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CHINESE OUTWARD DIRECT INVESTMENT IN CENTRAL AND EASTERN EUROPEAN COUNTRIES: A COMPARATIVE ANALYSIS

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Abstract *In the present paper, we examine the larger context of China's "going out" approach and its policy towards CEE-16. We analyze also the distribution, structure and trends of the Chinese ODI in five CEE countries, correlated with its investment projects, motivations and constraints. In the final part of the paper we bring to the forefront Romania as a destination for Chinese ODI, providing an analysis of the Chinese investment evolution, their specific features, weaknesses, accomplishments and prospects of further development. The structure of our research is determined by its four main objectives: to generate an overview of the Chinese ODI, to underscore the new cooperation framework between China and CEE-16, to analyze the Chinese ODI in CEE-5 and appraise the untapped potential of its relationship with Romania. Consequently, the paper is structured in four main sections, preceded by an introduction and concluding with a review of the main results.*

Key words:
Outward direct investment (ODI), China, CEE-16, CEE-5, Romania

JEL Codes:
F21, F23, F29, G11, G18

1. Introduction

To a considerable extent, the impressive development performance of Chinese economy over the last decades was due to a large and fairly constant influx of foreign direct investments (FDI) from other countries. For many years, China has been ranking the first most important destination of foreign capital flows among the developing countries and the second globally, turning to good account this opportunity to grow, develop, restructure, modernize and assimilate foreign technological and managerial know-how. On the other hand, until quite recently, its outward direct investments (ODI) remained insignificant, so that China was, and it still is, a net FDI recipient. Nevertheless, after WTO accession in 2001, international direct investments by China have increased markedly, hitting a historic high in 2012, when the country became the world's third largest outbound investor after the US and Japan.

However the gap between China's outbound and inbound investments is closing rapidly because expanding globally has become a necessity of its future sustainable development. On the one hand, Chinese companies need to "go out" trying to secure reliable long-term supply of natural resources, seeking new markets, new opportunities to improve competitiveness and to climb up the technological ladder by getting access to new technologies, R&D resources, foreign expertise and brand names. On the other hand, the Chinese government needs to make the most of China's huge foreign exchange reserves and correct the external imbalances, one way of doing this consisting in speeding up and diversifying its outward investments. Furthermore, in recent years this "going out"/"going global" trend was additionally propelled by both the international environment, with the global economic crisis bringing a host of opportunities for China, and by the domestic policies implemented by the State Council with a view to encouraging and supporting a larger international presence of Chinese companies.

To sum up, China has the financial resources and is interested and willing to invest, searching the world for opportunities, and, at the same time, many other countries, both developed and developing, are in great need of financing, for their recovery in the aftermath of the global economic crisis and for their development projects. Under such circumstances, Chinese ODI are expected to continue growing, while businesses and governments across the globe will increasingly compete for Chinese investments.

Europe makes no exception from this trend and neither do the Central and Eastern European countries (CEE), which are in a catching up process with their western neighbours. Obviously, the global economic crisis has changed China's strategy to Europe, bringing this investment destination more to the forefront. China is now purchasing European government debts, is striking cut-price deals taking over firms, or acquiring stakes in European companies, harbours and airports and is financing *"projects in Europe's periphery much like it does in Africa"* (Godement, F. *et al.*, 2011). However, unlike Africa, Europe is hardly a source of natural resources for China, but it is one of advanced technologies, reputed brands and trademarks, while its "*periphery",* the CEE countries, make, in addition, excellent locations for the manufacturing of "made in Europe" goods, by Chinese investors. Therefore, Europe and specifically the CEE countries are very attractive for China, while, at the same time, they need Chinese capital. This could be a "win-win" situation as long as the Europeans don't turn one against the other, competing for Chinese money and engaging themselves in a "race to the bottom".

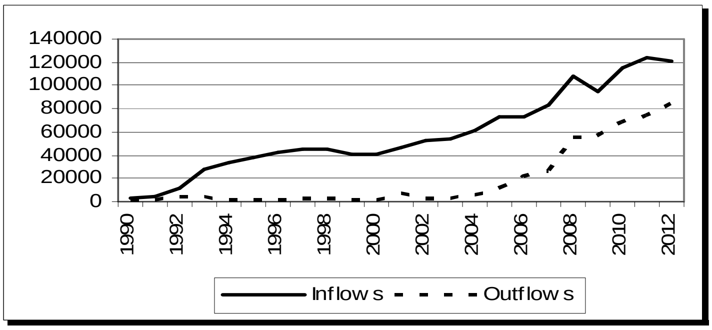
In the present paper, we examine the larger context of China's "going out" approach and its policy towards the CEE-16. We look at the distribution, structure and trends of the Chinese ODI in the five most important destination countries among the CEE-16, in correlation with the motivations and constraints pertaining the Chinese investment projects. In the final part of the paper we bring to the forefront Romania as a destination for Chinese ODI, providing an analysis of the Chinese investment evolution, their specific features, weaknesses, accomplishments and prospects of further development. The structure of our research is determined by its four main objectives: to generate an overview of the Chinese ODI, to underscore the new cooperation framework between China and CEE-16, to analyze the Chinese ODI in CEE-5 and appraise the untapped potential of its relationship with Romania. Our analysis is based on official FDI statistics, our own previous research, studies carried out by various institutions and experts, opinions expressed by scholars in their research papers or in mass media and is aiming at bridging the gap between the existing literature and the practical evidence.

