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Romania-China Relations: Short Inventory and Outlook***

Abstract

This paper looks at the Romanian-Chinese relations through time, from a triple perspective - historical, political and, most of all, economic. Against the background of the 17+1 platform and the Belt and Road Initiative (BRI), it analyzes Romania-China bilateral trade, the Chinese investments and presence in the Romanian economy, as well as the impact of Romania's affiliation to both the 17+1 platform, and the BRI. It sheds light on what was wrong and has hindered the proper functioning of these two Chinese initiatives so far, and it advances the authors' view on what is needed to make them work better and deliver the promised and hoped-for win-win results.

Keywords: Romania-China relations, 16+1; 17+1; BRI; Belt and Road Initiative; China trade; Chinese investments.

JEL Codes: F14, F21, O52, O57

1. A historical perspective: the legacy

On the world map, Romania and China are situated at the two extremities of the largest stretch of land on the globe, which we all call Europe towards the West and Asia towards the East, but which is increasingly recognised as one large continent, Eurasia. Looking back in time, we could have remained separated by thousands of kilometres difficult to cover, by often hostile terrain and climate, by distinct forms of culture and by language barriers. However, history, whether farther or nearer to our time, proves that this has never been the case, not even in the most distant past, and that populations inhabiting this huge territory have travelled across it both ways, they communicated, traded merchandise, ideas and technical solutions, ever since the Neolithic age.

Archaeological investigations conducted for more than a century in our two countries showed with certainty that, for example, the populations occupying areas on the nowadays territory of Romania (the Cucuteni culture) and that of China (the Yangshao culture) have been in contact since as early as 7000 years ago. Pinnacles of the continental civi-

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lization at that time, each of these populations found the solutions to travel, communicate, trade goods, exchange information and transfer technologies – in pottery, agriculture, transport etc. – and they even transformed the continent's flora over the long term¹. No less significant is the fact that these two cultures influenced each other also in terms of faith, of their relationship with divinity and as regards the specific religious symbolism.²

From the late mediaeval period, in Romania we have inherited the writings of Chancellor Nicolae Milescu, an important Moldovan scholar, translator, diplomat, geographer and, at the same time the first Romanian to have travelled to China. Having been appointed Russia's ambassador to China (1675), he had the opportunity to get to know the country and to describe in fascination his travel to Peking, the meeting with the Chinese authorities and the protocol of the audience with the emperor.

The first official bilateral contacts at state level occurred in the modern era, in 1881, when King Carol I of Romania sent a letter of information to the Chinese Emperor, Guangxu, announcing Romania's independence and sovereignty. He received a reply through Prince Kong, who relayed the Emperor's congratulations and "...his warm wishes of prosperity and wellbeing for Romania and its people"³, which in fact represented the recognition of Romania's new status as an independent state. This exchange of correspondence was not, however, followed by other more significant relations between the two states.

The relationship between Romania and China became increasingly closer after both countries became part of the group of socialist countries (1945-1989), especially after Romania, in close competition with Bulgaria⁴, became the third country to recognise the People's Republic of China, on 5 October 1949. Bilateral relations were further strengthened as both Romania and China eventually chose to distance themselves from Moscow. The most flourishing, most intense and closest period of friendship, collaboration and mutual support between the two countries was the time-frame when Romania was led by Nicolae Ceaușescu (1965-1989). Among the key events that gave at the time full proof of the depth of this bilateral relationship, there were exceptional moments often referred to, such as:

- The year 1968 - when refusing to participate in the occupation of Czechoslovakia by the countries of the Warsaw Pact (to which it was a party) and when vehemently protesting against this act Romania risked being occupied as well, China, through the voice and gestures of Prime Minister Zhu Enlai and President Mao Zedong, pre-

1 After 10 years of archeological research in China, a team of experts from Cambridge University, led by professor Martin Keneth Jones, took also part in the research conducted in Baia (Suceava, Romania) by the Romanian archaeologists who had discovered the largest pre-Cucuteni dwelling (5200-5100 BC) which still preserved cereals and vine seeds. Martin Keneth Jones, one of the world's most renowned specialists in the biomolecular archaeology of cereals, determined on the occasion of these studies that certain cereals cultivated in China had come from Europe, while others in Europe, had come from China (see S. Pencea, *China-Romania Economic Relations, from Ancient Times to Nowadays BRI Connectivity*, The 2nd China-Romania Round Table, IES, CASS, Beijing, 2017.)

2 Asian specific symbolic signs (Ying/Yang, swastika), were identified on various cult objects discovered in the Cucuteni culture area (Idem).

3 Quote from the letter written by M. Kogălniceanu, plenipotentiary minister of Romania in Paris, to Vasile Boerescu, Foreign Affairs Minister, concerning the reply of the Chinese Emperor to the letter sent by Prince Carol I notifying Romania's state independence. (the volume *Relațiile româno-chineze 1880-1974 / Romanian-Chinese relations between 1880-1994*). Documents /467 Documents Regarding the 94 years of Romanian-Chinese History, Coord. H.E. Romulus Ioan Budura, 2005, Available online at: http://www.dacoromania-alba.ro/nr26/orizont_al_memoriei.htm.

4 A. Brinză, *Strategic competitors in search of China: the story of Romania and Bulgaria*, Middle East Institute, June 17, 2020, Available at: <https://www.mei.edu/publications/strategic-competitors-search-china-story-romania-and-bulgaria>.

vented this outcome;

- The 1970s - when Romania was devastated by floods and China sent significant aid;
- The year 1989 and the following years immediately after the 1989 revolution - when Romania's situation was precarious and uncertain, and China made two major gestures of solidarity: (i) it opened a USD 100 million deposit at the National Bank of Romania (NBR) as a signal of trust in our economy in those difficult times of instability, and (ii) it placed a large order for Dacia passenger cars, which was extremely important for the successful privatisation of those plants, that have come today to account for about 10% of Romania's GDP.
- Similarly, during China's difficult years of economic isolation, when its direct relations with the West were not possible, Romania helped China by transferring it Western technology, know-how and knowledge. Two relevant examples: (i) Romanian university professors laid the foundations of the Chinese higher education in the "oil and gas" field, in which Romania had centuries-old expertise; (ii) The Romanian export of Felix computers⁵ - based on American and French technology prohibited to socialist countries, but obtained by Romania as a result of its stand against Moscow in 1968 – was accompanied by specialisation courses with Romanian experts, which took place both in Romania and in China. A great number of Chinese system engineers resulted from this project in the 1970s and 1980s. Those facts were also remembered by H. E. Xu Feihong, former ambassador of the People's Republic of China in Bucharest: *"Romanian computers were used in the science academies, universities, factories and enterprises in China. To this day, Chinese scientists remember the Romanian Felix computers."* *"In 1979, the volume of trade between China and Romania was of almost 2 billion dollars. That was the apex."*⁶
- Another important contribution by Romania, documented by Henry Kissinger in his book *On China*, also deserves being reminded here. It is related to the important mediation efforts that Romania employed in support of the normalisation of the relations between the U.S. and China, which eventually resulted in a first visit of an American president, Richard Nixon, to Beijing, in 1972.⁷

Unfortunately, this "golden time" of bilateral relations lost traction during the 1980s, as both countries became increasingly focused on their own domestic problems: Romania on the early repayment of its external debt, which was achieved with major sacrifices, and China on steering its national economy towards reform and openness to the world economy, following Deng Xiaoping's strategy. This situation was maintained further through the 1990s. From a certain point of view, even today, the bilateral relations – otherwise always

5 Romania produced the first computer in 1957 at the Institute of Atomic Physics in Măgurele, becoming the first computer manufacturer among the Eastern-European countries. Romania was the second producer of electronic computing systems in the Communist bloc, after the USSR. Romania trained programming and maintenance specialists, in particular for Asia. *"We were among the first who sold third generation computers in China, namely the Felix computers, and large groups of Chinese came here and were trained as system engineers"*, according to Marius Guran, PhD, former deputy director of the Computer Science Research Institute. Available at: <https://www.digi24.ro/special/campanii-digi24/romania-furata/romania-furata-ice-felix-o-afacere-extrem-de-profitabila-predata-intereselor-imobiliare-372024>.

