Romania, Strategic Partner in China-CEE Relations[1]

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Abstract: - Romania and China have established diplomatic relations 65 years ago and have a long track of fruitful economic, technologic, scientific and cultural exchanges and cooperation experiences all along this time lapse. During the last few decades they both have undergone major transformations, having, on the one hand, their economic fundamentals substantially changed, and, on the other hand, facing a new international environment, in which their positioning, relations, alliances and integration into the world economy are substantially different. The present paper looks at this bilateral relationship against the backdrop of both the new 16+1 platform and the larger EU-China relations, trying to identify the comparative advantages, complementarities and commonalities which could create the premises for a new, reinforced China-Romania trade and investment relationship. The focus lays on analyzing the bilateral trade, both in terms of volumes and structure, as well as on dissecting the Chinese investment presence in Romania as compared to that in other CEE countries, leading to the conclusion that there is a lot of untapped potential, but also a favourable context to change this state of facts.

Key-Words: - 16+1 platform, China-CEE, China-Romania, China-Romania trade, Chinese investments in Romania

JEL Classification: - E22, F14, F21, O52, O53.

1. Introduction: From a common past, to a common future

In October 2014, China and Romania celebrated 65 years of bilateral diplomatic relations, years of mutual understanding, cooperation and friendship. The recent decades – two and a half for Romania, about three and a half for China – have been some of tremendous and comprehensive changes for both our countries. These deep transformations of the economic fundamentals of China and Romania, their new priorities and alliances have not altered the solid base for win-win bilateral relations, but on the contrary, have reinforced them, through new initiatives within the new framework. The nature of the Sino-Romanian relationship before 1989 was the unique product of its own historical time, impossible to reproduce against the new internal and international background. This relationship is now governed by the EU-China strategic partnership and develops in keeping with the interests of both China and the EU member states, within this new framework.

To date, the bulk of the trade, capital movement and technology flows between China and the EU has been concentrated in the bilateral relationship with several old EU member countries (EU15) – mainly with Germany, France, the UK, and a few others. Still, recently, another group of European countries has

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distinguished itself in its relation with China. It is the CEE16[2] group of ex-communist countries, which share several common features and significant competitive advantages as compared to the EU15: a hybrid status, between that of an emerging and a developed economy, which admits a host of development opportunities; higher growth rates and lower labour costs; a considerable endowment with natural resources, educated human capital and technological know-how; sizeable demand for investments in infrastructure, energy, agriculture and certain branches of manufacturing, all of them of interest to China; direct connections with Western Europe and a remarkable potential to become a bridgehead between Europe and other continents, as well as becoming an important link in China's New Silk Road initiative (Pencea, Oehler-Şincai, 2014, Xinhuanet, 2014).

The high level meetings of Budapest (2011), Warsaw (2012) and Bucharest (2013) have opened new perspectives of cooperation between China and the 16 countries of the Central and Eastern Europe (the so-called "16+1" framework). As emphasized in the Bucharest Guidelines for Cooperation between China and the CEE16 countries, cooperation in various fields – investment, trade, finance, connectivity, science, technology, innovation, environmental protection, energy, people-to-people and cultural exchanges – as well as cooperation at sub-national levels make the priorities of the 17 partners.

The 16+1 platform is an important initiative, with a high potential of generating progress in terms of a better and more intense cooperation between China and CEE, while simultaneously acting as a development engine for the region. What is very important, in our opinion, is that it is not transformed into a framework for a "race to the bottom", where the CEE countries compete with one another for Chinese financing. We think this could ruin its whole concept while, in our view, ***it is in the interest of both CEE and China that this platform turns into a framework which propels development in the entire region and furthers the relation between China and Europe.***

Romania used to be a favoured partner of China's and, in our opinion, under the 16+1 framework it could become again an important market and a leading destination for Chinese investments, for good reasons:

- Romania is a country with a long record of good political, economic, commercial and cultural relations with China.
- In terms of its total surface, Romania is the ***2nd largest country*** in CEE16 (after Poland) and the 9th largest country in the EU.
- Romania is the 2nd most populous country among CEE16, after Poland and the 7th among EU28, it has skilled, educated and foreign-languages-speaking labour, while the wages are considerably lower than in the rest of Europe. This means that ***Romania is both a large market and a proper location for investments in export-oriented manufacturing.***
- Romania is ***very well-placed geographically***, at the intersection of the European axes connecting North to South and East to West, ***it has the largest port at the Black Sea*** (Constanța) and ***the Danube-Black Sea Channel*** which helps connect by water the Black Sea and the North Sea regions[3], offering both ***good local investment opportunities in Romania and good chances to build a bridgehead to the rest of Europe and even to other continents***. Both sides of the ***Danube-Black Sea Channel make exceptional locations for developing a large industrial park for Chinese-Romanian joint activities*** and for other cooperation projects.
- ***The Black Sea Strategy, the EU Strategy for the Danube Region and The New Silk Road strategy of China have a lot in common*** in terms of their objectives (increased interconnectedness, economic development, job creation and increased prosperity, better environment protection, etc.) and the specific ways of action (increasing regional mobility by infrastructure development, encouraging sustainable energy development, industrial and R&D cluster development, nurturing the knowledge-based society, boosting competitiveness, furthering international cooperation, etc.), therefore they may be harmonized and extended to one another, with win-win results for all the parties involved.
- Romania is relatively ***rich in various natural resources***, it has proper ***conditions to become a regional energy hub***, it has large surfaces of ***exceptionally good agriculture land*** and a high potential to produce good quality food for a population four times larger than its own.
- ***Romania and China make a good match in terms of infrastructure development***: Romania has a large demand for new highways, bridges, railways, channels, airports, electricity grid development, etc.,

[2] Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia.

[3] The Danube-Black Sea Channel at the Eastern extremity of Danube (in Romania), and the Rhine-Maine-Danube Channel at its Northern extremity (in Germany) help connect the Black Sea with the North Sea, crossing all the European continent.

while China has the proper technology, know-how, expertise and the financing means for such investments.

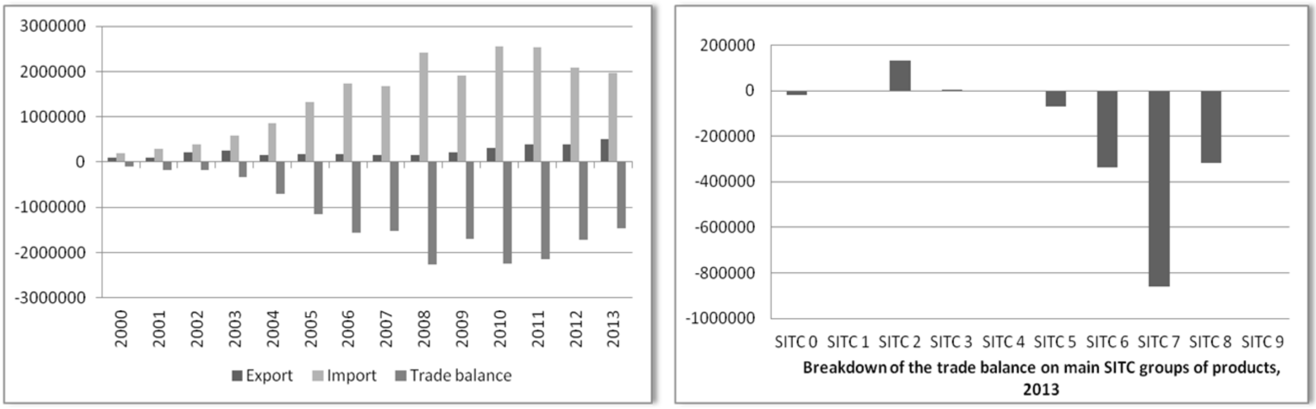
- Similarly, ***Romania and China make a good match in terms of energy facilities development***, in both conventional and renewable energy.
- Romania also has ***a significant tourism potential – which could attract both Chinese investors and tourists flows*** – and an important potential to ***cooperate and develop joint projects in other services*** (R&D&I, IT, transport and logistics, healthcare, education, etc.).

Therefore, considering all the above, under their new international, regional and domestic contexts, China and Romania have a good opportunity to further the accomplishments of their common past, building a better, deeper and more rewarding, win-win future cooperation relationship, within the EU-China strategic partnership and bringing a significant contribution to it.

2. Trade relationship between Romania and China

Trade flows in goods between Romania and China increased sharply in the last decade, reaching a record high in 2011 in spite of the economic crisis. Nevertheless, it decreased considerably during the subsequent period, mainly due to the diminishing value of imports (**Chart 1**). This trend of 2012-2013 is consistent with that recorded at the EU28 level (DG Trade, 2014). However, Romania's trade with China represents only 0.6% of the EU-China trade.

Chart 1: Romania-China trade 2000-2013 (€ thousand)



Source: Chart elaborated by the authors, based on data from the Romanian Ministry of Economy, Department of Foreign Trade and International Relations (2014).

