “in particular, Amendment XXII, Item 4, regulates issues related to the use of foreign investor funds under terms and within scopes laid down by federal law. It was then that the constitutional provision first guaranteed foreign investors that their rights acquired on the basis of such investments, upon the conclusion of the contract, could not be diminished by any law or other act (Business Info Group, 2012, p. 122)”.¹

In many regards, Yugoslavia was a unique and more successful economic country compared to other socialist countries at the time. It navigated between

¹ The first regulations related to FDIs, or more precisely, a form of “joint investments” between foreign and domestic investors in Yugoslavia, were adopted and implemented in 1967. More about that in Cvetković (2021).

the influences of the East and the West, aiming to reconcile national economic interests with international political and economic circumstances. In many aspects, it was ahead of its time. One area that set Yugoslavia apart from other socialist countries was its approach to foreign investments and legal framework. For example, in 1973, “a special law was adopted to govern the investing of the resources of foreign entities in local associated labour organisations. This set a precedent not repeated in any socialist country until the 1980s (Business Info Group, 2012, p.122)”. As can be seen in Table 1, in 1973, among the former republics, Serbia was the one that had the highest volume of investments, while Slovenia was leading with the number of projects. Despite this progress, the restriction of areas where foreign investors could invest in Yugoslavia after 1978 led to a period of stagnation with a decrease in total investment volume. Interestingly, due to the slow-paced economic development of Yugoslavia, a new set of economic reforms was established in 1988, in which a new Law on Foreign Investments was introduced (Ibidem p.122). The reforms came to a halt with the onset of the civil war in Yugoslavia in 1991 (Zakić and Živaljević, 2019).²

Table 1. Number of foreign agreements and volume of investments in Yugoslavia, on 07 January 1973, in USD

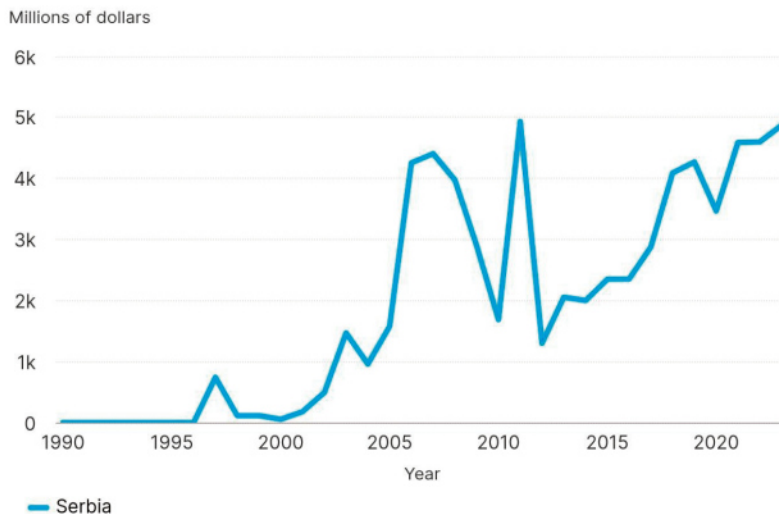
As of the 07 January 1973	Number of agreements	Value of foreign investments, US\$	Total 100%
Bosnia and Herzegovina	6	9,940.134	6,97
Montenegro	1	3,124.716	2,19
Croatia	15	10,961.004	7,69
Macedonia	3	5,250.239	3,68
Slovenia	27	55,194.056	38,72
Serbia	19	58,089.591	40,75
Central Serbia	14	54,909.119	38,52
Kosovo	2	1,158.387	0,81
Vojvodina	3	2,022.085	1,42

Source: Business Info Group. 2012. Data are from Yugoslav Survey Journal (Časopis Jugoslovenski pregled) 1973/9.

² In 1990/91, Serbia had its first foreign acquisition when the biggest national pharmaceutical company, Galenika, was sold to a US company, ICN. However, the owner of ICN was originally from Serbia, and this was the reason why Serbia at the time had a foreign investment.

The following Graph 1 presents the FDI inflows to the Republic of Serbia in more than 30 years, from 1990 until 2023, based on the UNCTAD Investment Report. There have been significant fluctuations in FDI levels over the years. At the same time, we can see that Serbia has been approaching the results achieved in 2011, which were USD 4.93 billion, while in 2023, they were USD 4.87 billion. However, it is important to note that the methods used to achieve these results were quite different, which is why detailed historical explanations of FDIs are provided.

Graph 1. Foreign direct investment flows in the Republic of Serbia, from 1990 until 2023, in millions of US\$



Source: United Nations Conference on Trade and Development (UNCTAD), World Investment Report 2024, <https://unctad.org/publication/world-investment-report-2024>.

In the 1990s, Serbia did not have a civil war on its territory. However, because of the civil wars in Croatia and Bosnia and Herzegovina, economic sanctions were imposed on Serbia from 1992-1995. Besides those problems, in 1992, Serbia experienced one of the highest inflations in the world at that time. Additionally, in 1999, Serbia was bombed by the NATO Alliance due to

its politics on Kosovo*³, which was one of the two provinces of Serbia since the establishment of Yugoslavia. During those times, especially in the first part of that decade, there were almost no possibilities to have foreign investors. Following the peace resolution in Dayton in 1995, one of the first foreign acquisitions took place with Telekom Srbija, a national telecommunications company, in 1997. That year, the Serbian government sold its 49% stake in the company to the Greek company OTE and the Italian company Telecom Italia for 1.56 billion Deutsche Marks (Tanjug, 2012).

During the late 1990s, there were no significant foreign investments in Serbia due to the problems in the domestic political environment. Many citizens were protesting against the ruling party, the NATO alliance bombed Serbia, and tensions were at a high level. These circumstances made Serbia a high-risk country for foreign investors. However, after the change of the political regime in Serbia in 2001, the new government implemented many economic changes. From the perspective of foreign investors, one of the most important changes was related to the privatisation process of state companies and special incentives given to foreign investors who wanted to operate in Serbia.

Between 2001 and the present day, the introduction and development of foreign investments in Serbia can be divided into three main phases. The first phase involved the privatisation process of state-owned companies following the democratic changes after 2001. During this period, many of the state companies that had been struggling financially due to the civil wars in the former Yugoslavia, high inflation, sanctions, and the NATO bombardment were privatised. A number of these companies were sold to foreign investors. While some companies continued to operate successfully, many shut down as investors sold their assets and laid off the remaining workers. It is important to note that this process was mainly due to the flawed strategy of the Serbian government at that time rather than the fault of the investors, as there were no effective legal mechanisms in place to prevent this kind of behaviour. The second phase began in 2010/2011 with a rise in brownfield investments, which were not linked to the privatisation process but were rather the acquisition of state and private companies. According to Paunović et al. (2019, 160), the top three foreign investments in that period came from Telenor (EU 1.6 billion), which acquired

³ *This designation is without prejudice to positions on status and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

state company Mobi 063⁴, Gazprom Neft (EU 947 million), which acquired state company NIS, and Fiat (EU 940 million), which acquired state company Zastava Kragujevac. The third phase commenced in 2017 with a gradual but steady increase in greenfield investments. Through increased efforts to attract foreign investors, including cash grants, subsidies for construction land, corporate income tax relief, and incentives for payroll taxes, Serbia was named as the number one country in Europe for attracting greenfield FDI compared to its GDP in 2019, according to the Financial Times (RAS, 2024).

Most notable greenfield investments from 2017 until today came from Shandong Linglong (EU 800 million), Toyo Tire (EU 382 million), ZF (EU 238 million), Lidl (EU 205 million), Brose (EU 180 million), Continental (EU 140 million), MTU Aero Engines (EU 100 million), Minth (EU 100 million), PWO Group (EU 89 million), Hansgrohe (EU 85 million), Nestle (EU 83 million), Ariston (EU 75 million), Lianbo Precision Technology (EU 57.4 million), Japan Tobacco International (EU 51 million), Hisense (EU 47 million), etc.⁵

KEY CHARACTERISTICS OF FDI IN SERBIA: DYNAMICS, ORIGINS, AND SECTORAL DISTRIBUTION

Foreign direct investments have been one of the main strategic tools in recovering economies in post-communist countries after the end of the Cold War (Estrin and Uvalić, 2014; Stanojević and Kotlica, 2015; Josifidis and Supić, 2023). The mutual interest of already economically developed Western and transitional Central and Eastern Europe (CEE) economies was a good starting point for many decades of successful cooperation in this field. The geographical position of CEE countries near major Western European economies, governmental incentives for attracting FDIs, cheap labour force (in the beginning stages of privatisation), acquisition of state companies with relatively

⁴ In 1994, Mobtel, a telecommunications company, was founded through a partnership between a private company BK Trade (51%), and the Serbian Post Office (49%). In 2005, BK Trade no longer had ownership in the company, and the Serbian government acquired a majority stake of 70%, while the company was renamed Mobi 063. Shortly after, in 2006, Mobi 063 was sold to the Norwegian company Telenor, marking a significant shift in ownership and operations.

⁵ The presented data were collected from the website of the Serbian Development Agency (<https://ras.gov.rs/rs/category/vesti>) and Business Info Group (2020).

low selling prices, and trade and investment agreements with many countries were some of the main points of their interest (Bijelić, 2022; Estrin and Uvalić, 2014; Josifidis and Supić, 2023; Kastratović and Bijelić, 2023; Perić and Filipović, 2021; Radenković, 2016; Rapaić, 2017; Stanojević and Kotlica, 2015).

There are various arguments for and against strategically focusing on FDIs as a primary development strategy. On the positive side, FDIs can help increase GDP, employment rates, exports, and tax contributions and facilitate the transfer of know-how and technology. However, on the negative side, FDIs can be associated with issues such as transfer pricing, market monopolisation, significant influence on legal and political environments, increased competition for domestic small and medium-sized companies, and the use of profitable state incentives to access capital and leave the country.

After the political changes in the 2000s, Serbia implemented a strategy and programme to offer state incentives to foreign investors in 2006. According to the Development Agency of Serbia, from 2006 to 2021, Serbia provided around EU 978 million in state incentives (Vreme, 2024), which means that at least EU 1.2 billion had been given by mid-2024. These state incentives come in various forms, such as tax and contribution reductions on net salaries, relief from corporate income tax, and the option to transfer tax losses to the tax balance sheet over the next five years (SGRS, 2023).

Several aspects were considered in this part of the manuscript to illustrate the impact of Foreign Direct Investments (FDIs) on Serbia's economic development. The main objective was to use statistical methods to examine the position and significance of foreign investments in the Serbian economy, identify the trends over the past 14 years, analyse the structure of FDIs, identify countries that were main investment contributors, and finally compare Serbia's FDI results with those of the former Yugoslav Republics.

Graph 2 presents the main sources of investments in Serbia, according to NBS (2024). Foreign investments are a significant part of Serbia's funding sources, reaching EU 4.4 billion in 2022 and EU 4.5 billion in 2023. It is noteworthy that they are steadily increasing with no evidence of fluctuations in the Serbian market except for the year 2020, which was globally one of the worst years for investments due to the start of the COVID-19 pandemic.⁶ In

⁶ According to UNCTAD (2020), global FDI fell 40% year-on-year in 2020. The severity of this trend is reflected in the fact that those results were worse than the results during the financial crisis in 2008/2009.

addition, state investments have also risen since 2018, along with the profits of domestic companies.

Graph 2. Key sources of investment financing in Republic of Serbia (EU millions)



Source: National Bank of Serbia (2024c July). Macroeconomic tendencies in Serbia, https://www.nbs.rs/export/sites/NBS_site/documents/finansijska-stabilnost/prezentacije/prezentacija_invest.pdf.

- – State investments
- – Domestic investment loans (increase)
- – Assessed profitability of domestic companies
- – Foreign direct investments

Table 2 and Graph 3 provide information about net direct investments in Serbia by sector in which foreign investors invested from 2010-2023. When we look at the total data in Graph 3, manufacturing (EU 11.85 billion), construction (EU 6.18 billion), financial and insurance activities (EU 4.62 billion), wholesale and retail trade (EU 4.22 billion), mining and quarrying (EU 3.03 billion), and transportation and storage (EU 2.73 billion) were the top sectors in which investments were made. Other sectors received significantly

smaller amounts of investment. It is also worth noting that the trend related to the sectors in which foreign investors invested slightly changed. While initially they were more inclined towards manufacturing and service sectors such as banking, insurance, wholesale, and retail, recently, there has been a stronger focus on manufacturing, construction, and mining. Those data indicate that in Serbia, currently, there is a better balance of investments between the industry and service sectors. However, concerns related to high investments in service sectors (finance and trade) remain because they have minimal impact on the development of the national economy.

Table 2. Net Foreign Direct Investments in Republic of Serbia, Liabilities, 2010–2023, by Branch of Activity, from 2010–2023, in millions of EU

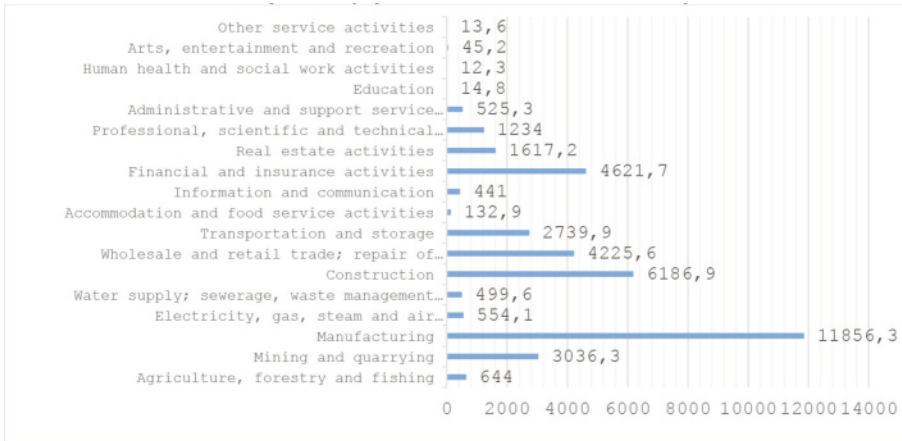
Branch of Activity	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
A. Agriculture, forestry and fishing	19,8	30,9	9,2	65,8	-0,3	63,8	43,3	72,0	151,2	48,1	49,4	42,6	11,4	36,8
B. Mining and quarrying	204,2	478,1	218,8	179,9	26,0	22,1	-33,0	102,5	415,2	122,3	212,7	118,7	264,0	704,8
C. Manufacturing	329,4	631,1	521,2	679,2	535,2	721,1	749,5	634,3	929,5	1.101,4	850,8	1.488,9	1.532,3	1.152,4
D. Electricity, gas, steam and air conditioning supply	6,0	2,9	3,8	9,0	9,9	12,8	15,0	52,2	9,4	84,0	35,4	45,6	103,1	165,0
E. Water supply; sewerage, waste management and remediation activities	3,8	6,0	5,9	12,1	17,7	17,9	13,6	11,1	20,7	62,3	126,0	99,4	52,0	51,1
F. Construction	35,3	91,6	19,4	67,1	162,7	264,5	272,9	406,8	471,5	848,8	385,0	863,4	1.444,5	853,4
G. Wholesale and retail trade; repair of motor vehicles and motorcycles	133,3	1.019,2	194,1	300,0	224,8	208,5	138,2	312,3	323,9	261,0	196,2	128,1	390,2	395,8
H. Transportation and storage	21,2	65,9	17,4	70,8	-9,4	68,5	68,6	22,4	654,4	599,6	450,9	499,6	147,4	62,6
I. Accommodation and food service activities	5,2	15,0	26,7	-3,1	-1,9	7,0	2,9	16,3	7,6	8,5	15,1	1,3	23,3	9,0
J. Information and communication	-8,2	125,6	-480,0	28,5	46,8	108,1	120,7	197,9	-204,4	247,4	28,2	108,1	34,1	88,2

Branch of Activity	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
K. Financial and insurance activities	432,7	840,4	290,6	141,5	358,0	484,0	447,0	367,5	425,3	77,6	512,1	95,7	-175,8	325,1
L. Real estate activities	-19,9	72,1	22,1	-55,7	24,7	57,6	124,5	221,7	161,2	195,5	124,0	139,6	339,8	210,0
M. Professional, scientific and technical activities	29,4	32,0	116,4	4,1	83,6	27,1	141,2	65,0	63,2	89,9	9,9	103,8	106,3	362,1
M. Administrative and support service activities	4,0	51,2	9,0	30,2	-9,6	14,3	11,8	39,4	13,8	61,2	18,7	75,2	128,7	77,4
P. Education	0,0	0,5	0,1	1,1	1,4	0,3	0,1	0,1	0,6	1,3	2,6	1,0	1,1	4,6
Q. Human health and social work activities	0,0	0,1	0,1	0,1	0,1	-0,1	-0,2	2,1	0,4	-0,1	0,2	9,8	-0,2	0,0
R. Arts, entertainment and recreation	-3,9	2,4	-2,5	-1,4	-14,9	4,2	0,0	16,1	1,1	-3,7	12,6	15,1	9,5	10,6
S. Other service activities	2,5	0,8	0,6	1,3	1,4	0,3	1,5	0,5	0,8	0,6	0,0	0,5	1,3	1,5
Not allocated	83,4	78,7	35,9	17,3	44,4	32,1	9,3	7,9	19,0	9,5	9,2	49,6	19,5	11,7
TOTAL FDI LIABILITIES	1.278,4	3.544,5	1.008,8	1.547,9	1.500,5	2.114,2	2.126,9	2.548,1	3.464,5	3.815,3	3.038,9	3.886,0	4.432,5	4.521,9

Source: National Bank of Serbia.⁷

⁷ Note from the NBS Report: The methodology of foreign direct investments is in accordance with the IMF's Manual for Balance of Payments and International Investment Position, sixth edition, according to which the increase in assets (investments of residents abroad) and liabilities (investments of non-residents in Serbia) is recorded with a positive sign (and vice versa). Net foreign direct investments are obtained as the difference between assets and liabilities, which means that the negative amount of net foreign direct investments indicates a greater inflow based on investments by non-residents in Serbia than outflows based on investments by residents abroad.

Graph 3. Net Foreign Direct Investments in Republic of Serbia, Liabilities, 2010–2023, by Branch of Activity, from 2010–2023, in millions of EU



Source: National Bank of Serbia.

Even more detailed analysis related to the sectors in which the foreign investors invested the most according to the number of projects shows that the most sought-after were the automotive industry, agriculture, food and beverage, and textile and clothing (refer to Table 3). In the context of the analysis of EU-China investments in Serbia, it should be emphasised that the number one position is related to the automotive sector, in which both EU and Chinese companies are interested and have significantly invested. While foreign investors have shown a high interest in investing in sectors of agriculture, trade, and textile related to the number of realised projects, they have not significantly impacted their position in the overall structure of FDIs (refer to Graph 3), meaning they did not have significant value.

Table 3. Most attractive investment sectors, by number of projects (%)

Automotive	17.0
Agriculture, Food and Beverage	15.2
Textile and Clothing	7.5
Electrical and Electronics	6.2
Construction	5.0
Machinery and Equipment	4.7
Furniture and Wood Industry	4.3

Source: RAS, 2024.

The top countries that invested in Serbia by number of projects (%) and by value of projects (%) are listed in Table 4. Rankings of countries in both tables are similar, apart from Russia, which is highly positioned in terms of the value of the projects but not by the number of them.⁸ The EU countries and China are both positioned high, with the EU companies leading in terms of the number of projects (43.8%) and value of projects (41%). The result related to the EU is expected since the EU has been the biggest investor in Serbia since 2001. However, it is important to stress that Chinese companies began making substantial investments in Serbia in 2014 and have done so in a short period; for this reason, they are ranked highly in both charts.

⁸ According to the volume of investments, the two biggest Russian investors in Serbia are Gazprom Neft and Lukoil. Starting in 2021, due to the conflict in Ukraine, many Russian citizens came to Serbia and opened private businesses, which is why the number of Russian companies in Serbia is currently increasing.

Table 4. Top countries that invested in Serbia

Top foreign investor by number of projects (%)		Top foreign investors by value of projects (%)	
Germany	17.0	Germany	13.5
Italy	11.1	Italy	11.7
USA	7.7	USA	10.9
Austria	6.2	Russia	10.9
China	5.9	China	10.5
France	4.9	France	8.5
Slovenia	4.6	Austria	7.3

Source: RAS, 2024.

Since one of the main reasons for one government to give benefits and incentives to foreign investors is to provide additional employment to the domestic workforce, it is important to look at those data in the case of Serbia. Table 5 lists the top nine employers in Serbia according to their direct investments. The EU countries employed 133,560 people in the observed period, while China employed 15,554. It is also interesting from an analytical point of view to see that according to presented data, Serbian companies, through direct investments, employed 19,650 people, which is less than 1% of the total number of employed workers in Serbia, meaning that Serbian private companies face strong competition from foreign companies while employing the domestic workforce.

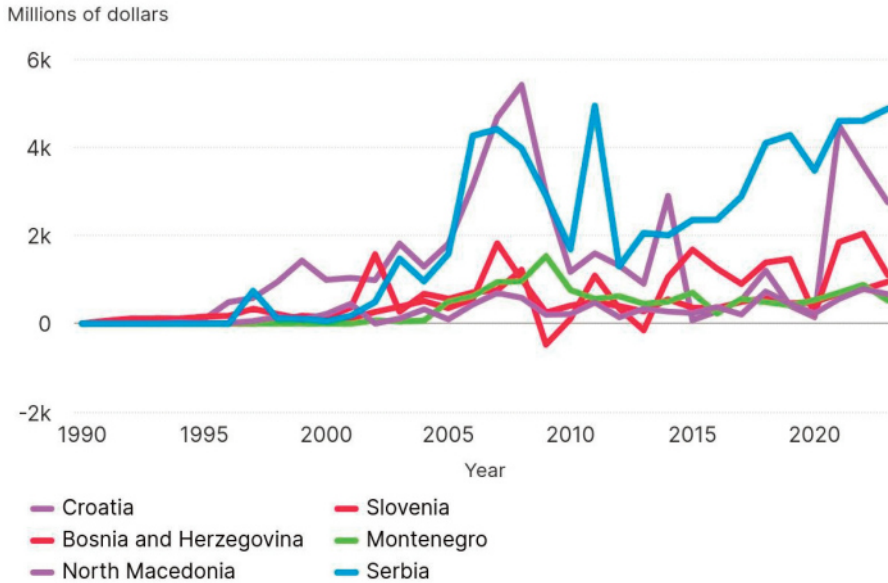
Table 5. Number of working places in Serbia based on direct investments, per country, 2000–2020

1. Germany	45.832
2. Italy	28.557
3. USA	20.624
4. Serbia	19.650
5. Slovenia	17.670
6. China	15.554
7. Austria	15.411
8. Belgium	13.338
9. Croatia	12.752
10. Turkey	10.845

Source: Milošević, R., Miljković J. (2022). Priručnik za privlačenje i realizaciju investicija na lokalnom nivou, p. 26.

Finally, at the end of this part, it is also beneficial to showcase the results of other former Yugoslav republics in attracting FDI so that the results of the Serbian FDI strategy can be compared to countries that were once part of the same country. These countries are nearby and share many similarities, making the comparison relevant. The UNCTAD (2024) data presented in Graph 4 indicates that Montenegro, North Macedonia, and Bosnia and Herzegovina had relatively low levels of investments. Slovenia experienced a lot of ups and downs, while only Croatia and Serbia received significant amounts of FDI. Notably, FDIs in Serbia have shown a steady increase since 2013, whereas FDIs in Croatia have decreased significantly, except for 2021 (EU 4.4 billion). Apart from Croatia, all other countries offer different benefits and incentives for foreign investors. Based on this data, it appears that the Serbian strategy was more successful in terms of the amount of FDI it received. However, for a thorough assessment, a deeper analysis should be conducted.

