



# **ANALYZING CHINA'S INFLUENCE IN SERBIA AND ITS IMPLICATIONS FOR TRANSATLANTIC AND EUROPEAN SECURITY**

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## Executive Summary

Over the past fifteen years, Serbia has become a pivotal point for China's growing influence in Europe, with a multifaceted partnership spanning economic, political, and security domains. Driven by a narrative of "steel friendship," Sino-Serbian cooperation has expanded significantly, raising critical questions about Serbia's trajectory toward European Union integration.

Economically, the partnership is characterized by a dramatic increase in Chinese investments since 2016, establishing China as Serbia's largest single-country investor. Chinese investments primarily target strategic sectors, including mining, metallurgy, heavy industry, and infrastructure development. Landmark initiatives, such as the HBIS steel plant in Smederevo and Zijin Mining's control of key copper resources, symbolize this deepening economic engagement. The Free Trade Agreement signed in 2023 further intensified trade relations, yet significant asymmetries persist, as Serbia predominantly exports raw materials while importing higher-value Chinese goods. This economic model has fostered dependency risks, environmental concerns, and challenges to transparent governance, given that many projects bypass EU-aligned procurement and regulatory standards.

Politically, Serbia's increasing alignment with China has complicated its EU accession path. Belgrade's reluctance to endorse critical EU foreign policy stances—particularly regarding China and Russia—is linked to China's diplomatic backing on the Kosovo issue. Serbia's intensified ties with China, underscored by high-profile visits, extensive bilateral agreements, and participation in the Belt and Road Initiative, contrast sharply with EU integration expectations, notably concerning transparency, democratic governance, and rule-of-law standards.

Security cooperation further illustrates China's growing footprint in Serbia, encompassing military modernization, surveillance technology, cybersecurity infrastructure, and critical energy projects. Serbia stands out as the sole European country employing advanced Chinese military hardware, including combat drones and missile systems. China's significant role in Serbia's digital and telecommunications infrastructure introduces cybersecurity vulnerabilities and strategic dependencies. Furthermore, joint energy ventures, particularly those reliant on coal and critical raw materials, risk prolonging environmental issues and hindering Serbia's alignment with EU climate goals.

Ultimately, the Sino-Serbian partnership presents a nuanced strategic dilemma: while it provides short-term economic benefits and political support, the longer-term implications—such as institutional erosion, regulatory divergence from EU norms, and strategic dependency—pose substantial risks. To safeguard its European future, Serbia must proactively address these challenges through enhanced transparency, regulatory alignment, and diversification of international partnerships. Failure to implement such measures risks not only delaying Serbia's EU accession but also undermining broader regional stability and European cohesion.

## **Economic Cooperation**

Over the past 15 years, Serbia has cultivated an increasingly close economic relationship with China. Starting with a 2009 bilateral Framework agreement on economic and infrastructure cooperation, Chinese investment and financing in Serbia have grown from a modest level into a multi-billion-euro presence. This partnership – often touted by officials as a “steel friendship” – has made China one of Serbia’s most significant economic partners. Economic ties between China and Serbia have deepened significantly over the past decade, evolving through a multilayered framework of cooperation. The partnership began in earnest in 2009, centered on large-scale infrastructure projects financed by loans from China’s Export-Import Bank. Since then, the two countries have signed agreements worth more than \$10 billion, with the majority of the funds directed toward the development and modernization of Serbia’s transportation and railway networks.

A notable shift occurred in 2016, when Chinese foreign direct investment in Serbia began to surge. By 2021, China had become Serbia’s largest single foreign investor, signaling a new phase in the bilateral relationship. Trade between the two countries has also expanded steadily, marked by Chinese companies securing control over several strategically vital sectors. These ventures have established a supply chain that primarily serves China’s demand for raw materials, raising questions about long-term mutual benefits. In 2023, Serbia and China signed a Free Trade Agreement, tying the two sides even closer and ushering in a new chapter of economic engagement. The agreement was framed by Serbian officials as a major opportunity for domestic businesses to gain easier access to China’s vast market, further solidifying Beijing’s role as a central economic partner.

While these elements—investment, trade, and infrastructure—have developed in parallel, each reveals a distinct facet of an increasingly complex relationship. Promoted enthusiastically by Serbia’s domestic political elite, the partnership has followed a model seen in various parts of the world. Yet Serbia stands out in Europe as a showcase for China’s expanding influence, offering a window into Beijing’s broader ambitions and the challenges they pose for regional and European integration.

## **Infrastructural development cooperation – Setting the Stage for the Development of the Partnership**

After the 2008 global financial crisis, as Western financial institutions raised interest rates on development loans, Beijing seized the opportunity. Through state-backed institutions like the Export-Import Bank of China, it began offering loans with subsidized interest rates—often between 2 and 3 percent<sup>[1]</sup>. The model proved attractive to developing nations in Southeast Asia, Africa, Latin America, and even within Europe. Countries like Hungary, Montenegro, North Macedonia, and Serbia saw in China a more accessible and less politically conditioned partner for jumpstarting large-scale infrastructure projects.

[1] <https://www.aiddata.org/publications/banking-on-the-belt-and-road>

The terms were straightforward: under government-to-government agreements, Chinese loans would finance the majority of a project's cost—on the condition that Chinese companies were contracted to execute the work. For Serbia, this translated into a swift rollout of infrastructure projects—bridges, highways, railways, and energy sector upgrades including coal-powered thermal plants and heating systems in Belgrade. But from the outset, these partnerships raised eyebrows.

One of the principal concerns was debt sustainability. Critics warned of a scenario in which mounting obligations could leave countries vulnerable to Chinese control over strategic infrastructure—particularly if they struggled to meet repayments. In neighboring Montenegro, a \$1 billion loan for a controversial highway project pushed the country's debt-to-GDP ratio to 105% in 2021[2]. Serbia, for now, has avoided such extremes. As of January 2025[3], its public debt stands at \$40.5 billion, with Chinese loans comprising \$3.2 billion—or about 8% of the total. Serbia's relatively stable debt-to-GDP ratio of 44.2% has kept alarm bells at bay, but the long-term outlook hinges on sustained economic growth.

And that growth is far from guaranteed. Serbia's development model is heavily reliant on foreign direct investment (FDI), which hit \$6.6 billion in 2024[4]. Any major disruption—geopolitical or domestic—could cool investor confidence, exposing vulnerabilities in the country's debt structure. If the Serbian economy slows, Chinese debt could morph from manageable liability to serious burden. What troubles transatlantic partners is not only the financial exposure but also the potential strategic misalignment. Serbia continues to declare its commitment to European integration, yet its growing dependency on Chinese capital—often accompanied by opaque terms and parallel legal frameworks—suggests an alternate path, one less anchored in institutional reform and democratic norms. This tension raises the question of how compatible these dual trajectories truly are.