2. Overview of the Chinese Outward Direct Investment (ODI)

China's ODI increased sharply in 2012 amidst a global downturn in FDI flows, "propelling" the country to the world's third-largest FDI provider position, after the US and Japan, up from the sixth place in the prior year (BBVA, 2013: p. 1, UNCTAD, 2013). In 2012 the Chinese ODI flows increased by approximately 18%, to a "historical maximum level" estimated at $84-88 billion[i].

China, the second largest economy globally, remains a net recipient of FDI. Nonetheless, due to China's unabated "peaceful rise" (Bijian, Z., 2013), the gap between its FDI inflows and outflows has been diminishing (Chart 1), especially after the world financial and economic crisis. Its ODI stock (estimated at $509-532 billion)[ii] represented only 2.2% of the worldwide stock, as compared to its share in the total ODI flows, of 6% in 2012.

Chart 1. Chinese FDI inflows and outflows during 1990-2012 (in $ million)



Source: Chart elaborated by authors, based on UNCTAD (2013)

In 2012, the most important host countries for China's ODI were, in this order: Hong Kong-China (58%), the US (4.6%), Kazakhstan (3.4%), the United Kingdom (3.2%), the British Virgin Islands (BVI) and Australia (2.5% each), Venezuela and Singapore (1.7% each), Indonesia (1.6%) and Luxembourg (1.3%). These ten recipients cumulated $71.0 billion and accounted together for almost 81% of total ODI flows. In interpreting these data, it should be taken into account the statistical distortions generated by the existence of certain regional hubs which intermediate investment flows such as Hong Kong-China, or tax havens such as BVI or Cayman Islands) (BBVA, 2013: p. 2).

Asia remains the largest recipient of Chinese ODI, accounting for almost 74% and 69% in its ODI flows and stocks, respectively.

According to official statistics, the Chinese ODI remain concentrated in a limited number of sectors (business services, financial, mining, wholesale and retail, manufacturing, transport and construction, accounting for almost 90% of total ODI outflows). Nevertheless, the diversification process continues, even though in a gradual manner. Specific measures were included in the 12th Five-year Plan, launched in 2011, and also more recently, in November 2013, during the "Third Plenum", emphasizing "deregulation and market openness to promote both inward and outward FDI". The progressive internationalization of the Chinese currency (Yuan or RMB) represents a supplementary incentive for the Chinese companies and financial institutions to "go global" (BBVA, 2013: pp. 3-4).

On the whole, in 2012 Europe had only an 8% share in the Chinese ODI flows and a 7% one in the corresponding stocks – percentages which are similar to those held by ASEAN-10 in the Chinese ODI (MOFCOM/NBS/SAFE). The EU's share in the Chinese ODI stock in Europe was of approximately 85% in 2012. This was mainly due to the attractiveness of Luxembourg (almost $9 billion), the United Kingdom ($8.9 billion), France (almost $4 billion), Germany ($3.1 billion), Sweden ($2.4 billion) and Netherlands ($1.1 billion), which had altogether a contribution of almost 87% in the Chinese ODI stocks in the EU.

In the next sections we will shed light on China's new strategy toward CEE, its investment projects, motivations and constraints.

3. The New Cooperation Framework between China and CEE-16

China's policy towards Europe is made up of "three different layers": relations with European "powers" (Germany, France and the United Kingdom), interaction with EU institutions and relationships with regions (Northern, Southern and Central and Eastern Europe CEE-16) (Kong, T., 2013).

In recent years, in the context of the Eurozone crisis, the PIIGS[iii] debt crisis and the diminishing EU capacity to invest in its peripheral regions, China started making "inroads" into Central and Eastern Europe (CEE-16)[iv] (Stratfor, 2013). From 2009 onwards, the relationship between China and CEE-16 entered a "new era of cooperation" (Kong, T., 2013). Although China is now far from being a leading power in CEE, one can notice its increased presence in this region (Turcsányi, R., 2014), through trade, investment and the new cooperation framework.