Graph 4. Foreign direct investment flows in Bosnia and Herzegovina, Croatia, Montenegro, North Macedonia, Serbia, and Slovenia from 1990 until 2023, in millions of US\$



Source: United Nations Conference Trade and Development (UNCTAD), World Investment Report 2024.

CONSTANT AND SUBSTANTIAL RISE OF EU FDI IN SERBIA

For the last 22 years, EU companies have been Serbia's most important economic partners in trade, investments, and financial assistance (EUDRS, 2023). Serbia has steadily improved its economic relations with European companies, which date back to the former Yugoslavia. Despite significant cooperation with the Russian Federation, the US, and neighbouring Western Balkan countries, the EU countries have remained the backbone of Serbia's economic development.

There are numerous reasons why the EU countries and their companies choose Serbia as their point of interest related to investments. A stable political and economic environment is the primary prerequisite for foreign

investors to invest in any given country. For the EU companies, that signal was the beginning of Serbia's path to join the EU. Following the dissolution of Yugoslavia in 1990, Serbia and Montenegro formed a state federation that lasted until 2006, when Montenegro left the joint federation and proclaimed its independence. The negotiation process of this federation to join the EU started in 2000, after which both parties chose to pursue the EU integration process separately. Serbia started its negotiation talks in 2007 and signed the EU-Serbia Stabilisation and Association Agreement in 2013, marking an important milestone in the accession process (Zakić et al., 2024). All those processes and negotiations gave positive feedback to European investors, indicating that the political and economic environment is changing and Serbia is pursuing its EU path.

Besides those reasons, Josifidis and Supić (2023) noted that in general in Serbia, "Foreign capital was attracted by the proximity to Western European markets and a relatively highly educated workforce available at relatively low wages". According to Bijelić (2022), "For companies from the EU, Serbia is an ideal 'nearshoring' destination for investment because not only is it geographically close to the EU, but it also has preferential treatment in foreign trade and a liberalised regime of rules of origin, which enabled significant integration of the Serbian economy into European value chains". In recent years, Serbia signed numerous bilateral investment agreements with many countries, which motivated many foreign investors to invest in Serbia (Kastratović and Bjelić, 2023), including EU investors. One additional advantage was the application of the Serbian strategy for attracting FDIs, which garnered significant attention from companies from around the world. However, due to the EU's proximity and better understanding of the Serbian market, EU companies were the first to invest in Serbia. This statement can be further supported by data in Table 6, which compares the EU investments with the total world investments in Serbia.

The structure of EU investments in Serbia by country of origin is showcased in Table 6 and Graph 5. Since there are 27 EU countries, it is difficult to display data in one graph, so an additional Table 7 is included to display the top ten EU countries that invested the most in Serbia. However, it is important to approach the showcased results carefully. Three countries listed very highly among the top ten countries should be assessed with caution, namely the Netherlands, Luxembourg, and Cyprus. All three of them

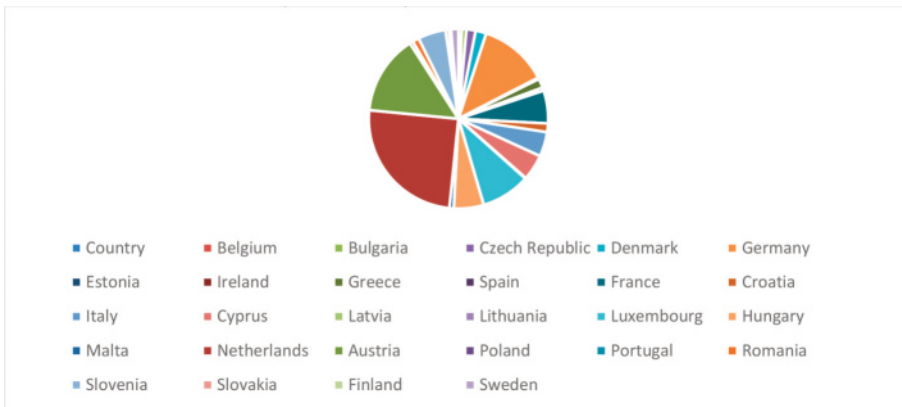
are tax havens, which does affect the assessment of EU investments in Serbia. According to Damgaard et al. (cited in Dabrowski and Moffat, 2024), “On a global level, up to 40 per cent of FDI may be classified as ‘phantom FDI’, meaning that the investment takes advantage of tax or investor protection rather than being originally from the country”. That suggests that the level of EU investments listed in official documents may not be accurate. Even the National Bank of Serbia’s report advises caution when assessing data on investments from the Netherlands, as the company’s headquarters may be in another country, not necessarily in the Netherlands (NBS, 2024a). This caution is crucial, considering that, according to official data, the Netherlands is the largest investor in Serbia. The situation with Luxembourg is similar. KPMG (2020), in its analysis, notes that “Luxembourg is the largest investment fund centre in Europe and the second largest in the world after the US. It is the largest global distribution centre for investment funds, and its funds are offered in more than 70 countries worldwide”. Due to its status as a major investment fund hub, it is questionable whether Luxembourg is truly one of the top investors in Serbia. The last debatable source of investments in Serbia is Cyprus, which has been used as an offshore centre for many years, and many companies registered in Cyprus do not pay taxes on capital gains. For this reason, we can question who the investors from Cyprus are—domestic investors with headquarters registered in Cyprus or multinational companies from other countries.

Table 6. Foreign Direct Investments in the Republic of Serbia:
assets-liabilities principal, by country in the EU, from 2010-2023, millions EU

Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	FDI, net (=assets- liabilities)	FDI, net (=assets- liabilities)	FDI, net (=assets- liabilities)	FDI, net (=assets- liabilities)	FDI, net (=assets- liabilities)	FDI, net (=assets- liabilities)	FDI, net (=assets- liabilities)	FDI, net (=assets- liabilities)	FDI, net (=assets- liabilities)	FDI, net (=assets- liabilities)	FDI, net (=assets- liabilities)	FDI, net (=assets- liabilities)	FDI, net (=assets- liabilities)	FDI, net (=assets- liabilities)
TOTAL WORLD	-1.133,4	-3.319,6	-752,8	-1.298,1	-1.236,3	-1.803,8	-1.899,2	-2.418,1	-3.156,5	-3.551,1	-2.938,5	-3.656,9	-4.328,2	-4.219,7
EUROPE	-1.008,6	-3.164,8	-712,8	-1.196,1	-1.086,6	-1.511,0	-1.548,3	-2.040,3	-2.180,4	-2.925,2	-2.213,1	-2.771,4	-2.468,5	-2.661,9
European Union (EU-27)	-765,6	-2.646,8	-544,3	-994,2	-1.016,6	-1.460,8	-1.307,6	-1.634,6	-1.837,3	-2.186,6	-1.932,4	-1.800,8	-1.429,2	-2.043,8
Belgium	-2,9	-6,1	5,5	-11,5	-8,6	-7,9	-3,9	-27,7	-18,2	-17,6	-2,8	-29,6	0,6	-3,2
Bulgaria	-10,4	15,3	1,3	-31,3	0,7	-8,4	-6,9	-22,3	-55,9	-31,1	-48,1	-35,9	35,8	12,6
Czech Republic	-4,4	-0,7	-2,7	4,0	-2,1	-7,3	-4,6	-59,9	-32,2	-76,6	-45,9	-28,0	-55,7	-53,8
Denmark	-24,5	-56,3	56,9	-18,4	-49,7	-71,8	-83,2	-73,4	-47,8	-59,2	18,2	-1,0	-25,5	3,6
Germany	-102,3	-199,1	-90,1	-82,7	-31,5	-71,7	-177,0	-185,2	-259,8	-339,9	-357,2	-419,2	-292,2	-170,2
Estonia	-0,1	-0,1	-0,3	-0,1	-0,1	0,0	-0,1	-0,5	-0,4	0,7	-0,7	0,8	0,8	3,0
Ireland	-6,0	4,9	4,8	7,5	31,2	-6,2	-8,8	-18,6	-18,0	19,7	-11,1	-19,4	-47,4	12,3
Greece	-37,1	-30,2	319,4	-35,9	-87,3	-12,8	-39,9	154,6	-23,1	-3,2	0,7	63,1	96,0	1,7
Spain	-15,5	-51,7	-20,0	-10,1	-7,9	-11,7	-11,6	-15,9	-22,7	-23,6	0,3	21,8	20,8	17,5
France	-108,3	-181,6	-132,2	-98,2	-52,9	-79,7	-72,9	-86,2	-716,8	318,7	-41,9	-70,7	41,7	-37,1
Croatia	15,2	-41,5	-126,7	6,7	26,6	-58,7	28,7	-12,7	-34,2	-20,7	2,2	-73,3	-11,4	-47,6
Italy	-65,8	-133,2	-78,9	-66,8	-100,9	-144,1	98,4	-193,4	-171,8	-91,8	-20,4	-30,2	78,2	-69,7
Cyprus	-100,6	-165,0	-21,4	-26,3	-16,6	-42,6	-54,7	-47,1	214,9	-9,8	-138,4	-144,7	-354,1	-137,4
Latvia	-0,1	-1,7	0,0	-7,4	-0,4	-0,4	-0,4	-0,3	-0,1	-0,8	0,0	-1,2	-3,5	-2,6
Lithuania	-2,6	-0,2	-0,2	-0,9	-0,1	-0,7	-0,2	0,3	-1,6	0,4	0,0	2,0	-0,1	-1,2
Luxembourg	-50,8	-885,1	-133,5	-102,7	-85,7	-169,6	-252,0	-8,2	-46,4	-144,2	-25,6	5,1	-59,4	-21,4
Hungary	7,1	-63,1	8,8	-25,5	-60,0	-21,7	-14,0	-141,1	-37,8	-512,3	-5,7	-130,7	-82,4	-125,8
Malta	-0,3	-0,3	0,5	-0,5	-1,1	-1,3	-8,9	-2,6	0,2	-54,1	-62,6	6,6	-35,7	-13,5
Netherlands	-34,5	-214,4	-151,5	-379,5	-374,6	-361,8	-342,4	-501,9	-390,6	-801,6	-607,1	-534,2	-130,0	-742,1
Austria	-26,2	-611,7	-169,1	-151,9	-116,3	-351,5	-230,9	-243,0	-202,2	-301,5	-77,8	-180,5	-240,7	-302,2
Poland	-5,9	-8,6	-5,1	-14,1	-3,6	-6,1	-14,4	-58,0	-7,8	7,8	-12,6	0,1	8,9	-16,4
Portugal	-1,0	-0,4	0,4	-0,5	-0,3	-0,4	-0,7	-1,0	0,6	1,1	4,9	-0,6	-0,5	0,5
Romania	-2,4	-11,8	14,6	-22,9	1,8	12,6	-1,0	-13,2	6,6	11,2	-7,6	-35,3	-127,1	-84,7
Slovenia	-164,7	15,2	-7,1	92,6	-52,2	-9,6	-81,2	-46,7	70,2	-20,2	-476,7	-115,7	-159,4	-168,4
Slovakia	-11,6	7,6	-10,0	-3,8	-0,7	-5,0	-4,6	-7,1	-4,8	-9,1	4,5	-22,0	-44,7	-29,2
Finland	-0,5	-16,1	-3,5	-4,1	-6,2	-6,8	-5,1	-4,2	-12,0	-9,2	-1,8	0,9	-3,0	-8,1
Sweden	-9,3	-11,1	-4,0	-9,9	-17,9	-15,7	-15,2	-19,2	-25,9	-19,6	-19,3	-28,8	-39,4	-60,6

Source: National Bank of Serbia.

Graph 5. Foreign Direct Investments in the Republic of Serbia: assets-liabilities principal, by country in the EU, from 2010-2023, millions EU



Source: National Bank of Serbia.

Among the top ten listed countries (Table 7), Austria, Germany, France, and Italy have been stable and consistent investors in Serbia for many decades. Recently, investments have also come from Hungary and Slovenia, marking a new trend. Slovenia, a former republic of Yugoslavia, is familiar with the Serbian market and its potential. Serbian companies served as production and raw material bases for many Slovenian companies during the Yugoslavia era. Slovenian companies are motivated to invest in Serbia due to cheaper labour costs, its proximity to the EU, and integration into EU production chains. Additionally, Serbian cooperation with China, Russia, the UAE, and Turkey through bilateral trade agreements is attractive to Slovenian companies. Hungary is also an interesting case; in the past, Hungarian companies showed less interest in the Serbian market, but significant improvements in political and economic relations have led to enhanced trade and investment ties.

Table 7. Top 10 EU investors in Serbia, 2010-2023, in billion EU

	Country	Billion EU
1.	Netherlands	5.6
2.	Austria	3.2
3.	Germany	2.8
4.	Luxembourg	1.9
5.	France	1.3
6.	Hungary	1.2
7.	Slovenia	1.1
8.	Cyprus	1
9.	Italy	0.9
10.	Denmark	0.4
	TOTAL	19.49

Source: Authors calculation according to the National Bank of Serbia.

As the EU companies were the first to come to the Serbian market, they were also first in line to apply for state incentives. Some of the most prominent foreign investors from the EU that used state incentives are Fiat (Italy), Gorenje (Slovenia), Rauch (Germany), Henkel (Germany), Tigar Tyres (France), Falke (Germany), Streit Nova (France), Gerlinger (Austria), Leoni (Germany), etc. (TS 2017, RAS).

During the last two decades, the European Union (EU) has been the leading investor in Serbia, significantly influencing investment trends. Initially, they heavily invested in privatised state companies, then shifted focus to brownfield investments, and in recent years, greenfield investments have become predominant. The manufacturing sector has consistently received the most EU investment, followed by finance/insurance and trade/wholesale. These investments have notably contributed to the Serbian economy by boosting GDP, exports, and employment rates, as well as transferring know-how, building capacity, and providing a stable exchange rate. However, there have been criticisms of EU investments in Serbia. In several cases, EU companies have withdrawn from Serbia after state incentives expired (for example, Italian company Geox or Austrian company Gerlinger). It has been noted that the sectors in which EU companies invested the most, such as finance and trade, did not significantly contribute to Serbia's economic development or national

competitiveness (Stanojević and Kotlica, 2015). Furthermore, a significant issue arising from the privatisation process was the dismissal of the workforce, with an estimated 450,000 people losing their jobs during this period (Radenković, 2016, p. 69), which posed a major economic and social challenge for Serbia.

STEP BY STEP RISE OF CHINESE FDI IN SERBIA

The economic cooperation between Serbia and China has been strengthened thanks to their reliable political and diplomatic relations. This process began in 2009 with the signing of the Strategic Partnership Agreement, followed by the Comprehensive Partnership Agreement in 2016 (Stekić, 2024). In 2024, both parties signed a document indicating their commitment to building a community with a shared future, demonstrating their intention to expand their diplomatic relations.

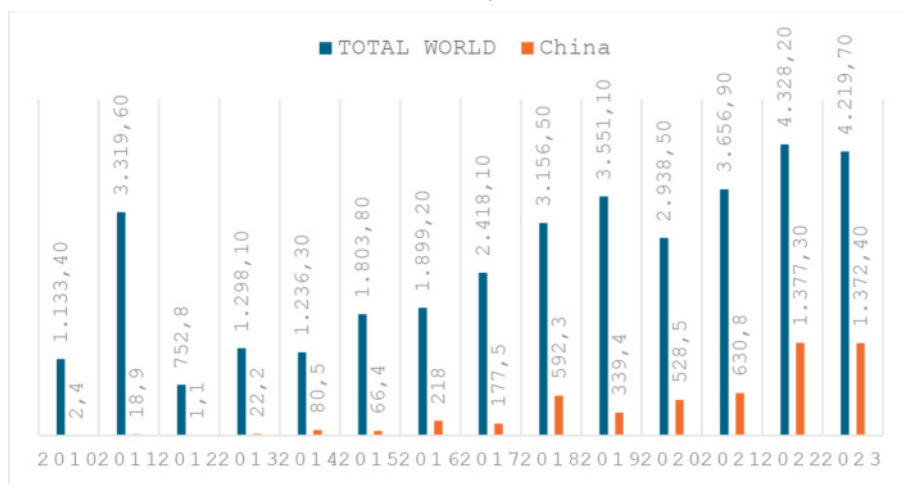
To develop further economic and trade relations, the signing of a free trade bilateral agreement was crucial. Serbia ratified the agreement in October 2023, and China followed suit in June 2024 (MSIUT, 2024). Through the Sino-Serbian free trade agreement, both sides identified products for which they sought the immediate or gradual removal of tariffs. It is important to note that the document also addresses Chinese investments in Serbia, indicating that both parties will collaborate to attract Chinese investments to Serbia.

Graph 6 presents the annual influx of Chinese direct investments in Serbia from 2010 to 2023. It is evident that starting from 2016, which marked a significant year for Sino-Serbian relations⁹, there has been a substantial year-on-year increase in FDI. China is steadily surpassing Germany as the largest foreign direct investor in Serbia. The pattern of Chinese investments in Serbia followed the usual Chinese pattern, meaning that, in the beginning, Chinese state-owned companies invested significant amounts in Serbia. After that, Chinese private investments followed (Zakić, 2019, p.46). Table 8 lists the Chinese investments in Serbia. It is important to note that, according to several companies that established their factories in Serbia, the automotive industry was the primary focus with nine projects. Conversely, in terms of project value, the metallurgy sector took the lead with over USD 2 billion. All

⁹ That year Chinese President Xi Jinping visited Serbia, both parties signed a Comprehensive Strategic Partnership Agreement, and Serbia joined the Belt and Road Initiative.

the companies in the automotive industry are privately owned Chinese enterprises, while state-owned companies (HBIS Group and Zijin Mining) invested in the metallurgy sector.

Graph 6. Foreign Direct Investments in the Republic of Serbia: assets-liabilities principal, Global and Chinese investments, from 2010–2023, millions EU



Source: National Bank of Serbia.

The positive outcomes of Chinese investments in Serbia are evident in several ways. Serbia has become a hub for Chinese automotive companies, specialising in manufacturing various car parts for export to Europe. These companies are establishing factories in different regions of Serbia, contributing to more balanced regional development (Ivanović and Zakić, 2023). Hesteel Smederevo and Zijin Mining Bor are among the top 5 exporters from Serbia. Notably, Železara Smederevo and RTB Bor, which previously faced financial and organisational issues, became successful after being acquired by Chinese companies (Zakić, 2020). Furthermore, these companies did not lay off workers. Instead, they hired even more employees.

Table 8. Chinese investments in Serbia (2014 – June 2024) in million US\$

Year	Project	Chinese partner/ investor	Status of the ownership of the Chinese company	Type of the project	Sector	Status (finished, in progress)	Value
2014	Johnson Electric, Niš	Johnson Electric	Private company	FDI	Auto industry	Finished	70 million
2016	Hesteel, Smederevo	HBIS Group Iron and Steel	State company	Acquisition	Metallurgy	Finished	330 million
2016	Eurofiber, yarn, Čuprija	China Prosperity Industrial Corporation	Private Company	FDI	Textile	Finished	1.21 million
2017	Mei Ta, Obrenovac	Mei Ta	Private Company	Joint venture with the Serbian Government	Auto industry	Finished	124 million
2018	Zijin Mining, Bor	Zijin Mining	State company	Acquisition	Metallurgy	Finished	1.722,8 million
2019	Shandong Linglong tire company, Zrenjanin	Shandong Linglong	Private Company	FDI	Auto industry	Finished	896 million
2019	Yanfeng, internal interiors for cars, Kragujevac	Yanfeng Seating	Private Company	FDI	Auto industry	Finished	44.8 million
2020	BMTS Technology, Novi Sad	BMTS Technology, Hong Kong	Private company	FDI	Auto industry	Finished	23 million
2020	Xingyu, lights for cars, Niš	Changzhou Xingyu Automotive Lighting Systems	Private Company	FDI	Auto industry	Finished	68.4 million
2021	Yanfeng, seating components, Kragujevac	Yanfeng Seating	Private Company	FDI	Auto industry	Finished	21.2 million

2021 and 2022	Minth, Loznica and Šabac	Minth	Private Company	FDI	Auto industry	Finished	105 million
2023	Hisense (Gorenje), Valjevo	Hisense Europe	Private company	FDI	Electrical devices	Finished	50 million
2024	Lianbo, Kač	Jiangsu Lianbo Precision Technology	Private company	FDI	Auto industry	Finished	62 million

Source: Authors calculations according to various state sources.

However, there is still room for improvement. Two Chinese companies, Hesteel Smederevo and Zijin Mining, faced accusations regarding their negative environmental impact due to increased production and the employed technologies (Stanojević, Zakić, 2023). While Zijin addressed these complaints, changed its policies, and actively sought ways to reduce its negative effect on the environment, Hesteel has not been as proactive.

In addition, it is important to address the fact that some Chinese companies pay their workers only guaranteed wages that are 20% higher than the minimum wages in Serbia. That is especially significant considering the number of Chinese companies, such as Johnson Electric, Shandong Linglong, Mei Ta, Yanfeng, BMTS, Minth, and Lianbo, that have applied for and received state incentives (TS, 2017, RAS).

While it is positive that Chinese companies invest significantly in the automotive industry, most of these investments are primarily in medium-level technology production and have a limited impact on the development of the national economy. It is also crucial for Chinese companies to diversify their investments in Serbia. In this regard, it is encouraging that there have been numerous announcements regarding investments in the production of electric batteries for cars, green energy (solar and wind parks), and the production of green hydrogen (Šekarić Stojanović and Zakić, 2023).

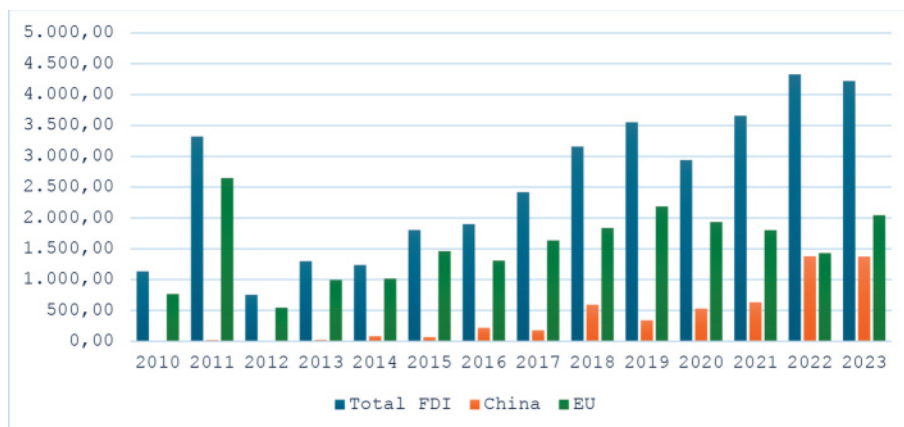
ASSESSMENTS OF EU AND CHINESE INVESTMENTS IN SERBIA

Foreign direct investments are not, and will never be, a cure-all for the problems in an economy. For many years, this was the main belief in Serbia, influenced by various sources of information, especially state officials. To the

Serbian people, foreign direct investments were portrayed as a magical solution that would improve the economy in many ways, such as increasing employment, transferring knowledge and know-how, raising salaries, and enhancing living standards. While these statements are fundamentally true, the idea that they can solve all our economic problems is inaccurate. It has been demonstrated that FDIs have both positive and negative effects. There is no guarantee that foreign investors will outperform domestic ones. Every economy must have stable domestic investors because they give stability during increased geopolitical tensions and conflicts. That was also obvious through the COVID-19 pandemic, which left many economies wondering how many jobs would be lost and if foreign investors would stay. Serbia, for example, experienced grave economic difficulties during the 1990s, and without a stable domestic economy, it would not have survived the sanctions. While incentives for foreign investors are common worldwide, there needs to be a balance between what is given to them and what they actually achieve. In cases where the government provides benefits and incentives to foreign investors, it is essential to monitor their results and hold them accountable. Serbia still provides many rights and opportunities to foreign investors, but there is no legal framework to penalise those investors who do not fulfil their obligations.

