

GEO-ECONOMICS OF THE DANUBE REGION AND THE TREATY ON THE PRIVATIZATION OF SMEDEREVO IRON WORKS LTD. WITH HESTEEL

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ABSTRACT

The importance of geography and economics is very big in the modern world and international economic relations. Geo-economics, especially, for any economy and citizens of any modern country in the world. In this context, the Republic of Serbia is not an exception. The international river Danube is an important factor and a natural transport corridor for the transport of passengers, goods and many services, also business activities that are associated with it. Apart from the appropriate use of existing economic resources, in addition to ore and raw materials, it is necessary to have an effective traffic transport route. The administration airworthiness of the international river Danube provides the cheapest traffic transport, especially for the products of Smederevo Iron Works Ltd., which, according to the contract on privatization was sold to the Chinese company owner, Hesteel on April 18, 2016. Geo-economic importance of the privatization contract did fourfold: 1. privatization would contribute to improving the production capacities and to preserve existing jobs, 2. increase the share of gross domestic product by 1%, 3. promotion of bilateral economic cooperation and further encouraging economic ties between managers and businessmen and 4. increasing the volume of production of existing products and improving the negative balance of foreign trade of the Republic of Serbia with the People's Republic of China. Increasing the volume of production will inevitably be reflected in the needs of intensive investments in the domestic and foreign markets. From this point, the importance, value and priority of the river

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Danube are associated with the new Silk Road to China, but also with the traffic project Marko Polo supported by of the European Union in 2013.

Key words: Republic of Serbia, People's Republic of China, geo-economics, the Danube, the Treaty on the privatization Zelezara Smederevo doo, Hesteel, transport, international water corridor, steel production, traffic project Marko Polo European Union, the Chinese Silk Road.

1. INTRODUCTORY REMARKS

One of the best experts in geo-economics in the world, Edward Luttwak justifiably and correctly pointed out the importance of contemporary geopolitics and geo-economics, after the end of the Cold War and the fall of the Berlin Wall in 1989, announcing a definite shift from geopolitics to geo-economics² in 1990. According to Luttwak, geopolitics as we scientifically-theoretically, historically, classical and traditionally knew before, was replaced by a modern geo-economics, business interests of national and especially of multinational companies and markets in the era of globalization. It is believed and widely accepted that geo-economics is important for every nation and prosperous country in the modern world, and therefore also for the Serbs and the Republic of Serbia. Make no mistake, although geo-economics has primacy in contemporary international relations, especially in the field of international economic relations and economic diplomacy, geopolitics still has an important place and role, and in post-conflict areas where *de jure* and *de facto* are established international protectorates or publicly declared interest spheres of influence of the most powerful countries in the world - geostrategy. From the geo-economic aspect and dimension of international relations, the Danube is a river of cooperation³, the second longest river (after the Volga River Gorge) in the European continent with a length of 2,850 km that links the Black Forest in

² Edward N. Luttwak, *From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce*, in: *The National Interest*, New York, No 20/1990, pp. 17. See: Nenad A. Vasić, *Geoekonomija Kosova: Quo vadis?* Institut za srpsku kulturu – Priština/IŠ „Stručna knjiga” d.p. – Beograd, 2001, pp. 3-236.

³ Edita Stojić-Karanović, *Dunav – reka saradnje: Od principa dobrosusedstva do Regionalnog modela srednjeg Podunavlja/Danube – River of Cooperation: From the Principles of Good Neighbourhood to the Middle Danube Regional Model*, Međunarodni naučni forum “Dunav – reka saradnje”, Beograd, 2005, pp. 15-110.

the Federal Republic of Germany and the Black Sea.⁴ Its long water basin passes through ten states. With its length, the natural beauty of the coastline in some areas, water clarity, but also the diversity of flora and fauna, it was important for the people, nations and states throughout the history of civilization and culture, and in different eras. Many people have lived and still live from the Danube, on the Danube and along the Danube. However, for some, the Danube is a natural problem that along its watercourse occasionally floods or irretrievably destroys the inland. However, it is also an integral part of the various bilateral and multilateral solutions in the relations of the countries' officials on the European continent, as well as for the Republic of Serbia but also in the wider transcontinental relations and interest communication. Actually, emphasizing on, among other, non-confrontational solutions such as macro-regional political and diplomatic approach to the problems in the Danube region, enables an open dialogue between actors involved in the bilateral and multilateral processes of negotiations and agreements achieved. The Danube Strategy enables cooperation of the authorities of municipalities, regions, international organizations, financial institutions in the sphere of business and public-private partnerships. In this context, from the geo-economic point of view, the Danube Strategy and the EU Marco Polo⁵ program I and II are definitely not in contradiction with China's New Silk Road – One Belt, One Road Initiative. The new openness to business lobbying from abroad is certainly a project that was mentioned in the speech of the President of the People's Republic of China Xi Jinping at the Nazarbayev University in Astana on 7 September 2013, concerning the 'transcontinental Silk Road connecting East and West, Asia and Europe.'⁶ Otherwise, besides China, in the context of the new geo-economics⁷

⁴ Nevenka Jeftić-Šarčević, *Dunavsko-crnomorski region kao geopolitički, energetska i bezbednosni prostor/Danube-Black Sea Region as Geopolitical, Energetic and Safety Area*, Institut za međunarodnu politiku i privredu, Beograd, 2012, pp. 21-113.