China's "new strategy toward CEE" – the so-called *regional approach* – has emerged in the recent years. In 2011, on June 25, the first China-CEE Economic and Trade Forum were held in Budapest. It followed the second China-CEE Forum in Warsaw, in April 2012, when ex-premier Wen Jiabao brought forward a 12-point initiative for deepening cooperation with CEE. One of them was implemented in the same year, on September 6, namely the setting up of China-CEE Cooperation Secretariat in China's Ministry of Foreign Affairs. The special credit line amounting to $10 billion was also launched. In July 2013, the first local leaders' meeting of China and CEE countries was held in southwest China's Chongqing Municipality, in order to expand cooperation between provinces and cities of the two sides (Xinhua, 2013b). The third China-CEE Economic and Trade Forum took place in November 2013, in Bucharest. At the "November summit" the Bucharest Action Guideline on China-CEE Cooperation was agreed and an investment fund (amounting to $500 million) was officially launched (China Dialogue, 2013).

In spite of their economic potential (or maybe due to their potential), the ties which develop between China and CEE are viewed with concern in Brussels and considered as a part of the Chinese strategy to "divide and conquer" Europe (Deutsche Welle, 2013a). On the contrary, in the opinion of the Chinese premier, Li Keqiang, the principles of this relationship are "equal treatment, mutual respect, mutual benefit, win-win results and common development" which in the end is conducive to "stability and prosperity" in the CEE and consolidates Europe's role as a pole of power in a multipolar world (Xinhua, 2013a). As a matter of fact, China considers the bilateral relations with the CEE as "part of Sino-Europe relations, and the stronger China-CEE relations, the stronger Sino-Europe relations" (Kong, T., 2013).

China's motivations to strengthen its ties with CEE are various. Among the declared ones are the following. The CEE countries are former socialist nations and the relations with these countries are different from the ties with the EU as a whole (Deutsche Welle, 2013b), as they are hybrid economies, between emerging and developed markets (EUbusiness, 2013). The growth rates in the CEE region are higher than in the Western Europe (countries like Poland were not affected by the financial and economic crisis) and the labour costs are lower than in the old EU member states (China Dialogue, 2013). On the motivations list it should be added the natural resources endowment (even though not at the level of other regions, such as Africa) and some CEE's function as a "springboard" and "bridgehead" to the EU (Zuokui, L., 2012).

Taking into account CEE geographical position and access to major harbours, China intends to finance large industrial projects such as equipment manufacturing and to build a new "artery for China-Europe logistics through the construction of land and sea transportation infrastructure" and, at the same time, to double the bilateral trade over the next five years in the areas of energy, technology, industrial projects, agriculture and transport (China Dialogue, 2013). At the beginning of 2000s, Chinese investment in the region was almost inexistent, but in 2010 it reached $800 million. Moreover, bilateral trade increased from $3 billion in 2000 to over $40 billion in 2010, China recording a net surplus (Eubusiness, 2013).

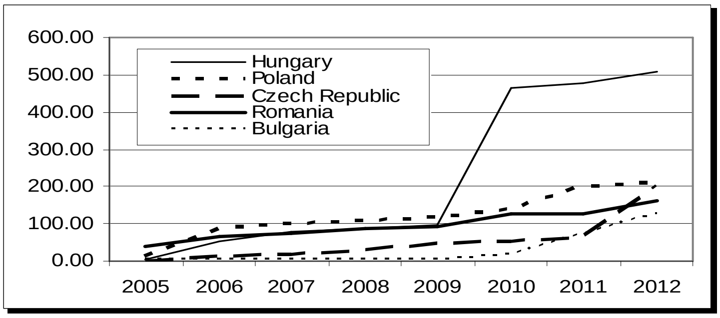
Last but not least, the CEE-16 format is logistically useful, as during one official visit the Chinese

authorities can meet 16 prime ministers from CEE-16 (Deutsche Welle, 2013b).
In spite of the rapid expansion of the Chinese ODI and the political will to fully tap the existing potential, the shares of the CEE countries in China's investment abroad remain minor as compared with the Western Europe. Chinese investments still encounter many obstacles at CEE level. In the next section we will analyze the Chinese ODI in a group of five most dynamic CEE recipients.

