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Sino–Russian Interests in Serbia
Competitive, Coordinated or Complementary?

Veerle Nouwens and Emily Ferris
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Executive Summary

SERBIA SOMETIMES APPEARS to be a country caught between Russia and China, the two most powerful players in Eurasia. Yet, as this paper demonstrates, it seems Serbia is able to balance the interests of these powerful players across its political, defence and economic spheres for its own benefit. This is largely because – at least for the time being – all three countries’ interests are broadly aligned. There appears to be little scope for competition between Russia and China over the Serbian market in specific sectors, particularly as Moscow’s entrenched presence in Serbia’s energy market has made it difficult for Beijing to gain access. But Russia and China also appear to be keen to avoid confrontation over assets in Serbia, and their fundamental approaches to the country are different and rarely overlap.

As part of a series of studies on Russian and Chinese strategic influence and interference in Europe, this paper examines four key areas of Russian and Chinese interests in Serbia and analyses where they converge and diverge. Ultimately, this paper seeks to disaggregate Russian and Chinese political, defence, cultural and educational interests in Serbia and challenge the assumption that these interests are always malign or not accepted by the host country.

While Russia’s approach to Serbia can occasionally cause political frictions and seem at odds with its stated foreign policy goals, Moscow is nevertheless keen to ensure Belgrade retains close links to the Kremlin and remains a comfortable buffer against NATO expansion in Europe.

But in terms of tangible outputs, Russia has given Serbia few concrete promises about deepening security or defence alliances. Despite hype over arms deals, Russia is content to give Serbia its cast-offs rather than modern equipment, and the depth of Moscow’s security relationship with Belgrade can often be overstated. Russia sees value in maintaining Serbia as a political ally, which has become more pressing given Moscow’s own diplomatic isolation. But Serbia’s relatively low international clout and lack of serious economic prospects mean that the appearance of increasing Russian activity may be more symbolic than serious. Russia has numerous and wide-ranging strategic interests in the Balkan region, and by extension in Serbia. However, Russia’s interest (and ability) to use these levers of influence to effect day-to-day change in Serbia is somewhat restricted, both by its own ambitions and by pushback from Serbia.

Serbia’s political relationship with China carries value in international forums and demonstrates that China perceives Serbia as a reliable partner in Europe on key issues. In addition, China is interested in Serbia as a market for its economic investments, as a key country within Beijing’s 17+1 framework, and as a potential future springboard into the EU. China appears to have chosen to focus on more niche areas of energy infrastructure where Russia is not a key player, while investing heavily in transport and technology infrastructure, as well as mining. China also sees Serbia as a security partner and main European client of Chinese defence sales.
operating and investing in Serbia, this market may become a future springboard for third-country sales – potentially elsewhere in Europe.

Although China cannot compete with the linguistic and cultural advantages that Russia has in Serbia, there is little evidence that it is even attempting to do so. The educational and language initiatives that China is promoting in Serbia are relatively piecemeal and are part of a wider global effort to increase Beijing’s soft power, rather than an attempt to chip away at Russia’s ties to Serbia. Instead, China seeks to build deeper exchanges with Serbia in fields of emerging science and technology, such as artificial intelligence (AI), which stands to benefit both sides.

It is clear that in some areas, Russia and China seem to be purposefully coordinating over Serbia and appear keen to avoid open competition. This could be because Serbia is not a particular priority for either of them, when there are more powerful allies to cultivate. But their different strategic approaches to Serbia are broadly in pursuit of the same goal – ensuring that Serbia's economy remains stable, and that they both have an ally in international forums that can support their political goals.
SERBIA HAS HAD a turbulent history since the dissolution of the Soviet Union. The declining influence of communism prompted a resurgence of Serbian nationalism in the early 1990s, with hundreds of thousands of people displaced during the subsequent civil wars.¹

NATO’s bombing of Yugoslavia during the 1999 Kosovo conflict – which laid bare Moscow’s own military weaknesses – marked a shift in Russia’s political dominance of the Balkans, as stakeholders such as the EU provided funding and other forms of economic support and became increasingly influential.² Since then, Russia has attempted to renegotiate its position in Serbia by counterbalancing the EU’s influence and furthering its own regional goals.

Following the NATO bombing of the Chinese Embassy in Belgrade during the Kosovo War, Serbia and China’s relationship has grown from strength to strength. As with Belgrade’s links to Russia, China and Serbia’s comprehensive strategic partnership provides Belgrade with a counterweight to the EU. China also gains a valuable market entry point into Europe and a European voice of support for its core interests.

Since Russia’s annexation of Crimea and military intervention in eastern Ukraine in 2014, many regional neighbours in Europe have expressed growing concerns about their vulnerability to Moscow’s international reach, particularly the Kremlin’s ability to influence political processes abroad.³ In a similar way, China’s interests abroad are often framed as an attempt to exert pressure on other political systems. Increasingly, overlapping Russian and Chinese interests abroad have sparked discussions over whether Moscow and Beijing are working together to bolster an anti-Western agenda, and conversely where the limits of cooperation between the two may turn into competition.

Given the nature of their political systems, China and Russia’s activities abroad are often cast in a negative light, which can drive the assumption of malign intent, as well as overstate their ability to influence other countries’ political processes. There are occasions where Russia and China do have strategic or opportunistic interests in involving themselves in political processes abroad. But it is important not to conflate increasing activity with undue influence. While Russia and China have their own strategic interests in Serbia, their involvement can offer an economically lucrative and politically important opportunity to gain the attention of two major international

². Maria Giulia Amadio Viceré, The Future is Back: The EU, Russia and the Kosovo-Serbia Dispute (Rome: Istiuto Affari Internazionali, 2019).
players. Serbia displays agency in its relations with the two larger powers and has been able to navigate both China and Russia successfully, without causing them to come into conflict.

This paper looks at four key areas of Russian and Chinese interests in Serbia. The authors seek to unpack where the interests converge and diverge, as well as understand some of the pushback (and acquiescence) to their presence from Serbia itself. Ultimately, this paper seeks to: disaggregate Russian and Chinese political, defence, cultural and educational interests in Serbia; challenge the assumption that these interests are always malign or not accepted by the host country; and dispute the perception that Serbia is caught between two powers.

To unpack the dynamics between these three actors, this paper identifies China and Russia’s strategies towards Serbia, and takes into account Belgrade’s own management of the relationship. The paper first identifies China and Russia’s political approach to Serbia, some of the key government stakeholders involved and Belgrade’s own contribution to the relationship. The second chapter analyses China and Russia’s defence and security approach to Serbia, going beyond arms sales to examine how deep this relationship might go. The third chapter looks at China and Russia’s economic and trade relationship with Serbia and identifies the sectors in which they are most prevalent, but also where Moscow and Beijing appear to be cooperating. The fourth chapter focuses on the people-to-people elements of the relationship, including the importance of the Russian Orthodox Church and China’s Confucius Institutes, detailing their role in strengthening bilateral cultural and educational ties.

The research for this paper relied on a qualitative exploratory methodology, drawing on publicly available primary and secondary sources from governments, business, academia and the media. The authors’ linguistic capabilities have allowed the paper to benefit from the inclusion of original sources in Russian, Chinese and Serbian, as well as English. Assessing China and Russia’s ‘impact’ or ‘influence’ often requires a degree of inference. However, this paper does not assume direct causality between Chinese and Russian actions and their influence in Serbia. Nevertheless, these activities do reveal much about their approach to Serbia, and the extent to which they view Serbia as part of their longer-term political and economic goals.
I. Politics

SERBIA HAS ONLY limited regional and global political clout, and so requires external support from strong partners to lobby for its core and foreign policy interests. This includes its relationships with major regional actors such as the EU, NATO and Russia, as well as newer actors like China. While Serbia has not been a full member of the Non-Aligned Movement since the breakup of the Yugoslavia, it remains an observer member. This membership allows Serbia to maintain a stake in global issues, while keeping greater autonomy in its foreign policy, should it desire to balance with or stand against certain powers. Economically, this is key. Serbia is in search of greater economic investment, as its existing structural weaknesses were exacerbated by the 2008 financial crisis. But public sector reforms will be a key requirement for Serbia in its EU accession process, and its economic reforms must address more than simply structural inefficiencies. Indeed, Serbia’s economy remains heavily focused on the agricultural sector and its GDP is roughly half that of its neighbouring countries in Central and Eastern Europe, and one third of many Western European countries. The political and economic utility of external relationships therefore boosts Serbia’s regional standing, and helps to ensure it garners support for its core interests on the international scene.