⁵ Marco Polo was a Venetian trader and explorer who traveled to imperial China. His seventeen-year experience and stay in China, and the service of Kublai Khan, Polo described in the book *Il Milione*. See: Marko Polo, *Milion*, Rad, Beograd, 1964. Silk Road has emerged from the lucrative trade in silk products from China to Europe. For the first time, the name of the Silk Road used the name of the geographer, scientist and traveler Ferdinand Freiherr von Richthofen for the network transcontinental routes (*Seidenstraße*).

⁶ *President Xi Jinping Delivers Important Speech and Proposes to Build a Silk Road Economic Belt with Central Asian Countries*, (Internet, 25/07/2015), http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpfwzysiesgjtfhshzzfh_665686/t1076334.shtml.

of the modern world, Stiglitz mentions the New BRICS Development Bank⁸ and the China-led Asian Infrastructure Investment Bank.⁹ On the other hand, the establishment of China-led Asian Infrastructure Investment Bank was strongly opposed by the president of the United States of America, Barack Hussein Obama in his second term. Before that, in 1993, Edward Luttwak wrote about the endangered American dream, but also how to keep the industrial supremacy¹⁰ of the United States in the geo-economic struggles. Also, in 2012, Luttwak in the book – *The Rise of China vs. The Logic of Strategy*, identified and noted the return of geo-economic resistance¹¹ and the rise of China before the publicly proclaimed New Silk Road. Also, Henry Kissinger studied China as a very important country in the history of civilization. He invariably mentioned the Silk Road¹², besides the international relations and diplomacy, which was his area of science and expertise. The biggest challenge for BRICS and the New Silk Road will be the Transatlantic Trade and Investment Partnership¹³ (T-TIP), which is not yet contractually defined between the US,

⁷ Joseph E. Stiglitz, *The New Geo-Economics*, (Internet, 15/08/2016), <https://www.project-syndicate.org/commentary/hope-for-better-global-governance-by-joseph-e—stiglitz-2016-01?barrier=true>.

⁸ Ibidem.

⁹ Ibidem.

¹⁰ Edward N. Luttwak, *The endangered American dream: How to stop the United States from becoming a Third World country and how to win the geo-economic struggle for industrial supremacy*, Simon & Schuster, New York, 1993.

¹¹ Edward N. Luttwak, *The Rise of China vs. the Logic of Strategy*, Cambridge, Massachusetts, 2012, p. 38.

¹² Henry Kissinger, *On China*, Penguin Press, New York, 2011, p. 8.

¹³ Transatlantic Trade and Investment Partnership (T-TIP), (Internet, 23/08/2016), Internet: <https://ustr.gov/ttip>. To date, held 11 rounds of bilateral negotiations, US officials and EU. The official representative of the EU for the negotiations Juan Ignacio Berserach. In the historical context of the Transatlantic Trade and Investment Partnership (T-TIP), it was important engagement of US President Barack Hussein Obama to PM United Kingdom of Great Britain and Northern Ireland David Cameron, President of the European Commission José Manuel Barroso and European Council President Herman Van Rompuy. See: *Remarks by President Obama, U.K. Prime Minister Cameron, European Commission President Barroso, and European Council President Van Rompuy on the Transatlantic Trade and Investment Partnership*, (Internet, 23/08/2016), Internet: <https://www.white>

EU and their current and future strategic partners, where the Americans would write the rules of the American-European and global trade. Similarly to TTIP, the US officials have offered the Transpacific Trade Partnership¹⁴ (TPP), to the officials of 11 countries: Canada, the Republic of Chile, the Commonwealth of Australia, Japan, Brunei Darussalam, the Socialist Republic of Vietnam, Malaysia, the United Mexican States, New Zealand, the Republic of Peru and the Republic of Singapore. On the other hand, officials of China that promote leadership (not hegemony) foreign economic policy and state capitalism, initiated the alternative project in 2012 (so far there were 14 meetings with multilateral negotiations) – Regional Comprehensive Economic Partnership. The geo-economic outwitting and positioning of leaders associated with geopolitical and geostrategic interests, officials of the most influential countries of the modern world – the US and the European Union as *sui generis* international organization with international legal personality¹⁵ on the one hand, and the People's Republic of China and the Russian Federation on the other hand, is most visible on the European continent, Asia and the Pacific.