Transparency, or the lack thereof, presents a second challenge. While all loan agreements must be ratified by parliament—technically allowing for public scrutiny—the criteria behind project selection remain opaque. Why were Chinese partners chosen? Was it simply a matter of speed and cost? Many suspect the lure was China's "no-strings-attached" model, a sharp contrast to the EU's regulatory rigor and rule-of-law benchmarks. For countries more focused on delivering results than observing process, Beijing's approach has undeniable appeal—but it may come at the cost of long-term institutional accountability. For the transatlantic community, these agreements signal more than just economic shortcuts—they point to a structural erosion of democratic standards. The bypassing of competitive tenders, independent oversight, and environmental safeguards weakens the institutional integrity of countries that are nominally on the path toward European integration. Over time, such deals risk embedding informal governance practices that are difficult to dislodge.

[2] <https://chinaobservers.eu/montenegros-debt-success-orphaned-at-birth/>

[3] [Public Debt Administration - Monthly report%253B January 2025](#)

[4] <https://www.nin.rs/ekonomija/vesti/70417/srpski-socijalizam-za-bogate-strane-firme-u-2024-godini-iznele-iz-srbije-43-milijarde>



Third, and perhaps most troubling, is the question of legal jurisdiction and responsibility. Most Chinese loan agreements stipulate that any contractual disputes be resolved in Chinese courts under Chinese law. In the case of the Novi Sad–Ruma motorway, for instance, disputes are referred to the China International Economic and Trade Arbitration Commission (CIETAC)[5]. Moreover, Chinese contractors often employ local subcontractors, which complicates the chain of responsibility. When the canopy of the newly renovated Novi Sad railway station collapsed—killing 16—blame quickly shifted away from the Chinese firms and toward local partners. The incident highlighted the murky liability structures built into many of these agreements[6]. This legal outsourcing not only limits a recipient country's ability to defend its interests but also challenges the broader legal coherence that transatlantic partners view as foundational to rule-based cooperation. It inserts foreign jurisdictions into the heart of critical infrastructure governance, a development that raises concerns not just about justice and accountability but about sovereignty itself.

Beyond economics and law, these projects serve a broader diplomatic function. Chinese-backed infrastructure has become a de facto symbol of the China-Serbia partnership—omnipresent in state media, ribbon-cuttings, and political speeches. While the promotion is often indirect, it grants China substantial soft power in Serbia, with local officials using successful projects to burnish their own credentials while inadvertently amplifying Beijing's presence[7]. This soft power projection, facilitated by visible infrastructure and quiet diplomacy, also complicates efforts by transatlantic actors to maintain influence in the region. It's not simply about competing visions of development—it's about the narratives being built, paved, and lit across Serbian highways and bridges. If those symbols consistently reflect one partner over others, the strategic balance begins to tilt.

Whether this model is sustainable—or desirable—is an open question. There is no denying that it has helped accelerate Serbia's infrastructure modernization. But it also raises serious concerns about financial prudence, democratic governance, and the erosion of EU-aligned standards. In the short term, the roads may be built faster. In the long term, the cost could be much higher—not just for Serbia, but for the broader region, where the contest between influence and alignment is quietly unfolding.

## **Scale and Growth of Chinese FDI**

By 2021, China had become Serbia's largest single-country investor, with annual inflows of Chinese foreign direct investment (FDI) surpassing those of any individual EU member state[8]. In 2022 alone, Chinese FDI reached €1.4 billion—nearly equaling the combined total from all 27 EU member states (€1.46 billion). This trajectory has continued uninterrupted, with China

[5] [http://demo.paragraf.rs/demo/combined/Old/t/t2022\\_02/MU\\_001\\_2022\\_009.htm](http://demo.paragraf.rs/demo/combined/Old/t/t2022_02/MU_001_2022_009.htm)

[6] <https://chinaobservers.eu/the-novi-sad-railway-station-collapse-the-cost-of-sino-serbian-infrastructure-deals/>

[7] <https://balkaninsight.com/2021/03/26/big-brother-serbias-media-are-creating-nation-of-china-lovers/>

[8] <https://chinaobservers.eu/how-did-china-become-the-largest-investor-in-serbia/>

consistently investing over €1 billion annually in Serbia[9]. China's involvement spans brownfield investments—such as revitalizing aging steel and copper plants—and greenfield projects, primarily in the automotive sector. The Serbian government consistently frames China as dependable development partner, a perception mirrored by public opinion. Recent polls show that more than 50% of Serbian citizens view the partnership with China positively, while only 25% see it negatively[10].

This rapid rise in Chinese FDI marks a dramatic shift from the preceding decade. Between 2010 and 2015, cumulative Chinese investments amounted to just €189 million, dwarfed by European inflows. The turning point came in 2016, when Chinese conglomerate Hesteel (HBIS) acquired the Smederevo steel mill for €46 million, pledging €300 million in modernization efforts. Announced during President Xi Jinping's state visit to Serbia, the deal saved 5,000 jobs and symbolized the beginning of an era of what both sides dubbed a “steel friendship.”

In 2018, two flagship projects deepened China's presence: Zijin Mining acquired a majority stake (63%) in the RTB Bor copper complex, while Shandong Linglong invested approximately \$1 billion in a new tire manufacturing plant in Zrenjanin—the largest greenfield investment in Serbia to date. Zijin's arrival rescued the indebted mining giant, while Linglong's factory brought a significant boost to industrial employment and manufacturing capabilities.

Chinese investments are concentrated in strategic sectors: mining, metallurgy, heavy industry, and increasingly, automotive manufacturing. The Chinese Ministry of Commerce has openly prioritized these sectors within Serbia[11]. Zijin now controls a near-monopoly in the copper industry, including the new Čukaru Peki copper-gold mine, developed after the acquisition of Canada's Nevsun Resources. In 2023, Zijin announced a further \$3.8 billion in planned investments to expand copper production, in line with soaring global demand for critical minerals[12]. This positions Serbia as a key node in China's supply chain for raw materials, with significant implications for global markets and the EU's strategic autonomy.

For transatlantic actors, particularly diplomats and foreign policy experts, this consolidation of Chinese control over strategic raw materials raises important questions. Serbia, as a non-EU country but geographically embedded in Europe, offers China a platform to access vital minerals without the regulatory constraints of the EU's single market. This could undermine efforts by the EU and its allies to secure resilient and transparent supply chains—especially in light of Europe's Green Deal and broader decarbonization efforts.

In steel production, HBIS's revitalization of the Smederevo plant restored Serbia's place among Europe's steel-producing nations, with a large portion of output exported to EU markets. This

[9] Based on National Bank of Serbia Data: [https://www.nbs.rs/en/drugi-nivo-navigacije/statistika/platni\\_bilans/](https://www.nbs.rs/en/drugi-nivo-navigacije/statistika/platni_bilans/)

[10] The COMPASS Survey: Attitudes on Serbia's Foreign Policy – 2024, Belgrade

[11] <http://www.mofcom.gov.cn/dl/gbdqzn/upload/saierweiya.pdf>

[12] <https://www.rferl.org/a/serbia-mining-china-environment-protests/32828984.html>



arrangement not only supports Chinese economic interests but also offers Beijing indirect access to the European market under preferential trade conditions that Serbia enjoys. The transatlantic community should be aware of how these dynamics potentially circumvent environmental and labor regulations that Western investors are required to follow, creating an uneven playing field.