6 Ibid.

7 M. Donescu, *Vizita secretă a lui Henry Kissinger la Beijing și contribuția României la normalizarea relațiilor SUA-China*, Asociația Europeană pentru Studii Geopolitice și Strategice (AESGS – European Association for Geopolitical and Strategic Studies); September 30, 2011, Available at: <https://www.aesgs.ro/vizita-secreta-a-lui-henry-kissinger-la-beijing-si-contributia-romaniei-la-normalizarea-relatiilor-sua-china/>.

good and even recording commercial results superior to those achieved before 1989 – no longer reach the same level of energy and compatibility, remaining in the shadow of those in the “golden age”.⁸

2. Political and economic perspective

2.1 Two decades of inconsistencies and results below potential (1990 – 2009)

After the 1989 revolution, China accepted and recognised Romania’s new leadership. Soon, mutual high level visits began – President Ion Iliescu’s visits to China (1991 and 2003), Prime Minister Li Peng’s visit in Romania (1994), followed by visits of President Jiang Zemin (1996), President Emil Constantinescu (1997), Prime Minister Adrian Nastase (2002, 2003, 2004), President Hu Jintao (2004), President Traian Băsescu (2006), Prime Ministers Emil Boc (2011), Viorel Ponta (2013) and Li Keqiang (2013).

All throughout the period there were also numerous mutual visits by ministers, members of the Parliament and visits at various levels of the central or local politics and administration, as well as a large number of delegations and reciprocal visits by businessmen from both countries. As far as the political relations are concerned, it can be said that all throughout this decade their intensity and activeness has fluctuated, with peaks during the intervals when Romania was ruled by leftist governments and lower levels during the right governments’ ruling. But, overall, once Romania set its objectives of joining the EU and NATO, it became obvious that its entire attention and energy were focused on these goals, leaving the relations with other partners in the background.

As far as the economy is concerned, the first post-1989 decade (1990-1999) was characterised by relatively modest trade exchanges which continued to grow until around 1992 – when Romania even had a trade balance surplus (1992-1995) – and then started declining towards the end of the decade, when timid signs of revival reappeared.

During the 2000-2009 decade, the bilateral trade grew continuously up to an annual volume of around 3 billion dollars, driven in particular by the imports from China (USD 2.4 billion), while Romanian exports settled at very low levels (below half a billion). This was the time when the trade balance got significantly disrupted and when Romania began recording ever higher trade deficits, reaching almost USD 2 billion in 2009 and worsening from year to year afterwards, up to the present.

The 2000s were also a time when small entrepreneurs from both countries intensely travelled between Bucharest and Beijing (traffic that was substantially reduced after 2004, when direct flights between the two capitals were interrupted) and a time of a significant inflow of small Chinese investors who opened individual or family businesses in Romania, focusing mostly on selling merchandise brought from China. However, some of them also started small manufacturing businesses in the industrial field (bicycle or white goods assem-

⁸ L. Popescu and A. Brinză, “Romania-China Relations. Political Challenges in BRI Era”, *Romanian Journal of European Affairs*, vol. 18, no. 2, December, 2018.

bly, production of building materials, of clothing, wood or tobacco processing, etc.), or in agriculture (small farms), and even in services. Choosing Romania occurred, on the one hand, owing to the memory of the good relations of friendship between the two countries and, on the other hand, due to the local free market that was completely lacking regulation and taxation in its early years, as well as to the direct access by air. As in time these advantages diluted or disappeared, part of these small entrepreneurs migrated more towards the West. Some of those who remained in Romania, however, in particular those in manufacturing, but also some of the intermediaries, became prosperous businessmen (e.g. the owners of DHS, Rich Sport, Everpro International Construction, etc.).

The largest Chinese companies that came to Romania during the 2000s were ZTE (2002) and Huawei (2003), which rank at present among the most important names in the telecommunications industry, in China and worldwide. They opened offices, won contracts and only many years later they also made some investments.

Although the stock of Chinese investments in Romania continued to increase towards the end of the time-frame under review here, their share in the total of China's external investments decreased continuously and sharply, paradoxically in particular after the launch of China's *going out, going global* policy, at the beginning of the new decade: from over 6% in 2003, they ended up accounting for less than 1% of China's investments abroad in 2010.⁹

This development was due to the considerably faster increase of China's external investment volumes in other countries than Romania and reflects a weakening of interest for this market in favour of others, which better responded to China's needs and interests at the time (for example, the need to ensure long term access to foreign resources of raw materials, or to tap into the opportunity of taking over valuable foreign companies which were in jeopardy against the backdrop of the global economic crisis). At the same time, one of the possible reasons for this loss of interest on both sides could have been the fiasco of the numerous proposals of cooperation and investments, most often infrastructure projects,¹⁰ that were intensely discussed and some of them even heavily negotiated without a positive result, either because of the parties' lack of flexibility, or owing to some external factors' impact.

* * *

All along this time, Romania transitioned from the planned to the market economy, it substantially changed its economic, industrial and ownership structure, went through years of preparation for the EU accession undergoing a difficult transformative stage, but achieving its goals in terms of ensuring the nation's security and its rapprochement to the West: in 2004 Romania joined NATO, and in 2007 it became a Member State of the European Union. Once Romania joined the EU and NATO, its collaboration with third partners became more clearly and sometimes more restrictively defined, with legal commitments and

9 A. Chiriu and Z. Liu, "Sino-Romanian Relations – From the First Ponta Government, to Klaus Werner Iohannis' Victory in the Presidential Elections", *Working Paper Series on European Studies*, IES, CASS, vol. 9, no.1, 2015.

10 Some of the new constructions, extensions or modernization project ideas that were repeatedly discussed in this interval were: reactors 3 and 4 at the Cernavodă nuclear plant, the Tarnița-Lapușești hydropower station, the Doicești, Rovinari, Mintia thermal power plants, various highways, the Braila bridge over the Danube, etc.

rules that had to be complied with, both in terms of internal economic balance and in terms of its international trade or foreign investments inflows from outside the Community.

The end of the decade was marked by the global economic and financial crisis of 2008-2010 and the subsequent crises within the EU, which entailed significant costs and additional repercussions for several years. China overcame the crisis faster, was able to provide support to the EU and took advantage of the opportunities it found to internationalize its companies by applying the *going out, going global* policy.

Towards the end of this decennium, Romania had become the European country with the largest community of Chinese nationals and hosted over 10,000 Chinese-owned companies, most of them small and medium-sized enterprises (SMEs).¹¹ These accounted for only a little over 5% of the total number of foreign investors in Romania, while their cumulated investment contribution of below USD 300 million, was of little significance in the total stock of foreign direct investment (FDI) in Romania (only 0.3% in 2015, or less, depending on the year considered).¹² One more decade later, at the end of 2019, the number of Chinese-owned companies registered with the National Trade Register Office¹³ was to reach 12,647 (without many of them - probably half - being active), accounting for 5.7% of the total foreign companies investing in Romania. The capital invested was, according to the same source, USD 406 million.

Having a low financial power, these firms had a modest investment contribution to Romanian economy, but they did have the merit of having contributed, in particular immediately after the 1989 revolution, to the diversification of the local supply with affordable products and to meeting a demand that had long been neglected. In time, as they expanded, some of these Chinese investors also created jobs for the locals.