What is the assessment of foreign direct investments from the EU and China in Serbia? The answer aligns with the previous explanations. There are both positive and negative sides. Speaking of the positive effects of EU and Chinese investments, these entities are the two most significant players in the domestic market (see Graph 7). According to previous graphs, because of the amount of their investments, they act as one of the primary sources of financing in Serbia (refer to Graph 2). Thanks to these investments, Serbia has a stable economic environment, especially bearing in mind that the current deficit from 2015 to 2023 was completely covered by the net inflow of FDIs (NBS, 2024b, slide 8). That means the EU and China, the two main investors, have significantly contributed to these results. Due to EU and Chinese investments, around 150,000 people have employment. These investments have directly affected Serbian GDP, improved exports, paid taxes and contributions, improved know-how, and helped motivate the workforce to stay in Serbia.

Graph 7. Foreign Direct Investments in the Republic of Serbia: assets-liabilities principal, Total, EU, and Chinese investments, from 2010-2023, millions EU



Source: National Bank of Serbia.

However, both actors have faced criticism related to their investments, such as using state incentives only until it is beneficial for them, low wages, investments in sectors that do not improve the Serbian economy and domestic competitiveness, placing investments only around the major cities, pressuring the government about law regulations, labour procedures¹⁰ etc. Supić (2024, p. 159) stated that the impact of foreign investors on the Serbian government is quite strong “since in the period 2014-2022, SG employed 65% of recommendations given by foreign investors”. Of course, many recommendations given through the Council of Foreign Investors in Serbia were beneficial for the Serbian economy. However, at the same time, it is true

¹⁰ In a local Serbian newspaper, there was recently news (<https://www.juznevesti.com/Istrazujemo/Kontrola-nakon-zalbi-investitora-pokazala-vecina-bolovanja-u-Nisu-ispravna.sr.html>) that several foreign investment companies asked the Serbian government to conduct an investigation related to the sick days given to their workers because, in their opinion, they had too many sick days. The irregular and sudden control did not prove any out-of-order things in state health centres, but the message was clear: if we want, we can control workers' health status by asking the state Ministry of Health to conduct an investigation.

that Serbian labour law was significantly changed because of the foreign investors, although it was less beneficial for the Serbian workers.

In the end, it should be noted that some of the recently conducted econometric research showcased that FDIs did not have such a positive impact on the Serbian economy. Vasa and Angeloska (2020, p.181) pointed out that according to their calculations, the increased GDP of Serbia was not directly connected to FDIs but was achieved through “increased employment, domestic credit creation, and increased exports due to increased foreign demand”. They also pointed out that due to demands of foreign investors, Serbia increased imports from the countries that invested in Serbia, mainly due to the equipment and resources needed for their production.

In addition, it is often stated that the spillover effects of FDIs improve the performance of domestic industries, such as productivity and technology innovation, and that this is one of the reasons why Serbia is giving so many incentives to foreign investors. Brussevich and Tan (2019, p.4-5) showcased in the example of Serbia that in the period between 2005 and 2016, FDI spillover effects, in general, were not utilised in a good way and that Serbia should change sectors/investors for which it gives state incentives. In those regards, they recommended that Serbia should not provide incentives for low-tech industries, such as transportation, manufacturing¹¹ or the textile industry (which Serbia did), but rather concentrate on more advanced high-tech industries and give support to domestic small and medium companies to increase their innovation and technology level so that they can absorb foreign investors knowledge and technology spillovers.

RISK RELATED TO EU AND CHINESE FDIs IN SERBIA

The opportunities and risks associated with foreign investments are extensive, so it is crucial for every country to conduct a thorough analysis to assess the potential benefits, costs, and risks related to foreign direct investments (FDIs). While this section of the manuscript focuses on evaluating the risks associated with EU and Chinese investments, many of the mentioned risks could be equally applicable to investments from other countries.

¹¹ Company Fiat was specifically mentioned in this research.

For this analysis, risks are categorised into four main groups based on the areas they impact: economic, political, legal, and environmental (refer to Table 9). Some are not strictly political or economic, but that did not change their position or effects. Risks are named as high, medium, or low based on the threat level they present to Serbia and their impact on the Serbian economy. High-risk factors are those presenting severe, long-term challenges and are largely beyond Serbia’s control. Risks that Serbia can potentially change, mitigate, or control in the medium term are medium-level risks. Low-level risks exist but do not pose an immediate threat or can be more easily controlled. This categorisation is based on extensive research, including presented data, literature reviews, and other uncited sources.

Table 9. Classification of risk related to EU and Chinese FDIs in Serbia

	ECONOMIC RISK	POLITICAL RISK	LEGAL RISK	ENVIROMENTAL RISK
HIGH RISK LEVEL	<ul style="list-style-type: none"> - Transfer prices of foreign investment companies; - Degradation of exports to third countries (row ore, wood, silver, unprocessed fruit and vegetables, etc.), and not products with high added value due to the type of investments that Serbia has. - Shortage of work force due to domestic working migration and low birth rates, which can deter investors from investing in Serbia. 	<ul style="list-style-type: none"> - Start of the new military conflict that could endanger the EU or Chinese economy and consequently effect their investments in Serbia. 	<ul style="list-style-type: none"> - The new EU regulation stipulates that the Western Balkan countries should stop with state incentives to FDIs until 2027. 	
MEDIUM RISK LEVEL	<ul style="list-style-type: none"> - Unprofitable state incentives for foreign investors. - Lack of transparency in state incentive procedures. - FDI structure (types of companies) operating in Serbia. - Insufficient ore rents paid by foreign investors. 	<ul style="list-style-type: none"> - Non-alignment of Serbia in political blocs (the East vs. the West). - Influence of foreign investors on state politics and policies, especially the Foreign Investors Council. 	<ul style="list-style-type: none"> - Influence of foreign investors on domestic legal regulations. 	<ul style="list-style-type: none"> - Failure to comply with environmental regulations.

MEDIUM RISK LEVEL	<ul style="list-style-type: none"> - Unequal regional distribution, with investments concentrated around Belgrade and Vojvodina. - Low wages and stagnating living standards due to foreign company policies. 			
LOW RISK LEVEL	<ul style="list-style-type: none"> - Potential balance of payments issues if FDI significantly declines. - Increase in migrant workers due to local labour force migration. - Worker layoffs resulting from economic downturns in the EU and China. 		<ul style="list-style-type: none"> - Violation of labour law and working rights. 	

Even though the domestic workforce migration and low birth rates are considered high-risk problems for Serbia in terms of incoming FDI, there are solutions for them. Some may include incentives for domestic workers to stay in the country, incentives for increasing birth rates, and incentives for parents. However, implementing these solutions will require strong political, economic, and social support in the long term, even though these groups may have opposing and different interests. Nevertheless, the solution to these issues will significantly impact the decision of foreign investors to invest in Serbia.

Most of the identified risks in Table 9 are medium-level, meaning that Serbia can mitigate and change them. However, that also implies that some things related to the national strategy for attracting foreign investments should be changed, namely transparency of procedures, the value of incentives, sectors for which Serbia provides incentives, regulations, and control of foreign enterprises. The balance between being assertive to foreign enterprises and being a good leader for domestic enterprises and the workforce is not an easy task and should be reconsidered regularly. In that sense, a new evaluation of sectors and industries that Serbia wants to attract should be done. Serbia should concentrate on attracting foreign investments more orientated to high technological development with more high-added value and being more

competitive in international markets. The reforms related to state incentives for foreign investors introduced in 2023 are a step in the right direction because Serbia downsized wage incentives for FDIs in Belgrade and Vojvodina, motivating investors to invest in other parts of the country. However, the type of sector in which they invest has not changed, meaning that Serbia is still not orientated towards a new direction of investments. In the end, even though domestic workforce migration and low birth rates are considered high-risk problems, there are solutions for them. Some solutions may include incentives for the domestic workers to stay in the country, for increasing birth rates, and incentives for parents. However, those solutions need strong support on political, economic, and social levels, which are sometimes completely opposing and have different interests in mind.

CONCLUSION

As the global economy faces many challenges, mainly deriving from complicated and volatile geopolitical conditions, it is the proper time to assess what is happening globally and how changes in the international environment affect Serbian economic development. This article suggests that if Serbia continues with its path of joining the EU, domestic development relying on foreign investments may soon decline. That is due to the EU's altered policies regarding state incentives for foreign direct investments in the Western Balkan countries, which will be banned after 2027. Additionally, changes in Serbian domestic policies related to state incentives for foreign investors, implemented in 2023, will contribute to this shift.

These changes in the domestic and international environment should not be seen as a negative thing per se. Serbia has been successfully attracting FDIs for many years, and that was showcased in the example of former Yugoslav republics, who have significantly lower levels of foreign investments than Serbia. Serbia is a leader in this part of the world in attracting FDIs, as noted by the Financial Times when comparing the amount of FDI to domestic GDP. However, in order to attract so many investments, Serbia had a very generous economic policy related to state incentives. In most cases, those incentives were used in a positive manner. However, there were many cases in which they were not used properly, and in those cases, investors did not bear any retribution or penalty.

Thus far, EU and Chinese investments have been the most important for Serbia by the number of projects, their value, and the number of employed people. The EU has been a stable partner for more than 20 years, with German, Italian, French, and Austrian investors as the most important ones. On the other hand, China has become a more prominent investment partner since 2016. In the last eight years, China's investments have become so important that, in 2022, they were almost equal to the EU's.

Investors from the EU and China brought many positive effects on the development of the Serbian economy, such as GDP growth rate, employment, export rate, stable exchange rate, stable current deficit, transfer of technology and know-how, and building capacity. However, there were many negative effects, namely dismissal of workers, legal problems, labour rights, low wages, transfer prices, environmental pollution, and unprofitable state incentives.

The high-risk levels related to EU and Chinese investments come from different fields such as political, economic, legal, and environmental, and many of them are out of Serbian reach, meaning that Serbia cannot change them. However, Serbia can observe the situation and prepare if negative scenarios, such as military conflicts or global trade wars, come to life. In addition, Serbia can change the medium-level risks and state policies to solve many issues relatively quickly. It can enforce transparent procedures for state incentives and, more importantly, oversight of the enterprises that receive them. Serbia should also improve low ore rent, low minimal wages, poor living standards, and prevent migration of workers, unequal regional distribution of investments, etc. In this manner, Serbia can fully achieve the positive impact of foreign direct investments.

It is the right time to start a new chapter in attracting foreign investments in Serbia. Thus far, we had three phases, and we can start with a fourth one. This phase should be planned to meet the new EU FDI non-state incentives criteria (Šipka and Đurić, 2024) while still attracting foreign investors globally. Since state incentives cannot be given in a previous form, Serbia should explore other strategies to help attract more investments. It should include better rule of law, protection of the young industries related to high-tech production and services, non-material incentives, better infrastructural and technological conditions, an increase in the percentage of the better educated domestic workforce, and better utilisation of already signed bilateral and multilateral trade and investment agreements. Additionally, Serbia should

work simultaneously to empower domestic small and medium investors in more advanced technological sectors and provide them with state incentives to become a main domestic driving force. That is especially important in such challenging geopolitical circumstances where nothing is certain and everything can change suddenly.

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SERBIA AND CHINA: FROM STRATEGIC PARTNERSHIP TO THE COMMUNITY WITH A SHARED FUTURE

Ivona LAĐEVAC*

Abstract: The relationship between the People’s Republic of China and the Republic of Serbia has deep historical roots, marked by mutual respect and cooperation. Over the years, the relationship between the two countries developed on the ascending line, parallel with mutual recognition of their potential for strategic collaboration across various sectors, including trade, infrastructure development, cultural exchanges, and scientific research. In that respect, the cooperation between China and Serbia has yielded fruitful results, growing from a strategic partnership to a community with a shared future. The development of this relationship is the focus of this article.

Keywords: Serbia, China, strategic partnership, foreign policy, community with a shared future.

INTRODUCTION

Since 2009, when the Agreement on Strategic Partnership between the two countries was signed, Serbia-China relations can be traced on an ascending line. For Serbia, relations with China became as important as relations with the United States of America, the European Union, and the Russian Federation. In other words, China became one of the four pillars of Serbian foreign policy.

On the other hand, the two cooperation mechanisms China offered—first to Central and Eastern European countries (China-CEEC’s cooperation) and

* Senior Research Fellow, Institute of International Politics and Economics, Belgrade, Serbia; Email: ivona@diplomacy.bg.ac.rs, ORCID: 0000-0003-4052-4426.

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later to the entire world (the Belt and Road Initiative)—gave an impetus for continuous, steady relations with China. All potential member countries were invited to decide whether they wished to join these forms of cooperation without any pressure or conditions. The Republic of Serbia was among those who decided positively. It turned out to be an excellent decision because, in the following years, Serbia became an example of extraordinary cooperation, which even led to greater achievements. Even under very complicated circumstances, the quality of political relations between Serbia and China stood the test of time. Both countries remained united in their struggle to defend basic principles of international law and the United Nations. Thus, they managed to keep away the efforts of third parties to interfere in their internal affairs and give each other necessary support and assistance during the COVID-19 pandemic, which shook up the world. Under such unusual circumstances, their relations emerged into an “ironclad friendship”, and, in the post-COVID phase, it developed into a community with a shared future.

RELATIONS BETWEEN SERBIA AND CHINA

The overall assessment is that contemporary (political) relations between Serbia and China are at very high level.

Diplomatic relations between the two countries were established in the middle of the 20th century¹ and have been developing on the ascending line since then. The main reason for preserving such quality is the sincere dedication of both countries to develop their relations based on mutual respect and respect for the basic principles of international law: territorial integrity, sovereignty, and non-interference in the internal affairs of a sovereign country. In other words, Serbia supports the “One China” policy,²

¹ Although the Federal Republic of Yugoslavia recognised the People’s Republic of China in October 1949, diplomatic relations between the two countries were not established until six years later, in January 1955. The reasons for this were of “ideological nature”, i.e., 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 the People’s Republic of China, regarding the issue of relations between communist and socialist parties in the international labour movement.

² According to the Ministry of Foreign Affairs of the People’s Republic of China, “the One-China principle is a basic norm in international relations, an established international consensus,

considering Taiwan an inalienable part of China. At the same time, China continuously confirms respect for Serbia's sovereignty and territorial integrity, insisting that the issue of Kosovo and Metohija must be resolved in accordance with the Charter of the United Nations and compliance with the Resolution of the Security Council 1244. China's stance is that an acceptable solution should be found through dialogue and negotiations.

After October 5, 2000, Serbian authorities declared China one of its key foreign policy priorities because the People's Republic of China and Serbia share the same values (Đukanović & Lađevac, 2009). Eventually, that decision led to the signing of the Agreement on Strategic Cooperation with China in 2009 (BBC 2009). The most pragmatic aspect of this deal was obtaining financial resources for the infrastructure development that Serbia had been yearning for in the preceding ten years. Among the first financial "injections" was the loan provided by one of the Chinese Export Import Banks for the construction of the bridge over the river Danube near Borča (Srbija Danas 2014).³

The speed at which this project was finished was exceptionally quick for Serbian conditions. The bridge was opened on December 18, 2014, during the visit of Chinese Prime Minister Li Keqiang to Belgrade.⁴ The bridge opening was not the main reason for the Chinese Prime Minister's visit. He came to Belgrade to attend China-CEEC's leaders' meeting.

Namely, after 2009, when Serbia signed the Agreement on Strategic Partnership with the People's Republic of China, the leadership of the country decided to follow the initiatives for multilateral cooperation proposed by Chinese President Xi Jinping. One of the mentioned initiatives was cooperation between China and Central and Eastern European countries, and the other was the Belt and Road Initiative.

and the political foundation on which China establishes and develops bilateral relations with 183 countries". See more at: Embassy of the People's Republic of China in the Republic of the Philippines (2024 March 19) "The One-China Principle is a Universally Recognized Basic Norm Governing International Relations", retrieved from: http://ph.china-embassy.gov.cn/eng/sgdt/202403/t20240319_11262567.htm. Accessed on: 25 September 2024.

³ "Potvrđen zajam za most Zemun-Borča", B92, 30/11/2010, https://www.b92.net/o/biz/vas_komentar?nav_id=475966, accessed on: 25/09/2024.

⁴ Although the bridge was named after the famous Serbian scientist Mihajlo Pupin, for the majority of people, given the fact that it was built by Chinese workers mainly, it remained known as „the Chinese bridge“.

Serbia's decision to join China-CEEC proved to be a wise and long-term beneficial political decision. During the Belgrade Summit, Serbia and China signed the Memorandum of Understanding on the preparation of a feasibility study for the construction of the Serbian-Chinese industrial zones. Besides this instrument, thirteen other agreements and memoranda were signed, encouraging significant investments and cooperation between the two countries in various fields.

Frequent and regular contacts and meetings between high officials of the Republic of Serbia and the People's Republic of China in 2016 led to the Agreement on the Abolition of Visas for Ordinary Passport Holders (TGRS 2016). This action made possible the realisation of the people-to-people dimension as one of the most important constructive elements in promoting political, cultural, educational, linguistic, and other areas of cooperation. Moreover, the Chinese president visited Serbia after 32 years, announcing that the development of political relations was accelerated by concluding the Comprehensive Strategic Partnership Agreement (Xinhua 2016).

Both sides stressed their six-decade, time-tested "all-weather friendship" and "special brotherly bond", vowing to continue support for each other's core interests and to join hands in promoting world peace and development. "China and Serbia are all-weather friends and important cooperation partners. Our two countries enjoy a profound traditional friendship. Our relations have stood the test of time and history and grown even stronger," Xi told his counterpart Nikolić (Xinhua 2016).

Indeed, economic relations between Serbia and China have significantly improved since Serbia joined the Belt and Road Initiative and the cooperation mechanism between China and Central and Eastern Europe. Serbia's involvement in the Belt and Road Initiative (BRI) represents a significant aspect of its cooperation with China. The BRI is a global infrastructure development strategy initiated by China, aiming to enhance connectivity and trade between China and other countries primarily through infrastructure projects, such as roads, railways, ports, and energy facilities.

As a result of Serbia's BRI engagement, China has invested in and participated in numerous infrastructure projects. One of the flagship projects is the Belgrade-Budapest railway, which is part of the broader China-Europe freight railway network (Rencz 2019). This railway aims to improve

transportation links between China and Europe, facilitating the movement of goods and boosting trade.

In addition to infrastructure projects, Serbia and China have also strengthened their economic ties through increased trade and investment. China has become one of Serbia's major trading partners, with bilateral trade steadily growing over the years (Zakić & Radišić, 2019). Chinese companies have invested in various sectors in Serbia, including energy, manufacturing, and telecommunications.

Serbia's cooperation with China within the BRI framework is seen as a means to attract investment, stimulate economic development, and enhance connectivity with other regions. However, like other countries involved in the BRI, Serbia has also faced scrutiny and debate over certain issues, such as debt sustainability, transparency, and the long-term implications of Chinese investment (Miković 2024).

All things considered, Serbia's participation in the Belt and Road Initiative reflects its efforts to leverage its geographical position and strengthen its ties with China to promote economic growth and development. By leveraging their respective strengths and fostering mutual trust and cooperation, Serbia and China can pave the way for a mutually beneficial and prosperous future partnership. Embracing shared values of friendship, equality, and mutual respect can further deepen their strategic relationship and contribute to peace, stability, and prosperity in the region and beyond.

During the COVID-19 pandemic, which lasted from January 30, 2020, until May 5, 2023, as was officially proclaimed by the World Health Organisation, relations between Serbia and China evolved to the next stage. The Serbian Minister of Foreign Affairs, Mr. Ivica Dačić, was the first foreigner to visit China after the beginning of the pandemic. In addition, Serbia was the first country in Europe to receive vaccines from China in sufficient amounts to immunise all its citizens. Besides vaccines, China sent Serbia other necessary medical supplies, including equipment for two laboratories and a team of medical experts to share their experience with Serbian colleagues. Instead of two weeks, as planned, they stayed for two months, contributing to a new dimension of relations between the two countries. Since then, Serbia and China have maintained an "ironclad friendship".

During the Third Belt and Road Forum for International Cooperation, held in October 2023 in Beijing, Serbia and China signed a Free Trade Agreement

(FTA) (Global Times 2023). As the first trade agreement China signed with one Central and Eastern European country, it signalled a promising step towards strengthening economic partnership and greater trade integration, which can promote joint growth and cooperation between China, Serbia, and their regional partners. Namely, the Serbia-China Free Trade Agreement promotes investment flows and provides new impetus for trade cooperation and economic growth between the two countries. At the end of 2023, the central banks of Serbia and China signed a Memorandum of Cooperation on establishing RMB clearing arrangements in Serbia, which is conducive to Serbian and Chinese enterprises and financial institutions using RMB for cross-border transactions and further promoting bilateral trade and investment facilitation. The Serbia-China Industrial Park is currently being developed in collaboration between the two parties, which is anticipated to advance further Serbia's technological and manufacturing development.

Both nations can strengthen trade relations outside the FTA's framework by expanding their economic exchanges beyond traditional sectors. Exploring new avenues such as e-commerce, technology transfer, and innovation cooperation can foster long-term economic benefits for Serbia and China.

Embracing sustainable development practices and green technologies can address environmental challenges and promote ecological balance. To build a greener future, Serbia and China should collaborate on various initiatives, such as renewable energy projects, environmental protection measures, and sustainable urban development. They have similar concepts in the field of green development and work together to create a cleaner and greener future. Wind power, photovoltaic, and other projects funded and built by Chinese companies have brought clean energy to Serbia, helping Serbia achieve its goal of carbon neutrality by 2050. The "Clean Serbia" project in which Chinese companies participate covers the construction of municipal sewage pipe networks and sewage treatment plants in many areas of Serbia, thus providing a cleaner and healthier living environment for millions of residents.

The Free Trade Agreement has enormous potential but also represents a homework assignment for the entire Serbian government and the Serbian Chamber of Commerce. It is not easy to emerge in a wide market, so they should do their best to implement it. Other investors will also find the FTA

with China significant since Serbia is in a position to build vital infrastructure, which is crucial for investment.

A new phase of relationship development between the two countries started during the May 2024 visit of President Xi Jinping to the Republic of Serbia. The Chinese president's second visit in eight years opened up new perspectives for cooperation. Namely, during the two-day visit, the ironclad friendship between Serbia and China was confirmed and even raised to a new level by signing the Statement on deepening and improving the comprehensive strategic partnership and building the community of Serbia and China with a common future in the new era. In other words, Serbia is the first country in Europe to embrace the global Chinese initiative that advocates for beautiful and hard-to-achieve principles, such as peace in the world, common security, and the development of different regions on the planet. Knowing that Serbia was the first in this part of Europe to sign the Comprehensive Strategic Partnership Agreement with China in 2016, it is easy to conclude that we are witnessing the creation of a new chapter in the bilateral relations between the two countries.

CONCLUSION

Despite all obstacles, Serbia and China have a well-developed and multifaceted cooperation that may be attributed to their shared values. Namely, the two countries are deeply connected by their joint struggle to preserve principles of international law and the United Nations as the guardian of world peace and security. Political relations between Serbia and China have an additional quality because both are sincere advocates of the unambiguous implementation of international law principles, primarily the principle of respect of territorial sovereignty and integrity and the principle of non-interference in the domestic affairs of other countries. United around these principles, the People's Republic of China strongly condemns pressures to which the Republic of Serbia is exposed related to the status of its southern province, Kosovo and Metohija. On the other hand, Serbia holds a firm position on "One China" and disagrees with attempts to interfere in China's internal affairs on the grounds of alleged human rights breaches.

Since China-Serbia relations have recently progressed to the community with a shared future, all efforts in the upcoming period must be directed towards attaining the greatest outcomes possible.

