





## COMMENTARY


### Is the Looming Chinese Presence in Serbia a Cybersecurity Risk?

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EUROPE

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# IS THE LOOMING CHINESE PRESENCE IN SERBIA A CYBERSECURITY RISK?

## Background

Political relations between Serbia and China have evolved rapidly in the past decade, starting from the Kosovo War in 1999 when Serbia received support from China on issues of territorial integrity. Thereafter, the two countries have strengthened their ties by establishing a joint statement on a Strategic Partnership<sup>1</sup>. This agreement promoted a bilateral cooperation in the trade, political and military fields<sup>2</sup>, which have benefited both countries in the long term. One of the most convenient stipulations was the access to a free trade area for Chinese companies operating in Serbia. Entering the European market represented a milestone from a Chinese perspective. Additionally, the partnership introduces the salient point discussed in this paper: the consolidation of Chinese technological companies in the Serbian market, such as Huawei.

In 2017 Huawei signed a Safe City Strategic Cooperation Agreement with the Ministry of Interior of Serbia<sup>3</sup>, which includes the implementation of hundreds of cameras with facial recognition capabilities in Belgrade. The Chinese leading tech company has declared that the owner of the project is the Ministry of Interior, therefore they are not responsible for operational decisions concerning privacy deprivation or the use of data. The benefits of this surveillance system remain unknown, no publicly available data on the system's performance or its cost have been released.

Serbia has been an EU candidate since 2012, however has completed only 2 of 35 chapters of its accession protocol<sup>4</sup>. The Sino-Serbian alliance could be undermining Serbia's path toward membership. On the contrary, China's economic interests could benefit from the advantages of the candidate country, since Serbia enjoys special trade relations within Europe and the rest of the Western Balkan countries, as part of the Stabilization and Association Agreements<sup>5</sup>.

The relationship between the European Union and Serbia is slowly deteriorating and it is causing collateral damage: on the one hand Sino-Serbian affairs might be compromising the European membership for Serbia, and on the other hand Chinese businesses are in some way jeopardizing cybersecurity in the rest of Europe. Therefore, the contemplated question is: which will be the future cybersecurity risks for the EU with the looming presence of the PRC investments in Serbia?

## Current state of play

Serbia is the only Western Balkan country included in the EU 5G Public Partnership Initiative (PPP)<sup>6</sup>, therefore it immediately makes the country a central hub for regional internet traffic and an attractive location for Chinese investors. In recent years, Serbia's technology sector has experienced a 25 percent annual growth rate, and it is expected to continue<sup>7</sup>. In March 2020, an AI platform in Kragujevac<sup>8</sup> was launched thanks to a donation from Beijing of 2 million USD and the contribution of Huawei's cloud infrastructure to the State Data Centre. The AI platform will develop a system of e-government and commits to expand digitalization focusing on education, research, science, and

<sup>1</sup> [https://www.fmprc.gov.cn/mfa\\_eng/wjdt\\_665385/2649\\_665393/t581207.shtml](https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t581207.shtml)

<sup>2</sup> Chinese Overseas Foreign Direct Investment and the Sino-Serbian Strategic Partnership by Graham Hollinshead Work Organisation, Labour & Globalisation, Vol. 8, No. 1 (Summer 2014), pp. 37-48 Published by: Pluto Journals

<sup>3</sup> <https://e.huawei.com/en/news/smart-cities/201810150942>

<sup>4</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/serbia\\_report\\_2020.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/serbia_report_2020.pdf)

<sup>5</sup> [https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/saa\\_en](https://ec.europa.eu/neighbourhood-enlargement/policy/glossary/terms/saa_en)

<sup>6</sup> <https://5g-ppp.eu/>

<sup>7</sup> [https://www.jstor.org/stable/resrep26534.6?seq=1#metadata\\_info\\_tab\\_contents](https://www.jstor.org/stable/resrep26534.6?seq=1#metadata_info_tab_contents)

<sup>8</sup> <https://www.kragujevac.rs/en/the-city-data-center-has-been-launched/>

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economy. The Serbian government claims that citizens will be able to use services of transparent, open local self-government and is extremely thankful for the Chinese contribution.

From a local perspective, Serbian activists have expressed their concerns for the Safe City project, several protests have taken place in Belgrade against President Vučić and privacy abuses<sup>9</sup>. Share Foundation, a non-profit organization, has released a documentary<sup>10</sup>, explaining the controversial use of the mass surveillance system in Belgrade. A website called [hiljade.kamera.rs](https://hiljade.kamera.rs/)<sup>11</sup> has been created, as a portal where citizens can go through their rights and legal aspects of the use of facial recognition technologies, also containing a map with the already installed smart cameras.

In September 2020, Huawei opened an Innovation and Development Center in Belgrade, with the purpose of accelerating Serbia's digital transformation and boosting its economy. The opening happened just ten days after Serbia had signed a pledge in the White House, including a clause committing to not use 5G equipment from "untrusted vendors"<sup>12</sup>.