4. China and the CEE-5

Among the new member states, one can remark five countries, namely Hungary, Poland, the Czech Republic, Romania and Bulgaria (CEE-5), each cumulating an amount of Chinese investments larger than $100 million in 2012 (MOFCOM/NBS/SAFE). None of them has adopted the euro yet. However, the investment stocks from China in the CEE-5 group represented in 2012 only 3.8% of the Chinese ODI stock in the EU and 0.2% of the Chinese stock worldwide.
According to recent studies, in spite of the "new strategy towards CEE", Chinese companies are generally reticent to investing in these countries, mainly due to their "unfamiliarity with the rules of the large EU market and the ambiguous positioning of the CEE". Moreover, "most of the high-quality assets of these countries have been absorbed by Western countries due to privatization in the transformation period in the 1990s" and some Chinese companies (such as China Overseas Engineering Group Co. Ltd. COVEC, targeting the Polish infrastructure market) failed to enter some CEE countries (Zuokui, L., 2012).
Nevertheless, in China's investment relationship with CEE-5 some specific industries have emerged, such as: infrastructure construction (China Road and Bridge Corp.), information and communications technology (Huawei and ZTE), chemical industry (Wanhua Industrial Group Co. Ltd.), machinery processing and manufacturing (Liugong Machinery Corp.) (Zuokui, L., 2012). Hungary may be considered the "champion" of this group in terms of ODI stock attracted from China (Chart 2).

Chart 2. Chinese outward FDI stock in relationship with CEE-5, 2005-2012 (in million $)



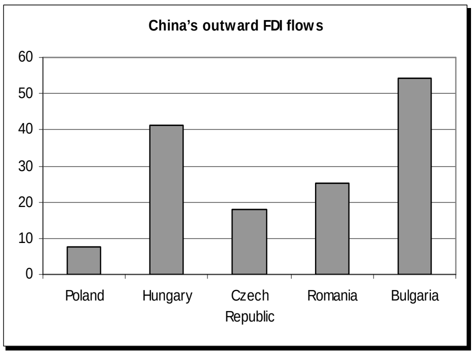
Source: Chart elaborated by authors, based on MOFCOM/NBS/SAFE

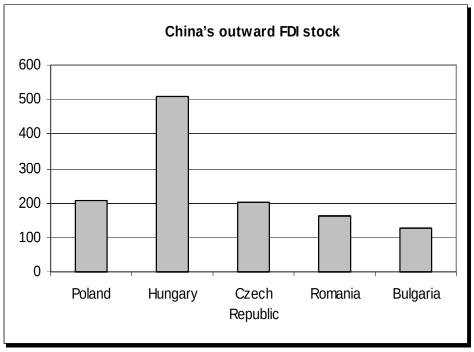
Among the Chinese investors based in Hungary there are: the Bank of China, Huawei (a networking and telecommunications equipment and services company), ZTE (a telecommunications equipment manufacturer) and Wanhua (a chemical industry company) (The American Enterprise Institute/The Heritage Foundation, 2013, Hungarian Chamber of Commerce and Industry, 2014). However, in terms of FDI inflows, Bulgaria surpassed Hungary in 2012 and attracted a larger amount of investments from China (Chart 3).
In our opinion, exactly this "race for Chinese investments" among the CEE-5 determined the Hungarian authorities to declare they were "ready to subsidize business developers from China" (Hungarian Chamber of Commerce and Industry, 2014).
Another strong competitor is Poland, "the only country in the European Union with more than 20 years of uninterrupted GDP growth" and one of the "best destinations for foreign investment with a good investment environment and stimulus packages". Besides, China and Poland established a strategic partnership in 2011. Nevertheless, Chinese investments in Poland are "far below" their real potential and expectations from both sides (China Daily, 2013).
Chinese investments in Poland are focused on electronics, such as the production of TV sets and monitors, the electro-machinery industry, IT and construction machinery. Major investors include: TCL Corp, Digital View, Nuctech, ZTE, Huawei, Liugong Machinery Co Ltd. In 2013 was opened the Chengdu-Lodz direct rail route, connecting China and Europe (China Daily, 2013).
At the same time, China's ODI in Czech Republic expanded significantly in the recent years, so that at present among the major investors there are: ZTE, Huawei, Changhong (TV sets production), Noark (electrical appliances and components), Shanxi Yuncheng Plating Group (manufacturer of rotogravure

cylinders), Shandong Linyi Yuli Foodnuts (nut roasting plant) and Beijing Fight Company (crystal glass production) (Czech Position, 2012).

As regards Bulgaria, besides important investments in car production, chemical industry and energy, agriculture and food processing are considered "new highlights" in this country's cooperation with China. Bulgaria intends to strengthen cooperation with China in sectors including infrastructure, energy, new materials and high technology. Meanwhile, it is ready to offer favourable conditions to attract more Chinese tourists and investment (Zuokui, L., 2014).