The Linglong tire factory, which reached full operational capacity in September 2024 and employs 1,200 workers[13], represents the flagship Chinese manufacturing investment in Serbia. Other firms, such as Minth Automotive, have followed suit—building a €100 million plant in Loznica and expanding to Šabac to produce car body parts. These projects integrate Serbia into Chinese manufacturing supply chains in Europe, while reducing transportation costs by positioning production just outside the EU's borders.

While Chinese investments have contributed to Serbia's economic development, they have also generated serious challenges—particularly in environmental governance. In cities like Smederevo and Bor, the use of outdated industrial technologies has led to substantial air, soil, and water pollution. Both Chinese firms and Serbian authorities have been widely criticized for failing to mitigate these effects or uphold basic environmental standards. These practices not only threaten public health but also contradict the EU's environmental norms and risk exporting illiberal industrial standards to the region.

A second, equally pressing issue is Serbia's growing economic dependency on China. With China contributing roughly 20% of total annual FDI over the past four years, concerns are mounting that Beijing could use this economic leverage to shape domestic policy outcomes. The hypothetical question—what happens if the Chinese leave?—now looms large. While the current Serbian government is aligned with Chinese interests, potential democratic changes could reshape the bilateral relationship, possibly prompting pressure from Beijing to protect its investments or deter criticism.

This dynamic has broader geopolitical implications. For the transatlantic partners, China's deepening entrenchment in Serbia raises red flags not just about investment volume, but about the governance model that accompanies it. Opaque procurement processes, lack of labor protections, and disregard for environmental sustainability stand in contrast to the values championed by EU and NATO allies. If these trends continue unchecked, they may erode democratic resilience in Serbia and complicate its path toward EU accession—thereby weakening the transatlantic alliance's influence in a key part of Southeast Europe.

Strategic competition over infrastructure, raw materials, and norms in Serbia is no longer hypothetical. As China cements its economic footprint, transatlantic actors must rethink their approach. Increased engagement—through transparent investment alternatives, civil society support, and conditional development aid—could help realign Serbia's development trajectory

[13]<https://n1info.rs/biznis/posle-vise-probijenih-rokova-i-niza-afere-linglong-zvanicno-otvorio-vrata-ali-samo-za-odabrane-medije/>

with European values and standards. Without such efforts, the Western Balkans risk drifting further into a governance model that prioritizes short-term economic gains over long-term democratic stability.

### **Trade Relations Between Serbia and China: Strategic Opportunity or Asymmetric Partnership?**

Over the past decade, trade between Serbia and China has undergone a dramatic expansion, transforming China into one of Serbia's most important non-European trade partners. By the end of 2024, China had become Serbia's largest individual trading partner, overtaking Germany<sup>[14]</sup>, and its largest outside of the European Union. The rapid growth in bilateral trade volumes reflects broader political and economic alignment, deepened further by the signing of a landmark Free Trade Agreement (FTA) in October 2023. Yet, beneath the surface of record-high trade flows lies an asymmetry in trade structure and market access that raises important questions—particularly for policymakers across the transatlantic community.

In 2012, bilateral trade between Serbia and China stood at approximately \$500 million. By 2023, total trade had surpassed \$6 billion—a more than tenfold increase. Serbian exports to China, although growing, remain modest in comparison to imports. In 2023, Serbia exported goods worth roughly \$1.1 billion to China, while imports from China reached nearly \$5 billion, contributing to a persistent and widening trade deficit<sup>[15]</sup>. This imbalance mirrors broader trends across the Western Balkans and points to structural disparities in the economic relationship. The composition of trade further underscores these disparities. Chinese exports to Serbia are dominated by industrial machinery, electronics, telecommunications equipment, motor vehicles, and consumer goods. These reflect China's strength in manufacturing and its ability to offer cost-competitive products that align with Serbian industrial demand and consumer preferences. Conversely, Serbia's exports to China are concentrated in low value-added commodities—primarily copper and related mineral products, agricultural goods such as frozen fruits and cereals, and to a lesser extent, timber and chemical intermediates.

Copper exports, largely driven by the activities of the Chinese-owned Zijin Mining group in Serbia's Bor and Majdanpek complexes, account for more than half of Serbia's exports to China. This points to a dependency dynamic: Serbian exports are increasingly tied to Chinese-invested assets within Serbia, meaning the actual trade value generated domestically is limited. Moreover, this integration into China's supply chains is not necessarily paired with technology transfers, productivity gains, or diversification of Serbia's export base.

The Free Trade Agreement signed between Serbia and China in 2023, which entered into force on July 1, 2024, was celebrated by both governments as a milestone in bilateral relations. The deal

[14]<https://www.danas.rs/vesti/ekonomija/kina-pretekla-nemacku-i-postala-najveci-srpski-spoljnotrgovinski-partner-po-uvozu/>

[15] Based on Statistical office of Serbia data: <https://data.stat.gov.rs/?caller=SDDB&languageCode=en-US>

eliminates tariffs on over 90% of goods traded between the two countries over a transition period[16]. For China, this opens Serbia's market further to its industrial goods, while allowing Chinese firms with Serbian production bases preferential access to the broader Western Balkan region through CEFTA and to EU markets via Serbia's trade agreements. For Serbia, the FTA is presented as an opportunity to boost agricultural exports, attract additional investment, and solidify its position as a logistical hub on China's Belt and Road corridor in Europe. Yet early analyses from trade experts and economists suggest that the agreement may deepen existing imbalances. While Serbia may see marginal gains in certain agricultural sectors, its limited production capacity, small market size, and lack of competitive industrial products severely constrain its ability to capitalize on the new market access. Meanwhile, Chinese companies—especially state-owned enterprises—stand to benefit disproportionately from tariff reductions and lower production costs within Serbia.

The question arises, then: is this an exploitative relationship?

While not overtly extractive in the colonial sense, the Serbia-China trade relationship exhibits features of asymmetric dependency. Serbia functions increasingly as a resource supplier and low-cost production base for Chinese companies, while Chinese firms enjoy the dual benefit of regulatory leniency and strategic market access. There is little evidence so far of Serbia upgrading its position within global value chains through this relationship. In fact, the structure of trade reinforces Serbia's role as a provider of raw materials and importer of high-value finished goods—a pattern reminiscent of center-periphery dynamics in global trade.

These dynamics carry significant implications for the transatlantic community. For the European Union, Serbia's deepening trade and regulatory alignment with China—absent transparency and labor or environmental safeguards—risks creating a parallel economic space on its southeastern flank. Chinese firms operating under preferential conditions in Serbia can indirectly penetrate EU markets while circumventing the bloc's standards. This not only distorts competition but also weakens Brussels' leverage in promoting democratic reforms and rule of law in candidate countries.

For other transatlantic partners, the FTA and broader trade relationship underscore the need to rethink strategic engagement in the Western Balkans. The economic vacuum left by slower Western investment and limited trade facilitation efforts is being filled by Beijing—often on terms that entrench local elites, weaken institutional resilience, and export governance models at odds with liberal democratic values. The opacity surrounding trade negotiations, lack of public consultation, and the dominance of state-owned enterprises all reflect this divergence.