2.2 The 2010-2019 decade: the momentum generated by 16+1 and BRI

Similarly to the other European countries, at the beginning of this new decade, Romania was striving to return as fast as possible to the economic parameters it had before the global financial and economic crisis. This goal was not easy to reach, as before being able to enjoy the benefits of its inclusion into the EU, the unfavourable international circumstances caused Romania to suffer not only the impact of the global economic and financial crisis, but also those of the sovereign debt crisis that affected the Eurozone states. The tense situation on the external markets also affected Romania's country risk perception, influencing its country risk premium, the quotations of the state's international bonds, the exchange rate volatility and the country's public debt. Fortunately, due to the coherent and well thought strategy of the Romanian government and to the fiscal consolidation measures implemented, Romania was one of the European Union countries less affected by the debt crisis.¹⁴

11 See: "Peste 10.000 companii chinezești erau înregistrate în România", *Jurnalul Prahovean*, Novembre 27, 2013, Available at: <https://jurnalulph.ro/business/4132-peste-10000-companii-chinezești-er-au-inregistrate-in-romania.html>

12 Since 2016, this share is no longer included in the NBR reports, being too small.

13 The National Trade Register Office

14 A. Părdău and C. Pascal, "Criza datorilor suverane, Cauze și consecințe", *Working Papers: ABC-ul Lumii Financiare*, Bucharest University of Economic Studies, no. 1/2013, Available at: http://www.fin.ase.ro/ABC/fisiere/ABC1_2013/Lucrari/2.8.pdf.

However, against this fraught regional and global background, the fact that in 2012 China started a format of collaboration with the Central and East European countries (CEE) called 16+1¹⁵ and that in 2013 launched its global strategy called *One Belt One Road* (OBOR), renamed later, in 2017, the *Belt and Road Initiative* (BRI), opened a new, complementary perspective of cooperation for Romania, both with the CEE countries members of the EU (CEE11) and with the Balkan countries that were going through the pre-accession process (CEE5), but also with a great economic power, China, which was willing to provide financial and technological support to quicken development in this European area.

In our opinion, as a country that had only recently joined the EU and was still going through the integration process, Romania could not be, and it was not disappointed by the EU membership, by its collaboration with the EU bodies or by the financial benefits of accession – which is how many papers explain the enthusiasm of the CEE11 countries regarding China's two proposals – but, more likely, Romania saw a new opportunity that, by the cooperating with a strategic partner of the European Union in complementary investment projects, compliant with the EU rules and the commitments made towards the EU, the process of bringing the development level in the Eastern part of the Union closer to that in the West could be sped up.

Romania is a European country and it fundamentally belongs to this area, not only geographically, historically or politically, but also culturally, in terms of spirituality and collective mentality and the population's option for the EU integration was and has remained very strong, among the strongest in Europe. This reality does not exclude collaboration with states outside the Union, and Romania's participation with China and the other countries both in the 16+1 platform, and in the BRI, represented an act of trust in those countries' potential to support the development of Romania and of the other CEE11 countries for their closer integration in the EU, as well as the faster accession of CEE5 countries to the Union. Romania always saw this collaboration as a complement to the one within the Union, never as a substitute, or as a means for exerting pressure during EU negotiations or when decisions were to be adopted at the Community level.

The expression of the trust in the fair, mutually beneficial partnership with China, as it was outlined at the start of the 16+1 platform, was the enthusiastic organisation of the **second China-CEE16 Summit in Bucharest, in 2013**, during Victor Ponta's term as Romania's Prime Minister. On this occasion, Prime Minister Li Keqiang also came to Bucharest as leader of the Chinese delegation, marking the first visit of a Chinese Prime Minister in Romania after 19 years.

The Summit ended with a joint statement of the participants, entitled "*Bucharest Guidelines for Cooperation between China and the Central and Eastern European Countries*".¹⁶ This

15 In this paper, for reasons related to chronology and to the distinct case of Greece, we will refer to the 16+1 even if Greece also adhered to this format in 2019 and the name of the platform changed to 17+1. The European countries participating in the 16+1 platform (CEE16) are: Albania, Bosnia and Herzegovina, Bulgaria, the Czech Republic, Croatia, Estonia, Latvia, Lithuania, North Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia and Hungary.

16 See: "The Bucharest Guidelines for Cooperation between China and Central and Eastern European Countries", *Guvernul României*, November 27, 2013, Available at: <https://gov.ro/en/news/the-bucharest-guidelines-for-cooperation-between-china-and-central-and-eastern-european-countries>.

document emphasized the win-win nature of cooperation, and it stated that cooperation was going to take place in compliance with the laws and the other regulations in the participating countries and, for the Member States of the EU, also in compliance with the relevant EU laws and regulations. The document provided for China – CEE16 annual meetings at the level of heads of government, it proposed the outlining of a medium-term cooperation agenda “... when it will be deemed appropriate...” and established as an overall objective the “*Promotion of investments, economic and trade cooperation*”. At the same time, **2014 was designated the year of China’s investments in, and business promotion with, the CEE16 countries.**

Remarkably, the term (and idea) of *investments* appeared very frequently further on within this document, even more frequently than that of trade, seeming to be indicative of a prioritisation of investments over other joint activities. And, as a materialisation of the statements in it, during this Summit, Romania and China concluded several Memoranda of Understanding (MOUs) on major investment projects. At the time, media presented all of them as certain major Chinese investments in several key transport and energy infrastructure projects in Romania, worth around USD 8 billion. The general enthusiasm was extremely high and Prime Minister Ponta, crowning himself with the laurels of this apparently huge success, began preparing his candidacy for the 2014 presidential elections.

Unfortunately, none of the commitments made on the occasion of the 2013 Bucharest Summit have come through and the major investments in Romania expected from China were never made. In time, as other 16+1 Summits took place in other capitals of the CEE16 countries, it became increasingly visible that there was a repetitive pattern in which the generous investment proposals made to the host country on these occasions were followed by a lack of concrete steps for their fulfilment later on. Obviously, this pattern has gradually created disappointment, *promises fatigue*, loss of trust and growing frustration, the more so as Chinese investments began to massively flow towards the developed and prosperous part of the EU (2015-2016, peak years).

However, in the years immediately following 2012-2013, the enthusiasm of the CEE16 countries continued to be significant, all the more so since 2013 also saw the launch of the OBOR strategy, the New Silk Road focusing on large investments in transport, energy and telecommunication infrastructure, that were to interconnect Asia, Europe, Africa and almost all the rest of the world via modern and modernising networks. The 16+1 platform was integrated into this ambitious strategy, becoming its main implementing instrument in the CEE16 countries. OBOR/BRI – this unique mega-project in terms of scope, complexity, cost level and boldness – provided a new impetus to bilateral economic relations, mainly as regarded the swift increase of Romania-China trade but, unfortunately, considerably less so, as far as the Chinese investments in Romania were concerned.

This is how the Romania-China economic relationship unfolded:

2.2.1 Romania-China trade

Table 1. Romania-China trade¹⁷, 2008-2018 (USD million)

Trade RO-CN	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
X	360	433	755	947	980	1208	1517	1299	1455	1824	2170
M	2890	2377	3004	3454	2707	2823	3223	3187	3448	3778	4512
X+M	3250	2810	3759	4401	3777	4031	4730	4486	4903	5602	6682
X-M	-2530	1944	-2249	-2507	-1817	-1615	-1706	-1888	-1993	-1954	-2342
X: (X+M) x 100 (%)	11.1	15.4	20.1	22.5	25.9	30.0	32.1	29.0	29.7	32.6	32.0

Source: The authors' computations of data retrieved from UN Comtrade Data Base:
<https://comtrade.un.org/data/>.