Chart 3. Chinese outward FDI flows and stock in relationship with CEE-5, 2012 (in million $)





Source: Chart elaborated by authors, based on MOFCOM/NBS/SAFE

5. Chinese Investments in Romania

5.1. The recent history

Romania was a favourite destination for the early Chinese investments in Europe. This is revealed both by the official governmental guidance to the potential Chinese investors in Europe and by the investment reality itself. The official governmental guidance was mainly substantiated into the "*Outbound Foreign Investment Catalogue*" (OFIC) of 2004, a document which indicated the countries and sectors where Chinese companies were advised to invest. In this document, Romania was topping the list of favourite destinations, equal only to Germany, followed closely by Poland, the Czech Republic and Hungary, and then by all the other European destinations. These four CEE preferred destinations, with Romania ranking first, were identified at the time as being more important than the EU-15 countries for the Chinese investors seeking manufacturing opportunities in the EU. The recommended sectors for investments in Romania were the textiles, leather goods and luggage, TV sets, communication equipment, computers and other electronic equipment – all of them industries where China enjoyed considerable export strength, but faced a growing pressure from the importing nations to reduce its trade surplus (Clegg, J., Voss, H., 2012). Therefore, the sector selection for Romania (as well as for the other CEE countries) revealed an option for *a trade-substituting investment strategy, meant to avoid import barriers and preserve, or even increase, the existing market shares of the Chinese exporters to Europe*.

Table 1. OFIC Top 15 most Attractive European destinations for Chinese investments, by number of attractive sectors

Country ranking in the EU27	**Country**	**Number of attractive sectors by country**			
		Total	**Natural resources**	**Industry**	**Services**
1	Germany	8	0	4	4
2	**Romania**	**8**	**0**	**5**	**3**
3	**Poland**	7	1	4	2
4	**Czech R.**	6	1	4	1
4	**Hungary**	6	0	4	2
4	Portugal	6	0	4	2
4	UK	6	0	2	4
5	Austria	5	0	3	2
5	Denmark	5	0	3	2
5	Estonia	5	0	3	2
5	France	5	0	3	2
5	Sweden	5	0	3	2

Country ranking in the EU27	Country	Number of attractive sectors by country			
		Total	Natural resources	Industry	Services
6	**Bulgaria**	4	0	3	1
4	Belgium	4	0	1	3
4	Greece	4	0	2	2
4	Ireland	4	0	2	2

Source: MOFCOM, Ministry of Foreign Affairs - *Outbound Foreign Investment Catalogue* (OFIC)

On the other hand, the factual Chinese investment in Europe demonstrated a bias for Romania too, in the early 2000s. In 2005 Romania was the most important European host for Chinese investments, cumulating over two thirds of the total investment stock of the CEE-5 and making Chinese officials declare at the time that "*Romania is the East European country where we got the best results in implementing our "going out strategy", with Chinese investments both in production, in infrastructure and in high technology."* (Guanchao, Z., 2005). These Chinese investors in Romania were part of the first wave of companies which dared "go out": private small and medium enterprises (SMEs), mainly family companies with little capital, involved in trade activities or low and medium technology manufacturing, which didn't benefit, in their great majority, from any kind of material support from their government. That is why, although great in number, these small companies could not cumulate high investment values in Romanian economy. Still, low as they were in Europe at the time, Chinese investments preferentially chose Romania, indicating a comparative advantage for our country, from this point of view. For Chinese investors, Romania was a country with a long record of good political, economic, commercial and cultural relations with China, a fairly large market, well-placed geographically, offering good local opportunities and good chances to build a bridgehead to the rest of Europe. Therefore the odds were very promising.

Unfortunately, this favourable state of facts was not going to last, as Romania was absorbed by its efforts to access the EU and didn't devise any specific strategy to attract more investments from China and capitalize on the comparative advantage it enjoyed. Additionally, on efficiency grounds, Romania interrupted the direct flights between Bucharest and Beijing (2004), while maintaining quite restrictive and lengthy visa procedures and providing little or no assistance to the Chinese investors, in their difficult attempt of adjusting to an unknown and challenging business environment. Hence, Chinese investment flows to Romania grew at a slower rate, while their pace accelerated in other CEE countries, especially in Hungary and Poland, which had already been accepted in the EU and could be more committed and more successful in attracting them. Furthermore, these two countries managed to capitalize on the second wave of Chinese outward investments, which was this time the result of the big state owned, or state-backed companies' "going global" strategies and implied considerable higher amounts invested per project.

Anyway, it is worth noticing that after the onset of the global economic crisis, a growing mismatch between the Chinese government investment guidelines (OFIC) and the factual investment decisions of the companies became increasingly apparent at the EU level, the bulk of investments going prevailingly to the EU15 countries (around 90% of the total inflow), even to the lower ranked ones in the initial governmental listing, and not to the CEE economies from the EU "*periphery*". Similarly, among the CEE-5 countries, the factual investment pattern didn't observe the official recommendations, a host of internal and external factors converging in changing the initial priorities, to Romania's disadvantage.