Moreover, the sustainability of this relationship is questionable. Serbia's heavy reliance on a single buyer (China) for its key exports—largely based on Chinese-controlled mines—creates

[16] <https://n1info.rs/english/news/what-does-the-free-trade-agreement-with-china-bring-to-serbia/>

vulnerability to price fluctuations, political shifts, and over-dependence on one country's industrial demand. In times of diplomatic tension or economic downturn, Serbia could find itself exposed to trade disruptions or conditionality that undermines its sovereignty.

Serbia-China trade relations represent a rapidly expanding, yet structurally imbalanced partnership. The 2024 Free Trade Agreement may accelerate trade volumes, but without complementary reforms in competitiveness, diversification, and transparency, it risks deepening Serbia's dependency on China. For transatlantic actors, this development demands closer attention. It is not merely a bilateral economic issue—it is a test case for how global competition for influence is playing out in the heart of Europe.

## **Conclusion**

The rapid growth of economic cooperation between Serbia and China over the past 15 years has undeniably reshaped Serbia's economic landscape, making Beijing one of Belgrade's most significant partners. However, beneath the surface of impressive investment figures and high-profile infrastructure projects lie profound challenges. Concerns about debt sustainability, transparency in procurement processes, and accountability in legal jurisdictions persist, underscoring vulnerabilities in Serbia's governance and democratic institutions. The dependency on Chinese capital and raw material demand risks locking Serbia into a peripheral economic role, limiting opportunities for domestic value addition and technological advancement.

Strategically, the intensifying Serbia-China relationship poses significant implications for the transatlantic community. China's expanding influence in critical sectors—metallurgy, automotive, mining—raises alarms regarding environmental standards, labor rights, and regulatory transparency, contrasting sharply with EU norms. Chinese investments, often accompanied by minimal oversight and opaque contracts, threaten to entrench practices at odds with European democratic governance. These dynamics create tensions within Serbia's proclaimed EU integration goals, potentially pushing it onto a divergent trajectory shaped by Beijing's interests rather than Brussels'.

While Serbia has successfully avoided severe debt crises thus far, the sustainability of its China-centric economic strategy remains uncertain. The transatlantic community must recalibrate its approach, offering competitive and transparent investment alternatives, strengthening civil society, and supporting institutional reforms to realign Serbia's economic path with democratic and European standards. Failing to address these emerging imbalances could not only deepen Serbia's dependency on China but also weaken broader regional stability and democratic resilience, turning the Western Balkans into a critical front in the global strategic competition.

## Political cooperation

Serbia's path to European Union membership is intertwined with its growing strategic partnership with China. While Chinese investments and political support provide economic and diplomatic advantages, they also raise concerns about Serbia's alignment with EU democratic values, governance standards and foreign policy. As Serbia deepens ties with China, the challenges of harmonizing its policies with EU requirements become increasingly evident.

### Pillars of Partnership: Unpacking Sino-Serbian Political Ties

The relationship between China and Serbia has a lengthy history, affected by significant geopolitical events. A watershed moment occurred in May 1999, when NATO bombed the Chinese embassy in Belgrade, killing three Chinese journalists. This incident is widely viewed as a turning point in Beijing's foreign and security policy, boosting its political connection with Serbia and encouraging long-term collaboration. Through strategic agreements, such as the 2009 Strategic Partnership Agreement, which was upgraded in 2019, the partnership between two countries has been developing.[17] Along with the US, Russia, and the EU, Serbia has made China one of its four major foreign policy pillars over the years. Cooperation between China and Serbia has been further formalized through China's global efforts, such as the China-CEEC (16+1) framework and the Belt and Road Initiative (BRI), which have established a stable foundation for ongoing economic and political engagement.

A mutual dedication to the values of territorial integrity, sovereignty, and non-interference in domestic matters is the basis of China-Serbia cooperation. Serbia, which acknowledges Taiwan as an integral part of China, has continuously backed China's "One China" policy. Beijing, on the other hand, has been one of Serbia's most outspoken allies in international fora, especially the UN Security Council, where it promotes a settlement based on UN Security Council Resolution 1244 and opposes Kosovo's\* independence.[18] China considers Kosovo's unilateral declaration of independence a violation of international law, aligning with its broader stance on territorial integrity. Consequently, Beijing has actively blocked Kosovo's participation in international organizations, including voting against its UN membership bid in 2015 and preventing its entry into UNESCO in 2017, when the assembly was held in China.[19] Most recently, following renewed tensions in northern Kosovo in September 2024, China's Foreign Ministry reaffirmed its position: "On the Kosovo issue, China respects Serbia's sovereignty and territorial integrity, and believes that the lawful rights and interests of ethnic Serbs in the Kosovo region should be upheld." [20]

[17] <http://repozitorijum.diplomacy.bg.ac.rs/1412/>

[18] [http://repozitorijum.diplomacy.bg.ac.rs/1414/1/iipe\\_dijalozi\\_kina-2024-4-2-ch25.pdf](http://repozitorijum.diplomacy.bg.ac.rs/1414/1/iipe_dijalozi_kina-2024-4-2-ch25.pdf)

[19] <https://www.iwm.at/blog/chinese-influence-in-the-western-balkans-and-its-impact-on-the-regions-european-union>

[20] [https://www.fmprc.gov.cn/eng/xw/fyrbt/fyrbt/202409/t20240914\\_11491079.html#:~:text=A%3A%20On%20the%20Kosovo%20issue%2C,solution%20to%20the%20Kosovo%20issue](https://www.fmprc.gov.cn/eng/xw/fyrbt/fyrbt/202409/t20240914_11491079.html#:~:text=A%3A%20On%20the%20Kosovo%20issue%2C,solution%20to%20the%20Kosovo%20issue)

\*This designation is without prejudice to positions on status and is in line with UN Security Council resolution 1244 and the International Court of Justice Opinion on the Kosovo declaration of independence.



During President Xi Jinping's visit in May 2024, the two countries agreed to upgrade partnership to the community with a shared future. Furthermore, Serbia expressed readiness to implement China's initiatives proposed between 2021 and 2023: Global Development Initiative, Global Security Initiative and Global Civilization Initiative.[21] Aspects of China's Global Security Initiative are likewise consistent with Serbian foreign policy aims. Beijing's 12-point plan for settling the Ukrainian problem, based on the GSI, aligns with Serbia's interests, which oppose double standards in territorial integrity, NATO expansion, and unilateral non-UN sanctions. Given Serbia's issues with Kosovo, military neutrality, and opposition to NATO membership, as well as periodic Western sanctions against political figures in Belgrade, these ideals are widely supported in Serbia.[22]

### **Between Brussels and Beijing: Serbia's Foreign Policy Crossroads**

As a candidate country for EU membership since 2012, Serbia is expected to gradually align its foreign and security policy with that of the European Union, particularly through the Common Foreign and Security Policy (CFSP). However, Serbia's trajectory has been marked by inconsistent alignment, raising concerns about its long-term commitment to EU principles.