Since the end of the Cold War, Russia has maintained a stake in the Balkans, but the Kremlin has in recent years refocused its approach to Serbia. Following Russia’s annexation of Crimea, military intervention in eastern Ukraine and the resultant rounds of international sanctions, Moscow has been obliged to seek other trade and political partners. Serbia is a relatively small part of this broader strategy. Russia aims to ensure that their bilateral relationship remains positive, and that Serbia does not turn too closely to the West for political or financial assistance. But while Russia’s presence in the Balkans is not new, there are some ways in which its levers of influence are changing.

The Kremlin tends to play up the importance of Serbia and Russia’s Slavic roots and centuries-old relationship, as well as promoting the narrative that the West is undermining regional stability.

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6. Ibid.
8. Ibid.
by supporting Kosovo’s independence. It claims that Russia is the only guarantor of Serbia’s territorial integrity.\(^\text{10}\)

Russia is a powerful international ally for Serbia and has frequently used its veto on the UN Security Council to further Belgrade’s political goals. For example, in 2015, Russia vetoed a UN resolution that would have officially termed the Srebrenica massacre a genocide, as ruled by the UN war crimes tribunal in 2004.\(^\text{11}\) In turn, Serbia reinforces Russia’s diplomatic positions on international affairs. Serbian President Aleksandar Vučić frequently meets Russian President Vladimir Putin, calling him a ‘true friend of Serbia’.\(^\text{12}\) The Serbian government declined to introduce sanctions against Russia in 2014 for its actions in eastern Ukraine and Crimea, in contrast to most other European states.\(^\text{13}\) In October 2019, Serbia opposed a UN resolution requiring Russia to withdraw its military presence from Crimea and return equipment that it had allegedly removed from ships it had captured from the Ukrainian navy.\(^\text{14}\) All of this indicates Serbia’s willingness to align itself diplomatically to Russia, even if this runs counter to popular European opinion.

But Russia’s foreign policy approach to Serbia is consistent with its strategy in Belarus and Ukraine. Russia considers these countries to be part of a ‘Slavic Brotherhood’, and has sought to cultivate more formal and deeper political, cultural and economic links with them following the dissolution of the Soviet Union. While Serbia is important as a useful springboard for Russia’s broader ambitions in the Balkans (and Europe), the bilateral relationship is convenient for Russia. It does not reflect a serious attempt to integrate Serbia into Russian political structures.

Russia does have clear strategic interests in keeping Serbia close. The first is a way of preventing NATO from expanding further into the region, which is more important than any particular political or economic interest in the Balkans themselves. Putin has repeatedly criticised NATO’s regional expansion for what he views as an attempt to undermine Moscow’s influence.\(^\text{15}\) Russia has an interest in curtailing Western influence in neighbouring countries, such as North Macedonia and

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13. Ibid.
Montenegro, with the aim of displacing established strategic security arrangements in Europe.\textsuperscript{16} Second, maintaining a strong link to Serbia supports Putin’s claim that he is the defender of Orthodox Christianity, and the leader of a group of like-minded countries that do not look to the West for their political or moral building blocks.\textsuperscript{17} Third, Russia’s economic dominance of Serbia’s energy sector hinders any attempt by the EU to establish an energy corridor in this region.\textsuperscript{18}

For Serbia, aside from acting as a relatively reliable arms supplier (see Chapter II), a link with Moscow is useful in providing Belgrade with some leverage over NATO and the EU. Many European countries, while concerned by the possibility of a territorial exchange between Serbia and Kosovo, have remained largely silent in the debate. They are likely apprehensive about a potential Russian response and eager not to give Moscow a justification for becoming further entrenched in the region.\textsuperscript{19} Having a powerful ally wade into the complex territorial debate has been useful for Serbia.

But sometimes, Russia’s approach to Serbia can seem at odds with its stated drive for a better diplomatic relationship. A good example of this was in Montenegro in 2016, when Russian military intelligence officers attempted to organise an ultimately unsuccessful coup to prevent the country from joining NATO.\textsuperscript{20} This was thought to be sanctioned at the highest levels of the Russian government, but it undermined regional trust in Moscow across the Balkans. This included Serbia – the government deported several Russians thought to have been involved in the case.\textsuperscript{21}

While these incidents alone might not fundamentally damage relations, the presence of Russian intelligence agents highlights both Moscow’s lack of trust in Serbia, a supposedly close ally, and the occasionally contradictory nature of the Kremlin’s foreign policy.

China has been expanding its political engagement in the Balkans in recent years, through more formal arrangements. Serbia is part of a wider Chinese objective to increase economic investments and establish deeper political bilateral relationships with countries in and around Europe. Chinese political influence includes political partnerships such as the Belt and Road Initiative (BRI) and the 17+1 framework between China and 17 Central and Eastern European

\begin{thebibliography}{99}
\bibitem{17} Alexis Mrachek and Shane McCrum, ‘How Putin Uses Russian Orthodoxy to Grow His Empire’, The Heritage Foundation, 22 February 2019.
\bibitem{18} European Parliament, \textit{Energy as a Tool of Foreign Policy of Authoritarian States, in Particular Russia} (Brussels: European Parliament’s Committee on Foreign Affairs, 2018).
\bibitem{19} \textit{Ibid}.
\end{thebibliography}
countries, including its newest member, Greece. This multilateral cooperative grouping was established in 2012 and includes both EU member states (11) and countries poised for accession. Serbia is seen as a leading state within the framework, and its Euroscepticism may offer space for greater partnership with China. Serbia and China cemented their relationship in 2009 by establishing a strategic partnership and elevated this to the level of a comprehensive strategic partnership in 2016. Serbia liberalised its visa regime for China the following year.

This comprehensive strategic partnership with Serbia is one of 60 that China has signed as of 2019. While China supports Serbia’s opposition to Kosovo’s independence, Belgrade supports Beijing on issues such as the South China Sea disputes, as well as the issue of territorial sovereignty over Tibet and Xinjiang. Serbia signed a joint statement with Belarus to the UN Third Committee in October 2019, where 55 countries expressed support for China’s ‘counter-terrorism and deradicalization measures’ in Xinjiang. Former Serbian Deputy Prime Minister Božidar Đelić stated in 2009 that ‘just as Serbia supports the one-China policy, China supports Serbia as its best and most stable friend in south-eastern Europe’.

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changed and was reasserted in 2019, when Vučić reportedly noted that the Serbian government, people and military support the ‘one China policy’ and other Chinese core interests.

Vučić described the relationship with China as one that is ‘equal to brotherhood’ and ‘a bond of friendship like steel’. This phrasing was reiterated during the coronavirus crisis, when Vučić noted that EU solidarity was a fairy tale and that Serbia could rely only on its friendship with China to deal with the pandemic. Vučić’s statements seem to echo terminology he has used to describe Serbia’s relationship with Russia, although Moscow still has a historical and cultural advantage in this space over China. However, this may explain the growing bilateral relationship with China. Indeed, some Serbian observers note that Belgrade’s growing ties with Beijing help Serbia counterbalance an overreliance on Russia.

Public perceptions also matter. Both Russia and China are viewed positively within Serbian society. According to a 2015 survey by the International Republican Institute (IRI), respondents said that Serbia’s interests were best served by maintaining a strong relationship with Russia (94%) and China (89%), followed by the EU (71%) and US (65%). A 2017 survey by the Belgrade Centre for Security Policy showed similar results, with 52% of respondents responding positively to China’s influence on Serbian foreign policy. These trends have continued according to a more recent 2020 poll by the IRI, which indicated that Russia (80%) and China (62%) were Belgrade’s most important political partners. Moreover, China was seen as posing the smallest political threat to Serbia (6%) with Russia in second place (9%). At the same time, the US (62%) and Germany (29%) were seen as the greatest threats. Overall, China is viewed as a benevolent partner that reciprocates support on core political matters, and whose economic investments come without strings attached.

34. Jelena Milic, ‘China is Not Replacing the West in Serbia’, The Diplomat, 3 April 2020.
36. Ibid.
However, these opinion polls take place against a backdrop of growing executive power and state control over public narratives in Serbia. Freedom House has expressed concern over the erosion of democracy in Serbia, and in 2019 demoted the country from ‘free’ to ‘partly free’ due to narrowing space for the media, political opposition and the president’s counter-constitutional accumulation of executive powers.\(^{39}\) This could account for the stated pro-Russian and Chinese public sentiment, as this is a position heavily supported by the government in the media.