Considering our calculations using data from Chinese statistics, Romania's share in the total Chinese investment stock of the CEE-5 group decreased, at first abruptly, from over two thirds of the total in 2005, to less than one third in 2006, and then gradually to only 13.4% in 2012. Accordingly, Romania's ranking within the CEE countries went down, from first position until 2005 and second in 2006, to third position between 2007-2011 and finally to fourth position in 2012. This decline has occurred as Hungary, Poland and, more recently, the Czech Republic managed to strike large investment deals with powerful state owned enterprises (SOEs), while Romania could not do the same, even if such companies have continually tested its market opportunities.

5.2. The present Chinese investment landscape in Romania

China is Romania's main Asian investing partner. Among the foreign investors in our country it ranks the 5th by number of companies set up, but only the 17th by the amount invested (Paul, A., 2011), which is extremely far from the potential.

Currently, there are over 10,800 Chinese companies registered in Romania, accounting for about 5% of the total number of businesses with foreign participation. Although presumably just about one third of them are actually active (Wall Street, 2011), *Romania registers the highest number of Chinese companies in Europe,* ranking first before Germany (2nd), Serbia (3rd), the Czech Republic (4th) and Hungary (5th), the five countries which host together about 80% of all the Chinese firms in Europe (The Antwerp Forum, 2013). Also, Chinese businesses are present in only a small number of European cities, most of them choosing Bucharest (1st), Belgrade (2nd), Prague (3rd), Budapest, Hamburg, Moscow, Düsseldorf and Frankfurt to set up businesses. *Such a high degree of geographic concentration highlights a strong propensity to clustering so that these companies reap economies of agglomeration.*

Most of the Chinese businesses in Romania are still individual or family-owned companies from the first Chinese "going out" wave, fully matching the European pattern where more than 4 out of 5 Chinese companies (82%) fall in these two categories (The Antwerp Forum, 2013). Currently, the Chinese businessmen in Romania are regionally organized in 16 federations, about 90% of them developing activities in Bucharest, the capital city (Xiaoming, S., 2010).

According to the Romanian records, by the end of 2010, the total amount of the Chinese capital invested in our country raised to about €318 million, which accounted for just little over 1% of the total FDI stock in Romania, at the time (Paul, 2011). By the end of 2012, the investment stock had risen to about €420 million, but according to the president of the Romania-China Trade and Industry Chamber, this was an undervaluation. In November 2013 he declared: *"According to the National Bank of Romania Chinese FDI, reach €420 million. But their value is probably double. Actually, investments are much higher because not all the companies chose to increase their social capital."* (Gelmegeanu, G., 2013)

Obviously, when referring to the total investment value by Chinese companies in Romania, one has a quite difficult task in discerning their real level, as there is a certain informational shortage and significant differences between the statistical records in China, the EU and Romania. Taking, for instance, the 2012 total investment stock levels, one could notice that while the Chinese statistical data for 2012 recorded an investment stock in Romania of about €126 million (equivalent of $161 million), the Eurostat statistics recorded only about half that amount (€69 million), in striking contrast with the Romanian records of at least €420 million, which were, therefore, more than triple the Chinese level and six times larger than the EU one.

Although Chinese investments to Romania didn't progress as they could and should, and a lot of potential remained untapped, there were some significant achievements of their "first wave", worth reminding. First of all, the €200 million trade hub near Bucharest, the "Red Dragon" founded in 2003 by the Niro Group (a joint venture with a 30% Chinese stake) and the neighbouring €100 million China Town (a whole trade and business centre, 100% Chinese investment, developed in 2010). These could be, or become, part of the 50 economic and trade cooperation zones in a worldwide network, which the Chinese government wants to progressively being built as an instrument for supporting the internationalization of domestic companies. Similar hubs can be found in other CEE-5 countries – for instance the Wolkovska Cetre in Warsaw, set up in 1994, or the China Brand Trade Centre in Budapest, opened in 2011 – but even more in the EU15 countries, especially the Netherlands (with 3 such hubs), Sweden (2), UK, France, Finland and Italy (1 each). All of them start by promoting international trade, mainly imports from China, but gradually turn to low risk investments and then to larger ODI, when the market proves sufficiently large and stable (Clegg, J., Voss, H., 2012).

Another remarkable accomplishment of the first-wave investors in Romania is the 22 000 hectares industrial park in Pârşcov, Buzău, developed by the F&J International Group, a 100% Chinese private corporation. The industrial park includes five factories with production, distribution and foreign trade operations in garments, wood processing, cigarettes, electronics, household electric appliances and ecologic electric bulbs, as well as a fresh fruit and vegetables import company. Besides these activities in the industrial park, Chinese investments by other small and medium companies achieved good results in bicycle production, recycling, construction materials and industrial printing.