Undoubtedly, the existing strategic and comprehensive partnership between the two countries guarantees the stability of their ties and offers a broad basis for further development of cooperation. In that sense, even the sectors like agriculture, services, energy, health, etc., can be improved. Serbian agriculture offers great opportunities for improving economic cooperation with China in farming (production of grains, seeds, fruits, vegetables, etc.), animal husbandry (production of pork, lamb, beef, milk, oil, wine, etc.), and related processing industrial activities. Ownership or joint ventures with Chinese companies would greatly facilitate the export of these sectors to the Chinese market. Since the Free Trade Agreement entered into force on July 1, important conditions for improving the export of Serbian agricultural products to the Chinese market in the form of the abolition of trade barriers and the introduction of preferential treatment have been created. Still, it is necessary to make larger investments in primary production and change the structure of production itself, i.e., to adapt to the Chinese market and the needs and demands of Chinese consumers and invest more in the marketing of Serbian agricultural products exports to China.

The energy sector also offers great prospects in the field of renewable resources (wind, sun, etc.), where Chinese companies have a significant amount of success and experience. Such expectations are not unreasonable, as evidenced by the opening of the Huayi Wind Energy representative office in Belgrade in May 2016.

Proximity to the European market and the expected construction of transport infrastructure may be important for further Chinese investments in Serbian heavy industry (ferrous and non-ferrous metal processing, machinery, and basic chemicals) and light industry (food and textiles). It is also not insignificant that the two parties signed the Agreement on Cooperation in the Field of the Defence Industry and the Agreement on the Development of Cooperation in the Field of Production Capacities in June 2016, which can help Serbia become even more integrated into the global value chain.

Even though international relations today are not as stable as fifty years ago, all countries may eventually be challenged by their unfavourable

development (Zakić et al., 2024). Under such circumstances, there is an open question of whether the existing partnerships, including between Serbia and China, would persist. One of the concerns for Serbia is its continuous struggle with numerous pressures and conditions to fulfil one of its foreign policy goals—joining the EU. Therefore, it will not be a surprise if open demands to end the partnership with China arise. Although such a scenario is unlikely, one should consider potential solutions.

Without any doubt, Serbia should extend its cooperation with China, covering all areas envisioned under the Strategic Partnership Agreements, including maintaining high-level exchanges and dialogue to ensure mutual understanding and trust. Regular meetings between both governments and representatives of their ministries could help to identify possible new areas of cooperation, align strategic interests, coordinate positions in the international venue, and define specific activities that will be undertaken.

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SERBIA BETWEEN CHINA AND THE EU: ANALYSIS OF FOREIGN TRADE COMMODITY EXCHANGE

Sanja FILIPOVIĆ*

Abstract: The goal of this paper is to determine the changes in the trend and structure of the Republic of Serbia's foreign trade commodity exchange with the EU and China over the last ten years. The total foreign trade commodity exchange of Serbia has increased in the previous decade thanks, above all, to the Stabilisation and Association Agreement. Although the value of the total foreign trade exchange has almost doubled, the growth of exports has been accompanied by the growth of imports, so that in absolute terms, the value of the trade deficit significantly increased. The EU is Serbia's key foreign trade partner, followed by the CEFTA signatory countries, China, and Russia. In trade with its main trading partners, Serbia realises a surplus only with the CEFTA countries and a surplus in the exchange of agricultural products with the EU. The trade deficit with Russia is primarily caused by changes in the value of imported energy products. The value of Serbian exports to Russia did not change significantly during the observed period. The biggest changes in the trend of foreign trade exchange are between Serbia and China. The volume of foreign trade has been growing, especially since 2019, when imports doubled and exports tripled. However, while in the structure of imports from China, the share of products of a higher technological stage (electrical machinery and electronics) is increasing, the structure of exports to China is dominated by copper ore. As a result of this trend, the relative share of Serbia's trade deficit with the EU decreased, and the overall trade deficit with China increased. In the coming period, the biggest challenge for Serbia is improving the structure of exports to China in terms of the increase in exports of products with a higher stage of technological processing.

Keywords: Serbia, China, EU, foreign trade, free trade agreements, trade deficit.

* Principal Research Fellow and Full Professor, Institute of Social Sciences and Singidunum University, Belgrade; Email: sfilipovic@singidunum.ac.rs, ORCID: 0000-0001-8166-8042.

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INTRODUCTION

After 2000, the Republic of Serbia (Serbia) concluded numerous free trade agreements to improve international trade. The subject of these agreements is primarily customs, as the main instrument of foreign trade policy, but also numerous non-tariff barriers, including administrative restrictions, technical barriers, sanitary and phytosanitary measures, and rules on the origin of goods. Although the signing of free trade agreements contributes to the international trade liberalisation process, the increased number of international agreements can lead to the so-called Noodle Bowl Syndrome, i.e., mutual intertwining of rules (Baldwin, 2008). In order to overcome this problem, the coherence of preferences and rules on the origin of goods should be ensured.

After the entry into force of the Stabilisation and Association Agreement (SAA) in 2013, Serbia significantly increased the volume of foreign trade exchange with the European Union (EU) member states and, above all, with Germany and Italy, with which Serbia has a high import coverage ratio. In accordance with the idea of creating a single European market, Serbia also signed the Central European Free Trade Agreement (CEFTA), which contributed to the liberalisation of trade with the countries of the region with which Serbia has a surplus in foreign trade. On the other hand, Serbia has a trade deficit with the Russian Federation (Russia) and a growing deficit with the People's Republic of China (China). Serbia has signed foreign trade agreements with both countries (with Russia since 2000, with the Eurasian Economic Union since 2019, and with China in 2024). However, given the asymmetry in foreign trade exchange, the question arises of what effect these agreements will have on Serbia's economy.

A large number of empirical papers have investigated the effects of international trade on economic growth and income convergence. However, the results of these studies are ambiguous. While some research (Cyrus, 2004; Ben-David, Kimhi, 2000; Choi, 2009) show that international trade, due to competitive pressure, improves productivity, which ultimately increases income, other research (Zhang, 2006; Galor, Mountford, 2008) indicate that in the case of trade between rich and poor countries, international trade will only widen the gap between them. Poor countries specialise in products where an unskilled labour force is intensively used, while rich countries specialise in products where a qualified labour force is intensively used in

production. Milutinović examined the impact of bilateral trade on the convergence of incomes between the EU member states (Milutinović, 2016) and especially between the EU members and the countries of the Western Balkans (Milutinović, Stanišić, 2022) and confirmed that the volume of international trade and economic integration among these countries may reduce the income gap.

Analysing the period 2013-2023, this paper aims to determine the changes in the trend and structure of the foreign trade commodity exchange of the Republic of Serbia with the EU and China for the last ten years. The remainder of this paper is organised as follows: Section 2 of this paper analyses the importance and scope of Serbia's foreign trade exchange. Section 3 provides an overview of foreign trade agreements that Serbia has concluded so far. Section 4 indicates the effects of those agreements, i.e., the main foreign trade partners. At the end, concluding remarks are presented in Section 5.

ANALYSIS OF SERBIA'S FOREIGN TRADE COMMODITY EXCHANGE

According to endogenous growth theory, the openness of the economy has a positive impact on economic growth because it contributes to technological developments that ensure efficient production methods and an increase in the factor of productivity based on the optimal allocation of resources (Huchet et al., 2018). Export is beneficial because it provides domestic producers with a larger market and sales, more efficient use of resources and production capacities based on economies of scale, and growth in production and employment. Imports improve competition and provide domestic consumers with greater choice and lower prices. In addition, there are indirect benefits from trade, such as the improvement of the quality of goods and services based on the transfer of advanced technologies and the creation of innovations due to the relocation of research and development (R&D) centres of multinational companies from developed countries to developing countries.

Net export is one of the four components of gross domestic product (GDP). Considering consumption aggregates, the economic growth of Serbia in 2023 was driven by net exports and additionally supported by the growth of investments and private consumption. The activation of new production

capacities resulted, according to the estimation of the Ministry of Finance (2024), in real growth of export activity of about 3% despite reduced external demand. On the other hand, the drop in the import of energy products and the lower import of raw materials resulted in a drop in real import activity of 1.4%.

The significance of foreign trade as a component of economic growth is measured through the country's openness coefficient (foreign trade as a per cent of GDP). According to World Bank data (2024), the openness ratio of Serbia has grown significantly in the last three decades—in 1995 it was only 13%, while in 2023 it was 124% (Table 1). The low level of the coefficient during the 1990s was a consequence of the UN sanctions imposed in 1992 but also of the poor performance of the domestic economy. During the analysed period 2013-2023, the ratio was reduced only in 2020 as a consequence of the reduction of foreign trade exchange due to the COVID-19 pandemic. Exports decreased compared to 2020, while imports recorded a decrease in 2014, 2020, and 2023.

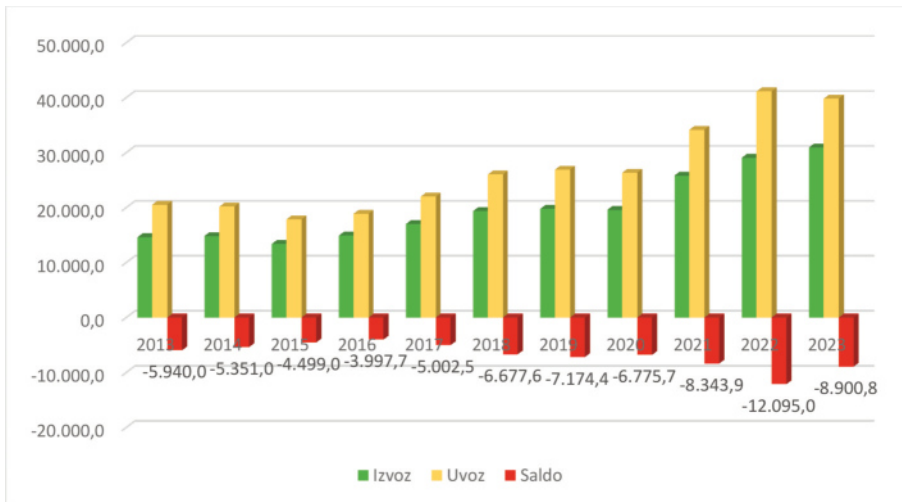
Table 1. Real growth rate compared to the previous year

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Foreign trade, % of GDP	88	92	97	102	108	109	112	105	118	139	124
Export, real rate in %	25.8	1.5	7.9	11.7	12.0	8.8	7.7	-2.9	27.5	26.3	3.7
Import, real rate in %	5.1	-1.8	5.9	6.1	14.1	13.2	9.1	-4.1	25.4	34.8	-5.5
Deficit of commodity exchange, % of GDP	-12.3	-11.4	-11.3	-9.8	-11.3	-13.2	-13.9	-12.7	-13.3	-18.9	-11.8

Source: Ministry of Finance of the Republic of Serbia (2024).

The trade deficit ranged from 11.3% to 18.9% of GDP (2022). It is evident that the volume of foreign trade exchange in 2023 is twice as large compared to the initial year of observation (Figure 1).

Figure 1. Serbia's foreign trade in goods in the period 2013-2023, million USD



Source: Statistical Office of Republic of Serbia (2024).

In 2023, Serbia's total foreign trade in goods was USD 70.772 billion, of which goods worth USD 30.934 billion were exported, while imports were USD 39.837 billion. The achieved export growth, despite the reduced external demand and increased uncertainty, resulted from the activation of new export-orientated capacities due to the high inflow of foreign direct investments from the previous period. The processing industry, as the carrier of export activity, achieved export growth of 5.4% in 2023 in 16 out of a total of 23 activities. Agriculture, on the other hand, due to the weaker agricultural season in 2022 and the drop in prices of cereals and primary agricultural products, recorded a decrease in exports of 22.6%. Imports recorded a decline, first of all, due to the lower value of imported energy products. The reason was a drop in the prices of energy products compared to 2022. Additionally, the import of raw materials and equipment recorded a decrease of 11.4% and 6.7%, respectively, thereby determining the overall decline in import activity. On the other hand, consumer goods positively contributed to the growth of total imports, with a growth rate of 5.3%.

Serbia's deficit expressed in dollars amounts to USD 8.902 billion (of which 2/5 refers to the deficit in energy exchange), representing a decrease of 26.4% compared to the same period of the previous year. The coverage of imports by exports was 77.7%, which is higher than in the same period of the previous year when it was 70.6%. The decrease in the negative balance of foreign trade goods exchange compared to 2022 is, above all, the result of higher exports of machinery and electricity, as well as significantly lower imports of energy sources.

In the structure of exports by product purpose (predominance principle), reproduction products are the most represented with 61.7% (USD 19.092 billion), followed by consumer goods at 25.8% (USD 7.995 billion) and equipment at 12.4% (USD 3.845 billion), and the rest refers to unclassified goods (USD 1.2 million).

In the list of the top five exported products, on the first place is the export of sets of conductors for aircraft, vehicles, and ships (USD 121 million); on the second place is the export of copper ore and concentrates (USD 98 million); on the third place is the export of electricity with USD 89 million, followed by the export of corn with USD 53 million; and on the last place is the export of refined copper with USD 41 million.

From all sectors of the activity classification, the manufacturing industry sector has the largest share of total merchandise exports (86.2%). Last year, it achieved cumulative export growth of 5.4% compared to 2022. The mining sector, with a share of 5.1% in total exports, recorded a cumulative drop in exports of 191%. The electricity, gas, steam, and air conditioning supply sector achieved a cumulative export growth of 48.8%. The areas with the highest export value in the manufacturing industry sector, i.e., the largest share, are the production of electrical equipment (with more than a third of the exports of this area going to the German market), production of motor vehicles and trailers (and here Germany is the most important export destination), production of food products, production of rubber and plastic products, production of unmentioned machines and equipment, and production of basic metals.

The following companies have been on the list of the 15 largest exporters for years, a third of which are Chinese-owned: Serbia Zijin Mining d.o.o., Serbia Zijin Bor Copper, HBIS Group Serbia Iron & Steel d.o.o., ZF Serbia d.o.o., Leoni Wiring Systems Southeast, Tigar Tyers, Društvo za trgovinu Robert Bosch,

HENKEL Srbija, YURA Corporation, Naftna Industrija Srbije, HEMOFARM, SCM Power d.o.o., Philip Morris Operations, MINTH Automotive Europe d.o.o., and Gorenje. The total export value of these 15 companies, in the majority foreign ownership, makes up a quarter of the total exports of goods.

In the structure of imports by product purpose, reproduction products are the most represented, 55.5% (22.115 billion USD), followed by consumer goods, 19.8% (7.884 billion USD), and equipment, 12.1% (4.835 billion USD). Unclassified goods by purpose amount to 12.6% (USD 5.002 billion).

The list of the top five products in imports shows that crude oil (USD 207 million) is our first import product, while the second most important import is natural gas (USD 168 million). In third place is the import of drugs for retail sale (USD 112 million), followed by the import of electricity (USD 61 million). The last place is occupied by the import of gas oils, with USD 50 million.

For the first six months of 2024, Serbia's total foreign trade in goods was USD 36,228.7 billion, representing a growth of 0.9% compared to the same period of the previous year. Goods worth USD 15,799.4 billion were exported, and goods worth USD 20,429.3 billion were imported. The deficit amounts to USD 4629.9 million, representing a growth of 5.6% compared to the same period of the previous year. The coverage of imports by exports is 77.3%, less than the coverage in the same period of the previous year when it was 78.2%.

FOREIGN TRADE AGREEMENTS OF SERBIA

After 2000, Serbia concluded two important agreements (2000 and 2009) with the EU, which significantly improved mutual foreign trade. With the entry into force of the Stabilisation and Association Agreement in 2013, the creation of a free trade zone started for a transitional period of six years. In the meantime, Serbia signed the CEFTA as well as a free trade agreement with the European Free Trade Association (EFTA) and the Eurasian Economic Union. Besides, bilateral agreements were concluded with the following countries: Russia (2000), Belarus (2009), Kazakhstan (2010), Turkey (2010), China (2023), and Egypt (2024). Serbia expects to sign an agreement with the United Arab Emirates by the end of 2024.

The Agreement on Free Trade with Russia was signed on August 28, 2000. It was the first significant agreement because, at that time, Russia was Serbia's third most important foreign trade partner. The agreement stipulates that for

goods originating from Serbia (proof that they have more than 50% content from Serbia), customs duties are not paid when these goods are intended for the Russian market, unless they are exempted from the free trade regime. Besides export promotion, this agreement is also important for attracting foreign direct investments. At the time the agreement was concluded, Serbia was the only country in the world that had a free trade agreement with Russia, apart from the former Soviet republics. Accordingly, among the ten most important exporters from Serbia to Russia, nine are corporations owned by foreign investors. Even though there was a significant increase in trade between Serbia and Russia, their share in total trade decreased. In fact, in the first 13 years of the agreement implementation, significant growth rates were recorded. However, later, mutual trade exchange stagnated. The reason for this is, first of all, the sanctions of Western countries against Russia and, then, a drop in energy prices and the devaluation of the Russian rouble, which reduced the demand for Serbian products. In addition, the structure of the exchange is also unfavourable because more than half of Serbian exports are made up of resources and primary products (significantly more than the total exports of Serbia), and the structure of imports from Russia is dominated by energy products (oil, oil derivatives, and gas) and, to a lesser extent, fertilisers, yarns, fabrics, and textile products, as well as non-ferrous metals (Nikolić, 2021).

A Free Trade Agreement with the Republic of Belarus (Belarus) was signed on March 31, 2009, and with the Republic of Kazakhstan (Kazakhstan) on October 7, 2010. In order to harmonise the trade regime between Serbia and the member states of the Customs Union of the Republic of Belarus, the Republic of Kazakhstan, and the Russian Federation, the Government of the Republic of Serbia and the Government of the Republic of Belarus signed the Protocol on Amendments to the Free Trade Agreement on June 15, 2011. The Protocol provides a list of products exempt from the free trade regime so that customs duties or quotas are applied to them (when the quotas are met, customs duties are paid). However, the problem is that the exempted products are usually those that the parties could export in significant amounts. Thus, customs duty is paid on excise goods (alcohol and cigarettes), cotton fabrics, white goods, and passenger cars. In addition, there is also a rule on determining the country of origin of the goods. The goods will be considered to originate from Serbia if they were obtained there and materials were used from Serbia, Kazakhstan, Belarus, and Russia. In that case, they do not have to undergo sufficient treatment or processing.

Relying on the previously signed agreements with Russia, Belarus, and Kazakhstan, on October 25, 2019, Serbia signed the Free Trade Agreement with the Eurasian Economic Union (Russia, Belarus, Kazakhstan, the Kyrgyz Republic, and the Republic of Armenia), which was implemented in July 2021 (Popović Petrović, Špirić, 2022). Bearing in mind the limitations of the previous agreements with these countries, this agreement significantly expanded the list of goods exported without import duties (as much as 99% of goods from the Customs Tariff), as well as maintaining preferential treatment when exporting to the Russian market. Although for Serbia this agreement may be the most significant for the export of agricultural products and products from the food industry, in addition to the free trade regime, some new opportunities for cooperation should also be considered that would enable the countries to have investment cooperation (Dragneva, Hartwell, 2021; Maksakova, Gajić, 2021; Maksakova, 2018) and the possibility of entering the markets of both the European and Asian regions, as well as attracting investments and mobilising funds for financing infrastructure projects (Filipović, Ignjatović, 2024).

The CEFTA Agreement was signed on December 19, 2006, and entered into force upon ratification on September 24, 2007. All signatories of the CEFTA Agreement (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Moldova, and UNMIK on behalf of Kosovo¹) started implementing the Agreement on November 22, 2007. The CEFTA Agreement replaced the 32 previously signed bilateral agreements on free trade in the region of Southeast Europe, which were in force since 2001. Although the agreement affected the growth of mutual trade, the achieved results are far from necessary and desirable due to several problems (Jovović, 2024). The effects on economic growth are also questionable. Thus, in empirical research using an estimation of a Cobb-Douglas production function, Vujanović (2023) found CEFTA's positive effect on economic growth, while Pistikou (2023) showed that there was not a significant change in growth rates. However, GDP per capita increased. The agreement envisages the liberalisation of public procurement, the attraction of investments to the signatory countries, and the increasing chance to enter the European markets with preferential

¹ All references to Kosovo in this document should be understood in the context of United Security Council resolution 1244 (1999).

treatment. CEFTA enables the cumulation of the origin of goods from several countries in the region, which will have the status of domestic origin. This agreement provides for the cumulation of origin outside the CEFTA zone with EU countries, EFTA (Iceland, Norway, Switzerland, and Liechtenstein), and Turkey, if each CEFTA country has concluded agreements with them based on pan-European rules and protocols that allow cumulation.

The Free Trade Agreement with the Republic of Turkey (Turkey) was signed on June 1, 2009, and has been in force since September 1, 2010. The agreement includes a special regime for agriculture, the textile industry sector, and ferrous and non-ferrous metallurgy. Therefore, higher import rates of those products from Turkey will be maintained, and Serbia will have an opportunity to immediately export its goods without customs duties for all industrial products. Liberalisation on the Serbian side will be phased, while full liberalisation for all industrial products was achieved in 2015. For agricultural products, a gradual liberalisation was introduced; for a limited list of agricultural products, customs quotas were approved, while for all other agricultural products, not listed in that Annex, the customs (and other customs duties) are fully applied.

The SAA and the accompanying Transitional Trade Agreement were signed on April 29, 2008, and entered into force on September 1, 2013. With the entry into force of the SAA, the creation of a free trade zone between Serbia and the EU began in the transitional period of six years. In the context of negotiations on accession to the EU, Serbia undertook to withdraw from all bilateral free trade agreements on the day of accession to the EU, and this is a general rule that applies to all candidate countries that wish to join the EU. Therefore, Serbia can enter trade agreements with other countries or organisations before joining the EU, provided they do not conflict with the SAA. If Serbia becomes a member of the EU, it will have to terminate all its free trade agreements with third countries, as it will join the agreements the EU has signed with them. With the entry into force of the SAA, provisions contributing to the free movement of capital, public procurement, standardisation, and the right to establish and provide services came into force. In this way, a clearer and safer framework for investors is introduced, which should contribute to attracting investments and further improving standards and transparency in business (Ristanovic et. al., 2020).

Serbia and the EU foreign trade exchange has evolved significantly since the SAA entered into force in 2013. The two previous agreements from 2000 and 2009 contributed greatly to the growth of mutual foreign trade exchange. First, in 2000, the EU abolished the payment of customs duties on all industrial and agricultural products (except for a small number of agricultural products protected by preferential tariff quotas, e.g., sugar, beef, wine, and several types of fish) exported from Serbia to the EU. The application of autonomous trade measures represented the most extensive system of trade preferences that the EU has ever granted to a country or a group of countries. Second, since 2009, Serbia has independently initiated the implementation of the trade part of the SAA (the so-called Transitional Agreement), which included a predictable six-year liberalisation plan, i.e., the reduction of duties on the import of industrial and agricultural products. At the same time, equal rules were gradually introduced on the market through the application of a predictable customs regime, the fight against monopolies, rules for the control of state aid, and the regime of intellectual and industrial property protection. Although the most sensitive agricultural products (all types of meat, yoghurt, butter, certain types of cheese, honey, some types of vegetables, and flour) will remain protected by the payment of customs duties until Serbia enters the EU, liberalisation has positive effects on the intensification of foreign trade as well as on the increase of the revealed comparative advantages of the agrifood sector in the world market (Matkovski et al., 2017; Jankowska, 2021).