But while Russian and Chinese officials have expressed notional political support for Serbia, their actions carry much more weight. This is most clearly evidenced by post-conflict negotiations over Kosovo, and the way that Russia and China have aligned themselves with Serbia.

### The Kosovo Question

Serbia does not recognise the independence of neighbouring Kosovo and relies on Russia’s veto power to block any international recognition of what it calls a ‘breakaway province’.\(^ {40}\) Russia has consistently vetoed any UN Security Council resolutions on Kosovo, maintaining that NATO’s 1999 intervention was a sign that the West would not take its views seriously.\(^ {41}\) Russia’s proposal at the UN to cease military action in then-Yugoslavia was ignored, prompting Moscow to have greater scrutiny over developments in Kosovo in a bid to increase the Kremlin’s international reach, rather than having a real interest in resolving the conflict.\(^ {42}\)

Russia’s influence over the Kosovo debate also tends to marginalise those Serbian politicians interested in a compromise over the breakaway state. This encourages elements of Serbian politics eager to restore Serbia’s control over Kosovo. Should the border conflict end, it would reduce one of the Kremlin’s key levers of influence, and so Russia must maintain its stake in the discussion.

The Kosovo question is also part of the historical Sino–Serbian relationship. Although diplomatic relations have improved since the 1980s, then President Slobodan Milošević’s ability to garner support and recognition of Serbia two years after the 1995 Dayton peace agreement strengthened the relationship. The accidental Chinese embassy bombing in 1999 by the US, on behalf of NATO’s efforts in former Yugoslavia, cemented the relationship between Belgrade and Beijing.\(^ {43}\)

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43. Le Corre and Vuksanovic, ‘Serbia: China’s Open Door to the Balkans’. 
China also tends to support Serbia’s position on Kosovo in international forums, and it has continuously objected to Kosovar independence in international organisations.\textsuperscript{44} Chinese official statements noted that such matters should be dealt with by the parties concerned, as part of China’s often-cited principle of non-interference in the internal affairs of other countries.\textsuperscript{45} However, Beijing’s position was likely also driven by the fear of secession movements within China that have the potential to attract support from the international community.\textsuperscript{46} China and Serbia also agree on many international political issues that concern Russia – in 2019, China also voted against a UN General Assembly resolution that called on Russia to withdraw its forces from Crimea.\textsuperscript{47}

Russia and China have also waded into Serbia’s political negotiations with other neighbouring territories, such as Republika Srpska, the semi-autonomous Serbian-dominated region within Bosnia. Beijing has had particular economic interests in Republika Srpska since 2016, when then President Milorad Dodik visited China to explore prospects for investment.\textsuperscript{48} Since then, the sides have signed plans for infrastructure projects and many are underway, from hydropower plants\textsuperscript{49} to road infrastructure\textsuperscript{50} and a hospital.\textsuperscript{51} China also plans to fund Chinese-language

\begin{itemize}
\item \textsuperscript{44} Claudia Patricolo, ‘Time for the EU to Offer CEE an Alternative to China’, \textit{Emerging Europe}, 17 January 2020.
\item \textsuperscript{47} UN, ‘Problem of Militarization of the Autonomous Republic of Crimea and the City of Sevastopol, Ukraine, as well as Parts of the Black Sea and the Sea of Azov: Resolution/Adopted by the General Assembly’, A/RES/74/1709, 9 December 2019.
\item \textsuperscript{49} Igor Todorovic, ‘China Inks First Deal for Three HPPs in Srpska in BiH Worth EUR 100 Million’, \textit{Balkan Energy News}, 6 December 2019.
\end{itemize}
teaching in schools.\textsuperscript{52} This does not necessarily mean that China would support Republika Srpska’s independence, given Beijing’s negative position on sovereignty questions and its resistance to separatism and secession movements, as in the case of Kosovo.

Russia also appears to be increasingly involved in political and financial negotiations with the Bosnian Serbs. Dodik is the Serbian member of Bosnia’s tripartite presidency, and has been under US sanctions since 2017 because of his obstruction of the 1995 peace agreements that ended the war in Bosnia and Herzegovina.\textsuperscript{53} Dodik appears to view Russia as a supportive voice on the UN Security Council for the promotion of Republika Srpska’s independence.\textsuperscript{54} In 2016, Dodik travelled to Moscow, most likely to garner support for a referendum to change the date of a national holiday marking Bosnian Serb independence – a controversial topic, as it is viewed as excluding other Muslim and Catholic Croat minority groups.\textsuperscript{55} However, although Dodik has turned to Moscow for assistance, Russia has given few indications that it intends to aid Republika Srpska in these ambitions.

Russia is constructing a cultural centre and five-domed church in Republika Srpska and is the largest foreign investor in the territory. But there are no indications that Russia supports the breakup of Bosnia, especially given the arguments it has used against Kosovo independence.\textsuperscript{56} Given Russia’s involvement in other conflicts abroad, including Crimea, eastern Ukraine and Syria, entering yet another conflict would likely be expensive, diplomatically unwise and lacking in public support. It is more likely that Russia would push to maintain the status quo of a weak and divided Bosnia that has little hope of NATO membership.

\section*{Strategic Stakeholders}

China and Russia’s involvement in Serbia does not just take place at the official government-to-government level, nor is it defined solely by the matter of Kosovo. Moscow and Beijing are actively building political ties with strategic stakeholders across the political spectrum. This affords all sides a measure of flexibility and pragmatism that might be more

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enduring should a government or policy change. Given this, there are several important individuals within both the Russian and Chinese administrations tasked with overseeing the relationship with Serbia. They are worth discussing in the context of developing closer ties.

Nikolai Patrushev, the head of Russia’s Security Council and former chief of the Federal Security Services (FSB), is thought to have been tasked with spearheading Russia’s Balkans policy. Patrushev is a hawk who is often critical of NATO’s behaviour in Europe, but is not a Balkans expert. However, he is often called upon during diplomatic incidents. For example, following allegations over Russia’s involvement in the coup in Montenegro in 2016, Patrushev travelled to Serbia to meet senior officials in an attempt to smooth over relations.

The appointment of Leonid Reshetnikov to Russia’s Security Council in recent years also suggests that Moscow is refocusing some attention on the Balkans. Reshetnikov is a Serbian-speaking Balkans expert and former intelligence officer, who was the director of the Russian Institute for Strategic Research (RISI), a research think tank with close links to the security services (specifically the SVR, the foreign intelligence services) and to the Russian Presidential Administration. Serbia appears to be the focus of many of Reshetnikov’s media activities, and he has written articles and given interviews to Russian Orthodox Church websites, extolling the virtues of Russia and Serbia’s Orthodox links. Since 2013, RISI has had a representative office in Belgrade, suggesting that Kremlin-affiliated institutions have some interest in promoting religious issues in Serbia. RISI’s presence in Serbia alone does not suggest a high degree of influence over the think tank world there. While technically linked to the Kremlin, RISI is largely believed to be a relatively toothless agency that does not have a serious role in policymaking in Russia, and whose views are not considered to be particularly mainstream.

The appointment of specific individuals as ambassadors abroad can also give a sense of the Kremlin’s shifting approach towards a country. Russia’s ambassador to Serbia, Alexander Botsan-Kharchenko, was appointed in July 2019 and is also a Balkans expert who worked on the subject at the Russian Ministry of Foreign Affairs. Like Russia, China has recognised the need to gain a good understanding of local nuances, and has selected an ambassador to Serbia with a strong understanding of regional dynamics. Prior to her Belgrade posting, Ambassador Chen Bo

58. Ibid.
served as Beijing’s envoy to Bosnia and Herzegovina. These careful diplomatic selections indicate that both China and Russia are keen to gain deeper insights into Serbia.

There are also individual ministers within the Serbian coalition government that have personal and economic links to Russia, and who advocate for deeper bilateral ties. Nenad Popović is the minister for innovation and technological development and president of the Serbian People’s Party, a junior government coalition partner. He supports giving diplomatic status to a Russian–Serbian Humanitarian Center in Republika Srpska, and including Russia in negotiations between Belgrade and Pristina. He personally led the Friendship Group with Russia, for which he was awarded a medal by Putin in 2010 for his contribution to improving bilateral socio-economic ties. Most recently, during the Serbian People’s Party congress in December 2019, he invited foreign politicians to attend, including a delegation from United Russia – the ruling party in Russia.

