

Across the western Balkans – made up of Albania, Bosnia-Herzegovina, Croatia, Kosovo, Montenegro, North Macedonia and Serbia – annual concentrations of dangerous particulate matter are often multiple times the maximum levels allowed under EU air quality guidelines. The consequences are deadly. Serbia is the country with the highest rate of pollution-related deaths in Europe (making it the ninth worst globally), according to the Global Alliance on Health and Pollution, while a recent UN environment report found that airborne pollutants are causing nearly 20% of premature deaths in western Balkan cities.

The financial fallout is shocking too. In 2016, emissions from coal plants alone caused about 8,000 cases of bronchitis in children and 2,000 cases in adults, costing the western Balkans €3.6bn, according to a recent EU report. This is without taking into consideration other respiratory diseases and cancers caused by air pollution. It may be no coincidence, therefore, that as of January 2021, North Macedonia and Bosnia-Herzegovina were among the world's top six countries with the highest Covid-19 deaths per capita, while Serbia, Kosovo and Albania ranked in the top 50, according to data compiled by Statista. New research does indeed suggest a link between air pollution and a vulnerability to coronavirus.

Where coal is still king

Coal has been king in the western Balkans for many decades, especially in resource-rich Serbia and Bosnia-Herzegovina. In the second half of the 20th century, the two countries were the energy hubs of what was then Yugoslavia. Today, they still rely heavily on coal for the lion's share of their electricity production. It may come as no surprise, therefore, that the majority of the Balkan's most polluting coal-fired power plants are located in Serbia and Bosnia-Herzegovina, and that the region's Communist-era facilities pollute as much as the rest of Europe combined.

How does China fit into this?

While most EU members have begun the process of phasing out coal, many parts of the western Balkans have made significant efforts to prop up the industry over the past decade, thanks largely to swathes of Chinese finance and construction. To make matters worse, the majority of projects involving China have fallen desperately short of EU environmental standards. Chinese state-owned construction companies have been involved in five coal projects in Europe, all of which can be found in Serbia, Bosnia-Herzegovina and Montenegro. Probably the most notorious of these relates to Kostolac, Serbia's oldest state-owned coal plant. Its new 'B' unit is currently being built by China Machinery Engineering Corporation (CMEC), paid for by a huge loan from Exim Bank of China. Exim also provided \$608m for the expansion of Kostolac's opencast lignite mine, once again with a sub-contract

for CMEC.

Worse still, the construction of Kostolac's desulphurisation mechanism - which filters pollution - was delayed by CMEC in recent years, thereby making the plant's (highly toxic) sulphur dioxide emissions the highest of any facility in the western Balkans, and 14 times higher than global standards, according to a Bankwatch report.

Chinese funding (and in most cases construction too) has also been entrusted to the expansion of Bosnia-Herzegovina's Stanari and Tuzla coal plants, while memorandums of understanding have been signed for three other state-owned facilities across Serbia and Bosnia-Herzegovina.

The feasibility study for the Tuzla project, like Kostolac's, "massively downplays" the costs of emissions and ignores many air and water pollution impacts, according to a recent report from Greenpeace's Unearthed. Is it any wonder then, that Serbia's official data on national air pollution is accused of being unprofessional, and unreliable. Outside the energy sector, Chinese companies have financed and constructed other projects of environmental disrepute. As the above map shows, most of these have been in Serbia, Beijing's staunchest European ally, a regional hub for China's Belt and Road Initiative activity and a back door into the EU market.

Take the money, forget the environment

Chinese investors have been involved in other 'dirty' projects that EU companies and banks would not, or at least could not, touch.

The primary example of this is Smederevo, Serbia's largest steelworks. Saving it from financial ruin, the mill was acquired in 2016 by China's HBIS, which promised to transform the plant into one of Europe's most environmentally friendly steel facilities. A recent report found that an unusually high proportion of Smederevo's citizens have chronic obstructive pulmonary disease. Nonetheless, protests against the plant's environmental impact, alongside deteriorating safety standards and labour rights under HBIS, have been consistently ignored by the Serbian government. The exact same can be said of Serbia's Bor copper mine, a decades-old state-owned facility that, after falling into major financial trouble, was bought by China's Zijin in 2019. The company says it will invest a total of \$1.26bn into the mine to modernise it. However, an expansion proposal in late 2020 failed to conduct a proper environmental impact assessment, according to Belgrade's Renewables and Environmental Regulatory Institute (RERI). Only a few months earlier, the City of Bor filed a criminal complaint against Zijin due to excessive air pollution.

Further evidence of this is on display at Linglong tyre factory and Mei Ta automotive

component facility - two Chinese investments in Serbia. Linglong's environmental assessment study was shambolic, according to RERI, and in mid-2020 police barred activists from public discussions on the planned factory that, incidentally, will be built on land that was gifted to Linglong by Serbian authorities. Meanwhile, the already operational Mei Ta plant stands accused of dumping wastewater into the local river. In both cases, the national government stands accused of turning a blind eye.

Last but not least is the Boljare to Bar highway in Montenegro, funded and built by China. "The project made zero economic sense," says Ilse. "It is overpriced and far too large for the country's size." Worse still, ongoing construction has caused severe ecological damage along the Tara river, according to Unesco. For a region that remains highly agricultural and littered with open mine pits, ecological disturbances are a genuine cause for concern. Indeed, the western Balkan ecosystem is highly vulnerable to climate change, especially from droughts or floods, as seen in the 2014 cyclone that cost dozens of lives and approximately \$3.8bn in damage.

The environmental impact of Chinese investment in the western Balkans is, however, gaining recognition in the EU. For example, in January 2021, a group of 26 MEPs (from 15 countries) wrote a strongly worded joint letter to the European Commission, warning of the "impending environmental damage" caused by Chinese industrial projects in Serbia. It is not too late for non-EU western Balkan countries to make the strategic shift towards green infrastructure, a move that would create thousands of future-facing jobs. The medium to long-term benefits are unquestionable, both in terms of finances, public health and the environment, not to mention the path to EU integration. China is by no means an inevitable barrier to this; in fact, there is an opportunity for Beijing to help the western Balkans build much-needed EU-grade infrastructure.

Source: investmentmonitor.ai