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New Silk Road: Achievements & Prospects Of Serbia-China Economic Cooperation

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Ladies and Gentlemen, *guten Tag, bonjour, dobry dan* [Russian], *ni hao* [Chinese]. [laughter]

You Excellencies, ladies and gentlemen, distinguished organizers, it's my special honor and pleasure to greet you and to thank you for your kind invitation to participate in this conference for a world order of peace based on the development of nations, prepared by the distinguished Schiller Institute. I wish to express special gratitude to Mr. Lyndon LaRouche and Mrs. Helga Zepp-LaRouche, founder and president of this famous temple of wisdom; as well as to my colleagues Mrs. Elke Fimmen and Mr. Klaus Fimmen. Today's lecture, which I prepared for this occasion, deals with a very interesting topic on the achievements and prospects of the economic cooperation between China and Serbia, in the context of One Belt, One Road. As the old Romans said, *scripta manent* [spoken words fly away, written words remain]. I prepared something and I will read it for you.

China's Development Strategy

China's development strategy of the New Silk Road, with the two framework initiatives known as One Belt, One Road, *Yi Dai Yi Lu*, which was announced by the Chinese President Xi Jinping in 2013, provides for long-term improvement of relations especially with the countries of Asia, Europe, and Africa. This strategy represents an ideological concept of the Chinese foreign policy that aims to uphold world peace and to promote common and harmonious development of the whole world. In contrast to the geopolitical strategies of the



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great powers that is mainly based on the divisive approaches, the Chinese New Silk Road focusses on common interests and cooperation in order to achieve mutual benefits.

With an open-door policy applied for more than three decades, China is trying to strengthen its position in international politics, and to contribute to an active participation in the globalization process, in order to achieve these goals which are formulated through the motto, "Chinese dream." China is constantly changing on the social plane, repeatedly carrying out economic reforms and building a new vision of interna-

tional relations based on the promotion of political, economic, and cultural cooperation and social progress between different nations and different states, building a so-called "community of common interests, destiny and responsibility" or, in other words, "a community of shared future for mankind."

Hence, despite significant geopolitical changes after the Cold War, a strong political influence in the international process, and expressed opportunism in international relations, China has continued to act as an abiding factor in solving major international problems, using as a model the [Five Principles of Peaceful Coexistence](#), the Panchsheel Principles, which is in line with the purposes and principles of the United Nations Charter.

As the world's second largest economy with nearly one-fifth of the world's population, China has committed herself to expanding good relations with other countries, especially with the developing countries, such as Serbia.

Serbia-China Relations

In geopolitical terms, Serbia is located in Southeast Europe at the crossroads linking the Black Sea and the North Sea, and Southeastern Europe to Central and

Western Europe. Its territory is small and landlocked, with limited political, economic, social and demographic capacity. Serbia is a militarily neutral and defense-oriented state. As one of the successor states to the former Yugoslavia, Serbia has a mixed national identity, and a mixed cultural and historical heritage, which in international relations makes it a much more open and accountable partner.

Traditionally, Serbia has had good relations with the main actors in international politics. As a member of the United Nations and other major international organizations, Serbia is trying to build good relations with other countries and to promote peace, stability, equality and mutual trust. In Serbia's actual foreign policy strategy, the People's Republic of China occupies an important place. Serbia's strategy is expressed by its four pillars of foreign policy.

The first pillar is the European Union, whose member Serbia would like to become; second pillar is Russia, as a world political rising power, and historical partner of Serbia; the third pillar is the United States, as a great power, with whom Serbia has had fluctuating relations in the past, but whose importance and influence in international relations Serbia has accepted as a reality; and the fourth important pillar of Serbian foreign policy strategy is China, as a global economic power and traditionally a good friend of Serbia in international relations.

Relations between Serbia and China have followed the continuity of relations between Yugoslavia and the People's Republic of China that commenced with its recognition of China on October 1, 1949. China's foreign policy and security concept is based on principles of sovereignty and territorial integrity of states, advocating cooperation of equality and mutual benefit, and non-interference in the national affairs of other countries. Since the two countries encourage friendly relations with each other and actively participate in development through various forms of bilateral and multilateral cooperation, at the regional, sub-regional, and global level, it can be said that these relations have become of prime and strategic importance.



Xinhua/Li Tao

Chinese President Xi Jinping (L) and Serbian President Tomislav Nikolić attend a signing ceremony of a joint statement to lift bilateral relationship of China and Serbia to comprehensive strategic partnership, Serbia, June 18, 2016.

How China Views South and East Europe

Today, it is much clearer than yesterday, that China is a very important Asian economic partner of Serbia, and one of the major pillars of Serbia's foreign policy. On the other hand, Serbia is one of the key Chinese partners in the region of South and East Europe. China primarily sees South and East Europe in terms of economic integration with the European Union, as a common market of high purchasing power, and therefore an ideal space for the placement of its own products. In this regard, it is important to note that China supports Serbia's aspiration for full accession to the EU without prejudice to its vital national interests.