With the entry into force of these agreements, Serbia undertook to gradually abolish customs duties on the import of goods originating from the EU, and the EU confirmed free access to its market for the goods from Serbia. The transitional trade agreement envisages the gradual establishment of free trade in industrial and agricultural products in the first six years after 2013. Three groups of industrial products have been defined according to sensitivity, for which liberalisation will be achieved after two, five, and six years, respectively. For products not on these lists, customs duties will be abolished at the moment of entry into force of the agreement. It is ensured that key sectors of the domestic industry (such as automobiles, toys, footwear, ceramics, etc.) remain at a high level of protection during the transition period of five and six years. In the first year of implementation of the agreement, customs duties on raw materials were reduced to 70% compared to the previous year. For products with higher stages of processing, customs duties

were reduced to 80% and 85% of the customs rate in 2008. Customs duties on live animals for breeding were abolished and on some agricultural products not produced in Serbia, such as tropical fruits, spices, and some types of seed goods. Anyhow, customs duties on these products have been symbolically low until now. The abolition of customs duties for agricultural products, processed agricultural products, fish, and fish products will also be achieved gradually during a transitional period of six years, while maintaining customs protection for certain products (about 20% of products) and after the transitional period. It was agreed that sensitive products such as meat, milk, and grain would remain at a high level of protection during the five-year transition period. Retention of seasonal protection is ensured for a number of sensitive products, fruits, and vegetables, such as tomatoes, peppers, plums, and apples.

The Agreement on Partnership, Trade, and Cooperation between the Republic of Serbia and the United Kingdom of Great Britain and Northern Ireland was signed on April 16 and began to be applied on May 20, 2021. This agreement was signed because the previous mutual trade agreement ceased to exist after the withdrawal of Great Britain from the EU. Hence, this agreement is based on the provisions of the Stabilisation and Association Agreement.

On December 17, 2009, Serbia signed a free trade agreement with the member countries of the European Free Trade Association (EFTA). Due to a specific ratification procedure, the agreement implementation began on October 1, 2010, with Switzerland and Liechtenstein, on June 1, 2011, with Norway, and since October 2011 with Iceland. Serbia has individually concluded with each EFTA member state (Switzerland, Liechtenstein, Norway, and Iceland) special bilateral agreements on trade in agricultural products, which form an integral part of the agreement. Industrial products of Serbian preferential origin can be imported into Switzerland without customs duties. When importing industrial products of Swiss preferential origin into Serbia, customs duties are also not charged, except for exempted products and those for which phased reductions are prescribed. Cumulation of origin is currently possible between Serbia, Switzerland, Liechtenstein, and Norway. Due to the absence of identical protocols on the origin of goods, cumulation of origin with European materials is not allowed when it comes to preferential export to Switzerland, Liechtenstein, Norway, and Iceland, and vice versa.

The Free Trade Agreement between the Republic of Serbia and the People's Republic of China was signed on October 17, 2023, and entered into force on July 1, 2024. Apart from Serbia, only two European countries, Switzerland and Iceland, signed the Free Trade Agreement with China in 2014. The Agreement covers nearly 20,000 types of goods, of which customs duties were abolished on 60% of goods immediately after the agreement entered into force (fresh fruits and vegetables, meat, beef skin, pharmaceutical products, and products of the chemical and mechanical industry); customs duties on 30% of products will be gradually abolished every year (e.g., the current customs duty of 42% for wines will be gradually abolished in the next five years and for brandy in the next 10 years). For 10% of the most insensitive agricultural products, the customs duty will be unchanged. 10,412 products are now exported from Serbia under preferential access and 8,930 from China to Serbia. Companies that use the benefits provided by the agreement must prove the rule of domestic origin, i.e., that 50% of the value of each exported product was produced in the home country. This means that products assembled only in Serbia could not be exported to China (this was, for example, the main problem why the Fiat 500 cars produced in Serbia could not be exported to Russia, even though we have an agreement on free trade). The agreement should be accompanied by mutual harmonisation and standardisation of quality. As a result of trade liberalisation, an increase in Serbian exports and foreign direct investments is expected. It will lead to diversification, i.e., expansion of the structure of goods for export, as well as an increase in the export of products with higher added value (Jovović, 2024; Jovičić et. al., 2020).

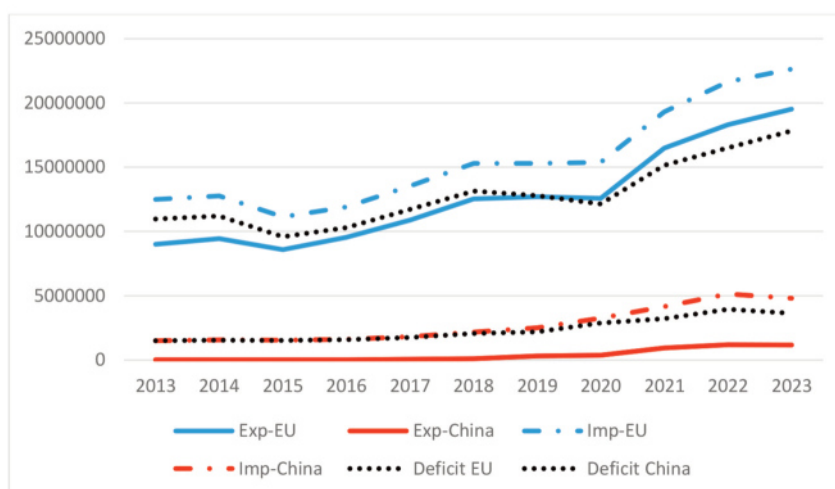
The Free Trade Agreement between Serbia and Egypt was signed on July 13, 2024. It will enter into force after ratification in the parliaments. Since Egypt has free trade agreements with almost all countries on the African continent, it has the potential to indirectly improve the export of goods to the entire African continent. The agreement covers 87% of agricultural products, of which 50% are immediately removed from the customs list. Full liberalisation was achieved for fresh apples, frozen raspberries, cherries, blackberries, blueberries, and prunes. Serbia mostly sells tobacco, cigarettes, and special industry products to Egypt. These goods comprise 77% of Serbian exports to this country, while Serbia mostly buys urea, calcium phosphates, and salt from Egypt. In the previous ten years, Serbia's trade with Egypt was modest (from USD 50 to USD

115 million). Thus, it is expected that the agreement will contribute to the trade increment, primarily in agricultural products.

THE MOST IMPORTANT FOREIGN TRADE PARTNERS OF SERBIA

Serbia's foreign trade in goods is the largest with countries with which Serbia has signed free trade agreements. Considering the regional trade agreements, the highest share in Serbian total exports in 2023 belongs to the EU member states (63.4%), in second place are countries of the CEFTA agreement (15.4%), and the third place belongs to signatory countries of the Eurasian Economic Union (4.7%). On the imports side, the highest share in total imports comes from the EU (57.1%), followed by the Eurasian Economic Union, where the most important import partner is Russia (5.5%). The countries signatories to the CEFTA agreement make up only 4.5% of total imports. Unlike the EU and the signatories of the Eurasian Economic Union, Serbia and the signatories of the CEFTA agreement traditionally have a surplus, which is mainly the result of exports of electricity, grains and their products, oil and oil derivatives, beverages, and road vehicles. The coverage of imports by exports is as much as 291.3% (Filipović, Ignjatović, 2023).

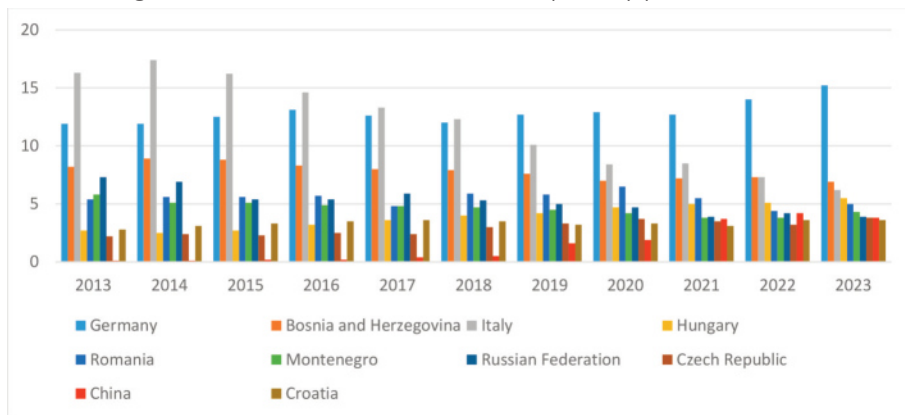
Figure 2. Serbian export, import and deficit with the EU and China



Source: based on Trade map data.

According to data for 2023, the ten most important export markets for Serbia were: Germany (15.2% of total Serbian exports), Bosnia and Herzegovina (6.9%), Italy (6.2%), Hungary (5.5%), Romania (5%), Montenegro (4.3%), Russia (3.9%), the Czech Republic (3.8%), China (3.8%), and Croatia (3.6%). Analysing the entire period 2013-2023 (Figure 3), it is illustrative that the relative importance of export markets has changed with time. Thus, Italy was the most important export market at the beginning of the observation period, and today it is the third (Germany became the most important export market in 2019). In the beginning, Russia was the fourth most important export market, and today it is in seventh place and has an almost identical share in Serbian exports as the Czech Republic. Likewise, China entered the list of the ten most important export markets in 2021 due to the export of raw copper ore, which has recorded growth since 2019.

Figure 3. Share in value in Serbia’s export by partners, in %

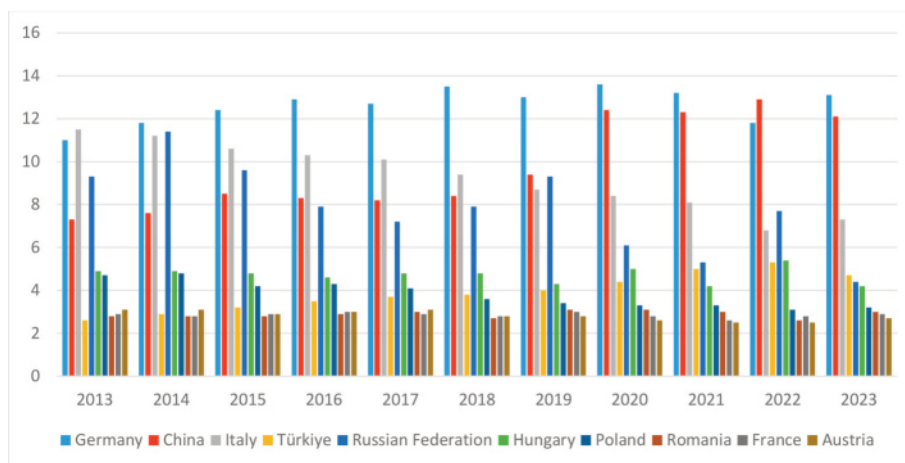


Source: based on Trade map data.

According to data for 2023, ten countries from which Serbia imported the most goods were: Germany (15.2% of total Serbian exports), China (6.9%), Italy (6.2%), Turkey (5.5%), Russia (5%), Hungary (4.3%), Poland (3.9%), Romania (3.8%), France (3.8%), and Austria (3.6%). At the beginning of the observation period (Figure 4), the largest import trade partners were Italy, followed by Germany, Russia, and China. In the meantime, imports from Italy and Russia decreased, while imports from China increased. In 2022, imports

from China overtook the value of Germany’s share. Likewise, a gradual increase in imports from Turkey is noticeable.

Figure 4. Share in value in Serbia’s import by partners, in %



Source: based on Trade map data.

According to the volume of foreign trade, Germany is the most important foreign trade partner of Serbia (13% of the total foreign trade), followed by China (8.8%), and Italy (8.4%) (Table 2).

According to Trade map data for 2023, the total foreign trade exchange with Germany amounted to USD 9,903 billion, and the level of trade deficit was only USD 534 thousand. The total export of goods to Germany amounted to USD 4,699 billion, and the value of imported goods was USD 5,204 billion, so the coverage of imports by exports amounted to 90.2%. The leading export products (product cluster at four digits) of Serbia to Germany are insulated wire, cables, and other insulated electric conductors (13.7%), electric motors and generators (11%), parts suitable for use solely or principally with electric motors and generators, electric generating sets, and rotary converters (7.5%). The following categories of products were mostly imported from Germany: commodities not elsewhere specified (21%), electrical machinery and equipment and parts thereof; sound recorders and reproducers and television

(15.6%), nuclear reactors, boilers, machinery, and mechanical appliances (15.5%), and vehicles (11.7%).

The total foreign trade exchange with China was USD 5,960 billion, and the trade deficit was USD 3,641 billion. The total export of goods to China was USD 1.23 billion, and the import was USD 4.86 billion, so the coverage of imports by exports amounted to only 25.4%. The leading export products of Serbia in the same period were copper ores and concentrates (68%) and cathodes and sections of cathodes from refined copper (24%). The leading imported products from China were so-called unclassified goods, followed by smartphones.

Compared to 2013, exports to China increased 127 times (USD 1.2 billion, or 3.8% of Serbia's total exports). The reason for this is the increase in copper ore exports after the privatisation of RTB Bor and investments in copper mines by the Chinese company. Last year, USD 913 million worth of copper ores and concentrates were exported to China, and almost USD 133 million of refined copper products, which means that around 90% of exports from Serbia to China originate from Bor. The rest of the exports also refer to raw materials. The export of wood was about USD 38 million. Among the 10 most important export products, only one is food—frozen boneless beef, whose export compared to the previous year increased by almost 2.5 times to about USD 12 million.

Although exports to China have grown significantly based on exports of raw materials, imports in absolute terms have grown even more, from USD 1.5 billion in 2013 to USD 4.8 billion in 2023 (a record of USD 5.5 billion in 2022). Hence the double deficit (from USD 1.5 billion to USD 3.6 billion) creates additional pressure after the signing of the Agreement on Foreign Trade because the export structure is dominated by raw materials, where 90% of them are from RTB Bor. On the import side, Serbia imports USD 4.8 billion of telecommunication, computer, medical, military, and other equipment. Therefore, the duty-free regime will favour, first of all, Chinese companies, which will be given the complete Serbian market. Hence it can be concluded that the Free Trade Agreement, although seen as a positive turn of events in the Serbian economy, can be qualified as such only if it is used to enhance Serbian export trade volume and structure and additionally decrease the trade deficit with China (Zakić et al., 2024).

In 2023, the total foreign trade exchange with Italy amounted to USD 5,015 billion, and the trade deficit was USD 982 thousand. Total merchandise exports to Italy amounted to USD 2,218 billion, while USD 2,897 billion of

goods were imported; therefore, the coverage of imports by exports was 73.1%. The most exported goods to Italy were: articles of apparel and clothing accessories, knitted or crocheted (10.4%), footwear, gaiters, and the like; parts of such articles (8.7%), electrical machinery and equipment and parts thereof; and sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles (8%). The following categories of products were mostly imported from Italy: commodities not elsewhere specified (14%), nuclear reactors, boilers, machinery, and mechanical appliances and parts thereof (12%), and plastics and articles thereof (7.6%).

Table 2. Selected indicators of foreign trade with three lead partners

	Value of foreign trade in 2023, bil USD	Trade balance 2023, USD thousand	Export Import ratio	Share in Serbia's export, %	Growth in exported value between 2019-23, % p.a.	Share in Serbia's import, %	Growth in imported value between 2019-23, %
Germany	9.903	-534,733	90.2	15.2	19	13.1	11
China	5.960	-3,641,795	24.1	3.8	46	12.1	-7
Italy	5.015	-982,402	73.1	6.2	2	7.3	7

Source: Trade map data.

CONCLUSION

Generally speaking, any free trade agreement will improve mutual trade; however, it usually brings greater advantages to a more developed country. Accordingly, the Free Trade Agreement with the EU was signed in 2008, hoping Serbia would soon become part of the EU. However, while the EU accession is being postponed, goods from the EU are imported without customs duties, so non-competitive domestic companies cannot survive on the market.

Serbia's foreign trade in goods is the largest with countries with which Serbia has signed free trade agreements. The most important foreign trade partners on the export side are the countries of the EU, with a share of 63.4% of total Serbian exports. The second place belongs to the countries of the

CEFTA agreement (15.4%), with which Serbia realises a surplus in trade. On the import side, the highest import ratio is with Germany, China, and Italy. While the export-import ratio with Germany and Italy is 90.2% and 73.1%, respectively, the ratio with China is only 24.1%.

The previous trade exchange with China was asymmetric to the detriment of Serbia, which had a growing trade deficit. Although it is pointed out that Serbia, along with Switzerland and Iceland, is the only European country that has a free trade agreement with China, it should be noted that both of these countries, thanks to their high standards, have protected domestic businesses. Besides, there are no trade or investment treaties between the EU and China. Moreover, its trade relations have become increasingly complex these days. Even though they reached the Comprehensive Agreement on Investment in principle in late 2020, it has not yet been signed.

It remains to be seen whether the agreement with China will benefit the Serbian economy. First, the public mostly points to the benefits of exporting agricultural and food products. However, there is the question of Serbia's potential to export these products to China in the required quantity and quality. China has satisfying natural and climatic conditions for its domestic demand for agricultural and food products. On the other hand, the geographical distance, high transport costs, specific tastes, and the existing market connection are unfavourable for Serbian exporters of agricultural and food products. Second, it is also questionable whether domestic products are competitive enough for the Chinese market, with a large variety of products whose production is based on mass production, providing them price competitiveness. Third, Serbia has been facing the problem of excessive import of goods from China for years (especially finished textile products, clothing and footwear, rubber and plastic products, agricultural machinery, waggons, boilers, stoves, etc.), so the question arises whether it can reach certain agreements on the protection of domestic producers. Fourth, the agreement can be a motive for attracting foreign direct investments, and the current list of the largest exporters from Serbia indicates that foreign companies, primarily from China, can benefit from this agreement. Finally, China is the first in the world in terms of a large number of various and at first glance invisible non-customs barriers (quotas, certificates, slow customs procedures, and different packaging and markings they require).

On the other hand, although the EU is Serbia's most important foreign trade partner, there is plenty of room to improve trade in goods. First, it is in Serbia's interest to increase exports, especially of products with higher added value. In this sense, it is necessary to attract foreign direct investments in several stages of technological production to improve the standardisation and harmonisation of regulations, shorten the waiting time at the borders, and increase the involvement of domestic companies in global supply chains.

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SERBIA'S SECURITY RELATIONS WITH THE EU AND CHINA IN THE EVOLVING INTERNATIONAL ENVIRONMENT

Branislav ĐORĐEVIĆ*

Pavle NEDIĆ**

Abstract: Serbia's foreign policy relies on simultaneously developing positive relations with key global actors, including the EU, the US, Russia, and China. This approach has been designated as a four-pillar foreign policy, a semi-official stance of the country's leadership for the last decade and a half, regardless of the political faction in power. The EU is a traditionally important actor because Serbia aspires to become a member of the Union. Additionally, the role of the EU is crucial due to its status as the leading economic partner for Serbia and its role in the facilitation of the Belgrade-Priština dialogue. On the other hand, the Serbia-China partnership has been constantly on the rise. The significance of the relations Belgrade has been developing with Beijing is growing, and the role of China as a partner in the economic and increasingly in the security and political spheres cannot be neglected as well. This paper aims to offer a retrospective on the relations of Serbia with these two key partners, the EU and China, mainly focusing on the security sphere, the domain where the relations have been developing at a slower but consistent pace. It will explore how these relations with both actors are affected by evolving global circumstances, given that the security area is particularly vulnerable to the changes stemming from the increasingly divergent positions of the dominant global players in the international system.

Keywords: Serbia, China, EU, four-pillar foreign policy, security, international system.

* Full Professor, Institute of International Politics and Economics, Belgrade, Serbia; Email: bdjordjevic@diplomacy.bg.ac.rs, ORCID: 0000-0003-0188-0938.

** Research Associate, Institute of International Politics and Economics, Belgrade, Serbia; Email: pavle.nedic@diplomacy.bg.ac.rs, ORCID: 0000-0002-7055-0628.

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INTRODUCTION

Since 2008, Serbia has been pursuing a foreign policy that aims to develop positive relationships with major global powers, including the European Union (EU), the United States (US), Russia, and China (Đukanović & Lađevac, 2009). These four powers are seen as the four pillars of Serbia's foreign policy. This policy has, in its essence, remained consistent even when the political parties leading the government changed in 2012. The EU is particularly important to Serbia due to the country's aspirations to join the Union, its status as Serbia's leading economic partner, and its role in facilitating the Belgrade-Priština dialogue. Serbia applied for EU membership in 2009. In 2012, the European Council granted Serbia official candidate status for EU membership, and in 2014, the negotiations officially started. As part of Serbia's negotiation process for EU accession, security and defence are important aspects within Cluster 6—External Relations and, more concretely, Chapter 31—Foreign, Security and Defence Policy that is its core part. However, this cluster remains unopened. Meanwhile, Serbia's partnership with China has been steadily growing, mainly through projects within the Belt and Road Initiative (BRI) launched by China in 2013. The increasing importance of Belgrade's relationship with Beijing has extended beyond economic ties to include significant developments in other areas, including security.

The article will explore the evolution of security relations between Serbia and its two main partners, the EU and China, charting their development in the context of the changing relations at the level of the international system, with a focus on the events of the past decade. Given the highly sensitive aspect of security relations and their interlinkage with the issues of national interest, national security, and national defence, every important shift in the balance of power at the systemic level can affect the position of small countries such as Serbia. Hence, Belgrade's relations with Brussels and Beijing in this area are particularly dependent on the rising instability that characterises the international environment. This instability is the manifestation of the multipolarisation process of the international system. This trend is characterised by increased competition and cooperation among major powers, including the US, the EU, Russia, and China, as well as the emergence of regional actors with growing economic and military capabilities, such as Iran or India. The multipolarisation process creates a more complex,

dynamic, and unpredictable global landscape that fosters opportunities and challenges for smaller actors.

Accordingly, the article will be divided into two parts. The first part will sketch the major changes in the international environment and evolving positions of leading powers that represent Serbia's four pillars of foreign policy, namely the EU, the US, Russia, and China. The second part explores relations between Serbia and the EU and Serbia and China in the security sphere, highlighting the main areas of cooperation. In the conclusion, we will show how the changes in the international environment impact these relations.

EVOLVING INTERNATIONAL POLITICAL SETTING

The constant changes in the power dynamics between key international players have been evident at the level of the international system for the last decade and a half. The undisputed dominance of the United States, a hallmark of the post-Cold War period, has been slowly but steadily diminishing, giving way to the rise of other actors with their own visions and goals. Speaking in relative terms, the power the US wields is still unprecedented and cannot be directly opposed by any other actor individually. However, the US is re-examining its role on the international stage while simultaneously working on maintaining its vital interests in several different geographical areas. Additionally, as the US's crucial partner, the EU has faced several crises, from the departure of the United Kingdom and the migration crisis to the response to the war in Ukraine. On the other hand, resurgent Russia and its ambitions to re-establish its role as a relevant great power, the rising China's ambitions of achieving a status and position in the international system that correspond to its capabilities, as well as the problems posed by smaller states such as Iran and North Korea refusing to conform to the expectations and modalities of behaviour promoted by the US-led world order, all present a clear challenge for Washington, Brussels, and the leading capitals of the EU countries. Furthermore, the reliance on non-traditional and non-military forms of power is increasing (Vuletić & Đorđević, 2022). All these different elements of the multipolarisation process of the international system contribute to a much less predictable and unstable international environment.