2. THE DANUBE GEO-ECONOMICS – FROM THE EUROPEAN UNION STRATEGY FOR THE DANUBE REGION TO THE CHINESE NEW SILK ROAD

By the successful enlargement of the European Union for, among other things, two new Member States in 2007, the Republic of Romania and the

house.gov/the-press-office/2013/06/17/remarks-president-obama-uk-prime-minister-cameron-european-commission-pr. A non-governmental organization Greenpeace, published a 248 page principles Transatlantic trade and investment partnership, which until then was not a public document. See: *Greenpeace TTIP Leaks*, Internet, <https://ttip-leaks.org/>. About negotiations in the framework of the General Agreement on Trade and Tariffs (GATT) and the World Trade Organization, see: Sanja Jelisavac-Trošić, *Pregovori u okviru GATT i STO*, Institut za međunarodnu politiku i privredu, Beograd, 2015, pp. 13-317.

¹⁴ *The Transpacific Pacific Partnership*, (Internet, 23/08/2016), <https://ustr.gov/tpp/#what-is-tpp>.

¹⁵ Ivona Lađevac, *Međunarodnopravni subjektivitet Evropske unije*, Institut za međunarodnu politiku i privredu, Beograd, 2016, pp. 9-87.

Republic of Bulgaria, the pan-European waterway corridor VII of the Danube River, has become an internal waterway through its territory.

1. Maps of the pan-European waterway corridor VII of the Danube River



From the aspect of geo-economics of the Danube Area with special regard to the Republic of Serbia, there are three international documents (two of the European Union and one of the People's Republic of China) and one contract for the privatization of the Republic of Serbia, which was declared by the Prime Minister of the Republic of Serbia for the first-class national and state interests. The three international documents are:

1. The European Union Strategy for the Danube Region,
2. EU Project Marko Polo, and
3. The New Silk Road: One Belt, One Road.

Finally, the Contract on the privatization of Smederevo Steel Mill Ltd. from Hesteel owners from the People's Republic of China is the fourth international document, which should be scientifically analyzed, professionally commented and value-neutral assessed. At the time of the official presidency of the Republic of Hungary to the European Union, on 24 June 2011, the European Union Strategy for the Danube region was adopted. 'The most international' river basin in the world is now largely a territory of the European Union."¹⁶ Otherwise, the aforementioned Strategy is an important document for the Republic of Serbia as a candidate country for full membership in the European Union, but also for the officials from the neighboring states. The four pillars of the EU Strategy for Danube region are general priorities:

- A) Connecting the Danube region,
- B) Environmental Protection in the Danube region,
- C) Building the prosperity in the Danube region, and
- D) Strengthening the Danube region.

The important observations and comments concerning the European Union Strategy for Danube Region were given by the European Commissioner for Regional Policy, Johannes Hahn. "The strategy is an instrument to enable the concrete realization of the vision. To do this, there are three main elements: strong political support, a list of concrete actions and a cooperative working method."¹⁷ In the document the European Union Strategy for the Danube Region is not mentioned and discussed the linkage with other transcontinental projects. Among other things, with the new Chinese strategic project of the Silk Road. However, in the Strategy is stated and worked out, a catalog of international instruments and mechanisms which are very helpful and useful for politicians, businessmen and diplomats. Let us mention them: 1. non-confrontational resolution of the problems, 2. macro-regional approach to the problems in the Danube region, 3. open dialogue, 4. the cooperation of the authorities in the region, municipalities, international organizations, financial institutions and, 5. Public-private partnerships. Unlike the approach of EU officials to the Danube and the

¹⁶ *Strategija Evropske unije za Dunavski region*, Evropska komisija, Brisel, COM(2010) 715/4, p. 3.

¹⁷ *Johanes Han*, in: *Panorama inforegio*, Brisel, No. 27/2011, p. 9.

economies of the countries where it flows, the approach of officials of China is wider and a part of a new model of cooperation between China and the countries of Central Asia and Europe (European Union) on the New Silk Road. On the 13th summit of the Shanghai Cooperation Organization in Bishkek, the President of the People's Republic of China Xi Jinping stated the 5 principles of the Silk Road Economic Belt Initiative: "1. strengthen policy communication, which may help 'switch on a green light' for joint economic cooperation; 2. strengthen road connections, with the idea to establish a great transport corridor from the Pacific to the Baltic Sea, and from Central Asia to the Indian Ocean, then gradually build a network of transport connections between eastern, western and southern Asia; 3. strengthen trade facilitation, with a focus on eliminating trade barriers and taking steps to reduce trade and investment expenses; 4. strengthen monetary cooperation, with special attention to currency settlements that could decrease transaction costs and lessen financial risk while increasing economic competitiveness; 5. strengthen people-to-people relation."¹⁸ With these principles, President Xi introduced the President of the Russian Federation Vladimir Vladimirovich Putin at the summit of G20 leaders, that was held in St. Petersburg. Undoubtedly, an important event for the project New Silk Road was The Third Plenary session of the 18th Central Committee of the Communist Party of China held in November 2013. "The Third Plenary Session of the 18th Central Committee of the Communist Party of China called for accelerating infrastructure links among neighboring countries and facilitating the Belt and Road initiative."¹⁹ As a result of all this was the later work of two presidents which was made official after the summit in Ufa,²⁰