Serbia’s political links with China are often party-based, overseen by Vučić. In October 2019, a Chinese Communist Party (CCP) delegation met Vučić and Prime Minister Ana Brnabić to affirm their commitment as bilateral partners. The ruling Serbian Progressive Party (SPP) has close links to the National Council for Coordination with Russia and China. It is headed by former Serbian President Tomislav Nikolić, who co-founded the SPP with Vučić, still a close political ally. The Council brings together Serbian government departments to coordinate the Strategic Partnership Agreement between Serbia and Russia, and the Comprehensive Strategic Partnership Agreement between Serbia and China. It is unclear how far Russia and China collaborate on this, but its presence indicates some formal cooperation between all three.

China has also brokered ties across Serbia’s party lines, including with ex-foreign minister and current minor opposition party leader Vuk Jeremić. The murky links between Jeremić and Chinese conglomerate CEFC

68. European Parliament Directorate-General for External Policies Policy Department, Serbia’s Cooperation with China, the European Union, Russia and the United States of America.
China Energy (CEFC), itself linked to the CCP’s United Front department, during his tenure as UN General Assembly president, appear to follow a pattern of political influence with the aim of serving China’s core political and business interests. In the case of Jeremić, this included helping CEFC establish new contacts within the UN framework and making deals on its behalf, in exchange for political prominence through meetings with Xi Jinping and a lucrative consultancy position with CEFC following his UN post. According to Chinese news sources, CEFC helped fund the establishment of Jeremić’s own think tank, the Center for International Relations and Sustainable Development (CIRSD). Other sources have reported that in addition to the CIRSD, Jeremić’s PR agency also received funding from CEFC.

China’s engagement with the incumbent government and opposition party figures alike is aimed at ensuring it retains close partners and political influence should Serbia ever accede to the EU. While Vučić’s policies towards Russia and China are seen as pragmatically hedging against the EU, Beijing appears to be doing the same, refusing to bind itself to one particular party.

But Serbian politics are complex, and Belgrade is keen to maintain good relations with all stakeholders, including the EU, Russia and China. The Serbian People’s Party opposes EU membership, in support of better relations with countries such as Russia. This has not, however, prevented their coalition partner, the SPP, from promoting deeper EU relations. In public, Serbian public officials tout the historically good relationship with Russia, but at the same time stress their commitment to EU integration to Western officials. The same goes for their public statements on China, particularly during the coronavirus pandemic and in the lead-up to recent national elections. Some observers suggest this may work in Serbia’s favour by adding pressure on the EU to move faster on Serbia’s accession. This strongly suggests that although Russia and China may have links to individual politicians or parties, their ability to influence the course of Serbian politics could be limited.

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72. Jirous, ‘China’s Serbian Proxy Highlights How Beijing Captures Elites’.
74. Jirous, ‘China’s Serbian Proxy Highlights How Beijing Captures Elites’.
76. Le Corre and Vuksanovic, ‘Serbia: China’s Open Door to the Balkans’.
77. European Parliament Directorate-General for External Policies Policy Department, Serbia’s Cooperation with China, the European Union, Russia and the United States of America.
II. Defence and Security Cooperation

Despite Serbia formalising military neutrality in its official defence strategy, it has close and useful security links with Russia and is also deepening this relationship with China. But there are other players in this mix, including NATO, which complicate the picture.

Belgrade and Moscow have brokered several bilateral security agreements, and Serbia has observer status in the Collective Security Treaty Organization (CSTO), a Russia-led military alliance. Serbia’s defence strategy states explicitly the intention to deepen cooperation with the CSTO and its member states, but at the same time, Belgrade is balancing this with its framework relationship with NATO, as part of the Partnership for Peace (PfP). Russia also trains the Serbian army – which was weakened after Yugoslavia’s split – and supplies it with weapons. For the past six years, Russia and Serbia have held small-scale joint military exercises, usually involving several hundred troops from the Serbian, Russian and Belarusian armies.

Despite Putin’s emphasis on the importance of increased military cooperation with Serbia, as with many of Russia’s promises, the volume of weapons and technology transferred is much lower than it appears. Russia in 2019 announced it would be donating six MiG-29 fighters to Serbia, and it has also given Belgrade 30 T-72 tanks and 30 armoured reconnaissance vehicles. But transporting and updating the aircraft alone are thought to have cost Serbia around €185 million, and Belgrade will be obliged to finance the modernisation of the equipment, as Russia is not donating its most modern technology.

These deals have been touted in the media as a sign of significantly greater military ties between Serbia and Russia, but this is an overstatement. Beyond these periodic training exercises and

82. Ibid.
86. Ibid.
second-hand Russian weaponry, there is no indication Moscow is attempting to enhance this security relationship. Russia is keen to ensure that Serbia remains a security ally, as a buffer to NATO influence in the region. However, Serbia’s assertions of its own military neutrality suggest this relationship might have some limits.

China’s Stepped-Up Approach

Notwithstanding Serbia’s traditional reliance on Russian military sales, China has entered Serbia’s defence and security domains. Serbian defence ministers have spoken numerous times at China’s flagship defence and security forum, the Xiangshan Forum, including most recently in 2019.87 Press coverage noted that the vice chairman of the Central Military Commission, Zhang Youxia, met Russia and Serbia’s defence ministers, with both expressing a desire for closer military and strategic cooperation with China.88 Indeed, the relationship has been steadily growing over the years. Serbia and China signed a Military Cooperation Agreement in 2008, which included training military personnel in disaster relief.89 From 2008–18, China was second only to the US as a donor of military equipment to Serbia, totalling $5.2 million against the US’s $9.8 million.90

In October 2019, it was announced that Serbia would be purchasing nine Chengdu Pterodactyl-1 armed drones (also known as Wing Loong) from China, with the possibility of more in the future.91 The recent news that drones have been delivered from China seems to indicate that Serbia has purchased nine Rainbow 92A attack drones (or CH-92C) and 18 FT-8D air-to-ground missiles, with a further 15 drones likely to be procured in future.92 China is increasingly looking for foreign markets for its defence industry, and Serbia could be a useful stepping stone into the region’s defence market in the future, although it is still too early to tell whether this may happen.93 Furthermore, for EU member states, an arms embargo on China remains in

90. Vuksanovic, ‘Securing the Sino-Serbian Partnership’.
93. Vuksanovic, ‘Securing the Sino-Serbian Partnership’.
place since the brutal suppression of protests in Tiananmen Square in 1989. Meanwhile, further defence technology cooperation with Serbia is expected. While this is unlikely to be imminent, Serbia is intent on upgrading its defence industry, using China’s help to transfer technology to Serbia’s own Pegasus drones. Vučić is reported to have stated that Serbia’s domestically-developed drones, with the help of Chinese technology, will initially be unarmed and used for aerial reconnaissance with the intent to modify them into armed drones in the future. There were concerns that this could upset the regional security balance.

In addition to the delivery of military equipment, China is also entering into the wider Serbian security market, including through Huawei’s safe city project. This includes facial recognition and surveillance systems that are being rolled out in Serbia, with reportedly 1,000 cameras being installed in Belgrade alone. Huawei has since deleted the details of this project on its company website, although the contents of the website have been archived online and the chronological details of the tech giant’s cooperation with the Ministry of Interior point to an increasingly close partnership in rolling out new digital security systems and tools. Three civil society organisations published a policy brief saying that the surveillance technology system did not meet Serbian legal requirements and lacked basic transparency. The organisations have called for the suspension of any further introduction of the system and advocated an inclusive public debate on video surveillance legislation and practice that accords with EU standards.

China and Serbia have also engaged in other public security initiatives, including joint police patrols, with a small number of Chinese police officers deployed in Belgrade, Novi Sad and Smederevo. Some analysts have suggested that these locations, such as Smederevo, have

95. Kastner, ‘China Targets Europe with Drone and Huawei System Sales to Serbia’.
103. Ibid.
major Chinese investments and that the joint patrols will protect these assets. This is likely the case, as China’s ambassador to Serbia noted that the joint patrols will ‘visit places where Chinese citizens, companies and institutions live’. Serbia and China also conducted their first joint police exercises in November 2019 at the site of the Chinese-owned steel plant in Smederevo. The exercise involved 180 special police, three helicopters and 20 armed vehicles and simulated a counterterrorism operation. After the exercise, Serbian Interior Minister Nebojša Stefanović reportedly announced that Serbia was seeking to learn from powerful countries such as China, and would be sending police to China for training. This was potentially just the first step in closer security ties between the two countries. Indeed, in May 2019, Stefanović and Chinese Minister of Public Security Zhao Kezhi signed a memorandum of understanding on joint police patrols, and noted further steps on establishing a joint working group on security indicating their desire to work together more closely on civilian matters.