The United States embraced its position as the sole remaining superpower after the collapse of the Soviet Union. The US shaped the world

order according to its intentions for the following two decades. Still, decision-makers in Washington have been reluctant for the US to become a world hegemon that imposes its will on other actors primarily through conquest with an application of overwhelming military and economic force. Instead, they have attempted to form wider coalitions, gather international public support, and invoke international law as the foundation for their actions. The US was an important factor in conflict resolutions in the cases of the Balkans and Northern Ireland (Nedić, 2021). Nevertheless, when unanimous support for its initiatives was lacking, Washington still acted as it wanted, as demonstrated by the invasion of Iraq in 2003. Generally, the reliance on economic cooperation and inclusion in multilateral organisations such as the World Trade Organisation was intended to neutralise antagonistic relations with former great power rivals. The expansion of NATO was a tool to strengthen relations with new allies and achieve security interests in Europe. Regime change was used as a strategy aimed at smaller countries deemed adversaries (Mearsheimer, 2018; Walt, 2018). However, the steady rise of opposition to this US-led world order across the globe coincided with a re-evaluation of American national interests and priorities within the US itself. The rise of Donald Trump and his “America First” approach showcases an alternative understanding of the role the US should have and builds on previous discussions within the country on vital American interests and viable strategies for their achievement (Brooks & Wohlforth, 2016; Mearsheimer & Walt, 2016; Posen, 2015). During his presidency, Trump favoured focusing on internal development and economic protectionism while internationally insisting that the burden of international security be shared more equally with allies, particularly those in Europe. Additionally, his administration consistently emphasised that the country should concentrate its energy and strength on addressing its most dangerous rising rival, China (Turner & Kaarbo, 2022). The alternative viewpoint, exemplified by the administration of Joe Biden, while remaining committed to countering China, finds that one of key American interests is to resist Russia’s actions in Ukraine and place much more focus on relations with crucial allies (Biden, 2020; Brands, 2021; Simić & Živojinović, 2021; Shifrinson & Wertheim, 2021).

That second approach is complementary to the role leading decision-makers in Europe see for the US today. The EU spent the better part of the first decade of the 21st century in a positive momentum of deepening integration and cooperation between member states on the one hand and

important achievements in the enlargement process that led to the accession of 12 new countries to the EU on the other. The 2008 economic crisis was the first of several that have impacted, influenced, and reshaped the EU in the following years. These included the migration crisis, Brexit, the COVID-19 pandemic, and the most recent crisis stemming from the consequences of the war in Ukraine. The EU, however, managed to evolve and continues to exist after each of these crises, although with some important negative ramifications, of which the stagnation of the enlargement process is one of the most significant and impactful (Petrović, 2019). In terms of its common foreign and security policy, the EU has seen ambiguous stances relating to the US due to the constant ambition for the Union to become more strategically autonomous while at the same time lacking the organisational structure and will to commit resources for that to happen (Bergmann, 2024; Howorth, 2019). In that regard, the war in Ukraine has, in the eyes of European leaders, reinforced the need for the American presence in Europe while also leading to a complete breakdown of relations with Moscow and forcing EU countries to prioritise security and defence when considering policy options.

For Russia, its experience during the last decade of the 20th century shaped its goals and actions in the next. With President Vladimir Putin, Russia gained a leader who sought to restore the international status and respect the country had during the Soviet Union era. The prevailing sentiment in Moscow was that it was not treated fairly by Western powers, and its interests, warnings, and red lines were not taken seriously enough (Lukyanov, 2016). Divergence in positions on key international issues and different interpretations of crucial national interests gradually increased and culminated with the developments in Ukraine in 2014, which led to the Russian annexation of Crimea (Jović-Lazić & Lađevac 2018). That was a turning point after which Moscow openly shifted towards promoting its own vision of the world, focusing more on spheres of influence, sovereignty, and transactional relations between great powers. It also started to seek alternative long-term partners who shared similar grievances with the West. Interpretations and analyses of Russian motives for the invasion of Ukraine in 2022 are diverse and numerous (Götz & Staun, 2022; Mälksoo, 2022; Mearsheimer, 2022), but regardless of which we ascribe to, the complete dissolution of relations with the US and EU has further reinforced Russia's commitment to work with these alternative partners. In its quest to assert its

great power status, Moscow relies mainly on its partnership with China in several key areas. For Putin, as he stated during his visit to Beijing in May 2024, Sino-Russian “cooperation in international matters is one of the stabilising factors in the international arena” (Bala, 2024). One of the most important elements of this cooperation is an attempt to create a viable alternative to Western institutions and organisations through the de-dollarisation process and the evolution of BRICS (Kendall-Taylor & Shullman, 2021; Lukin, 2021). Still, its future status and influence in the international system are closely tied to the results and outcomes of the war in Ukraine.

China is the second country seen by the US and Western Powers as a main challenger to the current world order. Unlike Russia, it has a much more favourable economic and political position, allowing Beijing to act more carefully and in accordance with its long-term goals without sacrificing the benefits of its current status and integration into the current system. China’s posture towards the US and its allies in the Indo-Pacific has become much more aggressive since President Xi Jinping came to power (Liu, 2020). The crucial role of this region as a transportation hub make it strategically important for China. Beijing attempts to build its international position as a great power involved in global issues after a long period of focusing on internal development and disregarding wider issues. However, the history and experience of local actors in the Indo-Pacific with China make them prone to rely on security ties with the US as a counterbalance against Beijing (Nedić, 2022). On the economic front, complex initiatives such as the Belt and Road Initiative, aimed at offering economic gains and development opportunities as alternatives to the pathways offered by Washington or Brussels, have proved much more successful since numerous countries were eager to benefit from them (Zakić & Radišić, 2019). The BRI relies on enhancing cooperation and connectivity among participating countries, which increases its attractiveness (Đorđević & Stekić, 2022). China’s economic strength and integration into the global economy and value chains mean its potential ostracization would impose unacceptable costs for all actors. Thus, it remains a significant economic partner to the US and EU countries. Expanding from the economy, the broad visions for the future presented through the Global Economic Initiative, the Global Security Initiative, and the Global Civilisation Initiative are further steps in China’s attempts to assert its role on the world stage (Stekić & Mitić). They are especially well received in countries in Africa and the Middle East (Babić, 2024; Wu, 2023), where the strengthening of

economic ties is accompanied by a careful and deliberate increase in Chinese diplomatic efforts and initiatives, thus expanding Beijing's influence in regions where local actors have a much less negative history with China than with Western powers.

The Middle East exemplifies the potential of smaller and regional powers to impact the status and stability of the international system. Iran has remained an important player due to its regional significance, power, and influence. Its rivalry for regional supremacy with Saudi Arabia on the one hand and its adversarial relations with Israel on the other, combined with its nuclear programme, means that to accomplish anything in the region, Tehran cannot be bypassed (Стојановић, 2022). One such accomplishment was the Joint Comprehensive Plan of Action, a nuclear deal the US and the EU agreed with Iran in 2015, even though it soon collapsed due to the US withdrawal (Robinson, 2023). More recently, China made a breakthrough in March 2023 by negotiating the restoration of full-fledged diplomatic relations between Iran and Saudi Arabia (Hafezi, Abdallah & El Yaakoubi, 2023). However, the region has plunged back into chaos with the Israel-Hamas war that started in October 2023, highlighting the overall instability and proneness to new battlegrounds and crises in the current international environment. These regional conflicts and hotspots, combined with the rising great powers' competition, create a complex context that impacts relationships between major powers and smaller countries like Serbia. That is particularly evident in the security domain.

SERBIA'S RELATIONS WITH THE EU AND CHINA IN THE SECURITY DOMAIN

Cooperation with the EU

One of Serbia's primary strategic goals is to become a member of the European Union (Ministry of Foreign Affairs of Serbia, n.d.b.; Đukanović & Lađevac, 2009). As such, cooperation with the EU as a whole, within the framework of the EU Common Security and Defence Policy (CSDP), and cooperation with individual member states in areas of security and defence are immensely important. In some aspects, this partnership overlaps with Serbia's cooperation with NATO, as 23 of 27 EU member states are also part of the alliance. The cooperation in this field is becoming increasingly relevant, given the impact of the war in Ukraine and the issue of security in Europe.

The crucial role of the EU is also recognised in Serbia's formal documents. In the Defence Strategy of the Republic of Serbia, adopted by the National Assembly in 2019, one of the key elements of the defence policy is listed as "the improvement of national security and defence through the process of European integration" (National Security Strategy, 2019). Still, cooperation in the domain of security and defence is developed in accordance with Serbia's policy of military neutrality. This concept was first introduced by the National Assembly Resolution in 2007, primarily indicating that Serbia would not join any military alliance. It was strengthened by being officially reconfirmed in the National Security and National Defence Strategies in 2019 (National Defence Strategy, 2019; National Security Strategy, 2019). Still, Serbia's commitment to its military neutrality does not impede its aspirations to develop close security and defence ties both with the EU as an organisation and its individual members.

One of the leading modalities of partnership with the EU in the security sphere is the participation of members of the Serbian Armed Forces in EU-led military missions. For Serbia, this improves the capabilities and international experience of its armed forces, strengthens its diplomatic relations with the EU, underscores its commitment to international peace and security, and bolsters its international standing. The Serbian Army is currently participating in three multinational operations of the EU with 17 members: EUTM Somalia (6 members), EUNAVFOR Somalia–Operation ATALANTA (4 members), and EUTM RCA (7 members) (Ministry of Foreign Affairs of Serbia, n.d.a.). Serbia also participated in EUTM Mali, which was suspended in 2022 and officially ended its mandate in 2024. As a complementary engagement in addition to military missions, Serbia has shown interest in participating in civilian CSDP missions as well. The main stumbling block was the inadequate Serbian legal framework that prevented the engagement of civilians in such missions (Velimirović, 2021). However, the new Law on Participation of Civilians in International Peacekeeping Missions and Operations Outside the Borders of the Republic of Serbia was adopted in 2023, opening the space for such activities in the future. That represents a significant milestone since "participation in EU civilian missions is an area in which Serbia showed its interest before the start of accession negotiations in 2014" (Velimirović, 2021, p. 2).

The second important strand of cooperation is through participation in activities and organisational structures within the framework of the CSDP. In December 2013, Serbian Defence Minister Nebojša Rodić and the High Representative for Foreign Affairs and Security Policy of the European Union, Catherine Ashton, signed an administrative cooperation agreement between the Ministry of Defence and the European Defence Agency (EDA) (Ministry of Defence, 2013). The EDA focuses on assisting the EU member states in improving defence capabilities in crisis management, enhancing their interoperability, boosting defence spending planning, and facilitating European defence innovation. EDA Chief Executive Claude-France Arnould visited Serbia in 2014, as well as his successor Jorge Domecq in 2016 (Zakić et al., 2024, pp. 41-43). Additionally, Serbia is an active member of the HELBROC EU Battlegroup, which consists of troops from Greece, Cyprus, Bulgaria, Romania, and Ukraine. EU Battlegroups are multinational military units that form the backbone of the EU's military rapid reaction capacity to respond to crises and conflicts. The Government of the Republic of Serbia adopted the Conclusion on Accession to the EU Battlegroup Concept in 2015. In 2017, the note of Serbia's accession was signed by representatives of all members of the Battlegroup (Ministry of Defence, n.d.). Serbia has thus officially become a member of the HELBROC Battlegroup, participating with a military police platoon, a civilian and military cooperation team, and up to five staff officers in the battlegroup command.

In addition to its partnership with the EU as an organisation, Serbia has been committed to developing relations in the security and defence area with individual EU member states. This cooperation mainly involves regular bilateral visits and dialogue. These included official visits to Serbia by French Minister of the Armed Forces Florence Parley in 2019, Italian Minister of Defence Lorenzo Guerini in 2020 and 2022, Slovakian Minister of Defence Jaroslav Nad' and Austrian Minister of Defence Klaudia Tanner in 2021, and German Minister of Defence Christine Lambrecht in 2022 (Zakić et al., 2024, pp. 44-47). At a more technical level, the Serbian Ministry of Defence has regularly signed and implemented Bilateral Military Cooperation Plans with numerous EU countries, including Austria, Bulgaria, France, Germany, Greece, Italy, the Netherlands, Poland, Romania, Slovenia, Spain, and Sweden (Zakić et al., 2024, pp. 40-44). Serbia's commitment to deepening security and defence relations with individual EU member states highlights its strategic efforts to engage more directly with key European countries in these areas.

The multilateral aspect of cooperation with EU countries has primarily been realised through joint military exercises that contribute to the interoperability of the participating armies. These exercises have been principally organised by the United States European Command, most notably the “Combined Resolve” exercises held in Germany in which the Serbian Armed Forces have participated since 2012. Their last participation was in “Combined Resolve 16” in 2021 (Serbian Armed Forces, 2021) due to a moratorium declared by the Government of Serbia on joint military exercises with foreign partners following the Russian attack on Ukraine in February 2022. Still, there are some exceptions. The 2023 edition of the “Platinum Wolf,” the largest international joint military exercise held in Serbia since 2014, saw participation from around 600 troops from Bosnia and Herzegovina, Great Britain, Greece, Italy, Hungary, Romania, the US, North Macedonia, Slovenia, and Serbia, despite the existing moratorium (Ministry of Defence, 2023). The official explanation points to Serbia’s obligations within its participation in multilateral operations (Cvetković, 2023), but the move also shows the importance of relations with these partners for Serbia.

Cooperation with China

With China’s ambition to take a larger role on the international stage, first and most directly manifested with the launch of the Belt and Road Initiative in 2013, a significant number of countries around the world became interested in developing cooperation with Beijing and benefiting from it (Đorđević & Lađevac, 2016). For Serbia, which has emerged as one of China’s leading partners in Europe (Лађевац, 2018), alongside Hungary, this partnership has primarily focused on large infrastructure projects and the procurement of favourable loans from China. The scope and intensity of this relationship have been consistently growing, which is reflected in closer political ties, including the personal relationship between the two presidents, Xi Jinping and Aleksandar Vučić, and China’s support for Serbia’s stance on the Kosovo and Metohija issue. President Xi’s visit to Serbia in May 2024, one of only three countries he visited on a mini-European tour that also included France and Hungary, is a testament to the strength of these relations. During his visit, President Xi stated: “Serbia became China’s first strategic partner in central and eastern Europe eight years ago, and it becomes the first European country with which we shall build a community with a shared future” (Filipovic & Sito-Sucic, 2024). The culmination

of this growing closeness between Beijing and Belgrade was the signing of the Free Trade Agreement between Serbia and China in 2023, which came into force in July 2024. It is expected that this agreement will have a significant impact on trade between the two countries (The Government of the Republic of Serbia, 2024). Furthermore, the cooperation has begun to extend into other areas, including security and defence.

One of the leading and most publicly visible strands of increasing cooperation between China and Serbia in the security area is the arms trade and Chinese donations to the Serbian Armed Forces. A particularly important arms trade deal was for the CH-92A armed drones, delivered to Serbia in June 2020. Besides fulfilling its primary function of upgrading Serbia's military arsenal, this transaction includes the technology transfer aspect crucial for Serbia's own Pegasus drone project development (Vuksanovic, 2021). Additionally, after its semi-formal announcement in 2021, the CH-95 drone, which is larger and more advanced compared to the previously acquired CH-92As, was showcased in April 2023 during the demonstration of the capabilities of the Serbian Armed Forces, codenamed "Granite 2023" (Topalović, 2023). The most significant purchase, however, was the FK-3 air defence system. It was acquired in 2019 and shown for the first time during the Shield 2022 military power demonstration at Batajnica Air Base in April 2022 (Vuksanovic, 2022). This system now constitutes a crucial part of Serbia's arsenal and is the result of a long-term effort by the Serbian Armed Forces to modernise the country's defence systems. The strong relationship with China has also been demonstrated through various donations to the Serbian Armed Forces, including 24 non-combat lifeboats for rescuing people from flooded areas and 30 GPS devices in 2016, as well as 40 assets such as self-propelled engineering machines, motor vehicles, integral transport means, and special vehicles in 2019 (Zakić et al., 2024, pp. 59-61).

The second strand of cooperation is the intensifying relationship between Serbian and Chinese police forces. In September 2019, joint police patrols of Serbian and Chinese officers were established in Belgrade, Novi Sad, and Smederevo, selected as preferred destinations of the steadily increasing number of Chinese tourists to Serbia and their significance within the Belt and Road Initiative projects. This programme saw a second batch of patrols begin in September 2023 in the same cities (Beta, 2019a; The Government of the Republic of Serbia, 2023). Furthermore, in November 2019, Serbian and

Chinese police forces held joint anti-terror drills in Smederevo at the steel plant owned by Chinese HBIS Group Serbia. The drill, attended by Serbian President Aleksandar Vučić and the Ambassador of the PRC to Serbia, Chen Bo, involved 180 police force members, 20 vehicles, and three helicopters (The President, 2019). However, the project that has garnered the most public attention and is potentially most impactful relates to surveillance within the Safe City project, realised in partnership with Huawei. This initiative included the installation of over 1,000 cameras in more than 800 locations across Serbia's capital by the end of 2020 (Beta, 2019b). The details, including confirmation of Huawei's involvement, are not publicly available due to their confidential status, but the project has faced criticism for its lack of transparency and potential violations of personal data and privacy rights of citizens (Božić Krainčanić, 2019; Vuksanovic, 2019). Nevertheless, it highlights Serbia's reliance on China and Chinese companies as major partners not only in military and external security matters but also in internal security issues as well.

The importance both sides ascribe to each other is demonstrated through high-level visits and meetings that have produced significant results. One of the first indications of the focus on security cooperation as a major aspect of Serbia-China relations was the meeting between the Chinese President's Special Envoy and Secretary of the Central Commission for Political and Legal Affairs, Meng Jianzhu, and Serbian Interior Minister, Nebojša Stefanović, in Belgrade in September 2017. During this meeting, they discussed "how to improve the security situation and the cooperation between the People's Republic of China and the Republic of Serbia" (B92, 2017). In 2019, Vice-Chairman of the Central Military Commission General Zhang Youxia led a PRC delegation on a visit to Serbia, where they met with Minister of Defence Aleksandar Vulin and Chief of General Staff of the Serbian Armed Forces General Milan Mojsilović. In March 2021, President Aleksandar Vučić met with Chinese State Councillor and Minister of National Defence Wei Fenghe during his visit to Serbia. During his stay, Minister Wei Fenghe also met with Minister of Defence Nebojša Stefanović. In 2023, Zhang Youxia, vice chairman of China's Central Military Commission, met with Serbian Minister of Defence Miloš Vučević in Beijing during the third Belt and Road Forum for International Cooperation (Zakić et al., 2024, pp. 60-62). These visits show constant communication and contact on the highest level between political leaders of the two countries. They represent an important aspect that played a part in the realisation of concrete elements of cooperation previously mentioned,

including military equipment purchases and joint police actions. Furthermore, this regular frequency of high-level contacts significantly contributes to the strengthening of security ties between the two countries.

CONCLUSION

As part of its four-pillar foreign policy, Serbia has cultivated relationships in the security area with both the EU and China. Regarding the EU, the main results of cooperation have been achieved as part of Serbia's EU accession process and include close working relations with the EDA, participation in the EU-led military missions, and military exercises with EU member states. On the other hand, cooperation with China has been characterised by the procurement of military equipment, including major defence systems, a partnership in the development of Serbia's police surveillance systems, and an increasing focus on the security domain in high-level contacts. However, there is a growing divergence between the major powers that represent these four pillars of Serbia's foreign policy, which is a part of the process of multipolarisation in the international system. Although the scope and outcome of this process are not clear, this shift signals a move towards several opposing centres of power, albeit uneven in terms of strength, resources, and capabilities. These developments pose new challenges for Serbian foreign policy. The tolerance and understanding of Belgrade's key partners for its attempts to strengthen relations with opposing sides are decreasing. Openly conflicting stances on crucial international issues and differing expectations from major powers create a narrower space for Serbian decision-makers to manoeuvre.

These effects are especially evident in the security sphere, which is very sensitive and reactive. Serbia's decision to introduce a moratorium on joint military exercises with foreign partners has impacted the development of interoperability with major partners from the European Union. Nonetheless, with the adoption of a law allowing Serbian citizens to participate in EU CSDP civil missions, positive signals were sent. Furthermore, Serbia has been under tremendous pressure as a result of the disintegration of relations between Russia and the West, which has resulted in a reduction of security ties with Moscow and the cancellation of the S-300 air defence system acquisition. This situation has prompted Serbia to seek alternative partners, resulting in the acquisition of an equivalent system from China. These and other moves

related to security and defence are perceived by Serbia's major partners as signs of its potential further alignment and are considered within the broader context of increasing polarisation in the international environment. The space for cooperation with opposing sides becomes narrower. Thus, Serbia's deepening ties with either EU countries or China are carefully calibrated and often followed by attempts to provide a balancing act with the other side to avoid being perceived as choosing a definite side. Still, as tensions between key international actors are expected to grow as the multipolarisation process continues, Serbia will find itself in an increasingly challenging position to maintain its level of cooperation with the EU and China in this area. In order to keep or improve the existing level of ties with both partners, skilled manoeuvring will be required.

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A DECADE OF SERBIA'S EU ACCESSION PROCESS: IMPLICATIONS FOR SINO-SERBIAN POLITICAL RELATIONS

Aleksandar MITIĆ*

Abstract: A decade into Serbia's EU accession process, risk-prone contingencies have strained and stalled Belgrade's relations with Brussels. The question of the Serbian province of Kosovo and Metohija, which most EU countries recognise as an "independent state", remained a fundamental stumbling block, just as it had been since the outset of Belgrade's "European path" a quarter of a century ago. Furthermore, within months of opening the accession talks in January 2014, Serbia's ambitions entered a "perfect storm". First, the EU introduced sanctions against the Russian Federation over the Crimean referendum, putting high pressure on Belgrade's (non-)alignment with the EU's Common Foreign and Security Policy. Then, in July 2014, the President of the European Commission, Jean-Claude Juncker, announced an EU "accession pause" due to "enlargement fatigue". These developments opened the door for Serbia's "eastbound hedging", which paved the way for unprecedented political and economic interaction with the People's Republic of China, particularly in light of the conflict in Ukraine. Serbia comprehensively boosted cooperation with China, resulting in the signing of the Free Trade Agreement and the elevation of the partnership status to the level of "China-Serbia community with a shared future in the new era" in 2024. Nevertheless, for a country surrounded by the EU and NATO member states in the middle of global tectonic geopolitical tensions and transitions, strategic hedging has its limits. Western calls to Serbia for de-hedging, alignment, and bandwagoning multiply, setting high hurdles for Serbia's proclaimed policy of military neutrality and political independence.

Keywords: China, Serbia, European Union, EU enlargement, hedging.

* Research Fellow, Institute of International Politics and Economics, Belgrade, Serbia; Email: aleksandar.mitic@diplomacy.bg.ac.rs, ORCID: 0000-0001-6918-7561.

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SERBIA'S STRAINED "EUROPEAN PATH"

Almost a quarter of a century after the beginning of its "European path" and a decade into official European Union accession, Serbia's relations with Brussels remain strained, stalled, and often only discursively self-gratifying.

Between the optimism depicted by the first EU-Western Balkans summit in November 2000 in Zagreb and the Thessaloniki Agenda in 2003 and the grim reality coated by Brussels' geopolitically restored ambition in 2024 lay two decades of slow progress, radical political conditioning, major setbacks, enlargement fatigue, and rising Euroscepticism, all spiced by a host of pan-European crises.

The 2005-2008 negotiations of the first step in EU integration—the Stabilisation and Association Agreement (SAA)—took place in an atmosphere of harsh conditionality policy, severely damaging the EU's attractiveness in the Serbian public opinion. The EU required full and unconditional cooperation with the International War Crimes Tribunal for the Former Yugoslavia, largely perceived in Serbia as biased; it mediated in setting conditions favourable for Montenegro's independence, creating a rift with the Belgrade authorities; finally, it masterminded the so-called "unilateral declaration on independence of Kosovo" in flagrant violation of the Constitution of Serbia and international law (Mitić, 2007).

With the beginning of Serbia's implementation of the SAA, Belgrade and Brussels have moved to the next phase, with the process aimed at opening EU accession talks. However, the next half-decade would prove particularly difficult due to the European economic and financial crises and Brussels' gradual abandonment of the policy stipulating that "EU talks and Kosovo status are two separate tracks" after it had served its strategic communication purpose in the May 2008 Serbian election campaign to downplay anti-EU anger in the Serbian electorate (Radio Slobodna Evropa, 2008). Led by German Chancellor Angela Merkel, the EU institutions sought to pressure Belgrade to abandon a policy of countering international recognition of an "independent Kosovo", minimise the importance of UN Security Council Resolution 1244 stipulating that the province of Kosovo and Metohija is an integral part of the Republic of Serbia, retire Serbia's institutions from the province, and instead enter into a "normalisation process" with the Albanian separatist political class in Priština with the goal of "legalising" the "unilateral

declaration of independence of Kosovo” and “legitimising” the 1999 NATO aggression against the Federal Republic of Yugoslavia (Al Jazeera, 2011).