At this point, it is worth mentioning that Serbia was granted candidate status for membership in the EU on March 1, 2012. With this new status, Serbia has taken a significant step towards the European common market, with the prospect for achieving real economic growth and social development.

For economic and social transformation of Serbia, China could also play a decisive role, because it does not pursue geostrategic redesigning of the European area, but seeks to maintain the stability of the existing order. This is the best thing through China's seat on the

UN Security Council, where it's committed to preservation of the territorial integrity of Serbia. On the other hand, Serbia supports the territorial integrity of China, its sovereignty and its right to regulate its relations with the former separate parts of its territory through the Chinese foreign policy, its One China policy.

Cooperation between the two countries is now at the highest level since the establishment of diplomatic relations in 1955, and each day is expanding with new positive content. In view of this affirmation, Serbia's position toward China and its role in Chinese development strategy, the New Silk Road, are determined by many factors.

As is well known, Sino-Serbian relations are characterized by the strategic partnership established in August 2009, with the joint statement of then President Boris Tadić and Hu Jintao. This strategic partnership was expanded to a comprehensive strategic partnership through the joint statement of Serbian and Chinese Presidents Tomislav Nikolić and Xi Jinping, signed in August 2013, and in June 2016. In view of these facts, a series of framework agreements on political and economic cooperation has been concluded. For example, the agreement on economic and technical cooperation in the field of infrastructure, signed in August 2009, paved the way for the many other joint projects in the fields of energy sectors, transport, agriculture, telecommunication, finance and cultural exchange.

The 16+1 Mechanism

The importance of these projects and their profitability can only be understood in the context of implementation of the Chinese development strategy, which includes the objective of previously formulated global strategy which China has encouraged its companies to exploit in the world markets. Hence, the Serbian position towards China's development strategy depends on the understanding of global processes in the world, and geo-economic interests of China that are channeled through the mechanism 16+1, which represents a political platform for cooperation between China and the countries of Central and Eastern Europe. Because the cooperation mechanism 16+1 is in line with the Chinese objective of being a partner for growth with the EU, its relationship with the Central and Eastern European countries may be a growth driver within the framework of China-EU relations.

China believes that by enhancing the overall level of its relations with the Central and Eastern European

countries it will be in a position to promote a more stable and healthy China-Europe relationship as well. Such an approach presupposes harmonization of both the Central and Eastern European countries and their national development strategies, respecting their legal frameworks; and then, also respecting the authority, rules and standards of the EU, as well as complying with the obligations agreed to in the strategic documents such as Agenda 2020, whose implementation could be of crucial importance for the sustainable success of cooperation with the framework of the 16+1 mechanisms.

As Serbia is an active participant in the cooperation mechanism 16+1, it could also be a good partner in the realization of the Chinese development strategy and its One Belt, One Road initiative, which promotes cooperation between different countries and peoples of different regions and from different continents. This can best be demonstrated through the analysis of Sino-Serbian economic achievement.

Although Serbia views China as its most important strategic partner in Asia, its economic relations with China are characterized by mutual asymmetry in all economic parameters. But regarding these parameters, it does not mean that there are no real possibilities for their further growth and development. China sees Serbia as a key partner in the region of Southeast Europe, as well as an active actor in the way of connecting with the European Union, whose common market, with high purchasing power, can be an ideal place for investment and the placement of products. In this sense, China supports Serbia's aspiration, as I said, for full membership in this organization.

Good political relations with China provide Serbia with the opportunity to develop good economic relations with her in different ways and in different fields. Currently, economic cooperation on its [inaudible] value and structure, unfortunately makes up only a small part of the economic exchange with the world in both countries. This state of affairs is primarily conditioned by the Chinese economic strategy, whose constants are global geo-economic positioning; growing expansion of exports; acquisition of energy and mining resources for the purpose of maintaining economic growth; and significant logistical and financial support of state structures and state banks for companies operating abroad.

In those pursuits, China is emerging as a major investor worldwide; it is therefore clear that economic coop-

eration with China is a major economic challenge and incentive for Serbia. However, the two countries have a clear will to improve their economic relations, which is best reflected through the Chinese foreign direct investments (FDI) in Serbian transport, infrastructure, energy, and ICT [information and communication technology] sectors. According to official data, the main Chinese project investments in Serbia's economy have reached a level of around \$6 billion.

Serbia Seeks a Role in Global Value Chains

Hence, economic cooperation with China represents a huge opportunity for development, and also provides good evidence of successful conduct of foreign policy, which promotes cooperation on the global level and contributes to the constructive meeting of East and West. However, if Serbia wants to increase its influence and importance in international relations based on economic cooperation with China, its business with China must be based not only on past success and achievements, but also on improving its real economic capacity, through the various types of investments. In industry infrastructure, in this sense, Serbia will have to successfully involve itself in international production through the global value chains which derive not only from proprietary invest-



Xinhua/Ju Peng
Zhang Dejiang, chairman of the Standing Committee of China's National People's Congress (NPC), visits a steel mill during his official visit to Serbia, July 17, 2017.

ments, but also from portfolio investments.