In 2024, Serbia's alignment with the Common Foreign and Security Policy (CFSP) measures increased to 59%, showing progress compared to previous years but still ranking the lowest among EU candidate countries in the Western Balkans.[23] Serbia has consistently refrained from endorsing EU declarations and measures directed at the Russian Federation and the People's Republic of China, primarily due to its reliance on their support regarding the Kosovo issue in international forums.[24] In 2024, Serbia refrained from aligning with multiple CFSP declarations, including those concerning the war in Ukraine, human rights sanctions, and cybersecurity-related issues. Additionally, Serbia did not endorse the EU's March 2024 declaration expressing concern over China's 'Safeguarding National Security Bill' in Hong Kong, further increasing Western mistrust over Serbia's commitment to EU foreign policy aims.[25] This pattern is not new – Serbia also refused to align with EU sanctions against China in 2020 and 2021 concerning Hong Kong and the treatment of Uyghurs in Xinjiang. Instead, Serbia reiterated its principled support for China's sovereignty and territorial integrity, drawing further Western criticism and diplomatic pressure.[26]

[21]<https://www.mfa.gov.rs/en/press-service/statements/joint-statement-president-republic-serbia-and-president-people-s-republic-china>

[22] [http://repozitorijum.diplomacy.bg.ac.rs/1414/1/iipe\\_dijalozi\\_kina-2024-4-2-ch25.pdf](http://repozitorijum.diplomacy.bg.ac.rs/1414/1/iipe_dijalozi_kina-2024-4-2-ch25.pdf)

[23]<https://www.isac-fund.org/en/publication/an-analysis-of-serbias-alignment-with-the-european-unions-foreign-policy-declarations-and-measures-annual-review-for-2024>

[24]<https://www.isac-fund.org/en/publication/an-analysis-of-serbias-alignment-with-the-european-unions-foreign-policy-declarations-and-measures-annual-review-for-2024>

[25]<https://www.isac-fund.org/en/publication/an-analysis-of-serbias-alignment-with-the-european-unions-foreign-policy-declarations-and-measures-annual-review-for-2024>

[26] [http://repozitorijum.diplomacy.bg.ac.rs/1414/1/iipe\\_dijalozi\\_kina-2024-4-2-ch25.pdf](http://repozitorijum.diplomacy.bg.ac.rs/1414/1/iipe_dijalozi_kina-2024-4-2-ch25.pdf)



Furthermore, the European Commission's 2024 Report notes that Serbia "intensified its relations with China," citing the entry into force of the China-Serbia Free Trade Agreement (FTA) in July 2024 as a matter of strategic concern for the EU. During the reporting period, Serbia participated in the October 2023 Belt and Road Summit, signed 18 bilateral agreements (including the FTA), hosted a high-level visit from President Xi Jinping in May 2024, and concluded 28 new cooperation documents. Serbia also joined the Treaty of Amity and Cooperation with ASEAN in September 2023. These moves underscore a growing strategic convergence with China at odds with Serbia's formal commitment to EU integration.[27]

The China-Serbia FTA represents a particularly sensitive issue. Covering over 10,000 export and nearly 9,000 import items, this agreement marks Serbia as the first European country to conclude a free trade deal with China—despite being in the EU accession process. As EU member states are required to adopt the EU's common trade policy, Serbia would likely need to terminate or renegotiate the FTA before joining the Union. Moreover, the FTA's phased tariff reductions—set to unfold over 15 years—suggest either skepticism about the timeline of EU accession or a willingness to conclude deals that may later become obsolete.[28]

While candidate countries are not yet obligated to fully align with the CFSP, the EU has increasingly framed foreign policy alignment as a political indicator of strategic orientation. The Commission has made it clear that constructive engagement with EU priorities is essential for credible accession. Without a clearer shift toward EU-aligned diplomacy, Serbia risks being perceived not only as an unreliable future member, but also as a conduit for third-party (especially Chinese and Russian) influence within the EU framework.

### **Serbia between EU and China: the question of transparency, rule of law and corruption**

The EU's accession process requires candidate countries to demonstrate commitment to Copenhagen Criteria, which emphasize democratic governance, transparency, and the rule of law. Serbia's deepening relations with China, particularly in infrastructure projects financed through opaque agreements, have raised concerns within the EU. Chinese investments in Serbia, such as the Belgrade-Budapest railway and the HBIS steel plant, often bypass public procurement laws and transparency requirements. Such practices contradict EU norms and may slow Serbia's progress in key accession chapters, particularly Chapter 23 (Judiciary and Fundamental Rights) and Chapter 24 (Justice, Freedom, and Security).

Engagements with China often involve state-to-state agreements with limited transparency, contrasting sharply with the EU's expectations for openness, public accountability, and adherence to competitive tendering and anti-corruption procedures. EU institutions and member

[27] [https://enlargement.ec.europa.eu/document/download/3c8c2d7f-bff7-44eb-b868-414730cc5902\\_en?filename=Serbia%20Report%202024.pdf#:~:text=Serbia%20maintained%20high,to%20participate%20in%20and%20contribute](https://enlargement.ec.europa.eu/document/download/3c8c2d7f-bff7-44eb-b868-414730cc5902_en?filename=Serbia%20Report%202024.pdf#:~:text=Serbia%20maintained%20high,to%20participate%20in%20and%20contribute)

[28] <https://chinaobservers.eu/serbias-dance-with-the-dragon-on-the-eus-doorstep/>

states have expressed reservations about Serbia potentially deviating from established EU norms regarding competition, transparency, and procurement processes due to its engagement with China. Given Serbia's current ranking of 105th on the Corruption Perceptions Index, strengthening democratic institutions and aligning with EU norms are essential for Serbia's successful European integration.

The impact of Serbia's cooperation with China on the rule of law is particularly evident in the use of bilateral agreements to bypass transparent selection processes for infrastructure development partners. Although these projects formally align with Serbia's normative framework – notably through Framework Agreement on Economic and Technological Infrastructure Cooperation – they raise broader concerns regarding the prioritization of Chinese over EU-backed financing mechanisms has strategic implications, as it may undermine Serbia's long-term commitment to regulatory alignment with the EU, further complicating its accession process.

## **Conclusion**

While Beijing officially supports Serbia's EU integration and refrains from overtly promoting its political model in the Western Balkans, the nature of its state-led economic engagement presents a more complex and politically nuanced reality. Chinese investments in Serbia are not only driven by economic motives but are also underpinned by shared political interests—such as the principle of non-interference, support for state sovereignty, and mutual diplomatic backing on key issues like Kosovo. This strategic partnership fits into Serbia's broader foreign policy approach, which is built on balancing relations with four main pillars: the European Union, the United States, Russia, and China. Within this framework, China has become a vital partner, offering economic opportunities and political support without pressuring Belgrade on democratic reforms or human rights—unlike the EU and the U.S.

However, the deepening economic and political ties with Beijing present long-term challenges. Chinese investments—often negotiated through opaque channels—risk undermining EU standards related to transparency, competition, and environmental protection. To move forward, Serbia must strengthen regulatory oversight, enhance public procurement transparency, and implement anti-corruption reforms. A failure to address these issues could not only stall Serbia's EU accession but also create long-term economic vulnerabilities associated with excessive reliance on Chinese capital.