Nevertheless, although Belgrade’s authorities often claimed that the “EU has no alternative”, they also vowed to pursue the Four-pillar policy—cooperation with the EU, the US, the Russian Federation, and the People’s Republic of China. In particular, the signing of the Strategic Partnership Agreement in 2009 boosted cooperation with Beijing (BBC, 2009). The agreement paved the way for Serbia’s increased cooperation with China on trade and investment, particularly after the announcement of the 16+1 (China-CEEC) cooperation network in 2012 and the Belt and Road Initiative in 2013 (Zakić, 2020). However, combined with the US “Pivot to Asia”, the EU’s self-reflection on enlargement, and the reinvigoration of Russia’s geopolitical influence, China’s presence in the Balkans entered into fertile grounds, adding to the region’s complexity but also providing new hedging opportunities, particularly for Serbia, which had proclaimed military neutrality and vowed to pursue a foreign policy based on political independence.

HEDGING THEORY – FROM SOUTHEAST ASIA TO THE WESTERN BALKANS

With the weakening of the US “unipolar moment” and the rise of multipolarity since the 2000s, the concept of “hedging” has gained prominence in IR scholarship, albeit at times criticised for vagueness or blurriness. The concept is defined as an “alignment strategy, undertaken by one state towards another, featuring a mix of cooperative and confrontational elements” (Ciorciari and Haacke, 2019) to ensure “against sudden changes in the behaviour of great powers and general insecurities in the international system”, that is, to strengthen strategic autonomy and reduce at the same time vulnerability through “diversification of political, economic, and security relations” (Gerstl, 2022).

While some more restrictive understandings of the concept focus only on one of the areas—political, security, or economic (Lim and Cooper, 2015)—a mixed policy approach calls for combining policies of the three to mitigate risks and maximise opportunities comprehensively (Gerstl, 2022; Goh, 2005; Koga, 2018; Kuik, 2008).

In his assessment of why states hedge, Gerstl points to the perception of risks (territorial integrity, economic dependency, autonomous decision-making) and opportunities (increased security, exchange, and legitimacy due to socioeconomic development), as well as the perception of the strategic value of other great powers and international organisations (Gerstl, 2022).

An essential element is trust. As argued by Stiles, hedging is a “strategy common to states and other actors that may be willing to commit to substantial agreements involving such fundamental issues as security and human rights but also want to protect themselves from too open-ended or permanent a commitment” (...) a stand which stems “from uncertainty about the future conditions of the world or the fact that the agreement itself is resistant to enforcement, but a key element is almost certainly a fear that your partners will betray you” (Stiles, 2018, p. 12).

The concept of “hedging” originated in the application of cases of China’s neighbourhood (Goh, 2005), and this area remains relevant today (Gerstl, 2022; Kim, 2023; Nedić, 2022). Nevertheless, it has also applied to the Middle East (Salman and Geeraerts, 2015; El-Dessouki and Mansour, 2020; Fulton, 2020). Recently, “hedging” has been increasingly mentioned as a feature of Serbia’s foreign policy (Bechev, 2023; Dettmer, 2023; Ejodus, 2023; Nikolić, 2023; Vuksanović, 2024).

SERBIA-EU ACCESSION TALKS 2014-2024: A “RISKY” DECADE

The article delves into the first decade of Serbia’s EU accession talks to search for critical political contingencies, that is, events or actions that can influence the rise of political risk: a situation or development that arises and has the potential to negatively impact a state’s diplomatic and foreign interests, such as a shift in policy direction or political instability that could disrupt diplomatic standing and overall governance. These contingencies include the effects of policy documents, agreements and arrangements, official meetings and visits, joint statements and declarations, and overall trends and political processes. The article will then examine the consequences of these contingencies for political relations between China and Serbia, including hedging opportunities and risks.

Chapter 35: pushing for a “de facto” recognition of “Kosovo”

The political conditionality of Serbia’s EU accession with the status of Kosovo and Metohija has manifested itself in the background and at all stages of negotiations, formal or informal (Zakić et al., 2024).

The European Commission recommended to the Council of the European Union the opening of talks with the Republic of Serbia on April 22, 2013, only after the signing, three days earlier, of the “First Agreement of Principles Governing the Normalisation of Relations”, also known as the “Brussels Agreement” between Belgrade and the provisional authorities in Priština (European Commission, 2013). The Council of the European Union gave its green light two months later, on June 28, setting the stage for the beginning of talks on January 21, 2014, when the First EU-Serbia Intergovernmental Conference (IGC) opened in Brussels, marking the beginning of accession talks at the political level. At the IGC, the EU presented its negotiating framework, containing principles and procedures for accession talks. The focus was on the *acquis communautaire*, which Serbia, as a candidate state, has to adopt, divided into 35 thematic chapters, with Chapter 35 being related to the issue of Kosovo and Metohija. On one side, the negotiation framework was based on Article 49 of the Treaty on European Union (TEU), arguing that the pace would depend on Serbia’s progress in meeting the requirements for membership. The EU pointed out that the shared objective of the negotiations is accession, but “by their very nature, the negotiations are an open-ended process whose outcome cannot be guaranteed beforehand” (Council of the European Union, 2014). However, unsurprisingly, a reference was included to the conditionality of EU accession talks on the “visible and sustainable improvement of relations with Kosovo*” (Council of the European Union, 2014). Such a process would avoid the blocking of the “European paths” of both Belgrade and Priština. It would “gradually lead to the comprehensive normalisation of relations between Serbia and Kosovo, in the form of a legally binding agreement by the end of Serbia’s accession negotiations” (Council of the European Union, 2014). Such formulation from the outset meant that the focus of the accession talks would, to a large extent, be based on Serbia’s readiness to accept “Kosovo” as a “separate entity” and, as such, placed an almost insurmountable obstacle (Zakić et al., 2024).

Belgrade was dragged into the “Brussels Agreement” on two promises. First, it would pave the way for faster EU negotiations. Second, under the

Agreement, a “Community of Serbian Municipalities” would be formed in Kosovo and Metohija. None of the two have materialised. Throughout the decade, despite incessant discussions and alleged pressure, the Albanian authorities in Priština refused to form the “Community of Serbian Municipalities”, exposing the impotence or collaboration of the European Union, its division, incoherence, and dependence on Washington’s policy. Instead, pressure was put on the five non-recognising EU states: Spain, Slovakia, Greece, Romania, and Cyprus. At the same time, the plight of the Kosovo Serbs was ignored, and Priština’s hybrid pressures (imposition of tariffs, banning of Serbian products, press, currency, and license plates) were tolerated and normalised through statements of “appeals to all sides” (Tanjug, 2024).

Furthermore, in the fall of 2022, the cabinets of French President Emmanuel Macron and German Chancellor Olaf Scholz prepared a plan for the “normalisation of relations” between Belgrade and the Priština authorities, under which Serbia is supposed to abandon its policy of preventing “Kosovo” from joining international organisations and opposing “Kosovo statehood symbols”, such as passports, diplomas, and vehicle registration plates (N1, 2022). This plan was backed by an ultimatum of EU and US envoys in Belgrade on January 20, 2023, requesting Serbia to accept the process or face political and economic consequences (RTV, 2023). Although there were different interpretations of its content and its acceptance, the EU considered the plan and its roadmap as accepted (as the “Agreement on the Path to Normalisation between Kosovo and Serbia” and its “Implementation Annex”, also known as the “Ohrid Agreement”). Throughout 2023, it pushed for acceptance of this plan in an atmosphere of rising tensions and incidents inside Kosovo and Metohija. On the other hand, Belgrade insisted it opposed several elements of the proposal, saying it does not agree with “Kosovo” membership in the UN and its bodies. Nevertheless, in further pressure against Serbia, the Council of the European Union adopted in December 2023 conclusions requesting amendments to the benchmarks of Chapter 35 of Serbia’s accession negotiations to reflect Serbia’s obligations stemming from the “Agreement on the Path to Normalisation between Kosovo and Serbia” and its “Implementation Annex” (Euronews Serbia, 2023). If implemented, such a process would preclude Serbia from completing talks with the EU without at least *de facto* recognising “Kosovo” as a separate entity (Zakić et al., 2024).

Chapter 31: Aligning with the EU Common Foreign and Security Policy

Two months after the start of Serbia's EU accession talks, in March 2014, the EU introduced sanctions against the Russian Federation over the Crimean referendum. Serbia did not align with the restrictive measures, as one of its principled foreign policies is to oppose such measures against the Russian Federation and the People's Republic of China, two of its main allies in the UN Security Council, over the issue of Kosovo and Metohija. However, Article 26 of the EU negotiations position states that "in the period up to accession, Serbia will be required to progressively align its policies towards third countries and its positions within international organisations with the policies and positions adopted by the Union and its Member States" (Council of the European Union, 2014). This meant that Chapter 31, regulating the issue of foreign policy alignment, would prove to be very contentious in the negotiations. As the crisis over Ukraine progressed and escalated following Russia's operation in February 2022, so did the EU pressure on Serbia to align with sanctions packages. Serbia supported the territorial integrity of Ukraine, in parallel asking Western countries to support Serbia's territorial integrity in Kosovo and Metohija.

Nevertheless, in November 2022, the European Parliament recommended continuing accession talks with Serbia only if it aligns with the European Union sanctions policy against Russia. The European Parliament, in a resolution on the "New EU strategy for enlargement", adopted with 502 votes in favour, 75 against, and 61 abstentions, recommended other EU bodies to "advance accession negotiations with Serbia only if the country aligns with EU sanctions against Russia and makes significant progress on the EU-related reforms" (European Parliament, 2022). While the EP resolutions are not legally binding, they indicate political will and a considerable pressure point on other EU institutions. The EP decision also meant that, regardless of the support at the level of the Council and among the member states, the EP would not support Serbia's progress without sanctions against Russia. That further hardened the EP position on Serbia, as, under Chapter 31, a candidate country is nominally only obliged to fully adhere to the EU foreign policy declarations on the day of formal accession (Zakić et al., 2024).

EU enlargement fatigue

In addition to the “normalisation process” over Kosovo and Metohija and the CFSP alignment over sanctions against the Russian Federation, Serbia’s accession process was at its outset caught in a “perfect storm” when, six months into talks, in July 2014, at the beginning of the mandate of the new European Commission, EC President Jean-Claude Juncker said in a speech in front of the European Parliament that “in the next five years, no new members will be joining us in the European Union” (Juncker, 2014). Furthermore, on August 28, in response to Juncker’s five-year moratorium on enlargement, Berlin announced the creation of the “Berlin Process”, an intergovernmental cooperation initiative. Linked to the future enlargement of the European Union, the “Berlin Process” aimed at revitalising the multilateral ties between EU candidate and potential candidate countries of the former Yugoslavia and Albania and selected EU member states (Berlin Process, 2014). However, it was also perceived as a form of “waiting room”, an interim yet subpar substitution for genuine progress in EU enlargement. Following years of economic and financial crisis, the EU entered a migration crisis, and enlargement fatigue among EU countries, most prominently in Western Europe, was on the rise, particularly in France.

Thus, when the European Commission adopted in February 2018 its strategy “A credible enlargement perspective for an enhanced EU engagement with the Western Balkans”, there were doubts about its acceptance and implementation (European Commission, 2018). The document explained the steps Serbia and Montenegro must take to complete the accession process by 2025. EC President Juncker had indicated such a vision in a reversal of his 2014 non-enlargement policy. However, Juncker said during his subsequent visit to Belgrade that “2025 is not a promise; it is a perspective, an indicative date, an encouragement” (EU in Serbia, 2018). Three months after the proposal, it was disregarded by the EU member states when the Council of the European Union, at the May 2018 EU-Western Balkans in Sofia and further summits, refused to endorse the EC strategy, dealing a further blow to the accession process (Zakić et al., 2024).

French President Emmanuel Macron said in Sofia that thoughts of enlargement have “weakened Europe” and that he was “not in favour of moving towards enlargement before having all the necessary certainty and

before having made a real reform to allow a deepening and better functioning of the European Union” (Gray, 2018).

Following France’s suggestion, the EC presented a year and a half later, in February 2020, a revised enlargement methodology to “reinvigorate the process” by compiling chapters into clusters. However, once again, it was perceived as a delaying tactic (Varhelyi, 2020).

The same was true of France’s idea of a “European Political Community”, a pan-European cooperation debate club, which resembled more a “Berlin process”-type geopolitically-anchoring “waiting room” than a genuine contribution to the accession process (Nemeth, 2023).

Finally, with the beginning of the conflict in Ukraine, a “geopolitical turn” in Brussels promised yet another fresh start for enlargement. However, this became especially true for the geopolitical spotlights, Ukraine and Moldova, while the Western Balkans, particularly Serbia, was left grudging about the unfairness of shortcuts for Kiev and Kishinev.

By August 2024, ten years into the EU accession process, Serbia had opened 22 negotiation chapters, temporarily closed two, and had not opened new chapters since December 2021.

A May 2024 survey by New Serbian Political Thought found that in responding to the question of what the chances were that Serbia would enter the EU in the next ten years, 10.3% answered “big”, 41.1% “very small”, and 37.7% “none” (NSPM, 2024).

IMPACT OF SERBIA’S EU ENLARGEMENT HURDLES ON POLITICAL RELATIONS WITH CHINA

In May 1999, the killing of three Chinese journalists in the bombing of China’s Embassy in Belgrade during the NATO aggression transformed Beijing’s foreign and security policy. Some US scholars, such as Peter Gries, considered that the impact of the bombing of the Embassy on Chinese foreign policy perception was such that one could talk about a “post-Belgrade China” (Gries, 2001). It is believed that the attack made Chinese officials change their policies regarding the threat of the US unilateral actions and “coalitions of the willing”, including in the Asia-Pacific (Ghiselli, 2021). On the 25th anniversary of the bombing of the Embassy, in May 2024, President Xi Jinping visited Belgrade during his first European tour since the end of the COVID-19

pandemic. He pointed out that “the China-Serbia friendship, forged with the blood of our compatriots, will stay in the shared memory of the Chinese and Serbian peoples” (Mitić, 2024). Indeed, memory culture, related to suffering during the NATO aggression in the 1990s, is one of the cornerstones of China-Serbia “iron-clad friendship”, a naming used to celebrate the linkage of political and economic cooperation at the highest level. The level of cooperation has been substantially strengthened by positive political communication from leaders of the two countries and sectoral ministries. China’s position on the issue of Kosovo and Metohija and its respect for Serbia’s territorial integrity are highly valued in Serbian public opinion. From the elections in Taipei in 2000, Beijing saw similarities in attempts to create conditions for the “unilateral declarations of independence” in the cases of Taiwan and “Kosovo” (Mitić, 2022a). When the EU and the US masterminded the “unilateral declaration of independence of Kosovo” in 2008, China-Serbia positions strengthened on the issue of Kosovo and Metohija. From the mid-2010s, Beijing and Belgrade pursued parallel processes of de-recognition of Taiwan and “Kosovo”. Both China and Serbia were successful in reducing the number of recognisers. Although these two processes are not directly related, they raised alarms in the political West. Second, in 2020 and 2021, when the European Union approved sanctions against China concerning Hong Kong and the position of the Uyghurs in the Chinese province of Xinjiang, Serbia refused to align and emphasised its principled support for China’s sovereignty and territorial integrity, raising further Western criticism and diplomatic pressure. Third, Beijing representatives explicitly supported Serbia’s territorial integrity in all UN fora, particularly in the UN Security Council. The same can be said regarding China’s position over the issue of the Republic of Srpska in Bosnia, as Beijing refused to accept in the UN Security Council the nomination of German diplomat Christian Schmidt as so-called “High Representative” to Bosnia-Herzegovina, a stand hailed by Serbian public opinion.

These political processes were upgraded by economic cooperation, military cooperation, and people-to-people cooperation (Stekić, 2024; Trailović, 2020). Economic cooperation has dramatically improved since President Xi’s first visit in 2016, based on the Belt and Road Initiative. China was the number one investor in Serbia in 2023, and the three top Serbian exporters are Chinese companies. Serbia is the first European country to acquire Chinese weapons (FK-3 anti-aircraft missile systems and drones) and the first Central and Eastern European country to have a free trade agreement with China. The FTA, signed

in October 2023 in Beijing at the Third Belt and Road Forum for International Cooperation, entered into force in July 2024 and became part of the upgraded status of relations between China and Serbia. The elevation of relations from “comprehensive strategic cooperation” to build the “China-Serbia community with a shared future in the new era”, agreed upon during President Xi’s visit in May 2024, also indicated a shared vision of the global geopolitical transition towards multipolarity. This means a world order based on international law and the UN Charter and not a “rules-based” system based on the Western interpretation of international agreements and resolutions, which has had destructive consequences for Serbian national interests from the end of the Cold War up to today (Mitić, 2024).

Indeed, China’s global political role has received increased attention in Serbian public opinion. China’s positions on the issues of Ukraine, the Middle East, and Africa are addressed in various formats, including political TV shows with expert guests. Crucial issues are related to the issue of the transformation of world order into a multipolar one: cooperation with Russia; possible confrontation with the US over Taiwan seen in the context of Serbia’s territorial integrity regarding Kosovo; China’s multilateral efforts within BRICS and the Shanghai Cooperation Organisation; and Beijing’s role in de-dollarisation and technological competition with Washington. Recently, aspects of China’s Global Security Initiative (GSI) have also shown compatibility with Serbian positions. Beijing’s 12-point plan for resolving the conflict in Ukraine, based on the GSI, is compatible with Serbian interests. It is against double standards regarding the territorial integrity of states; it is against expanding military alliances; and it is against unilateral, non-UN sanctions. Given Serbia’s challenges regarding territorial integrity in Kosovo and Metohija, its military neutrality and opposition to join NATO, and sporadic Western sanctions against particular political actors in Belgrade, it is understandable why these postulates resound well in Serbia.

CONCLUSION

Risk-prone contingencies have slowed Serbia’s EU accession (dialogue on Kosovo and Metohija, CFSP harmonisation, and EU enlargement fatigue) and opened the door for Belgrade’s “eastbound hedging”. With the escalation of the Ukrainian crisis and the rising confrontation between the collective West

and the Russian Federation, Belgrade refused to bandwagon and sanction Moscow. However, it also had to face severe limitations in its cooperation with Moscow since 2022 (oil, military, the level of political interaction, transportation, and worries about avoiding sanctions over the export of dual-use equipment). Such a position gave a more prominent “hedging role” to Beijing. Serbia comprehensively boosted cooperation with China, resulting in unprecedented levels of political interaction, the signing of the FTA, and the elevation of the partnership status to the level of “China-Serbia community with a shared future in the new era” in 2024.

Nevertheless, for a country surrounded by the EU and NATO members, in the middle of global tectonic geopolitical tensions and transitions, strategic hedging has its limits. Regarding Kosovo and Metohija, Beijing remains as firm as ever in supporting Serbia’s territorial integrity, fully supports UNSC Resolution 1244 and condemns the unilateral escalation moves of the Kosovo Albanian authorities in Priština. Yet, it cannot do more on the ground given the Kosovo Albanian animosity towards China’s presence and the local constellation of international organisations, which are almost exclusively Western-staffed. Furthermore, the EU and the US continue to perceive Beijing’s presence in the Balkans as a “third-actor malign influence”. They have thus boosted through their influence assets the negative strategic framing towards China’s political and economic role and its investments in the energy and mining sector (Mitić, 2022b).

Western calls to Serbia for de-hedging, alignment, and bandwagoning multiply. Whether purely rhetorical or part of official declarations, policies, and white papers, these calls impact the expectations and the trust of local and regional actors. Among these is the signing of the deals with France over the purchase of 12 Rafale warplanes (while Serbia previously focused on Russian MIGs and Chinese anti-aircraft) (Ruitenbergh, 2024); the European Commission’s offer to partially finance the Corridor X Belgrade-Niš high-speed railway (while the Belgrade-Subotica railway, on the same Corridor X and the BRI route, has been completed with Russia and China) (Kovačević, 2023); as well as the EU-Serbia agreement on strategic partnership regarding sustainable raw materials, battery value chains, and electric vehicles (with the EU’s aim to limit Belgrade’s energy dependence on Russia and China’s access to lithium and other critical minerals in Serbia) (Hodgson, 2024). For the EU and the US, these initiatives are part of the process of rooting out

strategic rivals from the Balkans. Brussels would call it a return to the “normal” incentives for EU accession: positive signals to investors, motivation for internal political reforms, and gradual and partial integration into the Union’s sectoral policies.

However, the first decade of Serbia’s EU accession, just as the quarter of a century of its “European path”, has been anything but normal. In the second decade, the perspectives of the accession process, just as of Serbia’s hedging, will again depend on multiple factors, including global geopolitical changes, European economic trends, the Balkans’ regional stability, and domestic public opinion. Warning: hurdles down the road.

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THE COMPASS DATASET: A NEW APPROACH TO INDEXING SERBIA'S POLICY TRENDS

Nenad STEKIĆ*

Abstract: In the complex landscape of international relations, understanding and mitigating risks is crucial for formulating effective policies. Currently, in its initial development phase under the scientific COMPASS Project, the COMPASS Dataset represents a comprehensive resource designed to capture and analyse the risks associated with Serbia's foreign, security, and economic policy towards the European Union and China, respectively. This dataset encapsulates a broad spectrum of potential contingencies, categorised and ranked through 33 distinct variables. It is an invaluable tool for policymakers and researchers, offering a granular view of the challenges and opportunities inherent in Serbia's interactions with these significant global players. This paper presents preliminary insights into the COMPASS Dataset, including an analysis of its variables, identification and resolution of initial coding errors, and the overall data structure. Additionally, the paper explores the architecture of the underlying database, highlighting how it supports robust data management and facilitates comprehensive risk assessment. By offering an early exploration of the dataset's specifics, this paper aims to illustrate how the COMPASS Dataset, even at this developmental stage, can inform strategic decision-making and enhance Serbia's policy responses in an increasingly dynamic international environment.

Keywords: Dataset, COMPASS, project, risks, Serbia, EU, China, economics, security, diplomacy.

INTRODUCTION

In social sciences, datasets serve as fundamental tools for collecting and analysing empirical evidence, enabling researchers to explore complex social

* Research Fellow, Institute of International Politics and Economics, Belgrade, Serbia; Email: nenad.stekic@diplomacy.bg.ac.rs, ORCID: 0000-0001-9066-0480

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phenomena and test theoretical models. Effective data collection methodologies ensure that datasets are comprehensive, accurate, and representative, which is crucial for producing reliable and valid results. The so-called “large N datasets”, characterised by a substantial number of observations or cases, are particularly valuable in social science research as they provide a robust basis for statistical analysis and generalisation of findings (Foster et al. 2016). These datasets allow the examination of patterns, trends, and relationships across diverse populations and over extended periods.

Data in the social sciences can be gathered from various sources, including surveys, administrative records, and digital platforms, each offering unique insights into human behaviour and societal dynamics. The advent of digital technologies and big data significantly expanded the scope and scale of data collection, enabling the capture of granular details on an unprecedented scale (Foster et al. 2016). By encompassing a vast array of variables and cases, large N datasets facilitate the testing of complex hypotheses and the identification of causal relationships that might not be apparent in smaller datasets. Integrating large N datasets into social science research enhances the rigour and breadth of analysis, providing a more nuanced understanding of social structures and processes. However, the collection and management of such extensive datasets also present challenges, including issues related to data quality, consistency, and privacy. Despite these challenges, large N data remain indispensable for advancing knowledge and informing policy decisions in fields ranging from sociology and political science to economics and public health.