On the other hand, we can also speak of *a second wave of Chinese investors* in Romania too, although they are not many and have not yet committed to substantially high investments. We could first include here important *companies dealing in information technology (IT)*, which came in the early 2000s, but only in very recent years have shown their readiness to make more sizeable investments in Romania. These are two prominent high-technology businesses: the state-owned company ZTE, the largest Chinese producer of telecommunications equipment, and the private company Huawei, the largest global provider of IT&C solutions. These two companies have already made inroads into the Romanian market and have established a significant European presence. Although they are in Romania for about 10 years – ZTE from 2004 and Huawei from 2003 – it is now that they intend to make more substantial investments. ZTE has a Euro 100 million investment programme until 2015 to set up a Euro 16 million Service Centre in the Western part of the country, another Euro 23 million Service Centre in the South, and a telecommunications equipment factory worth the remainder 60 million Euro (Business24, 2013). Huawei has already invested Euro 90 million in Romania between 2007-2012 and has another Euro 200 million investment project to open a global support centre by 2015. By 2018 the number of its employees in Romania will reach 1000 and another Euro 100 million will be invested, mainly in research and education programmes (Ziarul Financiar, 2014).

Secondly, *another important component of the "second wave" of Chinese investors in Romanian economy may be considered the recent businesses involved in renewable energy (RE),* especially in building and operating photovoltaic (PV) parks, but also wind farms. This is a very recent wave, triggered by the green certificate programme of the Romanian government aimed at attracting foreign capital in renewable energy production. These are also high-technology investments, by Chinese larger private companies, involved in considerably higher value projects. Unfortunately, the Chinese investors reacted quite late to the Romanian incentive programme, missing its most rewarding phase, when lots of Western companies scrambled for *"a piece of the pie".* As a result, in the recent few years Romania experienced a tremendous growth in the development of RE facilities. Therefore, considering its objectives met and the incentive scheme already too generous, in 2013-2014 the Romanian government changed the legislation on renewable energy, reducing the incentive scheme. Consequently, these late Chinese investors were discouraged, some of them choosing to partially give up their initial investment plans, as it can be noticed from the table beneath.

Table 2. Chinese investments in Romanian renewable energy (RE)

Investor	**Project**	**Investment amount** (mil. €)	**Project stage**
SUNOWE	25 MW PV park, 50km from Sibiu (the first project of the company outside China)	40	Finalized, functional before the legislation change
UNISUM Part of the WUXI GUOLIAN DEVELOPMENT GROUP	3 PV parks in Cluj and Brasov, totalling 19.6 MW	30	Finalized, functional
ASTROENERGY	65 MW PV park, Sebis, Arad	40 of the initial 100 for the entire project	Only 25MW built, the rest of the investment stopped due to law change
GREEN VISION SEVEN of the HAREON GROUP	168 MW PV park, Ucea de Sus, Brasov (the largest park in Romania)	100 of the initial 200 for the entire project	Only 82 MW built, the rest of the investment stopped due to law change
LIGHTWAY SOLAR	50 MW PV park, Prundu, Giurgiu	76	Approved by NDRC, China; in progress
MING YANG WIND POWER GROUP and PAUNESCU CORPORATION	200 MW wind farm, Vaslui-Husi	400	Contract signed in November 2013, project in progress with deadline 2014

Sources: www.zf.ro, http://powerromania.ro, www.business24.ro, www.wall-street.ro

It is worth mentioning here, that in January 2013, Sinovel Wind Group, the largest wind turbine manufacturer in China and the second largest globally, expressed its interest in investing in both wind farms, and wind turbine manufacturing in Romania (Agerpres, 2013). If Sinovel and Faur, a Romanian industrial engineering company based in Bucharest, manage a successful cooperation agreement in this new, high-technology industry, China could get access to the larger European market, while Romania could diversify and upgrade its industrial structure, increase exports and create jobs. It remains to be seen to what extent the recent changes in Romania's and other EU Member States' RE legislation and market demand are going to impact on these potential investment and cooperation projects.

The analysis above shows that *what differentiates at the moment Romania from other European investment destinations is that it has not succeed yet in attracting sizeable Chinese businesses in large investment projects.* In spite of the undeniable local potential in Romania and the genuine interest of the Chinese investors, the numerous, but sporadic and inconsistent attempts to negotiate and agree on larger projects didn't lead to any results yet.

Some of the older and most discussed projects bilaterally were either *infrastructure projects* (the Bucharest second beltway, plus other highway sectors countrywide; the Danube-Bucharest Canal; the Siret – Bărăgan Canal; the Brăila – Galaţi bridge over the Danube), or *projects in conventional energy production, mainly to overhaul, continue unfinished units, or extend* *existing facilities* such as thermo-power plants (Rovinari, Mintia, Halanga, Doiceşti), hydro-power stations (Tarniţa-Lăpuşeşti, Bicaz), or the Cernavodă nuclear plant (additional reactors 3 and 4).