Along with the US intents to boycott Huawei's presence in Serbia, the EU has adopted an investment screening regulation on October 2020<sup>13</sup>, declaring that future deals will be scrutinized with respect to merger control and to prevent a potential rise of national security and public order matters. Executive Vice President of the European Commission for An Economy that Works for People Valdis Dombrovskis affirmed: *"The EU is and will remain open to foreign investment. But this openness is not unconditional. To safeguard key European assets and protect collective security, EU Member States and the Commission need to be working closely together and having an efficient EU-wide investment screening cooperation is essential."*

With respect to the question proposed earlier: "which will be the cybersecurity risks for the EU?", the answer is undoubtedly still a big question mark. The race for technological supremacy has divided the world economic powers, on the one hand the United States and the European Union, on the other hand China. Even if the odds may not seem in their favor, Huawei is in an advantageous position in the race for 5G, having a domestic market in technology that neither the US nor Europe possess. Along with this, Huawei already has a strong presence in 4G, and will probably achieve it with 5G, in Africa, Asia and Latin America, where an economic and demographic expansion is happening right now.<sup>14</sup>

Cybersecurity and international security experts are considering the possibility that Chinese authorities could use Huawei's data and useful information to facilitate espionage or cyber-attacks<sup>15</sup>. Serbia could be considered China's Trojan Horse<sup>16</sup>, as its entrance in the EU could contribute Chinese investments and increase PRC's presence in the European continent. In January 2020, the European Commission released a report on the secure deployment of 5G in the EU<sup>17</sup>, in which the European Agency for Cybersecurity exposed the eventual effects with the introduction of 5G, such as major

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<sup>9</sup> <https://apnews.com/article/9fd1c3859444d44acfe25ef5f7d6ba0>

<sup>10</sup> [https://www.youtube.com/watch?v=XIMldmOhYG8&ab\\_channel=SHAREFoundation](https://www.youtube.com/watch?v=XIMldmOhYG8&ab_channel=SHAREFoundation)

<sup>11</sup> <https://hiljade.kamera.rs/en/home/>

<sup>12</sup> [https://ecfr.eu/article/commentary\\_serbias\\_5g\\_deal\\_with\\_washington\\_the\\_art\\_of\\_muddling\\_through/](https://ecfr.eu/article/commentary_serbias_5g_deal_with_washington_the_art_of_muddling_through/)

<sup>13</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_20\\_1867](https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1867)

<sup>14</sup> <https://www.equaltimes.org/huawei-and-the-global-race-for-5g?lang=es#.X5bsAIhKhPY>

<sup>15</sup> <https://vilniusinstitute.lt/wp-content/uploads/2020/02/SECURITY-RELATIONS-BETWEEN-SERBIA-AND-CHINA.pdf>

<sup>16</sup> <https://www.ispionline.it/it/pubblicazione/serbia-china-exports-security-too-24123>

<sup>17</sup> <https://d110erj175o600.cloudfront.net/wp-content/uploads/2020/01/5G-Communication.pdf>



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security flaws derived from poor software development and risks to the reliance of mobile network suppliers, mainly coming from non-EU States.

From these facts one may conclude that the EU seems to have taken precautionary measures to slow down the process of digital infiltration and confining specific loans considered threatening for the national security and the future of Europe.

## Policy Recommendations

Taking into account the Serbian public opinion<sup>18</sup>, the EU could delineate a potential date for accession for the candidate member state. The acceleration of this process could shift the emerging Euroscepticism between Serbs and lead to a more trustful cooperation.

After the recent victory of the President-elect Joe Biden, experts predict that in terms of US-China relations, a similar approach to the one used by the Trump's administration will be adopted<sup>19</sup>. However, it is expected a reinforcement of the transatlantic alliance commissioned by President Biden, who will push Europe into a coalition of democracies to stop China's growing influence<sup>20</sup>. This unification could lead to a future economic aid granted to those countries, mostly supported by Beijing's investments, for the purpose of alleviating the Chinese influence and finding the right balance.

Along with the introduction of investment restrictions from Non-EU countries, an analysis on past loans should be pursued, to achieve a greater transparency on the recent digital infrastructures built by Beijing. The recent adoption from the European Commission of the Economic and Investment Plan for the Western Balkans<sup>21</sup> could achieve tangible benefits for local needs and foster above all a technological development and a regional integration with the EU.

Considering the sensitive nature of the issue, and the strong bonds between President Vučić and President Xi Jinping, it would be wise to avoid a drastic solution and instead contemplate a conciliatory agreement with the Serbian government, in this way a suitable alternative to Chinese investments could be offered. However, if Serbia is truly becoming a Chinese Client State and its technologies are eroding Serbian civil liberties by amplifying the government's capacity to track and suppress citizens, the European Union should enforce severe measures and force Serbia to face a difficult but necessary choice.

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<sup>18</sup> <https://www.ndi.org/publications/serbia-spring-2020-public-opinion-research>

<sup>19</sup> <https://www.ft.com/content/560473cf-16e4-4544-aece-b47f7746e666>

<sup>20</sup> <https://www.politico.eu/article/what-joe-biden-means-for-europe/>

<sup>21</sup> [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_1811](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1811)

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