Although China and Russia’s investments in defence and security cooperation in Serbia may appear insignificant, they are greater than their defence contributions to the rest of the Balkans region. This is particularly true for China, as its dealings with Serbia are the most significant and highly symbolic of increasingly close political ties in this region, as Serbia is the first European country to purchase Chinese defence technology. Both countries cooperate with Serbian companies in defence, as shown through numerous contracts, agreements and high-level visits. This advantages Serbia, allowing it to broker arms deals from two major sources, while at the same time maintaining a security relationship with NATO. Serbia can also call on Russian nationalist groups to support an agenda that aligns with both Moscow and Belgrade’s security interests.

105. Ibid.
108. Ibid.
109. Ibid.
III. Economics and the Art of Balance

While Serbia has emphasised its interest in joining the EU, public officials have also highlighted the importance of maintaining an economic partnership with Russia. This was cemented by Serbia’s signing of a free trade agreement in October 2019 with the Eurasian Economic Union (EEU), a Russia-led bloc, which offers preferential import tax rates. However, there may come a point when Serbia will have to make a serious decision about its economic allegiances. The EU has warned Serbia that if it seeks membership of the bloc, it will have to back out of its commitment to the EEU, which Belgrade has rejected for now.

Although Russia and Serbia have strong economic and business ties, as with much of Moscow’s political rhetoric, promises of greater trade and investment do not always materialise. Serbia chiefly interacts with Russia’s economy through the disbursal of government loans. Since 2012, Russia has pledged to loan Serbia around €1.21 billion in infrastructure support and to shore up its budget. It is unclear how much of this amount has actually been disbursed, but Russia seems to still be actively supporting Serbia’s economy through government loans, such as its pledge in October 2010 to disburse €230 million to overhaul Serbia’s railway system.

These loan disbursals can also carry political weight. In 2014, Russia allegedly promised to give Dodik millions of euros for Republika Srpska’s budget, signalling Moscow’s support for the breakaway region. But despite multiple meetings with Dodik and statements to this effect, the funds do not appear to have actually been transferred, indicating that Russia is likely more interested in inflating its role as a powerful economic and political actor in that region, than committing serious finances to propping up the territory. Aside from these loan packages,

Russia chiefly exerts its economic influence in Serbia through its ownership of corporate businesses, such as energy, banking and real estate, which appears to be encouraged – or at least is not resisted – by Serbia.

For China, Serbia is a convenient entry point to regional (including EU) markets as an export destination. Since 2009, their positive political ties have helped to promote high-level and high-visibility infrastructure projects in Serbia as part of their bilateral strategic partnership, the 17+1 framework and the BRI. The Serbian public also appear to have a positive assessment of Chinese investment, seen as a no-strings-attached boost to the country’s struggling economy and lagging technological development. This is despite concerns over Chinese investment and contract standards in Serbia. The matter of European standards in Serbia’s tendering programmes has been raised numerous times, particularly in relation to Chinese loans. According to one European Parliament report, Chinese (concessional) loans for infrastructure are ‘incompatible with EU norms and regulations, notably with the EU public procurement rules on open and competitive bidding procedures. [Rather, these loans] … are based on intergovernmental agreements … that are tied to a Chinese main contractor, usually a Chinese State-Owned Enterprise (SOE).’

Nevertheless, according to a 2017 survey by the Belgrade Centre for Security Policy, China was ranked second among ‘credible investors’, with Germany in first place.

Perceptions Versus Reality

Figures indicate that the EU is still Serbia’s largest trading partner as its largest source of imports (60.5%) and exports (70.3%). It makes up the bulk of Serbia’s international trade – 64.6% in 2018. The EU has also given more than €3 billion to Serbia over the past 15 years. Therefore, actual Russian and Chinese levers that can be used to influence the political and economic environment are much more limited than they appear.

Indeed, China and Russia’s actual trade and investment imprint in the country is often overestimated. Russia is Serbia’s second-largest trading partner, but accounts for just 6.9% of

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its trade, while China stands at 5.1%. Russia is an important destination for Serbian exports, but in 2016 this stood at around 8%. Serbian exports to China have increased since 2016, when Xi made his first visit to Belgrade, as have Chinese exports to Serbia.\textsuperscript{122} Although Serbia imported $2.16 billion from China in 2018, it exported only $91.7 million in the same year to China.\textsuperscript{123} As of 2020, China is not one of the top 10 destinations for Serbian exports.\textsuperscript{124} Ultimately, the EU is, and Serbia still trades more with Italy and Germany than it does with Russia.\textsuperscript{125}

There also seems to be a discrepancy between Serbia’s official investment figures and reality. Brnabić in 2019 stated that the total amount of investment by China (whether completed, ongoing, or planned projects) totalled $11.2 billion,\textsuperscript{126} but other reports put this figure from 2009–16 at $1 billion.\textsuperscript{127} It is noted elsewhere that in 2018 alone, the two sides were said to have signed off on projects worth another $3 billion.\textsuperscript{128} This discrepancy may be because planned or promised investments are included, or because infrastructure ‘investments’ tend to be ‘Chinese loans’, a not unusual practice that has led to Western concerns over Chinese ‘debt-trap diplomacy’.\textsuperscript{129} Around 12% of Serbia’s national debt is to China, prompting concerns over the long-term financial sustainability of this, as well as over Belgrade’s own autonomy in international policymaking.\textsuperscript{130}

Concerns over China’s ability to leverage debt as part of economic statecraft, in combination with political influence, have resulted in discussions on its new foreign policy of ‘sharp power’.\textsuperscript{131} This includes the phenomenon of elite capture – either by playing on the whims of existing elites looking to leave a legacy or co-opting influential individuals to act as interlocutors.

\begin{itemize}
  \item \textsuperscript{124} European Commission Directorate-General for Trade, ‘European Union, Trade in Goods with Serbia’.
  \item \textsuperscript{125} World Bank, ‘Serbia’, 2020.
  \item \textsuperscript{126} CEAS, ‘Rashomon: Analysis of Bilateral Relations Between Serbia and China and Their Impact on Serbia’s Continued Democratization, EU Integration and Cooperation with NATO and the Member States’, July 2019.
  \item \textsuperscript{127} \textit{RFE/RL}, ‘Xi Says China Supports Serbia’s EU Bid During Belgrade Visit’, 18 June 2016.
  \item \textsuperscript{128} Maja Zivanovic, ‘$3bn Economic Agreements Boost China’s Role in Serbia’, \textit{Balkan Insight}, 18 September 2018.
  \item \textsuperscript{129} David F Gordon et al., ‘Beyond the Myths – Towards a Realistic Assessment of China’s Belt and Road Initiative: The Development-Finance Dimension’, International Institute for Strategic Studies, March 2020.
  \item \textsuperscript{131} Christopher Walker, ‘China’s Foreign Influence and Sharp Power Strategy to Shape and Influence Democratic Institutions’, testimony before the US House Permanent Select Committee on Intelligence, 16 May 2019.
\end{itemize}
between Chinese and local interests. Indeed, Serbian politicians are keen to prove that Chinese ties are fulfilling promises of economic growth, whether or not an announcement of a project is premature.

This disparity is important, as it suggests that while China and Russia’s economic footprints in Serbia seem large, this is not the reality. It seems that Serbs believe China and Russia to be their main economic partners because of the high-visibility investments in which they are involved, rather than EU funding, which is likely to be less publicly visible. Indeed, a 2020 poll by the IRI found that Serbians saw Russia (73%) and China (71%) as Belgrade’s most important economic partners.132 Furthermore, 49% of respondents thought China’s motivation to invest in Serbia were to benefit both countries, 32% thought investments were beneficial to Serbia but came with political strings attached, while only 8% believed investments sought to generate influence and control.133 Indeed, large-scale vanity projects with high visibility in the media also help to explain why Serbs believe China is one of the top three investors in the country, despite the EU’s trade and foreign direct investment far surpassing that of Beijing.134

Gas and Electricity

Chinese and Russian businesses are very well represented in Serbia’s energy industry, although Russia has a much more established history of operating in this sector.