## Security cooperation

Within the strategic context of “four pillars” foreign policy, Serbia-China cooperation has extended into multiple security-related domains. Notably, these include military cooperation (arms sales, defense training, and strategic agreements), the adoption of Chinese surveillance technology in Serbian cities, collaboration on cyber and digital infrastructure, and Chinese investments in energy and critical infrastructure. Each of these areas carries significant geopolitical implications and potential security risks.

## Military cooperation

During the last decade, there have been numerous defense agreements and high-level meetings to broaden and facilitate military cooperation. Since forging a Comprehensive Strategic Partnership, Serbia and China have included the topic of defense cooperation in bilateral summits. President Xi Jinping’s 2016 visit to Belgrade led to pledges of military-technical assistance, and later meetings have emphasized counter-terrorism and peacekeeping cooperation. Serbia’s policy of military neutrality enables it to welcome Chinese defense ties without formally breaching commitments to partners.

One of the most important aspects of the Serbia-China security partnership is arms trade, overtaking the arms trade with the Russian Federation in recent years. Serbia has become the first country in Europe to deploy Chinese military aviation and missile systems, marking Beijing’s entry into the European defense space. In 2018, it was reported that Serbia bought a total of 9 Chengdu Pterodactyl-1 and 6 Pterodactyl-2 drones, which was also included a knowledge transfer on drone technology[29]. However, these drones were never unveiled later, and it is not certain whether they were acquired. In 2019, Belgrade purchased CH-92A and CH-95 (first unveiled in 2023) armed drones from China, which presented a milestone as these were the first Chinese-made unmanned combat aerial vehicles operated on European soil[30]. In 2019 Serbia agreed with China to collaborate on the development of a domestically produced combat drone, known as the “Pegaz”. This partnership involves the Serbian Military Technical Institute and the China Aerospace Science and Technology Corporation (CASC - manufacturers of CH92A and CH-95), aiming to enhance Serbia's UAV capabilities[31]. Additionally, in November 2024, a Memorandum of Understanding (MoU) was signed between Serbia's Utva Aviation Plant and China's Aerospace Long-March International (ALIT) to establish a UAV maintenance center in Serbia. This facility is intended to service various drones, including the Serbian-made “Vrabac” and “Pegaz” models, thereby strengthening the operational readiness and sustainability of Serbia's UAV fleet[32].

[29] <https://chinaobservers.eu/securing-the-sino-serbian-partnership/>

[30] <https://www.pbs.org/newshour/world/serbia-shows-off-newly-acquired-chinese-missiles-amid-concerns-in-balkans-over-arms-buildup>

[31] [https://www.defensemirror.com/news/31863/Serbia to Unveil Pegasus Attack Drone Made in Partnership with China](https://www.defensemirror.com/news/31863/Serbia%20to%20Unveil%20Pegasus%20Attack%20Drone%20Made%20in%20Partnership%20with%20China)

[32] <https://mil.in.ua/en/news/service-center-for-chinese-drones-will-be-created-in-serbia/>

To bolster its precision strike capacities, FT-8 precision-guided air-to-surface missiles were acquired. Following the drones, Serbia in 2022-2023 took delivery of the FK-3 surface-to-air missile system (the export version of China's HQ-22). This medium-range air defense system, also a first of its kind in Europe, extends Serbia's air-defense umbrella up to 100 km and targets aircraft or drones at high speeds. To complement that system, Serbia has also acquired the HQ-17AE air defense missile system, designed as a medium to low-altitude and short-range system[33].

Beyond hardware, Belgrade and Beijing have engaged in modest but symbolically important joint training activities. In 2019, Serbian special police units and Chinese special police from Henan province conducted their first-ever joint exercise on European soil, a counter-terrorism drill at the Hesteel Serbian steel plant[34]. Serbia has also hosted or observed PLA delegations at its military exercises; for example, Chinese-made drones were showcased during the "Cooperation 2020" drills attended by President Aleksandar Vučić[35]. These activities, while limited in scale, demonstrate growing interoperability and trust between Serbian and Chinese security forces.

They also align with Serbia's practice of diversifying military engagements. Serbian troops regularly drill with NATO partners and Russian forces as well, reflecting Belgrade's balancing act. This act can be seen from the newest purchase of 12 Rafale fighter jets from France, for a total of 2.7 billion euros[36]. In sum, through arms sales, training, and diplomatic support, China has emerged as a significant security partner for Serbia – strengthening Serbia's defense capabilities while giving Beijing a toehold in the European security landscape. However, this raises questions from Western partners on Serbia's commitment to European integration, posing a risk of China's influence on European security.

### **Sensitive data and surveillance technology**

Another major dimension of Serbia-China security cooperation is the deployment of Chinese surveillance and smart-city technology in Serbia. In 2017, the MoU on Strengthening the Development of Information Silk Road for Information Connectivity in 2017, which includes the "Smart City" project, which promotes public safety and digitalization was signed[37]. Latest data from 2024 shows that around 8,000 cameras were installed in Serbia, in more than 40 municipalities, predominantly supplied by Chinese manufacturers Dahua and Hikvision, with

[33]<https://armyrecognition.com/news/army-news/army-news-2024/serbia-continues-to-purchase-chinese-equipment-with-acquisition-of-hq-17ae-air-defense-missile-systems>

[34]<https://www.reuters.com/article/world/chinese-elite-police-join-serbian-units-in-first-european-drills-idUSKBN1Y21PJ/#:~:text=SMEDEREVO%2C%20Serbia%20%28Reuters%29%20,owned%20steel%20mill%20outside%20Belgrade>

[35]<https://rusi.org/explore-our-research/publications/commentary/chinese-drones-serbian-skies#:~:text=Azerbaijan%20in%20the%20Caucasus,to%20Serbia%20in%20June%202020>

[36]<https://www.reuters.com/world/europe/frances-macron-visits-serbia-boost-eu-ties-discuss-rafale-deal-2024-08-29/>

[37]<https://www.pssi.cz/publications/36-the-sum-of-all-fears-chinese-ai-surveillance-in-serbia#:~:text=The%20Serbian%20government%20in%20cooperation,Huawei%20and%20voiced%20by%20Serbian>

Huawei having a lesser role in this effort[38]. The official rationale is to enhance public security, combat crime and improve traffic management. However, the scale and lack of transparency in the deployment of cameras raised concerns regarding the possible misuse. Although Serbia has implemented some of the standards of EU GDPR through Law on Personal Data Protection, the gap on regulating facial recognition and biometric data still exists[39]. The concerns were further exacerbated by two attempts to legalize biometric surveillance (two Laws on Internal Affairs, withdrawn due to public pressure)[40]. The potential for misuse of these surveillance systems has been substantiated by recent reports. Amnesty International's December 2024 report, titled "A Digital Prison": Surveillance and the suppression of civil society in Serbia, details the pervasive use of spyware, including NSO Group's Pegasus and a novel domestically-produced Android NoviSpy, to target journalists and activists[41].