In *infrastructure development*, opportunities are huge as Romania is in great need of more and better highways, canals, irrigation systems, bridges, power grids and even airports and port extensions, while China has the expertise, financing availability and interest in such projects. The capital city, Bucharest needs a second beltway, other highway connections, a modernized rail ring, additional subway lines between its extremes, and better connections to other major towns, the Black Sea ports included. That is why, besides the old infrastructure projects mentioned above, the new project of a *high-speed railway connection* between Constanţa – the largest Romanian seaport and the second largest harbour in Europe – Bucharest, Braşov, Arad, Budapest and Vienna, is an attractive project, which could play a significant role in both the intra-CEE, intra-EU cooperation, and their bilateral trade and economic cooperation projects with China. This new transport corridor in Europe, which could cost around €11 billion, could be completed by the development of *an industrial park* in the Agigea port area and along the Danube-Black Sea Canal, with 2000 Romanian-Chinese joint-venture companies being hosted. The Constanţa-Arad high-speed line and the industrial park near the Black Sea and the Danube are key pieces in a larger strategic plan of setting up a modern new Silk Road connecting Asia and Europe, which could cross our country generating development and prosperity.

6. Conclusions

China has been one of the great beneficiaries of globalization. For decades this country has succeeded in attracting and turning to good account substantial foreign capital inflows, which contributed to its unprecedented growth and development. Given its changed fundamentals after decades of accelerated transformation, China is now bound to adjust to its new internal and external realities and implement comprehensive reforms, including some touching capital movement. Therefore, in recent years, this country has swiftly raised its outbound investments, becoming an increasingly important international investor. In its endeavour, it obviously follows its own interests of securing access to natural resources, new technologies, sources of knowledge and innovation, new markets and reputed foreign brands, but it simultaneously acts as a growth engine for the economies where its investments go. Consequently, the other countries, either developed or developing, strive for Chinese capital inflows, the more so in the aftermath of the global economic crisis.

The CEE countries make no exception from this trend, as they are in a catching up process with their Western neighbours and they need considerable investments. Business opportunities abound in their economies and they make good locations for economic activities by foreign investors, but, eager as they are to invest and aware of the potential, Chinese companies are very prudent and measure attentively each step and decision they make. There is a whole world of opportunities for them to tap and they want to strike the best deals, capitalizing on their privileged position. It therefore takes determination, consistency, persistence and a well-devised strategy from the European countries' part in order to succeed.

To date, Chinese investment flows chose mainly other destinations than Europe, and within Europe, they chose mainly the EU15 group of developed economies and not the CEE ones, in spite of the initial governmental "going out/going global" strategy, which favoured five CEE countries, namely Romania, Poland, the Czech Republic, Hungary and Bulgaria. Moreover, within the CEE-5 group of countries, the factual investment pattern did not match the recommended priorities of the government, getting changed – under the impact of a host of internal and external factors – to Romania's disadvantage.

Although it started as a privileged destination in the early 2000s, for lack of a purposeful strategy towards China and against the international economic landscape born after the outbreak of the global economic crisis, Romania lost ground in "the race" for Chinese capital. One could say that, lately, the other CEE-5 members scored better, but this should definitely not be treated like a competition between the CEE countries, or between the EU member states, if a race to the bottom is to be avoided.

Romania and the CEE countries have a good chance to capitalize on China's interest to expand globally in sectors it has identified as strategic (such as infrastructure development, telecommunications, agriculture, energy), a chance to take advantage on China's need to consolidate its position as a global leader in the low-cost versions of high value-added technologies (such as high speed rail and renewable energy) and also a chance to make a profit on China's strategies aiming at building an integrated Eurasian trade and cooperation corridor (a modern Silk Road). But this requires an intelligent strategy on Europe's part too and solutions to act as a group which shares common interests and avoids competing with one another. After the recent China-CEE16 Forum in Bucharest, Romania has a renewed opportunity to attract significantly larger Chinese investments and accelerate its catching up efforts, but to this end, it needs a deep, consistent and stable investment promotion strategy of its own, focused on industry sector and company type, a strategy which encourages not exclusively quantitative accomplishments, but it also aims at attracting investments of high quality, which may help improve Romania's industrial structure, productivity, competitiveness and job creation. To date, the impact of Chinese ODI in Romania has been minor, but it may become significant if we act wisely.

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[i] Approximately $84 billion according to UNCTAD (2013) and $87.8 billion according to MOFCOM/NBS/SAFE (2013).
[ii] Approximately $509 billion according to UNCTAD (2013) and circa $532 billion according to BBVA (2013).
[iii] Portugal, Ireland, Italy, Greece, Spain.
[iv] Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.