Serbia can be included in this chain in two ways: First, through foreign direct investments, by which the Chinese party acquires ownership rights but also control over Serbian companies. For example, through the establishment of a brand new company through greenfield investments; or through investments in the realization of capacity of existing ones through brownfield investments; or through joint ventures and international mergers and acquisitions, where companies from China and Serbia establish new companies; or by Chinese purchase of Serbian companies in order to acquire property and business connections. Second, through indirect investments that represent the purchase of securities by the Chinese party for the purpose of investing capital in Serbian companies, without the intention of directly influencing their business policy.

In these ways, the Serbian economy could be included in the global value chains through Chinese investment capital, and Serbian companies could realize long-term benefits from the export of products and services that would be owned by Chinese and Chinese-Serbian companies.

It is quite certain that were the Serbian economy to be included in the global value



Xinhua/Ju Peng
Zhang Dejiang, chairman of the Standing Committee of China's National People's Congress (NPC), visits a power station during his visit to Serbia, July 17, 2017.

chain through Chinese investment capital, Serbian companies could realize a prosperous export benefit whose carriers were Chinese or mixed Chinese-Serbian firms. This could lead to the further expansion of mutual economic cooperation, but also to the linking of a number of countries from the Central and Eastern European region to the Chinese-Serbian investment project.

That these possibilities are realistic is also due to the fact that Serbia has adopted appropriate economic policy measures and has provided a solid legal framework as guarantee for the Chinese foreign investments. In this regard, it is important that Serbia has continuously renewed and developed its bilateral investment arrangements with China. Such a good example is the case which happened during the visit of Chinese President Xi Jinping to Serbia in June 2016. The two sides signed a new agreement of economic and technical cooperation with 20 other agreements and legal instruments of cooperation in different fields.

A Stable, Legally Transparent Business Arena

The need for permanent legal security of foreign investors in Serbia has led Serbia to adopt model investment goals, which guarantee equal legal status for domestic and foreign investors. Regardless of the form of foreign investments, or acquisition of shares in existing enterprises, the establishment of new companies, franchises, BOT [build, operate, transfer] arrangements, concessions and other business transactions, Serbian law as from 2015 guarantees freedom of investments, national treatment, legal certainty, and the ability to transfer profits abroad.

The further development of economic cooperation between Serbia and China, entailed the examination of comparative advantages that Serbia has and can contribute, to increase the structure and scope of Chinese investments. These benefits include some of the following factors: a clear foreign policy goal, relative macro-economic stability; a highly-qualified and relatively cheap labor force; regionally competitive financial risk; a privatized banking sector; rapid development of capital markets; development of telecommunications infrastructure; a liberalized system of tariffs and tax legislation; the rapid development of the private sector; a significant level of income; fiscal regulatory and financial measures; the existence of free trade agreements with the European Union, CEFTA, AFTA, Russia, Belarus, Turkey, Kazakhstan and other countries; the adoption of a national strategy for promotion and de-

velopment of foreign investments; and full visa liberalization between China and Serbia.

Conclusion

So, let me conclude: As history shows, each country must follow world trends in order to achieve its prosperity; otherwise it will be out of the world. The question is then, “What are the current trends?” For China, this is definitely peace, development, cooperation, and mutual progress. China does not accept the models of international relations based on imperialism, neocolonialism, and hegemony.

As I mentioned earlier, one of our presenters said China stands for multilateralism in international relations and for a multipolar world order in which peaceful development has no alternative. Therefore, it’s understandable why China’s new development strategy of the New Silk Road emphasizes the full historical momentum for the progressive development of the whole of humanity, and why China promotes the open-minded ideas of the new normal, which deepens the earlier ideological concept of global economic development and reform of international society into the community of common interests, destiny and peaceful stability.

Hence, in my opinion, it’s indeed a prophetic statement from the esteemed Mrs. Helga Zepp-LaRouche, that the New Silk Road—which becomes the World Land-Bridge and is the basis for the peace order for the 21st Century—requires a New Paradigm of thinking. This New Paradigm can only be one that proceeds from the common aims of mankind. These aims of mankind can be achieved exclusively through the dialogue between different civilizations. In this regard, I repeat the words of the Chinese President, Xi Jinping:

Countries may have differences and even encounter problems with each other, which is to be expected. But we should not forget that we all live under the same sky, share one and the same home planet, and belong to one and the same family. People across the world should be guided by the vision that all the people under Heaven are of one family, embrace each other with open arms, enhance mutual understanding, and seek common ground while setting aside differences. Together we should endeavor to build a community with a shared future of mankind.

Thank you very much.