

## SUMMARY

According to Barbara Surk, *"As China Moves in, Serbia Reaps Benefits, With Strings Attached,"* President Xi Jinping of China had chosen Smederevo, an industrial town on the Danube River, in Serbia, to be the center of its "One belt, One Road" infrastructure advantage that cost approximately \$900 Billion dollars. President Xi promised to invest money into roads and railways to create transportation walkways for Chinese goods to go into the Western European markets. China's intention was to run the "New Silk Road" from China to Germany, through the Balkans. President Xi stated that this action would benefit Serbia by bringing more jobs, improving the standards of living, and encouraging economic growth. Outside of China, some fear that China's goals would keep dictatorial leaders of countries like Serbia in power, leave the nation deep in debt, and stuck with environmentally flawed projects. China's goals in the Balkan region have set up possible conflict with the European Union's plan with Serbia stuck in the middle. President Xi's promises were not kept. Worker's contracts were made in secret. Safety concerns have increased, and maintenance has dropped to dangerous levels. Additionally, there is no communication between the owners and the employees.

As China's plans in the Balkans move forward, the European Union (EU) remains the most powerful force there, and the EU has plans to connect the Balkan countries with the EU that are very different from China's plans. To prevent conflict in the Balkans, in 2014 the

Europeans made a plan to connect old enemies like Serbia and Albania with transportation to speed the process of goods. At the last regional summit meeting, Albania, Bosnia, Herzegovina, Kosovo, Macedonia, Montenegro and Serbia all agreed to create an economic zone as part of an effort to consolidate millions of people. Balkan officials have complained that the European Union was taking too long, and Serbia was concerned that the infrastructure projects and the common regional market place would be a replacement for a full membership in the EU. China, as a relative beginner in the unstable region, offered Serbia cash in the form of loans with low interest rates that will leave Serbia with huge debt. China's pouring money into Serbia is also about gaining political power by controlling the leaders of Serbia. The people of Serbia are not supportive of China's investment. They are concerned that Chinese Communism will destroy them.

#### **IMPLICATIONS:**

China's integration into Serbia's economy will negatively affect domestic businesses in Serbia while benefiting China's businesses. China will benefit from this move because it will open more opportunities for them to do business internationally, and it will be easier for China's goods to flow into foreign markets. Consumers in Serbia will have more choices when it comes to buying goods, and that is a positive thing for the customers. China's move will increase the employment rate for Serbia's economy because China will bring jobs to the Serbian people. However, this can be destructive for Serbia's economy because Serbia will be left with huge debt it will have to repay to China. China's economy will experience a boost because they will be exporting more goods and services, which will have a positive affect on their economy.

If Serbia agrees with China on this plan, China will have a first-mover advantage in the Serbian market, which will allow China to market to other countries in that region. The obstacles blocking China's access to European markets will be removed making China more competition than other countries. Other countries that do business with European countries will be at a disadvantage competing with China. International trade for foreign countries competing in the Serbian market will be negatively affected because China will capture most of the market. Meanwhile, China's trade will experience a positive affect because China will be allowed to expand, have easy access, and more trading options. Therefore, allowing China to do business with Serbia will allow opportunities for China by permitting China to have trade with more European countries. In turn, China's international trade activities will increase significantly.

China's balance of payment will increase considerably because this action will allow China to export more goods, which will increase their current account. As a result, China's balance of payment will experience a surplus due to exporting more goods. Serbia's balance of payment will experience a deficit because Serbia will be importing more goods than exporting them. This action will force managers in Serbia to restructure their companies' missions because Serbian companies will have to come up with creative ways to compete with China for business. This deal will greatly benefit China by expanding their international trade, providing more access to potential customers, increase their political power, and more importantly, encourage economic growth. Serbia will bear the cost of this action because they will be left with a huge debt to China, and their economy will experience decline.

## APPLICATIONS OF COURSE CONCEPTS

This article relates directly to Chapter Six, International Trade Theory and Chapter Eight, Foreign Direct Investment (FDI). The article discusses mercantilism where China's purpose is to encourage export by expanding their exports across the European region. The article discusses first-mover advantage as well. China's goal is to get into the Serbian market first so that they can have advantage over other countries. China is participating in Greenfield investment by establishing new operations in Serbia, which is a concept discussed in the FDI chapter. Exporting is another concept in the FDI chapter that is mentioned in the article. China wants to get involved with Serbia so that they can expand their export across that region. Balance-of-Payments Accounts is another concept that is mentioned in the article that is reviewed in the FDI chapter. Balance-of-Payments is a record of all international financial transactions made by a country's residents. The Balance-of-Payments Account tells if a country saves enough money for imports.

Additionally, this article supports the information learned in class by directly demonstrating examples of foreign countries participating in international business and the potential results. As suggested in class, when a country is the first one in a foreign market, it has first-mover advantage in that country, which is what China is determined to achieve by getting involved with Serbia. China's participating in Greenfield Investments by setting up a new operation in Serbia, which agrees with the text information. Overall, the article examines important topics associated with global businesses that China and Serbia are involved in that are addressed in the class information as well.