

Region hosts 135 projects worth at least 32 billion euros, that are in one way, or another linked to China

BIRN has identified 135 Chinese-linked projects in the Balkans worth more than 32 billion euros. Few have come without controversy.

It started in 2009; the financial crisis that hit the world a year earlier was storming through the Balkans, and the region was scraping the bottom of the barrel to make ends meet. Enter China.

Greece opened its door through the Port of Piraeus, while Serbia declared China the 'fourth pillar' of its foreign policy. Balkan countries needed money, and China needed a friendly corridor from the Mediterranean to Europe. It was the beginning of a beautiful friendship. But it came at a price.

More than a decade later, by BIRN's own count, the region hosts 135 projects worth at least 32 billion euros, that are in one way, or another linked to China. The interactive map 'China in the Balkans' is a result of BIRN's research into the various types of cooperation between Beijing and countries in the region.

China is taking over metallurgy, mining, energy, and transport, with most of these projects accompanied by allegations of corruption, exploitation and environmental harm.

Serbia: The main playground

The greatest concern is focussed on Serbia, China's main playground in the region.

In January 2021, 26 MEPs wrote to the European Union's enlargement commission, Oliver Varheyli, to warn of what they said was the "growing Chinese influence in Serbia and the impending damage to the environment caused by several heavy industrial projects by Chinese companies in Serbia."

Chinese investment projects, the MEPs wrote, lack transparency and sustainability, and in addition to the damage to the environment, they also have a corrosive effect on management. Serbia seems unperturbed.

China's presence in the country, the biggest in terms of size and population to emerge from the ashes of socialist Yugoslavia, is visible not only through its investments, loans and cultural exchange but also in terms of strategic cooperation when it comes to the security sector and digitalisation.

BIRN journalists identified at least 60 projects in various stages of completion by or in cooperation with Chinese actors in the last decade, worth at least 18.7 billion euros.

Between 2012 and 2021, China's companies have invested or allocated more than 2 billion euros in just 16 projects in Serbia, and the Chinese Export-Import Bank has granted loans for projects worth at least 5.7 billion euros. At the same time, China has donated millions of euros-worth of aid in the form of medical and other equipment.

Experts warn of a worrying level of influence on Serbia's legislature, with laws being amended in line with the requirements of Chinese investors.

Wawa Wang, a program director of Just Finance International, which researched the international track record of Chinese companies - including SOEs - operating in Serbia, said

that Chinese companies were doing untold harm.

“They cause irreversible environmental, social impacts and human rights violations irrespective of where their operations are based, in China or overseas,” Wang told BIRN. Wang said that the projects concerned did not qualify for financing from Western investors or financiers due to either policy restrictions such as coal phase-out or questionable return on investments, and would have likely been shelved to make space for a sustainable and just transition in Serbia had it not been for the interest and support of Chinese actors.

“These types of investments - all facilitated with some form of Chinese governmental support - ultimately benefit first and foremost the Chinese companies and SOEs seeking profit centres overseas as China tightens control on polluting industries at home.”

Some details about the projects are locked behind the seal of ‘state secret’.

Failure to use tools such as environmental impact assessments, or EIA, which are key to transparent and participative decision-making, enables projects to proceed despite potentially harmful effects on the environment and local communities.

Then there are the workers. A BIRN investigation in January 2021 revealed evidence of exploitation of Chinese workers at the former Mining and Smelting Basin Bor, RTB, Serbia’s only producer of copper and precious metals and which was taken over by China’s Zijin Mining in December 2018.

Conditions appear to be even worse for Vietnamese workers brought in to build a tyre factory for Chinese Shandong Linglong in Zrenjanin, about 80 kilometres north of Belgrade. Experts in labour rights said the evidence collected by BIRN, including contracts and other documents as well as interviews with workers, pointed to a potential case of human trafficking.

Serbia and China are currently under the review for the fulfilment of obligations of the International Covenant on Economic, Social and Cultural Rights.

“NGOs have made very clear in their comments to the UN body as recent as 2019 concerns for how the Serbian state is failing labor standards and the rights of migrants, refugees and migrant workers. The cases investigated and identified by BIRN and other NGOs point to a systemic institutional incompetency where human lives are sacrificed for the gain of the few, in this context, the Chinese companies,” Wang said.

In 2021, a number of Balkan and international NGOs testified to the Committee on Economic, Social and Cultural Rights - an expert body under the United Nations that monitors states’ compliance with the International Convention on Economic, Social and Cultural Rights - that China is not fulfilling extraterritorial obligations when Chinese companies operating in Serbia and the Balkans violate legal requirements for environmental protection.