### **Cyber security and digital networks**

Chinese companies are deeply involved in Serbia's telecommunications and digital infrastructure, which presents both opportunities and cybersecurity risks. Huawei, in particular, stands out as a key supplier and advisor across Serbia's ICT sector. The state-owned telecom operator Telekom Srbija has long relied on Huawei for equipment; Huawei provided much of the 3G/4G mobile network gear and is integral to Serbia's fiber-optic broadband network. In addition, Huawei supported the development of Serbia's central e-government State Data Center in Kragujevac, supplying cloud infrastructure and AI platforms for this facility that houses critical government data[42]. The Serbian government even signed a memorandum with Huawei to develop "Smart City" projects in multiple cities (Belgrade, Novi Sad, Niš) and to position Belgrade as a regional tech hub. Beyond Huawei, other Chinese tech firms like ZTE have started making inroads into the Serbian market, competing for telecom contracts[43]. This extensive Chinese role in digital infrastructure means that a significant portion of Serbia's communications backbone is running on Chinese technology. From cellular networks to surveillance systems to data centers, Chinese tech is deeply integrated within Serbia's digital ecosystem, presenting a testament to the Digital Silk Road component of the BRI in the Western Balkans.

The integration of Chinese technology in Serbia's telecom networks raises significant cybersecurity concerns, particularly regarding espionage and technological dependence. Western officials, including the U.S., have repeatedly flagged these issues, with concerns that equipment from Chinese vendors might contain vulnerabilities or "backdoors" allowing unauthorized access to sensitive data. Chinese law can oblige companies like Huawei to share data with state agencies,

[38] <https://balkaninsight.com/2024/06/28/serbian-authorities-use-high-tech-surveillance-to-monitor-opponents-birn-report/>

[39] <https://edri.org/our-work/total-surveillance-law-proposed-in-serbia/>

[40] <https://globalvoices.org/2023/02/07/the-future-of-mass-surveillance-in-serbia/>

[41] <https://www.amnesty.org/en/documents/eur70/8813/2024/en/>

[42] <https://www.trade.gov/country-commercial-guides/serbia-digital-economy#:~:text=giant%20Huawei%20stands%20out%20as,Interior%20and%20has%20reportedly%20supplied>

[43] Ibidem.



increasing the risk that data transiting Huawei-managed systems could be made available to Beijing. In 2020, Serbia initially pledged to exclude "untrusted vendors" from its 5G rollout as part of a U.S.-brokered agreement, but barely a week later, it allowed the Huawei-run Innovations Center to open, interpreting "untrusted" as poor-quality vendors rather than security risks [44]. This incident underscores Serbia's balancing act between Western and Eastern partnerships, with potential long-term consequences for technological dependence. If most of its telecom infrastructure is Huawei-built, Serbia may find it costly or technically challenging to switch to alternative suppliers, potentially allowing China to dictate terms or prices. It also raises the stakes for Serbia's relations with Western security partners – NATO and EU agencies may be hesitant to share certain information or integrate systems with Serbia if they fear Chinese intercepts in Serbian networks.

## Energy security

Energy is a critical sector where Chinese-Serbian cooperation has expanded significantly, bringing both development gains and strategic risks. For years, this cooperation was mainly in the field of coal-fired power plants, since two-thirds of Serbia's total power generation comes from lignite[45]. A flagship project is the expansion of the Kostolac B thermal power plant, one of Serbia's largest coal-fired power complexes. After Western lenders (like the EBRD) refused to fund new coal units on environmental grounds, China stepped in with a \$613 million loan from China's Exim Bank for funding a new 350 MW unit at Kostolac, with China's CMEC company as the contractor. This 20-year loan will cover around 80% percent of the whole project, with the objective of improving Serbia's security of power supply and sufficient generation, reducing the need for imports during peak load or when hydropower is low[46]. However, it also prolongs Serbia's reliance on lignite for decades, which could clash with long-term EU climate policies. Indeed, EU observers have raised concerns that projects like Kostolac, approved without open tenders and initially lacking full environmental scrutiny, underscore governance gaps and could "lock in" coal dependency with continued pollution[47]. However, a shift in China's support for coal projects, along with Serbia's declarative effort to decarbonize its power sector has halted the Kolubara B plan in 2021, signaling a redirection of the PowerChina partnership toward renewable projects instead[48].

[44][https://securingdemocracy.gmfus.org/incident/huawei-tech-centre-opens-in-serbia-a-week-after-a-us-serbia-agreement-on-](https://securingdemocracy.gmfus.org/incident/huawei-tech-centre-opens-in-serbia-a-week-after-a-us-serbia-agreement-on-5g/#:~:text=American%20agreement%20not%20to%20use,data%20to%20the%20Chinese%20government)

[5g/#:~:text=American%20agreement%20not%20to%20use,data%20to%20the%20Chinese%20government](https://securingdemocracy.gmfus.org/incident/huawei-tech-centre-opens-in-serbia-a-week-after-a-us-serbia-agreement-on-5g/#:~:text=American%20agreement%20not%20to%20use,data%20to%20the%20Chinese%20government)

[45][https://thepeoplesmap.net/project/kostolac-coal-power-](https://thepeoplesmap.net/project/kostolac-coal-power-plant/#:~:text=Lignite%20fired%20power%20plants%20like,and%20expand%20the%20current%20coal)

[plant/#:~:text=Lignite%20fired%20power%20plants%20like,and%20expand%20the%20current%20coal](https://thepeoplesmap.net/project/kostolac-coal-power-plant/#:~:text=Lignite%20fired%20power%20plants%20like,and%20expand%20the%20current%20coal)

[46][https://www.reuters.com/article/markets/chinese-company-starts-construction-of-serbian-coal-fired-](https://www.reuters.com/article/markets/chinese-company-starts-construction-of-serbian-coal-fired-power-plant-idUSL8N1NQ49F/#:~:text=The%20%24613%20million%20project%20is,fired%20plant%20complex)

[power-plant-idUSL8N1NQ49F/#:~:text=The%20%24613%20million%20project%20is,fired%20plant%20complex](https://www.reuters.com/article/markets/chinese-company-starts-construction-of-serbian-coal-fired-power-plant-idUSL8N1NQ49F/#:~:text=The%20%24613%20million%20project%20is,fired%20plant%20complex)

[47][https://www.blue-europe.eu/analysis-en/short-analysis/chinas-energy-projects-and-investments-in-the-](https://www.blue-europe.eu/analysis-en/short-analysis/chinas-energy-projects-and-investments-in-the-balkan-countries-patterns-and-trends-of-cooperation/#:~:text=letter%20to%20Oliv%C3%A9r%20V%C3%A1rhelyi%2C%20the,extensive%20synergy%20in%20this%20field)

[balkan-countries-patterns-and-trends-of-](https://www.blue-europe.eu/analysis-en/short-analysis/chinas-energy-projects-and-investments-in-the-balkan-countries-patterns-and-trends-of-cooperation/#:~:text=letter%20to%20Oliv%C3%A9r%20V%C3%A1rhelyi%2C%20the,extensive%20synergy%20in%20this%20field)



Overall, China's role in Serbia's coal sector is transitioning from expansionary to cautious. A prominent example is the 28km Obrenovac–Belgrade district heating pipeline being constructed by PowerChina, which will carry hot water from the Nikola Tesla coal power plant in Obrenovac to heat homes in Belgrade, replacing older gas and oil-fired boilers. When completed, the pipeline should improve energy efficiency and reduce Serbia's natural gas consumption for heating – directly bolstering supply security in winter.