Table 2. Romania-China trade dynamics 2008-2018

Trade RO-CN	Changes 2018/2008	Changes 2013/2008	Changes 2018/2013
X	↑ 6 times	↑ 3.4 times	↑ 1.8 times
M	↑ 1.6 times	↓ 2.3 %	↑ 1.6 times
X+M	↑ 2.0 times	↑ 1.2 times	↑ 1.7 times
X-M (RO trade deficit)	↓ 7.4 %	↓ 36.2 %	↑ 1.5 times
Share of X in total trade	↑ 2.9 times	↑ 2.7 times	↑ 6.7%

Source: The authors' computations of data retrieved from UN Comtrade Data Base:
<https://comtrade.un.org/data/>

After 2008¹⁸, the bilateral trade volume grew continually, becoming more than double by the end of 2018 (Table 1). Romanian export dynamics was higher than that of its imports (Table 2): while the export volume increased 6 times, the import volume grew only 1.6 times during the 2008-2018 interval. However, these seemingly encouraging data might induce the wrong conclusions if the baseline effect is not considered. The baseline in this case is the 2008 level of Romanian export to China, which was over 8 times lower than that of the Romanian import from China, and accounting for just a little over 11 % of the total bilateral trade.

There was indeed an obvious nascent positive trend of balancing between the two trade-in-goods flows, especially before 2013, when the share of Romanian exports to China in the total volume of their annual bilateral trade more than tripled, growing 3.4 times over the 2008-2013 interval, while imports declined marginally, by 2.3%. As the global economic crisis curbed Romanian imports in the first half of the 2008-2018 time-frame, while its exports kept growing, by the end of 2018 Romania's export to China could be by USD

¹⁷ The convention used for the tables is: X= export, M= import.

¹⁸ In Tables 1 and 2, the year 2008 was included to provide a necessary symmetry versus 2013, as, at the time of this research, 2018 was the last year for which there existed available statistical data.

1.8 billion higher and its import only by USD 1.6 billion higher than their respective 2008 levels. That gap between the two trade flows allowed for an unsubstantial correction of only -7.6% of the Romanian trade deficit with China by the end of 2018, but unfortunately even that small correction was lost afterwards.

Actually, that emerging balancing trend induced by the global economic crisis has changed after 2013, the year of BRI launching. The trade deficit correction was more substantial before 2013, but could not be continued afterwards and it gradually faded away following the BRI launching and the progressive recovery from the 2008-2010 global economic crisis. If before 2013 Romanian imports from China had slowed down somewhat, determining a remarkable decrease, by 36.2%, of the trade deficit, after the BRI launching in 2013, they have soared again (1.6 times increase) and the trade deficit followed suit increasing too, 1.5 times, so that overall, during the entire 2008-2018 interval, the adjustment of Romania's trade deficit in relation to China was of little significance and could not be sustained.

All throughout the 2008-2018 interval, Romania kept recording yearly outflows of amounts that were by around 2 billion dollars higher than the yearly inflows received, and that perpetual imbalance led to a cumulative trade deficit of about USD 22.5 billion over the entire time-frame. It is important to underline that *this deficit grew at a higher pace after 2013, the year when OBOR/BRI was launched*, when both the maritime traffic from China to Europe (the Road), and the massively subsidized railway traffic on the China-Europe¹⁹ express route (the Belt) intensified considerably, exacerbating Europe's and Romania's imports from China.

If we breakdown the analysis into two equal intervals, 2008-2013 and 2013-2018, we can also see that during both these intervals Romania's exports increased in real terms by similar amounts: by USD 848 million in 2013 compared to 2008 and by USD 962 million in 2018 compared to 2013. If we also take into account the fact that the first interval was affected by the global economic crisis, the performance over the second interval turns out to be even less impressive. On the other hand, Romanian imports from China declined during the first interval against the background of the global economic crisis (by USD 67 million in 2013 vs. 2008), while during the second interval, after the BRI launching, they increased substantially, by over USD 1.6 billion in 2018 vs. 2013.

In other words, BRI did not have a positive impact on the volume of Romanian exports to China. It practically had no influence, as the Romanian export volume increase would have been about just as high in its absence, but BRI did lead to a considerable surge in Chinese exports to Romania and, consequently, to an upsurge of the Romanian trade deficit. This situation does not single out our country, it was almost generalized throughout Europe, but this does not make it any better. From Romania's perspective, it cannot be said that BRI has been beneficial, on the contrary, BRI did not confirm the ideal win-win scenario that it promoted and it did not even generate any visible progress towards such a scenario.

¹⁹ China-Europe Railway Express has been operational since 2011. Traffic grew from 17 trains/year in 2011, to 6363 trains in 2018, directly connecting at least 59 cities in China with 49 cities in 15 European countries. The subsidies supporting this traffic are between USD 1000 and USD 5000 per FEU container (40 feet). For further information see: L. Zhao, Z. Cheng, H. Li and Q. Hu, "Evolution of the China Railway Express Consolidation Network and Optimization of Consolidation Routes", *Journal of Advanced Transportation*, Hindawi, vol. 2019, <https://doi.org/10.1155/2019/9536273>, 2019; G. Knowler, "Huge subsidies keep China-Europe rail network on track", *The Journal of Commerce*, May 23, 2018, Available at: https://www.joc.com/rail-intermodal/huge-subsidies-keep-china-europe-rail-network-track_20180523.html

Nevertheless, there were several positive, although modest, structural developments of the Romanian exports, in the sense that during this period: (i) Romanian exports covered all the large statistical categories of products²⁰, which was not the case in the years before; (ii) bilateral trade balance in goods from groups 1, 2 and 3 achieved surpluses which, to a certain extent, helped mitigate the overall trade imbalance, although they did not include exports of very high value-added categories; (iii) group 7 (machinery and transport equipment) consolidated its position as the main source of the Romanian exports to China. In 2018, it accounted for no less than 52% of the total Romanian exports to this destination, as compared to 42% in 2008). The export of products from groups 6, 7 and 8 came to occupy much more firmly the dominant position in the total Romanian exports to China, accounting for 86% in 2018, as compared to 64% in 2008.

It is fair to say, however, that these large categories of goods include products with very different degrees of processing and complexity. An accurate evaluation of the added value of the goods exported by Romania would require a much more detailed analysis, performed on very narrow statistical categories²¹. Without including such an analysis here, we would like to highlight a number of important categories of goods exported by Romania in 2018 and bound for China²²: control panels (around 10% of total exports), bearings (9%), air and water pumps (6%), automotive parts (5%), thermostats (3%), electrical engines (2%), fertilisers (2%), men's clothing (2%), cork and wood (15%). It is also worth mentioning that just as Chinese goods present on the Romanian market are more diverse and in larger numbers than shown in the statistics (because they arrive here also indirectly, most often through re-export or e-commerce), so the products made in Romania and present in China exceed the statistically recorded levels because in the statistics they may be registered as exports of other countries (i.e. exports from other countries made by multinationals with manufacturing sites or supply sources in Romania, outsourced production, subcontracting, re-exports, etc.).

2.2.2 China's investments in Romania

Despite the BRI and the 16+1 platform which were meant to promote them, China's investments in CEE16 remained minor and overwhelmingly targeted at only a few receiving countries: the Viségrad countries (V4)²³, Romania, Bulgaria and the Western Balkan countries, first of all Serbia among them. Romania seemed to be in a favourable position, most often being among the first four destinations of China's external investments in CEE16, but the level of these investments remained very low both in terms of annual inflows (Chart 1), and in terms of cumulated Chinese FDI (Chart 3).²⁴

20 The SITC Rev. 3 classification comprises 9 large categories of goods: 1. Food and live animals; 2. Beverages and tobacco; 3. Mineral fuels, lubricants and related materials; 4. Animal and vegetable oils, fats and waxes; 5. Chemicals and related products; 6. Manufactured goods, classified according to the raw material they are made of; 7. Machinery and transport equipment; 8. Miscellaneous manufactured articles; 9. Commodities and transactions, not elsewhere specified.