Part of the property of the Smederevo Ironworks, about 50 kilometres from Belgrade, is also in Chinese hands, having been bought in 2016 by then Chinese Hestil, today HBIS Group.

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China is also participating in the reconstruction of the Kostolac thermal power plant in Serbia.

Serbia also has a deepening relationship with Huawei, despite signing up to an agreement in Washington in September 2020 to keep the Chinese tech giant out of its 5G network. A week after signing that deal, Huawei opened an Innovations and Development Centre in Belgrade. Since 2012, there have been eight projects operated by Huawei. The company has a 150 million euro contract with state-owned Telekom Srbija for an upgrade of the landline network and has also been named as a partner in developing the 5G network with privately-owned Telenor.

Huawei and the Serbian interior ministry also have a partnership agreement for the introduction of Huawei's 'eLTE' wireless broadband technologies and 'Smart City' public security systems including a large-scale surveillance network that is to be installed in Serbia's capital.

Under the 'Safe Society' project, Serbia's interior ministry plans to install 8,100 biometric cameras in cooperation with Chinese partners, despite the law currently forbidding biometric surveillance of citizens in Serbia.

Montenegro: Heavily indebted to China

Montenegro is seen by some as the first target of Chinese so-called 'debt-trap diplomacy', after taking an 800-million-euro loan from China's Exim Bank to finance 85 per cent of the first section of a highway from the coast to the border with Serbia, sending Montenegro's debt rocketing to a total of 103 per cent of economic output.

The highway is being built by the China Road and Bridge Corporation, CRBC. Buckling under the burden of the debt, Montenegro cut a deal this year with European and US banks to refinance the loan. But the fate of the highway remains unclear, given Montenegro has tried and failed twice to secure European funding for the second section after feasibility studies projected that traffic volumes would not justify the outlay.

Vesko Garcevic, a former Montenegrin ambassador to NATO and a professor at Boston University, said the damage had already been done.

"Montenegro is now more dependent on Chinese loans and unable to negotiate better business deals with China in the future," he told BIRN. "At the same time, such debt has rendered Montenegro increasingly unattractive to non-Chinese investors."

Across the region, Garcevic said, the way governments do business with China is eroding already weak institutions, encouraging corruption and slowing down progress towards EU integration.

"Chinese investors negotiated with political elites in Montenegro. This type of business leads to the strengthening of investor influence due to the country's passivity towards the one with whom you cooperate," he said.

Besides the highway, Montenegro has also previously turned to China for help with the

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purchase of two Chinese-made bulk carriers for 41.9 million euros in January 2010. The country bought two more in 2012.

Chinese companies have also been involved in upgrading the railway network in Montenegro, refurbishing the country's only coal-fired power plant in Pljevlja and procuring vaccines against COVID-19.

Bosnia: Energy takeover

Compared to other countries in the region, Chinese influence in Bosnia and Herzegovina is relatively small.

"China is mostly focused on direct business with the state and on competitive bidding," said economy expert Admir Cavalic. "Getting into those areas is almost always connected with lobbying and other diplomatic efforts. It must be said that general risks are higher when it comes to infrastructure projects because the rest of the economy depends on them."

"When it comes to loans, there is not much exposure, but eventually that could become a problem given the guarantees, especially those given by entity governments."

Indeed, in terms of infrastructure and energy, China is most present in the predominantly Serb-populated Republika Srpska, one of two entities that make up Bosnia. Of 31 Chinese projects there, 18 are related to infrastructure and energy.

Cavalic identified dirty energy technologies as a particular problem: a Chinese loan of more than 600 million euros, secured in 2019, is financing the construction of a new coal-fired power unit at the Tuzla Thermal Power Plant, guaranteed by the mainly Bosniak and Croat Federation, the other entity in Bosnia. The EU was scathing of the deal at the time.

Cavalic said that small states like Bosnia needed Chinese investment and other forms of economic cooperation.

"But," she cautioned, "the big question is how to formulate the means of maximising economic goals and effects but minimising the political ones. It's a challenge for Bosnia and Herzegovina and a large number of other countries as well."

Greece: Disillusionment and disenchantment

In Greece, BIRN mapped 11 Chinese projects currently being implemented - from foreign direct investment to trade, cultural diplomacy and various donations to aid with the COVID-19 pandemic. BIRN identified ten other projects that either failed or were aborted.

In terms of FDI, the best known is China's 64 per cent control of Piraeus Port via COSCO Shipping, which initially paid 280.5 million euros for a 51 per cent stake in 2016.