In recent years, Serbia–China energy cooperation has pivoted strongly toward renewable and low-carbon projects, in line with both Serbia's energy strategy and China's global push for green technology. The most significant initiative is a massive wind, solar, and hydrogen energy program. In January 2024, Serbia's Ministry of Energy signed an MoU with China's Shanghai Fengling (Renewable) Co. and Serbia Zijin Copper (the Chinese-owned mining company in Bor) to develop a 1,500 MW wind farm, a 500 MW solar power plant, and a green hydrogen factory (30,000 tons/year) by 2028. This investment, worth an estimated €2 billion (\$2.18 billion), is the largest renewable energy project in Serbia to date[49]. Another major green venture was agreed in May 2024. Serbia signed a deal with China's Hunan Rich Photovoltaic Technology to establish a solar panel factory (1 GW annual capacity) in Paraćin and a 200 MW solar farm in Serbia[50]. Additionally, Chinese companies have been actively participating in Serbia's renewable energy auctions and tenders. For instance, in a 2025 auction for wind and solar capacities, a Chinese-backed venture (Shanghai Electric Power & CMC Capital) won the rights to build a wind farm (Crni Vrh) under Serbia's market-premium scheme[51].

Another dimension of the cooperation involves oil refining and other energy-related industrial projects. In May 2024, Serbia announced a deal with China Energy (China Energy Int'l Group) to construct a large oil processing plant in Smederevo. This facility, essentially a new refinery, will process crude oil into refined fuels and petrochemicals in accordance with the highest EU standards. The investment is valued at approximately €2.4 billion, and it could improve Serbia's energy security, insulating the country in case geopolitical tensions disrupt oil supplies or if sanctions affect the Russian-owned NIS (as it recently happened with the US sanctions)[52].

[48] <https://balkangreenenergynews.com/rs/srbija-obustavlja-gradnju-elektrane-na-ugalj-kolubara-b/>

[49] [https://www.reuters.com/business/energy/serbia-secures-22-bln-investment-china-renewable-energy-facilities-2024-01-](https://www.reuters.com/business/energy/serbia-secures-22-bln-investment-china-renewable-energy-facilities-2024-01-26/#:~:text=BELGRADE%2C%20Jan%2026%20%28Reuters%29%20,ministry%20said%20in%20a%20statement)

[26/#:~:text=BELGRADE%2C%20Jan%2026%20%28Reuters%29%20,ministry%20said%20in%20a%20statement](https://www.reuters.com/business/energy/serbia-secures-22-bln-investment-china-renewable-energy-facilities-2024-01-26/#:~:text=BELGRADE%2C%20Jan%2026%20%28Reuters%29%20,ministry%20said%20in%20a%20statement)

[50] <https://www.srbija.gov.rs/vest/en/222634/new-chinese-investments-in-serbian-energy-sector-worth-27bn.php#:~:text=%C4%90edovi%C4%87%20Handanovi%C4%87%20explained%20that%20the,200%20MW%20solar%20power%20plant>

[51] [https://balkangreenenergynews.com/serbia-allocates-entire-quota-at-second-auctions-investors-to-install-645-mw-of-wind-](https://balkangreenenergynews.com/serbia-allocates-entire-quota-at-second-auctions-investors-to-install-645-mw-of-wind-solar/#:~:text=These%20are%20the%20winning%20bidders%3A,Jasikovo%2C%20owned%20by%20Serbian%20citizens)

[solar/#:~:text=These%20are%20the%20winning%20bidders%3A,Jasikovo%2C%20owned%20by%20Serbian%20citizens](https://balkangreenenergynews.com/serbia-allocates-entire-quota-at-second-auctions-investors-to-install-645-mw-of-wind-solar/#:~:text=These%20are%20the%20winning%20bidders%3A,Jasikovo%2C%20owned%20by%20Serbian%20citizens)

[52] <https://www.srbija.gov.rs/vest/en/222634/new-chinese-investments-in-serbian-energy-sector-worth-27bn.php#:~:text=derivatives%20in%20Smederevo%2C%20and%20with,field%20of%20renewable%20energy%20sources>

Besides the lack of transparency, China's investments in energy have mostly been criticized due to negative environmental and climate impacts in Serbia. In recent years, Beijing has made efforts to improve the processes to lessen the impact, but there is still a long way to go. Enforcing domestic laws on climate and environmental protection in Serbia seems like a good step to ensure high environmental standards. China's and Serbia's shift to decarbonization is a step in that direction, but new risks emerge from the cooperation. Serbia is trying to mitigate the risk of dependency on China's renewable investments, as it can be seen from the newest US investments in six photovoltaic plants, with a total of 1,2 GW of peak capacity.[53] However, Beijing's dominant position in extracting and processing Critical Raw Materials (CRMs – materials necessary for energy transition) threatens to further exacerbate this risk, especially keeping in mind the planned solar panel production facility in Paraćin. For instance, China refines 68% of global nickel, 59% of lithium, and 73% of cobalt, and processes 90% of REEs, making it likely that Serbia imports these materials from China[54]. Disruptions in Chinese CRM supply, due to geopolitical tensions or export controls, could delay renewable projects and increase the price (and price volatility) of CRMs. Careful diversification of the supply chain will be crucial in the upcoming years, to ensure decarbonization and energy security.

## Conclusion

Serbia's growing security cooperation with China has yielded tangible short-term benefits in military modernization, infrastructure development, and energy security. However, this partnership also presents substantial long-term strategic risks, particularly in terms of technological dependence, surveillance concerns, and geopolitical positioning. By deepening ties with Beijing, Serbia risks undermining its alignment with the EU and NATO, raising questions about its long-term security commitments and European integration trajectory. The risks surrounding Chinese investments, particularly in surveillance, cybersecurity, and energy, further complicate Serbia's ability to maintain sovereignty over its critical infrastructure. If left unchecked, Chinese influence in Serbia could weaken NATO's position in the Western Balkans and complicate the EU's regulatory alignment efforts. Additionally, many Chinese investments in Serbia lack public scrutiny, with limited oversight on financial terms, environmental standards, and long-term strategic implications. The absence of competitive bidding and clear regulatory safeguards risks creating dependencies that could undermine Serbia's sovereignty and complicate its EU integration. To prevent Serbia from drifting further into China's orbit, the Western partners should provide viable alternatives, particularly in defense cooperation, technological investment, and energy diversification. Without a more proactive Western approach, Serbia's balancing act may tilt toward dependence on China, with long-term consequences for both regional and European security. Serbia must take a proactive approach to mitigate these risks by increasing transparency in foreign investments, ensuring competitive bidding processes, and strengthening regulatory frameworks for surveillance and cybersecurity.

[53] <https://balkangreenenergynews.com/ugt-renewables-hyundai-engineering-opening-new-era-in-us-serbian-relations-with-giant-solar-battery-project/>

[54] [https://www.ey.com/en\\_bg/insights/energy-resources/critical-raw-materials-for-energy-transition](https://www.ey.com/en_bg/insights/energy-resources/critical-raw-materials-for-energy-transition)

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