¹⁸ Duško Dimitrijević, Nikola Jokanović, *CHINA'S "NEW SILK ROAD" DEVELOPMENT STRATEGY*, in: *The Review of International Affairs*, Institute of International Politics and Economics, Belgrade, Vol. LXVII, No. 1161, January–March 2016, pp. 24.

¹⁹ Tian Shaohui, *Chronology of China's Belt and Road Initiative*, (Internet, 17/08/2016), http://news.xinhuanet.com/english/2015-03/28/c_134105435.htm.

²⁰ In Ufa, were held at the top: 1. BRICS summit which was attended by the presidents of the People's Republic of China, Republic of India, the Federative Republic of Brazil, the Russian Federation and South Africa Republic and 2. summit of the Shanghai Cooperation Organization – SCO's where they participated official representatives of China, the Russian Federation, the Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan and the Republic of Uzbekistan.

held from 8 to 10 July 2015. After the aforementioned summit in Ufa, the President Xi and Putin decided to connect two transcontinental regional projects of Russia and China – the Eurasian Economic Union²¹ and the New Silk Road - One belt, One Road. Thus was born, according to Justyna Szczudlik-Tatar, China's New Silk Road Diplomacy.²²

3. EU PROGRAM MARCO POLO I AND II AND THE CHINESE NEW SILK ROAD

Regarding the international river basin of the Danube, from the standpoint of the European Commission in Brussels are funded and financed, the various economic, commercial and infrastructure projects. However, as far as the Danube, the most relevant geo-economic programs of the European Union are Marco Polo I and II. However, from the transcontinental aspect of geo-economics of Europe (particularly the EU) and Asia (The People's Republic of China) is also certainly relevant Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road²³, which is an integral part of the Chinese New Silk

²¹ Nenad A. Vasić: *Changes in international Relations and the order of the European Union*, in: Editet by Duško Dimitrijević, *The Old and the New World Order – between European integration and the historical burdens: Prospects and challenges for Europe of 21st century*, Institute of International Politics and economics, Belgrade, 2014, pp. 115-117.

²² Justyna Szczudlik-Tatar, *China's New Silk Road Diplomacy*, Polski Instytut Spraw Międzynarodowych/The Polish Institute of Internation Affairs, Warsaw, No. 34 (82), December 2013, pp. 1-8.

²³ *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, (Internet, 23/08/2016), http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html. Inače, pomenuta *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization 28.03.2015. in Beijing (Chinese 北京): "The initiative to jointly build the Belt and Road, embracing the trend towards a multipolar world, economic globalization, cultural diversity and greater IT application, is designed to uphold the global free trade regime and the open world economy in the spirit of open regional cooperation." *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, ibidem.

Road. The legal basis of the program Marko Polo I was Regulation²⁴ 1382/2003, which was adopted by MEPs in the European Parliament and officials of the EU Council on 22 July 2003 in Brussels. Marko Polo I (the first phase) was launched in 2003 and governed until 2006 by the European Commission in order to relieve land transport and reduce pollution on the European continent, especially in EU member states, emphasizing green transport²⁵ as the best traffic means. From the budget of the Marko Polo I Fund was financed five priority projects:

- A. Modal shifts from road to rail and waterborne systems
- B. Catalyst actions which promote modal shift
- C. Motorways of the sea between major ports
- D. Traffic avoidance and
- E. Common learning actions.

In the idea and vision of officials of the European Commission, the sector of railway, sea routes and inland waterways were an important resource that should be supported and enhanced. National and multinational companies, especially SMEs, have had a priority during the transfer of projects on the existing traffic to the sustainable projects relating to green transport to protect and improve the environment in the EU. For this purpose was created the Fund²⁶ who opted to dedicate funds for this type of business projects. The funding was in the form of an open grant and not a loan package for the carrier of the funded project. The project involved the financial support for the transition from land to other types of traffic until its sustainability later on. Thus, it included an economic and ecological dimension of transport logistics. The program Marko Polo I was funded with 60 million EUR per year until 2013. The program Marko Polo I was led by the Directorate-General for Mobility and Transport of the EU²⁷ and the EU's Innovation and Networks