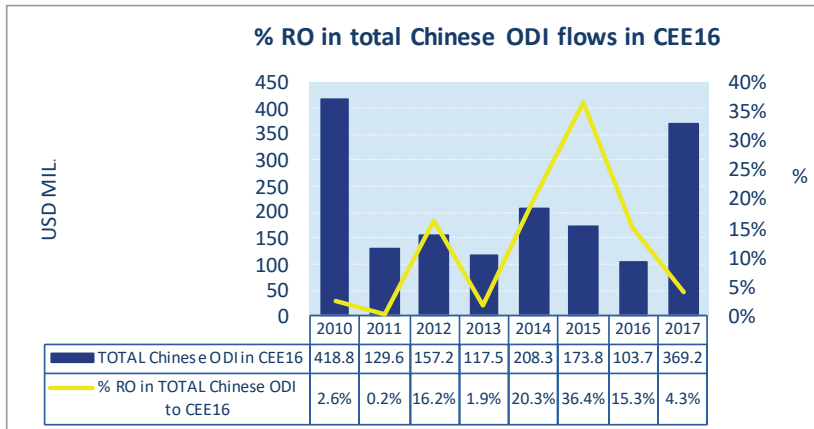
21 Classifications up to 4 or 5 digits.

22 See: The Observatory of Economic Complexity (OEC), Available at: <https://oec.world/en/profile/country/rou>.

23 Poland, the Czech Republic, Slovakia, Hungary.

24 S. Pencea and C. Bălgăr, *Romania and China trade and investment relations. Recent developments*. The 4th China-Romania Academic Round Table, Beijing, October 30, 2019.

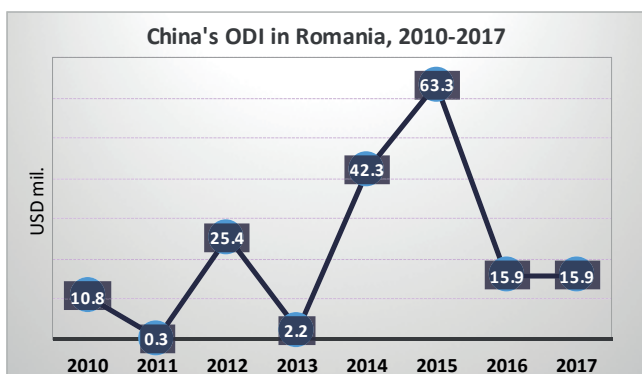
Chart 1. Share of Romania in total Chinese ODI flows in CEE16, 2010-2017



Source: The authors, processing data retrieved from Statistical Bulletin of China's Outward Foreign Direct Investments, MOFCOM (2018).

The annual inflow of Chinese foreign direct investments in the CEE16 countries oscillated during the last decade at low levels, between 100 and 200 million dollars, and Romania's share in their total zigzagged between below 1% and a little above 20%. The year 2013, a reference year when considering the impact that the launching of the BRI has exerted, saw these inflows at a minimum low – both in the CEE16 countries, and in Romania in particular (only USD 2.2 million). For two consecutive years, it appeared that BRI determined a revival of Chinese investments in Romania but after 2015, with the failed experience of a construction contract in Craiova, they started decline once again (Chart 2).²⁵

Chart 2. China's ODI in Romania, 2010-2017



Source: The authors, based on data retrieved from Statistical Bulletin of China's Outward Foreign Direct Investments, MOFCOM (2018)

²⁵ Ibid.

The Craiova project we are referring to, involved the construction of a new neighbourhood of 23 ten-storey buildings of 1850 apartments. The building contract was directly entrusted by the Craiova City Hall to the Chinese company *Shandong Ningjian Construction Co. Ltd.*, together with the required land plot of 6.7 hectares. Despite enjoying such preferential treatment, the constructor failed to complete the project because its financing was discontinued by the Chinese crediting bank after working had begun for 17 of the buildings. The Chinese building company abandoned the site at that stage and, as a result, what should have been a successful project acting as an incentive for other Chinese investments in Romania became a negative example that affected the public opinion regarding the potential and trustworthiness of Chinese companies.

This more recent failure (2014-2017) adds to a long line of failed or blocked negotiations for various projects in the Oltenia region that were expected to be developed by Chinese companies but were no longer carried out (see the Doicesti and Rovinari thermal power plants, the Govora health care resort etc.). The same happened in the rest of the country, from highways and bridges (Braila), hydropower plants (Tarnita-Lapusesti), thermal power plants (Mintia, Rovinari), industrial parks (along the Danube-Black Sea Canal), to the extension of the Cernavoda nuclear plant with units 3 and 4 and to the sea port of Constanța upgrading works, or the railway modernization, including the construction of high-speed railways (e.g. Costanta-Bucharest-Timișoara or, more recently, Sofia-Bucharest-Timișoara, with adjacent lines to Budapest and Belgrade). Each of these cases has its own longer or shorter history of the stumbling blocks that they met, deriving from either the two parties' inflexibilities, or the regional and global context.

The outcome of never-ending procrastination, lack of flexibility in negotiations, exaggerated promises and unrealistic expectations, lack of consideration for the local context, for the priorities and interests of the other party, was that many of the initiatives failed, both in Romania and in other Central and Eastern European countries, and their initial boastful promotion followed shortly by failure has often impinged on the population's perception of these cooperation initiatives' potential to generate progress.

In the eight years of collaboration between China and the CEE16 countries, out of around 40 joint projects only four were completed.²⁶ Not a single one in Romania.

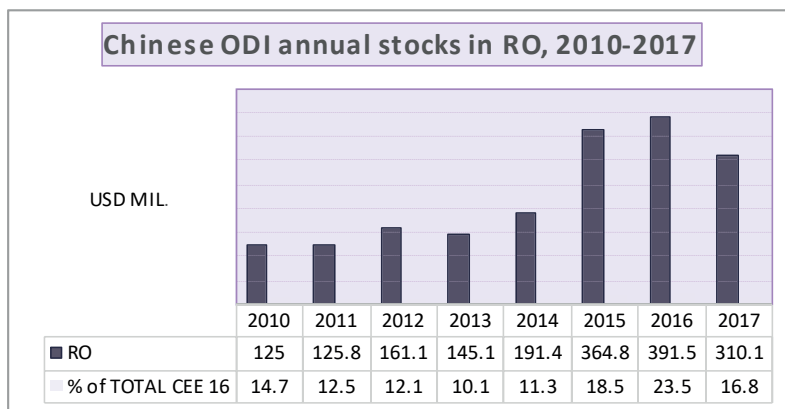
The overall amount invested or lent²⁷ by China to all the Central and Eastern European countries in the 2000-2019 time-frame did not exceed USD 10 billion, of which more than half, i.e. USD 5.5 billion was directed to Poland, the Czech Republic and Hungary. During the same time interval, the amounts invested by China in Western Europe (excluding the United Kingdom) totalled USD 126 billion and those invested in the U.S. rose to around USD 150 billion. Germany alone was at the receiving end of USD 25 billion, while USD 57

26 A. Brînză, "Central and Eastern Europe is not in bed with China", *The Diplomat*, July 3, 2020, Available at: <https://thediplomat.com/2020/07/central-and-eastern-europe-is-not-in-bed-with-china/>

27 Loans are often mistaken for investments, but the two are completely different arrangements. China's financing for infrastructure and other construction works in the CEE countries are not Chinese investments into those economies, even if the works are carried out and funded by China. They are simply loans granted by Chinese creditor banks to the beneficiary countries and they are to be returned with interest. Loans are predominant in the collaboration between China and the CEE16 and, in general, in the BRI projects. Moreover, despite being presented as cheap, they are often quite expensive and come with many strings attached.

billion went to the United Kingdom, which equated to 2.5 times and, respectively, almost 6 times the amount received by all of the 16 Eastern European countries participating in the 16+1 platform and in the BRI and allegedly having a special preferential relationship with China.²⁸

Chart 3. Chinese ODI annual stocks in Romania, 2010-2017



Source: The authors, using data retrieved from Statistical Bulletin of China's Outward Foreign Direct Investments, MOFCOM (2018).