Much of Serbia’s energy supplies are dependent on Russia, which has exported gas to the country since the 1970s.135 Russian state-controlled company Gazprom is a powerful player in the region. Gazprom Neft, a subsidiary of Gazprom, has controlled 56.15% of the Petroleum Industry of Serbia (NIS), Serbia’s largest corporation since 2008.136 Gazprom Neft also currently owns a 12.72% share in Serbia’s Hip Petrohemija, a state-controlled petrochemical producer, and has several facilities across the Balkans and Eastern Europe, including in Bosnia (oil and gas drilling), as well as in Hungary and Romania, such as storage facilities and gas stations, boosting Russia’s commercial presence across the region. Russia has long-term plans for Serbia’s gas market and has signed several deals since 2017 to boost supplies.137 To reduce its reliance on Ukraine as a gas transit hub, Russia has been investing in alternative routes such as

133. Ibid.
TurkStream, a gas pipeline running under the Black Sea from Russia to Turkey via Bulgaria.\textsuperscript{138} In 2018, Putin proposed involving Bulgaria and Serbia in the pipeline, both of which gave their approval, and in 2019 the Serbian branch of TurkStream was completed.\textsuperscript{139} However, the US has already imposed sanctions against Nord Stream 2, Russia’s other major pipeline carrying gas from Russia to Germany, in response to Moscow’s interventions in international affairs.\textsuperscript{140} There is a risk that TurkStream could become a target for US sanctions in future as well, which would likely impede construction.

Russian state-controlled companies are also expanding into Serbia’s liquid natural gas market. For example, in October 2019, Rosatom, the state-controlled nuclear technology company, signed an agreement with Belgrade to construct a centre for nuclear research in Serbia.\textsuperscript{141}

China is increasingly investing in Serbia’s energy sector as part of the BRI, but it lacks Russia’s long-standing history of investment in this sector. As early as 2011, the Serbian government and China’s state-owned ExIm Bank agreed to modernise its existing lignite power plant (Kostolac B3) near Požarevac.\textsuperscript{142} The project, however, has been plagued with serious pitfalls.\textsuperscript{143} In 2013, the Serbian government signed an agreement with the China Machinery Engineering Corporation (CMEC) for the construction of a new unit without a public tender and without an environmental impact assessment, in contravention of both EU directives and Serbian law.\textsuperscript{144} While an environmental impact assessment was ultimately carried out and approved in 2017, it failed to address existing concerns about the project.

Chinese and Russian interests have, on occasion, overlapped. In 2018, NIS (in which Gazprom holds a 56.15% stake) signed an agreement with China’s Shanghai Electric Group to construct a

\begin{thebibliography}{99}
\bibitem{143} Ibid.
\bibitem{144} Ibid.
\end{thebibliography}
gas-fired combined heat and power plant in Pančevo, Serbia.\(^{145}\) Gazprom would provide most of the funding. However, delays in the supply of equipment and technicians from China followed. While China is thus seeking entry into this sector, its ability to do so faces limitations when compared to Russia.

**Banking**

The presence of foreign or foreign-owned banks in Serbia has been encouraged by the government as a means of stimulating the struggling economy. As a result, much of Serbia's banking system is foreign owned, such as Russia's Sberbank, Austria's Raiffeisen Bank or Italy's Intesa Sanpaolo.\(^ {146}\)

Russia is particularly dominant in this sector. Sberbank Srbija is a subsidiary of Russia's state-owned Sberbank in Serbia. In 2012, Sberbank bought 100% of the shares of Volksbank International, an Austrian bank.\(^ {147}\) Russian banks are also used as a way of controlling companies in other sectors.

China has a more limited presence in the sector, but has been slowly increasing its financial and banking ties. Serbia signed a local currency swap agreement with the People's Bank of China in 2016 to the tune of CNY 1.5 billion.\(^ {148}\) In 2017, the Bank of China became the first Chinese lender to operate in the country, which was noted to help further BRI activities.\(^ {149}\) However, it recorded some after-tax losses in 2018 and 2019.\(^ {150}\) In 2017, Serbia's Central Bank signed a memorandum of understanding (MoU) with China UnionPay, a Chinese card payment system, which started operations in Serbia in 2018.\(^ {151}\) Serbia also joined Beijing-based multilateral Asian Infrastructure and Investment Bank in 2019, an initiative led by China, with the hope of gaining favourable credit funds to implement projects.\(^ {152}\)


\(^{146}\) Ibid.


More than anything, these activities reflect Serbia’s weak banking infrastructure that has been unable to produce competitors, rather than a concerted attempt by Russia, China or other foreign operators to capture the system.

**Transport Infrastructure**

China’s interests in Serbia’s transport infrastructure appear to be growing, whereas Russia’s stake and investment presence is much more muted. One strong driver of Chinese investments in Serbia has been the 17+1 and BRI’s transport connectivity objective.\(^{153}\) This includes everything from motorways\(^{154}\) to bridges – such as the Pupin Bridge over the Danube River in Belgrade – and railways, in particular the 350-km Budapest–Belgrade line.

The Budapest–Belgrade railway links the Chinese-majority-owned Piraeus Port in Greece to the European single market and runs through Serbia. Originally announced in 2012, the project stalled due to European Commission investigations into its financial viability (China financed 85% of the loan) and violations of the EU’s public tender procurement policy for Hungary’s part of the railway.\(^ {155}\) After two public tenders, the project was won by a consortium of Hungarian and Chinese contractors and subcontractors, which includes Huawei.\(^ {156}\) Another longstanding railway project, a rail freight line between Serbia and China, started operating in October 2019, with the first train arriving in Belgrade to much fanfare.\(^ {157}\)

The 1,500-metre-long Zemun–Borča or Pupin Bridge was inaugurated in 2014 and was the first major Chinese infrastructure project in Europe.\(^ {158}\) Chinese Premier Li Keqiang noted that the bridge had been successfully constructed by the China Road and Bridge Corporation (CRBC)\(^ {159}\)

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using Chinese technology and European standards.\textsuperscript{160} It is worth noting that the CRBC Serbia Office, established in 2010, covers Eastern Europe and the Balkans. However, reports over the use of Chinese technology in the construction of the bridge painted a more complex picture. Belgrade mandated\textsuperscript{161} in the 2009 contract\textsuperscript{162} that Serbian construction material should make up to 45% of the total used and that Serbian subcontractors would be used. However, it has since been reported that despite the contractual obligations, Chinese state-owned enterprises have predominately used Chinese machinery and labour, which has in turn reduced the benefits to the local economy and labour market.\textsuperscript{163} Chinese construction of the bridge reportedly used Chinese materials for 50% of the construction and also lacked a procurement process.\textsuperscript{164}

Concerns over corruption, lack of transparency and nepotism were also raised in motorway construction projects such as sections of the Corridor 11 Serbia–Montenegro highway project.\textsuperscript{165} Likewise, the CRBC built the Surčin–Obrenovac section of highway E793, which leads to a China–Serbia industrial park in which it was announced in 2018 that Chinese company Shandong Linglong was investing over $1 billion in a new tyre company.\textsuperscript{166} The Linglong Tire Factory is the first European base for China’s tyre industry and is also Serbia’s largest foreign investment project, according to the company.\textsuperscript{167} Such investments may increase in future as China seeks to expand into new sectors in Serbia through businesses that have managed to gain a foothold in the market.

Russia is also intent on improving its railway links with Serbia, but in a much more muted way than China – most of its projects have only begun since 2014, and there does not appear to be a concerted drive from the Kremlin to progress them.\textsuperscript{168} A subsidiary of state-controlled Russian Railways (RZhD) is currently involved in a €230-million deal to construct railway links between Serbian villages, as well as building a dispatch centre to manage rail traffic across the country.

and other projects are under consideration, but have yet to be taken forward.\textsuperscript{169} But Russia’s own railway systems are underfunded and in need of repair, and there are few technical experts able to assist. This might explain why Russia is less keen to try to develop other countries’ railway systems, before it has managed to upgrade its own.

As in other sectors, it is clear that Russia and China are both pursuing their own strategies in the transport industry, and do not appear to be working in direct competition with each other.

\textbf{Metallurgy}

The metallurgical industry is one of the few sectors in which Russian and Chinese interests appear to support each other, unlike other industries in which their interests do not overlap.