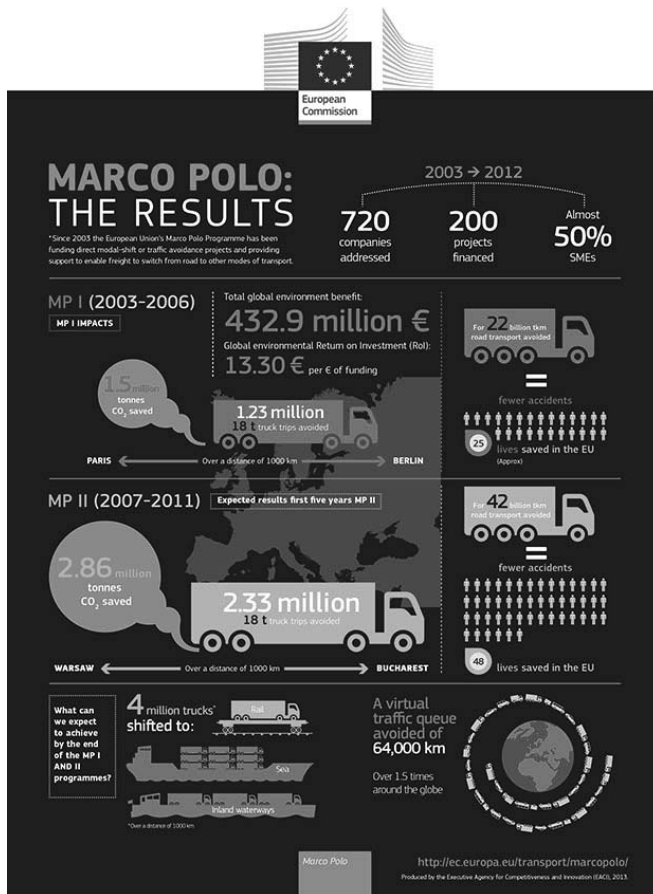
²⁴ *REGULATION (EC) No 1382/2003 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL*, in: Official Journal of the European Union, Bruxelles, 02.08.2003. L 196/1-6.

²⁵ *Marco Polo*, (Internet, 20/08/2016), http://ec.europa.eu/transport/marcopolo/about/index_en.htm.

²⁶ *Ibidem*.

²⁷ *Ibidem*.

Executive Agency (INEA)²⁸. During the nine-year period, from 2003 to 2012, in the program Marco Polo I participated 720 companies with 200 funded projects. In addition, out of 720 companies, 50% of them were in the sector of small and medium-sized enterprises.



Source: *Marco Polo – New ways to a green horizon*, (Internet, 22/08/2016), http://ec.europa.eu/transport/marcopolo/about/index_en.htm.

²⁸ Ibidem.

On the other hand, the legal basis of the Marco Polo I program was Regulation²⁹ 1682/2006, which was adopted by MEPs in the European Parliament and officials of the EU Council on 24 October 2006 in Brussels. During the implementation of the Marco Polo II, a new Regulation³⁰ was adopted from MEPs in the European Parliament and officials of the EU Council on 16 September 2009, in the interest of simplification of the prescribed administrative and legal procedures, but also to increase the benefits for relevant stakeholders. The program Marco Polo II (the second phase), was implemented in the time frame from 2006 to 2013 with a projected budget of \$ 450 million by the European Commission in Brussels. “The Marco Polo budget for grants to new projects in 2010 is € 64 million. This is close to the 2009 budget of € 66.34 million.”³¹ Publicly proclaimed, the objectives of the Marco Polo II, stayed the same in the second phase. Implementation of the program was under the jurisdiction of the Executive Agency for Competitiveness & Innovation – EACI, and it was managed by The European Commission’s Directorate-General for Mobility and Transport. From 1 January 2014, the project management was transferred to EACI on INEA. As far as for the Danube, the relevant project was Biolinks³² whose maximum financial expenses were projected in the amount of € 5,860,419 and the maximum share of the EU was € 1,147,953. The full name of the project is: “Establishing a regular Danube waterway transportation service for renewable resources and wood-based biomass between Romania / Bulgaria and Austria.”³³ Bearing in mind that the Danube was not mentioned specifically in the context of maritime Silk Road, such as the Yangtze River and the Volga, there is also no

²⁹ *REGULATION (EC) No 1692/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL*, in: Official Journal of the European Union, Bruxelles, 24.11.2006. L 328/1-78.

³⁰ *REGULATION (EC) No 923/2009 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL*, in: Official Journal of the European Union, Bruxelles, 9.10.2009. L 266/1-10.

³¹ Marco Polo, op. cit.

³² *Projects selected for funding as a result of the 2013 selection procedure under the “Marco Polo II” Regulation 1692/2006 as amended by Regulation 923/2009*, Innovation and Networks Executive Agency INEA, Bruxelles, 2013, p. 1.