With low annual inflows and several divestments, Chinese FDI stocks in Romania were also of very modest levels and even slightly declining (Chart 3). They accounted for small shares of the total CEE16 stocks, fluctuating from 10% in the poorest years (2013) and 23.5% in the relatively better times (e.g. 2015-2016, when a boom of Chinese investments in Europe was recorded, unfortunately targeting mostly the Western part of the EU). Considering the total foreign investments in Romania, Chinese investments account for well below one percent, and China, which used to rank, though not very high, but still the 18th or 19th among top investors, is already no longer ranking among the first 30 investing countries in this market, according to the list published annually by the Romanian National Bank.

Besides the thousands of small and medium-sized enterprises, that are predominant, Romania also hosts large and very large Chinese-owned companies, including multinationals that were established directly and own assets here, generally as a result of greenfield investments. In addition to these, in the years when China's external investments peaked (2015-2016) and Chinese companies accomplished massive takeovers of foreign companies, mainly American²⁹ and European ones³⁰ (360 purchases and around 355 merges), they also became the owners of the assets that those foreign companies had held in Roma-

28 A. Brînză, "Central and Eastern Europe is not in bed with China", *The Diplomat*, July 3, 2020, Available at: <https://thediplomat.com/2020/07/central-and-eastern-europe-is-not-in-bed-with-china/>

29 See: The US-China Investment Hub, Available at: <https://www.us-china-investment.com/us-china-foreign-direct-investments/fdi-data>.

30 See: T. Hanemann and M. Huotari, "Record Flows and Growing Imbalances: Chinese Investment in Europe in 2016", *Mercator Papers on China*, No. 3, Mercator Institute for China Studies, 2017, Available at: <https://mercator.org/sites/default/files/2020-04/Chinese%20investment%20in%20Europe%20-%20record%20flows%20and%20growing%20imbalances.pdf>

nia. This is how the category of Chinese companies that entered indirectly in the Romanian market emerged. These are companies that are not actual investors in Romania, they only exist in this market. They could, however, become investors, should they decide in the future to develop or upgrade the facilities they currently own and operate in this country.

In the first category, of companies that entered directly in Romania, the most important Chinese companies are those in the **IT&C field**, namely **ZTE** (arrived in 2002) and **Huawei** (2003). Huawei has over 1,000 employees in Romania and has built in Bucharest one of the 4 global centres of its worldwide services network. This category also includes Chinese-owned companies that have developed from scratch in Romania during the recent decades, most of them **first-comers who started modestly but in time grew into successful enterprises**, such as: *Eurosport DHS* (bicycles and scooters), *Yunchen Plate Making* (machinery and equipment), *Tobacco International Europe Company* (cigarettes), *Rich Bike Impex* (bicycles), *Honest General Trading* (tool supplier), the *F&J holding* (Vortex home appliances, wood processing products, textile articles), *Contex Digital Electronic*, *Giant Star srl.* (wholesaler), etc.³¹ In this category companies that build and operate **renewable energy** plants, solar parks or wind farms (such as *Enertech Sun srl.*) may also be included, most of them having arrived here before 2013, when green energy production was stimulated by generous governmental subsidies (green certificates).

Other more recent investor companies operate in the production of **automotive parts** (**NBHX Trim Group** in Braşov), or **lighting appliances** (*Lighting Universal Group*, from Shanghai, with an investment in Braila). We could also add here, provided that it will be carried through, the EUR 50 million investment in a **refrigerator** factory in Aricesti, Prahova, announced in 2020 by the Haier consortium³², the largest household appliances manufacturer in China.

As a general conclusion, it can be ascertained that the Chinese investors with greenfield investments in Romania targeted the **energy industry** as a priority, both because of the incentives granted by the Romanian government for green energy development, and in response to the general direction given by the BRI strategy. At the same time, they targeted the **IT&C sector** also because of the facilities granted by the government; Thirdly, they chose the **automotive parts** and **consumer goods industries** (household appliances, electronic goods, lighting appliances etc.), given the numerous opportunities and competitive advantages offered by Romania: low labour costs, affordable real estate, points of access into the local and regional production chains (e.g. for manufacturing components, parts and accessories), an emerging economy with a dynamic internal market which is a part of the EU single market and enables the large-scale distribution of *made in EU* Chinese products.

The second category of companies, of those that own assets in Romania which have been

31 See: "Chinezii care fac cei mai mulți bani în România. Top 20 de companii", *Economica.net*, September 23, 2017, Available at: https://www.economica.net/chinezii-care-fac-cei-multi-bani-in-romania-top-20-de-companii_143775.html

32 See: L. Petrescu, "Un consorțiu din China vrea să construiască o fabrică de frigider în Prahova. Investiția se ridică la 50 de milioane de euro", *Mediafax*, February 19, 2020, Available at: <https://www.mediafax.ro/social/un-consortiu-din-china-vrea-sa-construiasca-o-fabrica-de-frigidere-in-prahova-investitia-se-ridica-la-50-de-milioane-de-euro-18864303>

taken over indirectly, as a result of purchasing the Western companies that have previously owned them, includes: **WH Group**, the former *Shuanghui*, which took over Smithfield Foods from the American group *Smithfield* and came to own 50 pig farms, two fodder factories, a slaughterhouse and a distribution company in Romania; **ChemChina**, which took over the Italian tyre manufacturer *Pirelli* and as a result now owns two factories in Romania – a tyre factory and an electrical engine factory; **COFCO**, which took over the Dutch company *Nidera* and came to own the largest cereal terminal in the Port of Constanța; **Ningbo Joyson Electronic Corp**, which took over the German companies *Quinn* and *Preh*, the American company *KSS/Key Safety Systems* and the Japanese company *Takata* and as such is now also the owner in Romania of one factory from each of the two German companies, three factories from *KSS* (U.S.) and three from *Takata* (JP), resulting in a total of eight facilities that manufacture automotive components and accessories in our country. The fact that a very important Chinese State bank, the **Bank of China**, the fourth in the world, with assets equivalent to EUR 2710 billion and a net profit of EUR 24.5 billion, opened (via Budapest) a branch office in Romania at the end of 2019, is a positive signal as far as the future bilateral cooperation is concerned, as this bank is commonly used as a financial lever for the implementation of BRI projects. *Bank of China* is the first Chinese bank in Romania, in a market dominated by European and American banks. It has previously opened other branches in Austria, the Czech Republic, Poland and Serbia – again through the bank in Budapest where it has been present since 2003, as procedures were in this way much simplified.³³

Signing the bilateral EU-China investment Treaty entitled *EU-China Comprehensive Agreement on Investment* (CAI) - which is expected to take place by the end of 2020 -, will represent an extremely important moment for encouraging EU-China mutual investments within a regulated framework, one from which the cooperation between Romania and China may also draw benefits.

3. Conclusions

Interconnectivity is a prerequisite of development, progress, and prosperity. It is another way of expressing the essence of the old Chinese proverb “*If you want to get rich, build a road first*”. Without doubt, this is one of the most important endeavours underlying improved living standards, a recipe that is well-known and has been tested in the millennia-long history of the Chinese people, who built the Grand Canal and the Great Wall and, at the same time, it is a truth demonstrated once more by China’s fast development over the recent four decades.