In political science and security studies, numerous datasets have been developed at the global level, but few focus specifically on a single state and provide insights from that state’s perspective. The COMPASS Dataset is one such effort, addressing this gap by capturing risks and contingencies related to Serbia’s foreign, economic, and security policies. Therefore, this paper aims to present the initial specifics of the COMPASS Dataset before it is populated with data.¹ Due to this aim, the focus of this analysis is on the preliminary exploration of the dataset architecture, the rationale behind the data collection methodology, the approach to assessing and indexing the risks associated with Serbia’s policies, and the key variables included in the dataset. The COMPASS Dataset is a groundbreaking initiative designed to shed light on the dynamics

¹ Data can be accessed online via the COMPASS Platform at: data.serbiacompass.com

of Serbia's relationships with the EU and China across three critical domains: politics, security, and economics, with its attributing subdomains.

This paper explores the specifics of the COMPASS dataset, offering a detailed overview of its structure, variables, and the methodologies used for data collection and analysis. As the primary source of information on this dataset, which remains under development as of August 2024, it serves as a valuable resource for policymakers, researchers, and academics seeking to gain insights into the strategic alliances that influence Serbia's international relations. The paper is organised as follows: it begins by outlining how data are indexed in political science, highlighting the most representative datasets available to researchers. Next, the author presents the rationale for assessing risks in Serbia's policies and the data collection methodology employed, followed by a detailed overview of the structure of the COMPASS Dataset. Finally, the paper concludes by discussing the dataset's utility and potential for future development.

INDEXING DATA IN POLITICAL SCIENCE

Indexing data in political studies is not a recent innovation. While efforts to index certain occurrences were made during the 1980s and 1990s, more systematic and comprehensive indexing of political phenomena has become increasingly prevalent since the early 2000s. In some cases, coding can be applied retroactively, spanning several decades back (Vanhanen 2000). Plantin (2019) advances the scholarly debate on the organisation of data processing in social and political science datasets, arguing that the structure of data processing is directly shaped by the archive's conception of a valid dataset. According to this author, a valid dataset is one that appears "pristine" upon completion of its processing, reflecting a high standard of organisation and integrity (Plantin 2019). This shift is largely attributable to technological advancements, particularly the development of sophisticated software and the widespread availability of the internet, which have significantly enhanced the capacity for data collection, organisation, and analysis. In political science, numerous well-established datasets serve as essential tools for analysing conflicts, governance, and political dynamics globally. Among the most prominent, the ACLED (Armed Conflict Location and Event Data) tracks political violence and protests worldwide, and the UCDP (Uppsala Conflict Data Programme) offers detailed data on organised violence, including armed conflicts. The COW (Correlates of War) dataset focuses

on interstate and intrastate wars, and the GTD (Global Terrorism Database) provides comprehensive data on global terrorist attacks. The PRIO (Peace Research Institute Oslo) and SIPRI (Stockholm International Peace Research Institute) datasets contribute to conflict studies by offering data on armed conflicts, military expenditures, and arms transfers. In addition, datasets like the EPR (Ethnic Power Relations) examine the political power dynamics of ethnic groups, while the NAVCO (Nonviolent and Violent Campaigns and Outcomes) documents campaigns against governments. Several datasets focus on specific regions or types of conflict, such as the SCAD (Social Conflict in Africa Database) and the CACE (Cities and Armed Conflict Events). Others track electoral violence (DECO), internal violence (IVI), or human rights violations. The GDELT (Global Database on Events, Language, and Tone) captures global political events through media analysis. For democracy and governance, Polity IV, Freedom House, V-Dem, and the Bertelsmann Transformation Index are widely used to assess regime types and democratic quality. These datasets, alongside others focusing on protests and social movements, such as the Protest Event Dataset and the Social Movements Dataset, provide a rich foundation for researchers exploring political trends and conflicts worldwide. The following text gives a brief overview of four major datasets comparable to the COMPASS Dataset: the ACLED, V-Dem, GDELT, and the Polity series.

The ACLED dataset is renowned for its comprehensive tracking of political violence and protest events worldwide, encompassing battles, explosions, and violence against civilians. The ACLED employs a rigorous methodology, gathering data from a broad spectrum of sources, including local media reports, NGOs, and international organisations (ACLED 2024). This event-based dataset is updated weekly and spans over 240 countries and territories, with its unit of analysis being the individual event (ACLED 2024). This granularity allows for the detailed disaggregation of conflict data, enabling researchers to conduct nuanced analyses of political violence patterns across various temporal and regional contexts. For instance, trends in protest activity or the effects of specific events on broader conflict dynamics can be systematically examined. With nearly 9 million downloads in 2021 alone, the ACLED has established itself as a critical resource for academic research and policy development. Similarly, the V-Dem dataset offers a detailed examination of democracy, providing a multidimensional perspective on governance through over 470 indicators covering aspects such as electoral processes, civil liberties, and political participation (V-Dem 2024). The V-Dem data is collected by a

network of country experts who independently code these indicators based on extensive research. The unit of analysis in V-Dem is primarily the country-year, enabling researchers to track temporal changes in democratic qualities (Coppedge et al. 2020). Spanning from 1789 to the present and covering over 200 polities, the V-Dem methodology ensures reliability through consensus coding by multiple experts for each indicator (Coppedge et al. 2020). Its findings have become indispensable for analysing global democratic trends, influencing both academic studies and policy assessments.

The Polity project, focused on coding the authority characteristics of states, facilitates the study of regime types and transitions by categorising regimes on a spectrum from autocracy to democracy using a 21-point scale (Centre for Systemic Peace 2020). The Polity5 dataset covers major independent states from 1800 to 2018, providing particularly valuable data for examining regime changes and their impact on political stability and conflict dynamics (Centre for Systemic Peace 2020). The country/year serves as the unit of analysis, allowing for longitudinal studies that assess how shifts in regime authority influence broader political trends. Polity's data collection, which draws on both historical records and contemporary assessments, has made it one of the most extensively utilised datasets in political science research.

The GDELT Project marks a significant advancement in the use of big data within the social sciences, offering a real-time global database that monitors news media across diverse platforms and over 100 languages (GDELT 2024). The GDELT analyses news articles to identify events, sentiments, themes, and emotions related to global societal changes. The unit of analysis within the GDELT is highly flexible, ranging from individual events to broader thematic trends, which allows researchers to explore the complex relationships between media coverage, public sentiment, and political developments. Updated every 15 minutes, the GDELT is one of the largest open-access spatio-temporal datasets, enabling timely and comprehensive analyses on topics ranging from conflict forecasting to social movements (GDELT 2024).

RATIONALE FOR SERBIA'S POLICIES RISK ASSESSMENT

The rationale for assessing Serbia's policies through a risk assessment and data collection methodology arises from the country's unique geopolitical positioning amid current global instability and uncertainty. Serbia's policies are particularly relevant given the current geopolitical climate characterised by

instability and uncertainty. To date, no systematic and organised dataset specifically capturing contingencies from the perspective of the Republic of Serbia has been developed. Furthermore, except for general toolkits within the political science and security studies (Buzan, Wæver & de Wilde 1998, Howell 2001, Bremmer & Keat 2009), there are no specific methodological tools developed to assess Serbia's potential strategy creation in this domain. Serbia's current foreign policy position is characterised by a complex balancing act between its aspirations for European Union (EU) membership and its strategic partnerships with Russia and China. As of 2024, Serbia has aligned with only 47% of EU foreign policy declarations, significantly lower than other candidate countries in the region (EWB 2024). This limited alignment is largely due to Serbia's refusal to impose sanctions against Russia, reflecting its reliance on Russian support regarding the contentious issue of Kosovo. Despite its EU membership aspirations, public sentiment in Serbia shows a growing scepticism towards European integration, with around 51% of citizens opposing EU membership (EWB 2024). This scepticism is intertwined with national priorities, particularly the preservation of Kosovo as an integral part of Serbia, which remains a cornerstone of national identity and policy (Cvijić 2024). Serbia's foreign policy is also marked by a pragmatic approach to international relations. The country has been cultivating ties with both Western powers and Eastern allies, positioning itself as a pivotal player in the Western Balkans. High-profile visits from global leaders such as Xi Jinping and Emmanuel Macron in 2024 further underscored Serbia's strategic importance in regional stability and economic cooperation. While general frameworks from political science and security studies provide some insight, they fail to account fully for the nuanced and evolving risks Serbia faces. Therefore, a focused approach to data collection and risk assessment is essential for understanding modern Serbia's foreign, security, and economic policies and informing more strategic decision-making.

COMPASS Dataset architecture

The COMPASS Dataset is a disaggregated dataset characterised by its individual-level granularity, providing detailed and specific information about each contingency event. Within this dataset, each observation corresponds to a unique *contingency*, distinguished by a unique identifier—*compassID*—and accompanied by descriptive details such as *shortName* and *description*, enabling a comprehensive understanding of the nature and context of each event.

In the COMPASS dataset, a *contingency* is defined as an event or action that has the potential to influence the rise of risks in one or more key areas—politics, security, or economics (Lađevac et al. 2024). Each contingency serves as a discrete unit of entry, capturing specific occurrences that may impact Serbia’s foreign policy, security, or economic stability (Lađevac et al. 2024). These contingencies are indexed with detailed information, including risk likelihood, consequences, and overall risk assessments, which allows for systematic analysis and management of risks across Serbia’s strategic partnerships. The COMPASS Dataset shares similarities with established datasets like the ACLED and UCDP by focusing on the systematic tracking and analysis of risks associated with Serbia’s foreign, security, and economic policies. However, it fills a niche by specifically addressing the complexities and unique challenges of Serbia’s interactions with major global players, such as the European Union and China, which are often overlooked in broader datasets. Table 1 summarises key features across these four datasets.

Table 1: Summary of key specifics of well-known datasets and COMPASS Dataset

Dataset	Focus	Data Source	Analytical Unit	Update Frequency
ACLED	Political violence & protests	Local media reports, NGOs	Individual events	Weekly
V-Dem	Democracy indicators	Expert coding	Country-year	Annual
UCDP	Armed conflicts and risks	Expert coding	Country-year	Annual
Polity	Regime authority & transitions	Historical records & assessments	Country-year	Annual
GDELT	Global news events & sentiments	News media (print/broadcast/web)	Events & themes	Every 15 minutes
COMPASS	Contingencies and risks for Serbia’s position in the international system	Expert coding; open source news; institutional reports and announcements; Delphi method	Contingency: event, process, statement, meeting, institutional activity	Real-time data with a maximum one- to two-month lag

Source: Compiled by the author

The COMPASS dataset captures a wide array of variables organised into three main groups: Technical Variables, Risk-Related Variables, and Attributive Variables, each serving distinct purposes for analysing the relationships between Serbia, the EU, and China in politics, security, and economics (Lađevac et al. 2024). This section outlines the significance and mechanics of each variable type, demonstrating how they collectively enhance the dataset's ability to analyse Serbia's foreign, security, and economic policy contingencies.

Technical Variables are foundational elements that provide metadata for the dataset (Lađevac and Stekić 2024). These variables ensure the integrity, organisation, and traceability of the data. The variable *no* assigns an ordinal number to each contingency, allowing for systematic organisation within the dataset. As a unique alphanumeric identifier, *compassID* enables precise referencing of individual contingencies, ensuring unambiguous tracking throughout the dataset (2024: 7). Further, the *lastEdit* variable records the date of the most recent modification made to a contingency's attributes, thus maintaining an audit trail of changes over time (2024: 7). The *enteredBy* variable captures the initials of the team member responsible for entering the data, fostering accountability within the dataset's curation process (2024: 7).

Risk-Related Variables are designed to capture and evaluate the risks associated with each contingency, making them central to the dataset's capacity for risk assessment and management (Lađevac and Stekić 2024). The variables *riskProb1*, *riskProb2*, and *riskProb3* quantify the likelihood of various risks, each assessed independently, reflecting different phases or dimensions of risk exposure (2024: 9). Correspondingly, *riskConseq1*, *riskConseq2*, and *riskConseq3* evaluate the potential consequences or impacts should these risks materialise, providing a comprehensive understanding of the severity of risks in the context of Serbia's interactions with international actors (2024: 9). These assessments culminate in the *overallCOMPASSrisk* variables, which aggregate likelihood and consequence assessments into an overarching risk score for each contingency (2024: 9). Additional variables such as *ifDisputed* and *disputedDesc* track whether disputes exist regarding the risk assessments and provide descriptive details about such disputes, enhancing the transparency and robustness of the risk evaluation process. The *riskMitigation* variable indicates whether risk mitigation strategies are in place, supporting a proactive approach to managing identified risks (2024: 9). The *hasRiskTerm* variable is a binary indicator that signifies whether a specific risk has a defined

term, with values coded as 0 (no) or 1 (yes), while *riskTermLevel* categorises the duration of the risk term into 1 (short-term), 2 (medium-term), or 3 (long-term), thus providing insight into the temporal scope of the risk (2024: 9, 10).

Attributive Variables serve to describe the contingencies themselves, offering detailed contextual information for analysis (2024: 11). The *shortName* and *description* variables provide a concise title and a general summary of the contingency, respectively, while *longDesc* offers a more comprehensive description where needed. To facilitate thematic analysis, the dataset categorises contingencies into three broad areas—*politics*, *security*, and *economics*—through the *area* variable, with further granularity provided by the *subArea* variable, which allows for more specific classification, such as human security or foreign direct investment (2024: 11). The *actor/s* variable identifies the key stakeholders involved in each event, ranging from statesmen to international organisations, while *geoRef* specifies the geographical relevance of the contingency, typically distinguishing between China and the EU. Finally, the *year*, *month*, and *day* variables capture the temporal occurrence of each event, enabling longitudinal analysis of trends and developments over time (2024: 11). Variable *ifCont* is another binary variable that denotes whether a contingency is subject to risk assessment (0 for no, 1 for yes), indicating its relevance to risk management. The *hasDesc* variable identifies whether a description exists for a contingency, helping to provide context, and *hasSrb* serves a similar function by indicating if a Serbian language description is available. When *hasSrb* equals 1, the *srbDescr* variable provides the actual Serbian textual description, enhancing regional and linguistic accessibility. Finally, *relatedCont* lists any contingencies that are related or connected to the current one, aiding in the analysis of interdependencies between events (Lađevac and Stekić 2024).

Table 2. COMPASS Dataset variables

Group	Variable Name	Description
Technical variables	<i>no</i>	Ordinal number of the contingency within the COMPASS Dataset
	<i>compassID</i>	Unique identifier of the contingency in the Dataset
	<i>lastEdit</i>	Date of last edit of the contingency attributes
	<i>enteredBy</i>	Initials of the team member who coded the contingency
Risk-related variables	<i>riskProb1, riskProb2, riskProb3</i>	Likelihood of risk occurrence for different risks
	<i>riskConseq1, (2), (3)</i>	Consequence of risk occurrence for different risks
	<i>overallCOMPASSrisk1, (2), (3)</i>	Overall risk assessment for different risks
	<i>ifDisputed</i>	Whether the attributed risk is disputed
	<i>disputedDesc</i>	Description of the state of dispute, if applicable
	<i>hasRiskTerm</i>	Whether there is a specific term associated with each risk
	<i>riskTermLevel</i>	Level of the risk term, if applicable
	<i>riskMitigation</i>	Whether there is a specific contingency plan or mitigation strategy associated with each risk
Attributive variables	<i>shortName</i>	Short name of the contingency
	<i>description</i>	Description of the contingency
	<i>longDesc</i>	Long description of the contingency, if available
	<i>ifCont</i>	Whether the contingency undergoes risk assessment
	<i>area</i>	Categorisation of the contingency into politics, security, or economy
	<i>subArea</i>	Predefined sub-areas within which the contingency falls
	<i>actor/s</i>	Actors or entities associated with the contingency

Group	Variable Name	Description
Attributive variables	<i>geoRef</i>	Geographic actor relevant to the contingency
	<i>year</i>	Year of the contingency
	<i>month</i>	Month of the contingency
	<i>day (IA)</i>	Day of the contingency, if applicable
	<i>hasDesc</i>	Whether the contingency has a description
	<i>hasSrb</i>	Whether the contingency has a Serbian description
	<i>srbDescr</i>	Serbian description of the contingency, if available
	<i>relatedCont</i>	Related contingencies, if applicable

Source: Lađevac and Stekić 2024

The dataset, hosted on the COMPASS Platform at data.serbiacompass.com, is curated to serve a diverse range of users, including scholars, students, university teachers, state institutions and bodies, media professionals, and the general public (COMPASS Project 2024).

Designed with inclusivity and accessibility in mind, it is freely accessible to anyone interested in gaining insights into the subject matter it covers. Its open-access nature underscores a commitment to transparency and democratisation of knowledge, allowing users to explore and analyse the data without any restrictions. Methodologically, the COMPASS Dataset is bolstered by its incorporation of expert-driven insights (Lađevac et al. 2024). The Delphi method, a structured and iterative process for eliciting expert consensus, is utilised to refine risk assessments. Through multiple rounds of consultation, experts provide cumulative evaluations, allowing the mapping of the key risk areas in Serbia’s foreign relations. Additionally, public opinion surveys are conducted to juxtapose expert opinions with the general public’s perspectives, ensuring a more holistic view of the potential risks.

Accessibility and Utility

The COMPASS Dataset represents a substantial empirical resource that facilitates academic research and study within the fields of international relations, political science, and risk management. Scholars can use the dataset

to conduct a rigorous analysis of contingencies impacting Serbia's foreign policy, economic interests, and security. By offering granular data on the likelihood, consequences, and overall risk of specific events, the COMPASS Dataset enables researchers to identify patterns, draw comparisons, and contribute to scholarly discourse on state-level risk management (Ladevac et al. 2024). Moreover, the dataset's disaggregated nature allows a deep investigation into how individual contingencies shape the broader strategic landscape. This wealth of data opens up possibilities for academic publications, conference presentations, and research collaborations, providing a robust foundation for contributing to the theoretical and practical understanding of risk in international relations.

The COMPASS Dataset offers university educators a valuable resource for enhancing their curriculum by integrating real-world data into the classroom. By providing detailed case studies and examples of contingencies affecting Serbia's international relations, the dataset allows educators to contextualise theoretical concepts within practical scenarios. This approach encourages critical thinking and analytical skills among students, who can engage with the dataset through assignments, research projects, or interactive learning sessions. In addition to enriching lecture materials, the dataset can be utilised in seminars and workshops, enabling students to explore the intricacies of foreign policy decision-making processes and risk assessments. Through the use of the COMPASS Dataset, educators can bring real-time geopolitical developments into academic settings, fostering a more dynamic and applied learning environment.

For policymakers and governmental bodies, the COMPASS Dataset offers invaluable insights into Serbia's strategic partnerships and the associated risks. State institutions can leverage this empirical data to inform policy-making, strategic planning, and decision-making processes. By providing detailed information on individual contingencies—such as political agreements, security pacts, or economic collaborations—the dataset helps policymakers assess the probability and consequences of various risks to Serbia's national interests. This granular analysis enables the development of targeted strategies to mitigate potential threats, address emerging challenges, and strengthen governance effectiveness. Additionally, the ability to track historical and ongoing contingencies allows state actors to monitor trends

and adjust policies as new data becomes available, ensuring that Serbia remains agile in a rapidly shifting geopolitical landscape.

The COMPASS Dataset is a vital tool for media professionals engaged in investigative journalism and reporting on international relations (COMPASS Project 2024). By providing access to disaggregated and detailed data on specific contingencies, journalists can use the dataset to craft well-researched, in-depth analyses of events affecting Serbia's foreign policy, economic agreements, and security posture. The dataset's transparent and accessible nature makes it an essential resource for producing accurate, evidence-based reports that inform public discourse. Media outlets can also use the dataset to highlight emerging risks, identify trends in Serbia's international partnerships, and provide expert commentary on how these factors may shape the country's future strategic direction. Ultimately, the COMPASS Dataset enhances the quality of journalism by enabling reporters to ground their narratives in robust empirical data, offering the public a clearer understanding of Serbia's role in global affairs.

The COMPASS Dataset democratizes access to information by allowing the general public to explore and engage with data previously inaccessible (COMPASS Project 2024). Whether driven by personal interest, civic engagement, or educational pursuits, individuals from diverse backgrounds can use the dataset to gain a deeper understanding of Serbia's international relations. The open-access platform empowers users to explore contingencies and risks relevant to Serbia's politics, security, and economic policies, fostering greater transparency and public awareness. By providing an avenue for curiosity-driven inquiry, the dataset enables users to examine real-world geopolitical events, understand their potential impacts, and stay informed about Serbia's evolving strategic landscape. This resource not only enhances public knowledge but also encourages informed civic participation and dialogue on issues of national importance.

One of the COMPASS Dataset's most significant strengths is its design for continual expansion. The dataset is constantly updated with new contingencies, ensuring it remains relevant in evolving geopolitical dynamics. This adaptability makes it a crucial tool for stakeholders who need up-to-date information on Serbia's foreign policy landscape.

CONCLUSION

The COMPASS Dataset is a key breakthrough in data-driven policy analysis and risk management relating to Serbia's relations with the European Union and China. It provides a detailed and comprehensive tool for understanding the intricacies of international relations by systematically recording and categorising a wide range of potentially conceived risks across political, security, and economic domains. The fine design of this dataset, containing 33 differentiated variables with detailed descriptions for each eventuality, is unlikely to be matched in granularity and depth, thus becoming such a useful tool for researchers, policymakers, and educators alike. The underpinning of robust data collection methodologies and emphasis on accuracy and comprehensiveness underscore the reliability and usefulness of this dataset.

With open access offered to many different kinds of users, the academic community, state institutions, and citizens, the COMPASS Dataset enables transparency toward a better society that is more informed and more engaged. This enables users to explore intricate details of the foreign policy landscape in Serbia, furthering evidence-based decision-making and strategic planning. It is an open-access resource hosted on the COMPASS platform.² With this dataset, one can appreciate that it is open to a very wide and heterogeneous audience or users, thereby increasing its potential impact on any research effort within the academic community, policy development, and public discourses. The COMPASS Dataset not only offers a comprehensive framework for indexing Serbia's policies but also provides a cutting-edge tool for analysing and categorising risks in Serbia's foreign policy. Leveraging vast amounts of granular data on small-level contingencies enhances the empirical foundation for understanding the complexities of international relations and risk management. For policymakers, this dataset offers a refined and detailed perspective, enabling them to craft strategies that anticipate and mitigate emerging foreign policy challenges.

In academic contexts, researchers gain access to an enriched data source for exploring the nuanced dynamics of Serbia's international positioning. Educators, in turn, can integrate real-world data into their curriculum, using the dataset's insights to highlight case studies and engage students in practical

² Available at: data.serbiacompass.com

applications of foreign policy analysis. Moreover, the COMPASS Dataset is designed for continual expansion, ensuring its relevance in rapidly evolving geopolitical landscapes, thus supporting state institutions in staying ahead of global shifts.

This type of continuous development will unquestionably help users understand and keep pace with new trends and risks, further cementing the role of such a dataset as one of the key instruments in strategic analysis and policy development. As an open dataset, it readily underpins collaboration and data sharing for more cooperative approaches toward global challenges. The COMPASS Dataset provides a much-needed contribution to the social sciences, mainly in international relations and risk assessment. Its granular and structured way of data capture and data analysis provides a very powerful tool for enhancing Serbia's policy responses and strategic decisions. Given the fact that this is going to be an evolving dataset, it will, without doubt, have an increasingly vital role in shaping fairly informed and efficient policies in an ever-changing global environment. With the magnitude of the data collected, the COMPASS Dataset represents not only the state of the risks Serbia faces but also a development path toward the promotion of informed and forward-looking policymaking that, in turn, can help such a country increase its resilience and strategically position itself at the global level.

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