³³ *Projects selected for funding as a result of the 2013 selection procedure under the “Marco Polo II” Regulation 1692/2006 as amended by Regulation 923/2009*, ibidem, p. 1.

reference to the maritime port of Rotterdam in the Netherlands, Hanover in the Federal Republic of Germany or Gdansk in Poland, but that did not mean that the Hesteel owners did not have in mind the importance of the river port in the city of Smederevo, when purchasing and privatizing Smederevo Steel Mill Ltd. on 18 April 2016.

4. THE IMPORTANCE OF THE CONTRACT ON THE PRIVATIZATION OF SMEDEREVO STEEL MILL FROM HESTEEL FOR WORKERS AND CITIZENS OF THE REPUBLIC OF SERBIA

The fact is that with the privatization of Smederevo Steel Mill Ltd. from the Chinese multinational company Hesteel³⁴, i.e. Hesteel Serbian³⁵, the Republic of Serbia found itself, in addition to 16 + 1 Mechanism also on the Silk Road.³⁶ From the geo-economic point, the Danube River was for centuries important for the citizens in the coastal region because of the harbors where the goods were traded. In addition, from the riverboat docks was performed the transportation of various goods. On the banks of the Danube, there are four important capital cities – Vienna, Bratislava, Budapest and Belgrade. The Danube “for centuries served for supplying the city markets with goods.”³⁷ However, in our case, the river Danube is also important for the transport and delivery of ores, raw materials, semi-finished products and finished products. For this purpose, certainly was and is important the river port on the Danube for Smederevo Steel Mill Ltd. The history of Serbian ferrous metallurgy industry in the production of iron and steel in Smederevo began on 20 February 1913 in the Kingdom of Serbia. It was started by wealthy owners,

³⁴ “HeSteel Group Co.,Ltd (“HBIS”), formed from the combination of former Tangsteel Group Ltd and Hansteel Group Ltd on June 30, 2008, is the world’s second largest and China’s largest iron & steel business group in terms of production capacity.” *About He Steel Group Ltd*, (Internet, 24/08/2016), <http://www.hbisco.com/en/lists.jsp?pid=141>.

³⁵ *Hesteel Serbian*, (Internet, 24/08/2016), <http://www.hbisco.com/en/lists.jsp?pid=223>.

³⁶ Branko M. Žujović, *Srbija na Putu svile 2012-2015*, Nova Srpska Politička Misao, Beograd, 2015.

³⁷ Patricia Mendonca, *Veličanstveni Dunav, moćna reka koja spaja narode i civilizacije*, (Internet, 22/08/2016), <http://www.nationalgeographic.rs/vesti/8384-velicanstveni-dunav-reka-koja-spaja-narode-icivilizacije.html?p=2>.

engineers and workers of Serbian metallurgy from the Serbian Joint Stock Mining and Smelting Company (SARTID) in the status of a joint venture³⁸ with dominant foreign ownership. First, miles upstream from Smederevo, near the Danube, were built the premises of the pre-war steel mill: 1) a forge, 2) a rolling mill, 3) galvanizing plant, 4) a Siemens-Martin furnace, 5) a steel foundry and 5) a profiles rolling mill. After World War II, more precisely in 1946, the steel mill was given a new name - Smederevo Steel Mill Ltd. The processing and production capacity was modernized with another Siemens-Martin's furnace, another plate rolling mill and an electric arc furnace. Before the purchasing and privatization by Hesteel, Smederevo Steel Mill Ltd. has changed its name throughout its history: "Smederevo Steelworks and Mines" in 1960 (in 1962 the decision was made to build a new steel mill at the site in Radinac and the cornerstone was laid on 15 May 1964), "Smederevo Metal Works" (MKS) in 1969, "SARTID 1913" in 1992, "Ferrous Metallurgy Concern SATRID" in 1997, "US Steel Serbia" Ltd. in 2003, "Smederevo Steel Mill" Ltd. on 10 February 2012 and from 21 April 2016 "Hesteel Iron & Steel" Ltd. Belgrade. "The company Hesteel Iron & Steel Ltd. Belgrade, ex Smederevo Steel Mill Ltd. whose facilities are located in the village Radinac near Smederevo, Sabac and Kucevo is known in Southeast Europe for the production of steel, hot and cold rolled products and tin plate."³⁹ In the premises of the competent Ministry of Economy on 5 April 2016, the Commission convened to conduct the sale of assets of Smederevo Steel Mill Ltd., concluded and opened the only bid from Hesteel Group Co., Ltd ("HBIS") from Shijiazhuang, a city of North China's Hebei Province. However, in Brussels was held a meeting of the committee for monitoring the implementation of the Stabilization and Association of Serbia with the EU on which was not legally challenged SALE AND PURCHASE Agreement, because this was the Agreement between the two countries that were not in the EU. Three days after 18 April 2016, when the competent Minister of Economy of the Republic of Serbia Zeljko Sertic and Yu Yong legal representative of the buyer had signed the Agreement on privatization, the whole text of the SALE AND PURCHASE Agreement assets

³⁸ Mileta Gujaničić, Jovan Stojković, *100 godina SARTID-a*, Industrijski sindikat Srbije, Beograd, 2013, p. 1.