China has dedicated a lot of effort, sacrifice, time and money to building infrastructure and that helped the country grow and become a major industrial and commercial power, able to pull out of poverty, employ an extremely numerous workforce and overcome economic crises more easily. The logic behind the current stage in China’s evolution is to continue

³³ See: M. Baniță, “Confirmare Gigantul financiar Bank of China, una dintre cele mai mari bănci din lume, intră oficial în România via Budapesta”, *Profit*, November 14, 2019, Available at: <https://www.profit.ro/povesti-cu-profit/financiar/banci/confirmare-gigantul-financiar-bank-of-china-una-dintre-cele-mai-mari-banci-din-lume-intra-oficial-in-romania-via-budapesta-19170168>.

abroad what has been accomplished for the most part within its borders, connecting China to all the rest of the world and bringing the world closer to China.

From the perspective of the importance placed on investments in general and on the investments in infrastructure in particular, as well as with regard to the major role as growth drivers that both investments and export can play in the *catching up* phases of a country's evolution, Romania has a lot to learn from the Chinese experience. As it was successfully demonstrated by China's economic rise, international economic relations are an extremely important element in supporting and enhancing a growth model based on investments and exports, offering to the country that opts for such a model both a source where to draw capital from, as well as technological and organisational know-how, good practice examples, training etc., and the markets that can absorb its exports.

However, the analysis of the economic and trade relation between Romania and China indicates that over the last decades neither trade, in particular Romanian exports, nor investments, with their capital inflow component, functioned at the level of the potential existing in both countries or at the quality level of their bilateral relation and, as such, they did not provide the necessary growth impetus that Romania needed in its development and its relations with the countries of the world.

Although they had at their disposal two theoretically valuable instruments to develop their trade relations with China and to absorb investment capital from this high-capacity and high-availability source, none of the Central and Eastern European countries that have partnered with it in the 16+1 platform and BRI seemed to have managed to do that very well. Romania either.

Moreover, all these countries, including Romania, keep running severe trade imbalances in their commercial exchanges with China, accumulating year on year growing deficits that aggravate their current situation and encumber their perspective for future development. At the same time, the so-called investments offered by/received from China are, in fact, most of them, interest-carrying loans, pre-conditioned by claims for very strong guarantees (sovereign guarantees), and binding stipulations providing for contracts being awarded to Chinese companies without tenders, or for the exclusive or predominant use of Chinese staff, materials and equipment etc., Additionally, they carry higher interest rates than usually payable in the case of EU funding (which also includes many grants), of the funding coming from major investment banks (World Bank, ADB)³⁴, or even offered by some states (Japan, for example).

Although the launch of the 16+1 platform and of the BRI strategy assumed positive goals, having in themselves a major potential for supporting the development of the countries involved, we must admit that both are still marred by imperfections and that, furthermore, the way in which they were used was also faulty in many respects, often not taking into account the situation, interests and priorities of the beneficiaries, not ensuring the fair sharing of risks and benefits between participants, and generating harmful asymmetries, which caused mistrust and incited China's partner countries to restraint.

³⁴ Asian Development Bank.

This is why the 16+1 platform seems almost dysfunctional, devoid of a vivid activity, with perceptible impact and notable economic results. It appears rather too formal, consisting more of high-level events, while for the rest of time it functions just as an *umbrella for bilateral dialogues with China*.³⁵

This is also the reason why the BRI implementation in different parts of the world has often created discontent in the beneficiary countries and led to the refusal or cancellation of some projects and to the renegotiation of others with massive price reductions (Malaysia, for example³⁶), or it led to payment incapacity on the part of some recipients of investment loans (Pakistan, the African countries after the COVID-19 pandemic), to excessive indebtedness (e.g. the 8 most vulnerable countries, including Montenegro)³⁷, to the high risks related to the “debt trap” (e.g. Sri Lanka, the Hambantota Port)³⁸, to economically unsustainable projects (e.g. the Belgrade-Budapest high-speed railway connection), to white elephants³⁹ (e.g. the Mattalla Rajapaksa International Airport in Sri Lanka)⁴⁰ and, eventually, to unfortunate conclusions and statements such as *win-win means China wins twice*.⁴¹ Such situations set other potential partners on alert, harm the image of the BRI and diminish the confidence that countries might have in getting involved in such projects.

The Romania-China relation may be correctly seen only in the wider context of Romania's European and transatlantic connections. As a Member State and as a partner, Romania complies with all the agreements signed and with all the obligations undertaken when it joined the EU, NATO and the United States-Romania Strategic Partnership. As far as the commercial aspect is concerned, Romania abides by the common trade policy of the European Union⁴², while in terms of investments, the bilateral relation with China will soon be regulated by the *EU-China Agreement on investments*. This is also the context in which the working methods and mechanisms meant to incentivise commercial collaboration and cooperation between Romania and China and between China and CEE11 within the new 17+1 arrangement and the BRI can be adjusted and perfected.

The critical observations based on the input coming from the market are the main elements that can guide the process of adjusting and improving the implementation of BRI both in the

35 J. Szczudlik, “Seven years of the 16+1. An assessment of China's “Multilateral Bilateralism” in Central Europe”, *Asie.Visions*, no. 107, IFRI, Centre for Asian Studies, April 2019.

36 See: J. Sipalan, “China, Malaysia restart massive ‘Belt and Road’ project after hiccups”, *Reuters*, July 25, 2019, available at: <https://www.reuters.com/article/us-china-silkroad-malaysia/china-malaysia-restart-massive-belt-and-road-project-after-hiccups-idUSKCN1UK-ODG>

37 Djibouti, Kyrgyzstan, Laos, Maldives, Mongolia, Montenegro, Pakistan, Tajikistan. T. Fernholz, “Eight countries in danger of falling into China's ‘debt trap’”, March 7, 2018, Available at: <https://qz.com/1223768/china-debt-trap-these-eight-countries-are-in-danger-of-debt-overloads-from-chinas-belt-and-road-plans/>

38 See: K. Schultz, “Sri Lanka, Struggling With Debt, Hands a Major Port to China”, *The New York Times*, December 12, 2017, Available at: <https://www.nytimes.com/2017/12/12/world/asia/sri-lanka-china-port.html>

39 Extremely expensive projects, not justified from an economic point of view and useless. See also <https://dictionary.cambridge.org/dictionary/english/white-elephant>

40 The modern Mattalla Rajapaksa International Airport in Sri Lanka is considered the emptiest airport in the world. W. Shepard, “The Story Behind The World's Emptiest International Airport”, *Forbes*, May 28, 2016, Available at: <https://www.forbes.com/sites/wadeshepard/2016/05/28/the-story-behind-the-worlds-emptiest-international-airport-sri-lankas-mattala-rajapaksa/#3905dba77cea>

41 See also S. Pencea, “Noul Drum al Mătăsi, punct terminus Europa”, *Academica Journal*, Romanian Academy, 2019.

42 See: “Politica comercială Comună a Uniunii Europene”, *Ministerul Economiei, Energiei și Mediului de Afaceri*, Available at: <http://www.imm.gov.ro/politica-comerciala-comuna-a-uniunii-europene/>

Central and Eastern European countries and in the rest of the world. These critical observations, as they emerged in various parts of the world as signals of the market, are related either to (i) the contractual terms of the infrastructure construction agreements financed by China, or to (ii) the results and impact of certain projects already completed.

In the first category of issues, of unreasonable contractual terms, criticism refers to⁴³:

1. **The lack of transparency in the selection of routes** for infrastructure constructions, without considering the interests of the transited beneficiary countries, but only the interest of achieving shorter and less expensive routes to certain targeted markets. One example is the Belgrade-Budapest railway connection, which was contested in Hungary in terms of its necessity, usefulness, efficiency, opportunity cost and the length of investment recovery time (estimated between 130 and 2 400 years).⁴⁴
2. **The pre-conditions set by Chinese companies in contracts**, such as: the direct assignment (without a tender) of the building contracts to Chinese companies; the mandatory use of materials, equipment and workforce from China; the granting of long-term tax reliefs for the Chinese companies with activity in the beneficiary country. Such provisions are *crowding out* the other companies in the market, they are discriminatory and undermine the local industry, not leaving any chance for a positive local impact through multiplying effects, positive spillovers and job creation.
3. As a result, companies do not benefit from a level playing field. It is documented that 89% of the contracts financed by China within the BRI are awarded to Chinese companies without a tender and only 11% are left to local companies (7.6%) or foreign third parties (3.4%).⁴⁵
4. **The volume and cost of the credit offered by Chinese banks and the safety clauses** that require *sovereign guarantees* (subsequently increasing the beneficiary country's external debt), *collaterals* (which give access to the beneficiary's natural resources or to other valuable assets), or *debt-to-equity swaps* – represent other important issues that make the subject of the criticism emerged in relation to the BRI implementation, as all of them aggravate the risks that the borrowing country exposes itself to.