Chinese investment in this industry has been directly request by Vučić, who in 2018 requested China to invest in RTB Bor – a failing Serbian copper mine and smelter.\textsuperscript{170} China’s Zijin Mining Group, which purchased the mine, took a 63% stake in return for a $1.26-billion business and investment plan that included retaining all 5,000 workers.\textsuperscript{171} The interest of China’s largest gold and second largest copper ore producer to invest in RTB has been explained as an opportunity for the country to leverage its political and economic ties with Serbia, to gain potentially lucrative deals without strong EU environmental protection standards.\textsuperscript{172}

But in the metallurgy sector, Russia and China seem to complement each other’s activities. In 2016, China’s Hebei Iron & Steel (Hesteel) signed a €46-million deal to buy Serbia’s sole steel mill, Železara Smederevo – the first such European plant bought by a Chinese steelmaker.\textsuperscript{173} China accounts for half the world’s steel production, and its investment in Serbia’s steel sector raised concerns from the European Steel Association that Beijing would seek to re-export its steel products through Smederevo.\textsuperscript{174}

Mining and metallurgy are considered ‘strategic sectors’ for the Russian government. In 2018, a Russian mining company, Mechel, signed a deal to supply coke to Hesteel.\textsuperscript{175} Mechel is one of

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\textsuperscript{170} Balkan Insight, ‘China’s Zijin to Take Over Serbian Copper Giant’, 31 August 2018.
\textsuperscript{171} Ibid.
\textsuperscript{172} Ibid.
\textsuperscript{173} CEAS, ‘Rashomon’.
Russia’s main mining and metals companies, and is not government controlled. Mechel seems to work consistently with Chinese companies abroad. In August 2019, Mechel signed another major contract to supply coking coal to Jiangsu Sha Steel, China’s largest private steelmaker.\textsuperscript{176}

But it is more likely that Russia’s actions in Serbia have been driven by economic concerns. Russia’s mining output, particularly coal, is growing and they need clients willing to buy its products.\textsuperscript{177} Coal extraction is relatively cheap in rubles, and products are sold in euros or dollars, generating a profit. Regardless of the drivers behind Russian and Chinese investment in this sector, it appears that they are both taking care to avoid open competition in this market in Serbia.

**Communications and Technology**

According to the European Parliament, the largest Chinese company operating in Serbia is Huawei, which announced in 2016 that it would invest €150 million in ‘modernising the existing fixed network of Telekom Serbia’.\textsuperscript{178} The project sought to upgrade Serbia’s largest fixed-network operator and Xi attended the signing during his first state visit to the country.\textsuperscript{179} However, Chinese and Serbian cooperation in telecommunications has continued to evolve. Huawei and Serbia have signed a MoU for the development of a smart city strategy\textsuperscript{180} in Belgrade (which will also host the Huawei Innovation Center for Digital Transformation\textsuperscript{181}), Niš\textsuperscript{182} and Novi Sad. Serbia also signed a MoU with Huawei for the development of an artificial intelligence (AI) platform financed with a $13 million grant from the recently created Chinese International Development Cooperation

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\textsuperscript{178}. European Parliament Directorate-General for External Policies Policy Department, *Serbia’s Cooperation with China, the European Union, Russia and the United States of America*.


\textsuperscript{182}. Snezana Bjelotomic, ‘Niš to Become the First Smart City in Serbia’, *Serbian Monitor*, 3 May 2019.
Agency (CIDCA).\textsuperscript{183} Huawei will provide infrastructure to the Kragujevac State Data Centre, as part of the Serbian government’s plan to develop state-of-the-art e-government services and other AI-based activities (including education, research and innovation).\textsuperscript{184}

According to telecommunications minister Rasim Ljajić, Serbia is not prepared to forfeit opportunities with Huawei despite the knock-on effect in third countries of restrictions placed on US companies such as Google doing business with the Chinese tech giant. Ljajić noted that the Huawei dispute was one between ‘two giants’ and that the Chinese company posed no security risk to Serbia.\textsuperscript{185} At a time when the EU is also looking to limit investments of high-risk vendors in telecommunications and other critical national infrastructure, this decision may in the future complicate Serbia’s accession negotiations with the EU.

Russia also seems to have some interests in this sector, but the relationship is nascent and confined mainly to loans rather than an interest in technology. Sberbank has provided Serbia’s state-controlled telecommunications company Telekom Srbija (the largest in the country) with significant loans over the past few years. In 2019, it issued an $88-million loan following Putin’s visit to Belgrade.\textsuperscript{186} Although Belgrade and Moscow have held some high-level talks about joint efforts in technology, Russia has made few serious moves at investing in Serbian technology.\textsuperscript{187}

While Russia and China are investing heavily in a wide range of sectors in Serbia, their specific interests seem to allow for both to operate there simultaneously and without competing for the same investments, which works to Serbia’s advantage. China’s focus on transport and technology infrastructure, as well as mining, do not seem to impact on Russia’s investments in the banking and energy sectors, and vice versa.

Despite this, China’s significant inroads into parts of the Serbian economy have positioned it to potentially capture a greater share of industries than Russia. This may lead to some future competition if Serbia is not able to maintain this balance. For now, China and Russia seem to benefit from the lack of competition, and Serbia is able to demonstrate that it can attract the investment attention of two global investment players.


\textsuperscript{184} Ibid.

\textsuperscript{185} Ralev, ‘Serbia to Cooperate with Huawei Despite Google’s Ban – Report’.


IV. Culture and Education

SERBIA’S CULTURE AND national identity are distinct. However, Russia does have centuries’-old cultural and religious links with Serbia – connections with which China cannot compete. Russia has had a serious interest in Balkan regional dynamics since the 16th century, often with the aim of usurping the claims of other powerful players, such as the Ottoman Empire. But Russia also viewed itself as the guardian of Orthodox Christianity; in 1774, it signed the Treaty of Küçük Kaynarca, which granted the Russian Empire the right to represent all Orthodox people in the Balkans, including the Serbs, Bulgarians and Greeks.188

Russia tends to promote narratives in Serbia that align with Moscow’s foreign policy goals through the Russian Orthodox Church, as well as education initiatives and the use of historical anniversaries. Russia uses the Church as a way of maintaining Belgrade’s close links with Moscow, but also to prevent other neighbouring countries such as Montenegro from breaking away from the Moscow-governed Russian Orthodox Church (ROC), as Ukraine had done in 2018.189

China’s ability to cultivate soft power initiatives globally has encountered difficulties over the past year. This is likely due to growing international scrutiny over its assertive foreign policy, rising military power, discussions around economic statecraft measures such as ‘sharp power’ and ‘debt-trap diplomacy’, as well as increasing domestic control within its borders. The effectiveness of China’s soft power efforts in Serbia is debatable, with the exception of the largely pro-Beijing and state-controlled media in Serbia, which promotes bilateral relations and gives Chinese investments positive coverage.

The Orthodox Church

The Serbian Orthodox Church (SOC) has close financial and political ties with the ROC. Russia is usually able to rely on the SOC to deliver political messages that chime with the Kremlin’s policies. When the Ukrainian Orthodox Church sought independence from the ROC in 2018 – in a bid to distance itself politically and culturally from Russia – the SOC was quick to back Moscow, with Patriarch Irinej criticising the decision as promoting a schism between the churches.190

Russia is also keen to ensure countries such as Montenegro do not attempt to declare their own national church. Throughout late 2019 and early 2020, the SOC sponsored (and led) numerous anti-government demonstrations in Montenegro in protest against a new law allowing the state

to take over property held by a religious community if its ownership before 1918 cannot be proved.¹⁹¹ At the time, Djukanović criticised the church’s role in the demonstrations, maintaining that the SOC’s actions were a threat to Montenegro’s independence and national security.¹⁹²

But the SOC’s relationship with Moscow goes both ways. The SOC considers Kosovo to be the birthplace of Orthodoxy, where many medieval monasteries and churches still stand. Irinej travels there frequently, and has suggested that recognition of Kosovo’s independence is tantamount to treason.¹⁹³ To assist the SOC with this narrative, in 2013, the head of the ROC, Patriarch Kirill, expressed his solidarity with the SOC’s position on Kosovo.¹⁹⁴ The ROC has also raised and donated funds for Christian Serbs in Kosovo, including renovating buildings and setting up educational programmes.¹⁹⁵

Russia often donates funds for new church buildings, which are rife with political symbolism. In 2014, Russia pledged to donate €30 million for the St Sava cathedral in Belgrade, the largest church in the Balkans.¹⁹⁶ St Sava was a medieval monk who was highly influenced by Russian Orthodox ideas, and so the church’s name is suggestive of the deep ties between the Serbian and Russian Orthodox traditions.¹⁹⁷ Ahead of Putin’s visit to Serbia in January 2019, a church was named after him in the village of Banstol after reportedly being funded by donations from both Serbia and abroad, including Russia.¹⁹⁸

The ROC also has links to pro-Kremlin patriotic groups, such as the Night Wolves biker gang, which has attempted to promote deeper Russia–Serbia ties. This group profess to be Orthodox Christians, promote an Orthodox pan-Slav identity and meet often with representatives of

¹⁹⁵. Ibid.
the ROC. The group conducts a range of activities, from youth work to owning nightclubs, and has more than 5,000 members with chapters across the Balkans, including in Serbia. In 2018, the Night Wolves conducted a nine-day tour of the Balkans, claiming this was to deepen their spiritual bonds with Serbia and Republika Srpska. The Night Wolves are blacklisted by the US for their role in Crimea’s annexation, and they are thought to also have been involved in the Montenegro coup in 2016. Alexander Sindjelic, co-founder of the Night Wolves’ Serbian chapter, is a former soldier who fought alongside the pro-Russia rebels in eastern Ukraine, and is thought to have distributed funds to assist the coup in Montenegro.