³⁹ *Kompanijski profil*, (Internet 24/08/2016), <http://www.zelsd.rs/index.php?link=menu/3751/kompanijski-profil>.

of Zelezara Smederevo doo⁴⁰ was published, which had 1,170 pages. Finally, on 24 May 2016, the Commission for Protection of Competition of the Republic of Serbia gave consent to the Sale and Purchase Agreement for Smederevo Steel Mill Ltd. “The Commission for Protection of Competition on 24 May 2016, approved the concentration of market participants resulting from the acquisition of control from the company ‘He Steel Group Co Ltd’ from China over the functional, manufacturing and business assets of the Company for the production and processing of steel-Smederevo Steel Mill Ltd., at the same time acquiring fifty-percent stake in the capital of the company for processing and coating of metals ‘Serbian Roll Service Company Ltd’, and over which the acquirer of the shares will carry out an immediate joint control with the other members of this company.”⁴¹ The text of the Sale and Purchase Agreement contained 26 parts with attachments. These parts are: 1. Definitions and Interpretations, 2. Subjects of Agreement, 3. Price, 4. Condition Precedent to Closing, 5. Pre-Closing Obligation, 6. Interim Arrangement, 7. Closing, 8. Price Adjustment, 9. Representations and Warranties, 10. Indemnifications, 11. Post-Closing Covenants, 12. Effectiveness and Termination of Agreement, 13. No Immunity, 14. Confidentiality, 15. Completeness of the Agreement, 16. Effect of Closing, 17. Further Assurances, 18. Invalidity of Provisions, 19. Relinquishment of Rights, 20. Force Majeure, 21. Cost, 22. Notifications, 23. Alterations, 24. Copies and Language of Agreement, 25. Assignment and 26. Governing Law and Dispute Resolution. In the Introduction of the Sale and Purchase Agreement, the buyer has accepted the purchase price⁴² of a single sales package in the amount of 46 million EUR in dinar equivalent, calculated at the average exchange rate of the National Bank of Serbia on the payment date. In addition, the price contractual arrangement is once again mentioned in section 3 of the said Agreement. From the geo-economic point of view, for the Danube River, the port in Smederevo and environmental protection are

⁴⁰ *SALE AND PURCHASE AGREEMENT for cartain assets of Železara Smederevo doo, Hesteel CO., LTD. Belgrade, Number 177/18. April 2016.*

⁴¹ *Komisija odobrila sprovođenje koncentracije kompanije “He Steel Group Co Ltd” i Železare Smederevo,* (Internet, 24/08/2016), <http://www.kzk.gov.rs/komisija-odobrila-sprovođenje-koncentracije-kompanije-he-steel-group-co-ltd-i-zelezare-smederevo?lng=lat>.

⁴² *SALE AND PURCHASE AGREEMENT for cartain assets of Železara Smederevo doo,* op. cit., p. 5.

certainly the most relevant Article 4, paragraph 4, paragraph 4.1. under (viii), (x) and (xi) of the text of the Sale and Purchase Agreement. Article 4, paragraph 4, paragraph 4.1. under (viii) of the Sale and Purchase Agreement, concerns the operator of the port and the old and the new port for service provision. “The port operator license, agreement, amendment to the strategy for the development of the water traffic for the period from 2015 to 2025 of the Republic of Serbia and / or the relevant development plan of the port management authorities or other Governmental Approvals necessary for the use of the Old Port and the New Port by the Buyer or the Designated Entity having been obtained and the relevant evidence to the reasonable satisfaction of the Buyer having been delivered to the Buyer.”⁴³ Also, in the above-mentioned Article 4, paragraph 4, paragraph 4.1. under (x) of the Sale and Purchase Agreement, are stated the rights, obligations and responsibilities related to environmental protection: “The Seller having obtained necessary approval from the Serbian Ministry of Agriculture and Environmental Protection on full and unconditional assignment of rights and obligations under the Environmental Action Plan valid until 2025 to the Buyer or the Designated Entity, and the relevant evidence to the reasonable satisfaction of the Buyer having been delivered to the Buyer.”⁴⁴ Finally, it is relevant to Article 4, paragraph 4, paragraph 4.1. in (xi) of the Agreement, which refers, inter alia, to the use of water and land of the new port. “The Buyer of the Designated Entity having concluded agreements for use of water land in the New Port, and purchase electricity, natural gas and other ancillary services in relation to the Business on arms-length and fair market conditions which terms are reasonably satisfactory to the Buyer.”⁴⁵ It is important to note that from 1 February 2015, the Prime Minister of the Government of the Republic of Serbia Aleksandar Vucic and the relevant Minister of Economy Zeljko Sertic did not give the state financial subsidies to Smederevo Steel Mill Ltd. The entire process of privatization and ownership transformation was performed according to the recommendations of the European Commission, and the new owners from the People’s Republic of China would not export domestic steel to the EU market on dumping prices and would not be subjected to the exporting quotas