That same year, China's State Grid bought a minority stake of 24 per cent in Greece's power grid operator, ADMIE, for 320 million euros.

Then there are at least six projects in the sphere of cultural diplomacy, including Confucius Institutes in the capital, Athens, Volos and Thessaloniki, as well as the Centre for China Studies in Piraeus.

The roots of the cooperation can be found in the Greek economic crisis of a decade ago,

when Greeks felt betrayed by Western allies who imposed successive rounds of harsh austerity on the country in exchange for repeated financial bailouts.

“Back then, a lot of people - both the elite and general public - believed that Greece was betrayed by the West and they were looking for alternative sources of capital and alternative political allies,” said Plamen Tonchev, an expert in Sino-Greek relations at the Athens-based Institute of International Economic Relations, IIER. “And this is how China stepped in.”

At the time expectations were “massive”, he said, but the reality disappointed and left a sense of “disillusionment and disenchantment” not just in Greece but elsewhere in the region.

Today, under the conservative New Democracy party, “the mood is very different,” Tonchev told BIRN. The Greek government is strongly pro-Western and pro-EU, striking major defence deals with France and the US. “China is just not in the picture anymore; it is not a security provider,” he told BIRN.

Tonchev said he was sceptical about any future major Chinese infrastructure projects in Greece, citing the health of the Chinese economy for one thing.

“They themselves are having second thoughts about investing abroad and I would argue that there are many indications that the Belt and Road initiative is becoming a lot softer,” he said. Instead, he predicted greater Chinese investment in cultural diplomacy.

Albania: Pushback

Albania is one of the very few countries in South-Eastern Europe that in the last five years has seen a decline in Chinese investment.

The high point came in September 2016, when the Chinese company Geo-Jade Petroleum paid 384.6 million euros for the concession to extract oil at the Patos-Marinza field, the biggest oil-producing field in the country.

Just a month later, China Everbright Group, a state-backed financial firm, bought 100 per cent of shares in Tirana International, at the time the only airport in the country, for 82.25 million euros. But far from opening the floodgates to more Chinese investment, the deal instead turned sour.

Sources familiar with the situation told BIRN that the Chinese investors quickly grew frustrated and felt unwelcome.

In December 2020, with seven years left to run on the concession contract, the Chinese company sold up without explanation, handing over the reins to the Albanian Kastrati Group for 71 million euros.

Enver Bytyci, a lecturer at Aleksander Moisiu University in the port city of Durrës and an expert in the history of diplomatic relations between Albania and China, said that Albanian authorities had piled pressure on Chinese companies operating in the country via frequent tax inspections.

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“This is insane, and it was not done because a company had any issues, but to create pressure on them to leave,” he told BIRN. “This is what they have done with the company that bought the airport concession.”

Albania, which spent 45 years under a hardline communist regime after World War Two, is firmly pro-Western and considers the US and EU its strongest strategic allies. Some suspect the authorities were worried about the signal any influx of Chinese investment might send. There has been no Chinese investment in Albania since 2016.

North Macedonia: Lack of interest

Over the last two decades, North Macedonia has made several attempts to lure Chinese investors, with only partial success.

The two major infrastructure projects involving Chinese companies are the highways Miladinovci-Stip and Kicevo-Ohrid. The latter has been dogged by missed deadline and is yet to be finished.

According to BIRN’s analysis, there have been far more donations and cooperation agreements - medical, military and cultural - than actual projects and investments. Experts say there is little real interest from the Chinese side in infrastructure projects in North Macedonia.

“Basically, despite the desire to attract Chinese foreign direct investment, we fail for a number of reasons - insufficient interest on the Chinese side, mismatch of our supply and Chinese demand, difference in business culture and insufficient mutual knowledge and a lack of institutional capacity and interest to cooperate with China,” said Ana Krstinovska, a Skopje-based China expert and founder of the research and consultancy services organisation ESTIMA.

“As for other projects, which I would not call investments because they are basically public contracts for which we either borrow or announce procurement with budget funds, China has a huge interest and it is in line with their global strategy.”

With a population of just two million people, North Macedonia might be small, but it remains on China’s radar given its location on the route of the Belt and Road initiative and its possible future membership of the EU.

“The Chinese philosophy in foreign policy is that there are no big or small countries,” said Krstinovska. “We are important as a country with the right to vote in the UN [United Nations], WTO [World Trade Organisation], WHO [World Health Organisation], NATO and a number of other organisations and we will become even more important if we join the EU.”

Source: balkaninsight.com