### Science and Education

Most of Russia’s education initiatives in Serbia are run through Rossotrudnichestvo, a government organisation focused on cultural exchange, which operates networks of scientific-cultural centres. Rossotrudnichestvo operates a large cultural centre known as Russian House, which promotes Serbia–Russia relations and organises cultural exhibitions. The head of the SOC tends to visit Russian House during Russian Orthodox religious holidays, to reinforce these links. There are thought to be more than 100 organisations in Serbia set up specifically to improve Serbia–Russia relations, suggesting that Moscow has apportioned significant funding to promote this initiative.

Many Russian corporations operating in Serbia also support educational initiatives. For example, Sberbank supports a Russian school in Belgrade, as well as various sporting events, and since 2010 Gazprom has sponsored FC Crvena Zvezda (Red Star Belgrade) football club. NIS, Serbia’s largest petroleum company (as mentioned above), appears to have taken on some extra roles to promote Serbia–Russia ties, including holding volunteering activities, such as cleaning gravestones, in conjunction with the SOC and Russian House, to mark 100 years of the First World War and 180 years of Serbia–Russia relations.

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203. Ibid.
Serbia also has several official channels through which it works with China on cultural, education and scientific activities. Many of China’s cultural activities in Serbia revolve around Confucius Centres (also known as Confucius Institutes) at the University of Belgrade and the University of Novi Sad. This is in addition to Confucius Classrooms, which are an offshoot of Confucius Institutes and teach Chinese language at primary and secondary schools, for which the Serbian government and Chinese Embassy in Belgrade rolled out a pilot project in 2012. Confucius Institutes and Classrooms are run, and are part-funded, by an organisation under China’s Ministry of Education to promote Chinese language and culture. For example, students at the University of Novi Sad can get credits for taking a Chinese language course and the university’s website is also available in Mandarin, a voluntary initiative of the Confucius Institute. However, Confucius Institutes have recently come under scrutiny for practising censorship and promoting the CCP line. Confucius Institutes are also thought to attempt to exert influence on the universities to which they are connected, by pressuring academics or China Studies departments and collecting intelligence. For example, in 2019, the New South Wales Department of Education decided to remove Confucius Classrooms from public schools in the Australian state following a review of the programme and concerns for the potential for Chinese influence.

China also seeks to intertwine shared historical experiences in its cultural and people-to-people outreach, for example by building the Belgrade Chinese Cultural Center on the site of the old Chinese Embassy that had been bombed during the NATO campaign. It is the first of its kind established by China in the Balkans, reiterating the importance of Serbia to Beijing within the region. The building

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210. University of Novi Sad, ‘Confucius Institute at the University of Novi Sad’.
will house a cultural centre, office space and hotel-apartment complex. Serbia similarly opened up a Serbian cultural centre in Beijing in 2018, one of only two abroad – the other is in Paris and was set up 45 years ago.

Although not as active on Serbia, Chinese research institutes, such as the Institute for European Studies at the Chinese Academy of Social Sciences (IES–CASS), have surveyed Serbian industrial competitiveness on China–Serbia Cooperation. The IES–CASS also established and manages the China–Central and Eastern Europe Institute – a Budapest-based, non-profit institute to strengthen academic and think tank links. It has published on, for example, Serbia’s position on the BRI and bilateral ties.

While China’s cultural outreach seeks to forge cultural links, Serbia is particularly interested in bilateral scientific cooperation. Bilateral initiatives that advance Serbia’s technological advancement were valuable for Belgrade, noted Vučić. Indeed, China’s Minister for Science and Technology Wang Zhigang announced that as of October 2019, China would establish a team to help draft Serbia’s strategy for innovation and AI. A potential future MoU on innovation, AI and robotics is also likely to be signed. China has also set up several scientific exchange programmes with Serbia as a way of building deeper institutional links. Finally, cooperative initiatives on innovation through the 17+1 framework and the BRI help to position Serbia within Beijing’s wider regional approach.

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224. President of the Republic of Serbia, ‘President Vučić Meets the Minister of Science and Technology of the People’s Republic of China’.
Conclusion

Throughout its history, Serbia has been able to use external powers to help promote its own dominance of the Balkans, while maintaining its relationships with Russia and China. Other actors, such as the US and EU, are no exception. Belgrade has been able to play Russia off against the West for years to avoid acting on unpalatable political decisions. When the West has tried to pressure Belgrade into resolving issues such as the Kosovo question, Serbia has been able to call on Russia’s political support as leverage. Now that China appears to be increasing its reach across Serbia, Belgrade has even greater opportunities to leverage these partnerships, as another way of pushing back on uncomfortable reforms demanded by the West, as well as a counterweight to Russia’s traditional dominance in Serbia. Far from being caught between these actors, it appears that Serbia is able to capitalise on many of the political and economic opportunities that all of them have to offer.

China and Russia’s involvement in Serbia is rife with political symbolism, which can reveal much about its future trajectory. Most recently, it was particularly telling that in Russia’s Second World War Victory Day parade – rescheduled to 24 June from 9 May due to the coronavirus pandemic – Vučić was one of the few foreign leaders to attend, suggesting a degree of loyalty and closeness to Putin. Two years ago, at the SPP’s 10th anniversary celebrations, then Chinese Ambassador to Serbia Li Manchang spoke as a special envoy of the CCP about how the two countries were in the best phase of their bilateral relationship.

There are signs that the balance between the powers may be shifting. There may be indications that China’s ability to influence the diplomatic process could be growing. In 2018, the Serbian leadership apparently spoke to the Chinese ambassador about Kosovo, a conversation that has usually been the remit of the Russian Embassy in Belgrade. This does not appear to have stirred up any new tensions between Russia and China, most likely because Russia and China are well-aligned in their approach to Kosovo which, barring a change in leadership on either side, is likely to remain consistent. But this balancing act could be time-limited if China starts to encroach more seriously into sectors that are traditionally held by Russia, such as military and defence sales.


227. Le Corre and Vuksanovic, ‘Serbia: China’s Open Door to the Balkans’. 
Indeed, Belgrade’s efforts to harmonise Russia and China’s involvement in Serbia, for example by establishing the 2017 National Council, are largely tokenistic. The National Council is a toothless body that seems to be engaged chiefly in coordinating high-level meetings, with few core outputs. This suggests that the Serbian administration has little desire, or perhaps has been unable, to allocate Russian and Chinese political relationships, or their investments, to where they may be most useful.

For the time being, Serbia is likely to be able to maintain the balance between Russia and China, chiefly because these international actors’ interests rarely overlap. While EU accession would upset this balance, the discussion on joining the EU has been underway for years, and it does not appear to be an imminent prospect. This is in part due to concerns over Serbia’s commitment to ensuring democratic processes, as well as some of the questionable business deals it has brokered with Beijing and Moscow, which seem to skirt EU standards around transparency and tendering. In particular, Serbia’s willingness to engage with state-controlled businesses in both China and Russia is likely to be off-putting to the EU, which has a strained relationship with both countries. But Serbia’s foreign, security and defence alignment is also of concern, such as Belgrade’s commitment to defence ‘neutrality’. The budding relationship between Belgrade and Beijing may raise similar security concerns, as this would reflect a broader misalignment with EU defence and foreign policy, in favour of an approach that is closer to Moscow and Beijing’s understandings of security.

It appears that Serbia’s government is putting off making this decision for the next couple of years. But in the longer term, obliging Serbia to choose an ally is likely to alter some of the regional security alliances in the Balkans.

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