The second category of problematic aspects in the implementation of the Belt and Road Initiative infrastructure projects includes, specifically for Europe,⁴⁶ the following:

- **The China-Europe railway connection called China Railway Express** (part of the Belt), although positive in principle, is problematic in several ways: **1.** its

43 S. Pencea, "China-Europe BRI connectivity: what's wrong, what's next", *Global Economic Observer*, Vol. 6(2), December, 2018, Available at: <https://ideas.repec.org/a/ntu/ntugeo/vol6-iss2-18-190.html>.

44 Z. Voros, "Who benefits from the Chinese-built Hungary-Serbia Railway?", *The Diplomat*, January 4, 2018, Available at: <https://thediplomat.com/2018/01/who-benefits-from-the-chinese-built-hungary-serbia-railway/>

45 J. Hillman, "China's Belt and Road Initiative: Five Years Later", CSIS, Reconnecting Asia, *Statement before the US-China Economic and Security Review Commission*, CSIS, Testimony, January 25 2018, Available at: <https://www.csis.org/analysis/chinas-belt-and-road-initiative-five-years-later-0>.

46 See also S. Pencea, "China-Europe BRI connectivity: what's wrong, what's next", *Global Economic Observer*, Vol. 6(2), December, 2018, Available at: <https://ideas.repec.org/a/ntu/ntugeo/vol6-iss2-18-190.html>.

operation is strongly subsidised (up to 60% of the transport cost) creating, as such, unfair competition that is disrupting markets; **2.** when returning from Europe, trains are partly or entirely empty, causing a severe imbalance in the two-way traffic (for every 4 loaded trains going West, only one goes East) and that, in its turn, is worsening the European countries' trade deficits with China, further shedding light on other flaws, such as: (a) the insufficient and selective opening of the Chinese market, (b) the lack of access to the Chinese government procurement market, (c) the use of numerous non-tariff barriers to protect Chinese markets and give a competitive edge to local companies (d) the unfair competition practices and unfair treatment of European companies in the Chinese internal market.

- As regards the **maritime connection** (the Road), it must be noted that while Chinese companies own shares in at least 8 European ports and/or port management companies, controlling around 10% of Europe's container terminal capacity, and as the same situation tends to expand to the European airports as well (there are already at least 4 cases), no European company owns any share in the capital of Chinese ports or airports.
- The same lack of symmetry and reciprocity also exists with regard to the **EU-China bilateral investments**: while Chinese companies operate on an open-to-investments European market, and had, as such, the opportunity to take over more than 360 companies in Europe, the access in the Chinese market has been long controlled and protected by a black list, with investment access admitted only to certain companies and only as minority shareholders with limited voting rights, in compulsory joint ventures formed with Chinese partners to whom they were required to give away their technology (i.e. forced transfer). The first European company, entirely foreign-owned, was established in China as recently as December 2018 (BMW) and it is still one of very few exceptions.

BRI and 16+1 are still new initiatives, in full self-defining process, and for them recognizing, understanding and internalizing market signals is both the condition and the solution for readjustment and success, provided the required corrections are made.

BRI is a bold initiative, with the actual potential to solve many of the infrastructure and industrialisation gaps that hold back the development of many states, but the strategy envisages an extremely wide and complex area – in terms of geography, sectors and scope – and is naturally facing many challenges. Practically, it is “navigating through uncharted territory”, with many unknowns, as it has never been attempted before, and therefore it is expectedly in need of corrections along the way. To succeed – which, in principle, means being able to ensure real and fair benefits to all the countries along its routes –, the BRI strategy must keep adjusting to both the present and the continually emerging new market signals.

At the same time, we believe that the multilateral nature of the BRI should be matched by a much wider international involvement and contribution, in order to fine-tune its design, to better carry out its implementation and to share the risks and benefits between the involved in complete honesty and balance.

We believe that the success of the BRI initiative relies on its adaptation to the specific conditions of each country and requires that the needs, local priorities and potential for secure borrowing of each country benefitting from investments be considered. At the same time, success depends on the implementation of projects in such a way that it generates multiplying effects and positive externalities in the receiving economies, driving their economic dynamics, job creation, industrial modernization, production growth and diversification, export upsurge, economic growth, public services development and hence the improvement of their living standards. The community, the enterprises, the institutions, should all have the chance to feel the benefits of those projects as soon as possible, to come to appreciate and endorse them.

This is why for all the above to be possible, we believe that all over the world – and of course in Romania – projects seeking to develop interconnectivity should be selected so that they respond to the requirements for economic rationality, financial feasibility, commercial viability, social and environmental sustainability and be carried out transparently, in observance of all the rules and regulations in force, ensuring market access and a level playing field for companies.

It is encouraging to see that this type of response to market signals through appropriate adjustments is already being implemented in the case of the 16+1 platform, which has become more open towards involving the EU in its activities and bringing the BRI projects more in line with the values, principles, rules and requirements of the EU. It is also felt in the progress of the EU-China negotiations as to finalizing the EU-China agreement on investments, but also as far as the BRI further implementation in the world is concerned.

In the opening speech of the second BRI Forum, of April 2019, President Xi Jinping answered to almost all the critical observations coming from all over the world and highlighted herein and he launched a new commitment from China with respect to the collaboration within the BRI. He spoke of: *extended consultations, cooperation and sharing of benefits with the partners; ensuring the transparency, commercial and fiscal sustainability of projects; adopting the international rules and standards and China's contributing to the WTO rules; extending access on the Chinese market to imports and foreign investments; eliminating subsidies and other practices that distort markets; reducing customs duties and eliminating non-tariff barriers; ensuring equal treatment and a better business environment for foreign companies in China; accepting fully foreign owned or foreign controlled companies; stopping forced transfers of technology and ensuring the protection of intellectual property rights (IPRs)*. Part of these are commitments and adjustments are already visible in the real economy.

The Belt and Road initiative addresses real, major needs resulting from the development and infrastructure interconnection gaps between countries, therefore having a considerable potential to provide an impetus for economic growth, development, modernization to the standards of the 21st century and for the improvement of the living standards in the beneficiary countries, **provided it is implemented the right way**. There is a chance that, at least in our part of the planet, the European Union and China find this way together.

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Сармиза Пенча
Ана-Кристина Българ

Односи Румуније и Кине: кратак преглед и перспективе

Апстракт

Овај рад на румунско-кинеске односе кроз време гледа из троструке перспективе - историјске, политичке и, пре свега, економске. Ослањајући се на формат сарадње „17 + 1“ и Иницијативу појас и пут (BRI), рад анализира билатералну трговинску сарадњу Румуније и Кине, кинеске инвестиције и присуство Кине у румунској економији, као и учешћу Румуније у обема: „17+1“ платформи и Иницијативи појас и пут. Рад осветљава оно што није било у реду и ометало је правилно функционисање ове две кинеске иницијативе до сада, и даје поглед аутора на оно што је потребно учинити како би оне могле дати на обострану корист боље и обећане резултате.

Кључне речи: Односи Румуније и Кине, „16 + 1“; „17 + 1“; Иницијатива појас и пут, кинеска трговина, кинеске инвестиције