⁴³ Ibidem, p. 16.

⁴⁴ Ibidem, p. 17.

⁴⁵ Ibidem.

for iron and steel, which were stipulated between the EU and China. By this was alleviated the doubt of Axel Eggert, Director General of the European Steel Association (EUROFER), that it would indirectly receive state subsidies from the PRC, thereby making the market inequality in a country candidate for full membership in the EU, but *pro futuro* in the EU itself. According to Eggert, the direct foreign investments are welcome in both the neighboring states of the EU, as well as in the EU. However, the problem is that EU officials do not treat the People's Republic of China as a market economy, despite the insistence of Chinese executives and officials to become one until the end of 2016, in accordance with the rules of the World Trade Organization. "However, in this instance, a steel firm is being invested in by an undertaking – Hebei Iron & Steel - which is directly owned and run by the Chinese government. Zelezara Smederevo was already subject to an ongoing National Restructuring Program as part of Serbia's EU accession procedure. The subsequent purchase by a Chinese state-owned enterprise undermines both efforts to combat global steel overcapacity and the free and fair conduct of the market - as sought by the G7."⁴⁶ A new owner announced that in the future, it would invest capital in the amount of \$ 300 million, reach 2.1 million tons in steel production and preserve 5,050 jobs. Debts of the old company, Smederevo Steel Mill Ltd. remained nationalized as the sovereign debt of the Republic of Serbia, and the new owner had a chance to continue the process of production of iron and steel and business and economic activity in the domestic and foreign market, unencumbered by any old debts to creditors.

5. CONCLUSION

The importance of geo-economics in the modern world is immense. With good reason! This is particularly evident in cases of strategic investment of national and especially multinational companies whose owners or shareholders have transcontinental, supranational and global interests in equity capital investments on the planet Earth, among whom is definitively Chinese Hesteel. The strategic decision of the owner of Hesteel to buy and

⁴⁶ *China takeover of Serbian steel mill "undermines fair competition"; alarms European Steel Association*, (Internet, 24/08/2016), <http://www.eurofer.org/News%26Events/Press%20releases/Press%20Release%20%20China%20Takeover%20of%20Serbian.fhtml>.

privatize Smederevo Steel Mill Ltd. is certainly an integral part of their unwritten geoeconomic strategy, the New Silk Road, but also Vision and Actions on Jointly Building Silk Road Economic Belt and the 21st Century Maritime Silk Road. From the geo-economic point of view, the greatest importance and significance of Chinese project New Silk Road is threefold. 1) The international navigable river Danube has been recognized by European Commission officials as an important pan-European water corridor VII in the European Union, but also by multinational company Hesteel from the People's Republic of China. 2) Financing the green transport project is very important for all businessmen, even for Hesteel, but also for the citizens of the Danubian States who are actively using or would use this resource as the cheapest for marine continental and transcontinental transport in a sustainable way in the function of preserving the natural environment. 3) Although the Danube is not mentioned specifically as the Yangtze River and the Volga in the context of maritime Silk Road, that does not mean that it is not taken into account by the owners and management of Hesteel, in the process of buying and the privatization of Smederevo Steel Mill Ltd. In addition to successful completion of the privatization process of Smederevo Steel Mill Ltd. from a strategic buyer from the PRC, in the geo-economic aspect for the Republic of Serbia is very important to connect with existing river water corridors where marine shipping is done with priority given to the green transport. Also, from the geo-economic point of view, for the citizens of the Republic of Serbia, businessmen and politicians from the People's Republic of China, the EU and the modern world, it will be extremely important to build an international river corridor linking the Rhine-Main-Danube-South Morava-Vardar-Thessaloniki (Kingdom of Serbia, and after 1918, Kingdom of Yugoslavia also had there a free trade zone until World War II) to Piraeus and the ship port, which is from 4 April 2016, majority owned by Chinese multinational company China Cosco Holdings Co., Ltd. In addition to the railway corridor from Budapest to Thessaloniki and gasification systems which should be built, the privatization agreement and the new company Hesteel Iron & Steel Ltd. Belgrade, will have even greater importance and market opportunities for business success.

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