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Dispute around Chinese contract to build bridge in Croatia

Mateusz Seroka, Jakub Jakóbowski

On 23 April in Dubrovnik, the Hrvatske Ceste company and a Chinese consortium led by the China Road and Bridge Corporation (CRBC) signed a contract worth around €281 million to construct a bridge to the Peljesac peninsula in Croatia. This is the first part of an investment whose total cost is estimated at over €500 million. The owner of the CRBC, the Chinese state-owned China Communications Construction Company, is the world's third largest construction and engineering company. The signing ceremony was attended by the Croatian Prime Minister Andrej Plenković, among others. The tender, which began in January this year, also saw the participation of Italian, Austrian and Turkish companies, which have appealed against the decision of the tender committee. These complaints were rejected as unfounded by the Croatian appeals authority at the end of March, but the tender's other participants have challenged the decision in the country's Administrative Court. The Austrian company Strabag has also appealed for the temporary suspension of all work on the project pending the outcome of the litigation.

Commentary

- The construction of the Croatian bridge is the largest project activity co-financed by the EU since 2009 (COVEC's unfinished work on a section of the A2 motorway in Poland) in which the Chinese company was an independent contractor chosen in an open tender. The project will give the CRBC experience in infrastructure construction in the EU, which will be an important advantage when competing for future tenders. In Europe, the CRBC is already carrying out several infrastructure projects in Serbia and Montenegro. However, Beijing's priority still lies with the projects financed by Chinese banks in which the Chinese side can choose the contractor. However, this approach has met with criticism from the EU. Winning an open tender will allow China to avoid conflict with the EC in this field.
- The signing of the agreement has been presented as a great success for Plenković's cabinet, and this prestigious investment enjoys great political support from the government of Croatia. The project's aim is to link the area around Dubrovnik, which is separated by the territory of Bosnia and Herzegovina, with the rest of the country. Entrusting the implementation of the first phase of the project to a company from China is intended to strengthen Croatia's position within the Belt and Road initiative, which Zagreb joined in May 2017. If the Administrative Court accedes to the request for a temporary halt to the construction work, that would be detrimental both to the image of

the government and of the Croatian subcontractors, who according to media reports could carry out 30-40% of the necessary work.

- China's expansion within the field of tenders for infrastructure construction within the EU has met with a negative reaction from European companies which currently have a dominant position on the market. The arguments used against the Chinese include allegations of dumping practices, and that Chinese companies are being supported with state subsidies. This is in line with the EU institutions' currently predominant narrative about the need for reciprocity in EU companies' access to the public procurement market in China and Chinese projects within the Belt and Road Initiative. If the dispute over Pelješac worsens, the question of Chinese companies' access to further tenders may gain in importance on the EU's China agenda.