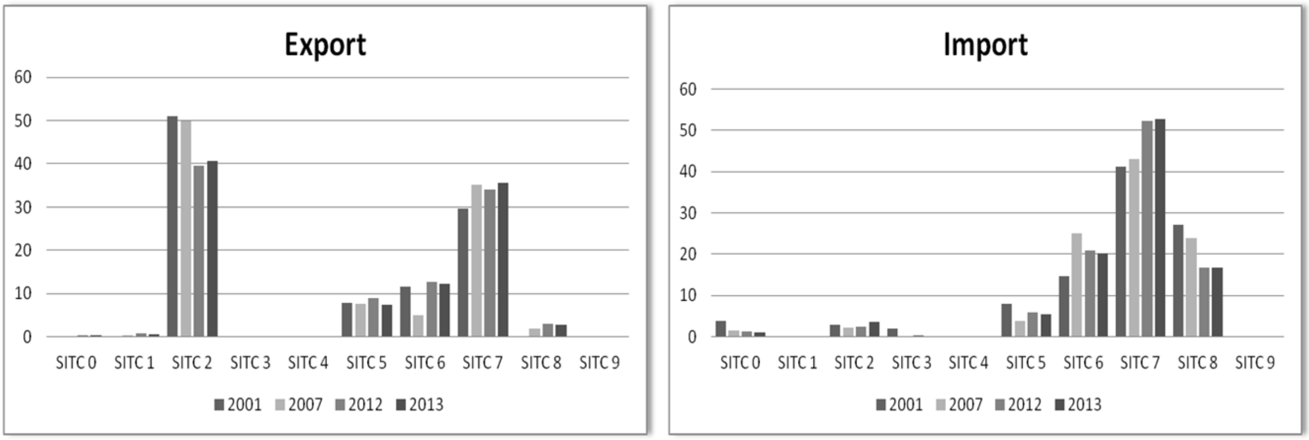
As indicated in **Box 1**, in 2013 China was the 22nd export partner and the 9th import partner of Romania, while Romania's trade deficit with China was its third highest, considering both the intra and extra-EU trade flows.

Box 1: Synopsis of the trade flows between China and Romania, as part of Romania's total trade, 2013
Romania's foreign trade
Total €104.8 billion (+5.1% YoY); **X** €49.6 billion (+10% YoY); **M** €55.2 billion (+1% YoY);
Extra-EU (only 30% of total trade)
Total €28.5 billion (+2.4% YoY); **X** €15.1 billion (+12.8% YoY); **M** €13.4 billion (-7.2% YoY);
Romania-China
Total €2.5 billion (lower than the record high of about €3 billion in 2011);
X €0.5 billion (+29% YoY); China is Romania's 22nd export partner (1% of the total exports)
M €2 billion (-6% YoY); China is Romania's 9th import partner (3.6% of the total imports);
Trade deficit: €1.5 billion, 3rd major trade deficit of Romania's, after the ones with Hungary (€2.1 billion) and Kazakhstan (€1.7 billion).
Note: X=export, M=import, YoY=year on year.
Source: Box elaborated by the authors, based on Ministry of Economy data, Department of Foreign Trade and International Relations (2014).

It is worth mentioning that the highest share of the bilateral trade flows falls into several sections of the standard international trade classification (SITC), namely SITC 2 (crude materials, inedible, except fuels) and SITC 7 (machinery and transport equipment) *in exports,* and SITC 7, SITC 6 (manufactured goods classified chiefly by material) and SITC 8 (miscellaneous manufactured products) *in imports* (**Chart 2**).

One can notice the increasing trend of trade in SITC 2 and SITC 7, both in exports and imports. This data should be compared with the EU-China trade structure, where SITC 7 dominates both export and import flows (58% and 50%, respectively), while in Romania's trade with China, this section has a share of 36% in exports and 53% in imports.

Chart 2: Romania-China trade breakdown by main SITC sections, 2001, 2007, 2012 and 2013 (€ thousand)



Source: Chart elaborated by the authors, based on data from the Romanian Ministry of Economy, Department of Foreign Trade and International Relations (2014).

As indicated by other research papers (Pencea, Oehler-Şincai, 2013, p. 105), Romania has lost its competitive edge in many export fields, particularly those incorporating medium-complexity technologies, which explains in part the asymmetric bilateral trade structure. Moreover, goods are often channelled through intermediary countries, so that trade statistics do not reflect the real value of flows between Romania and China.

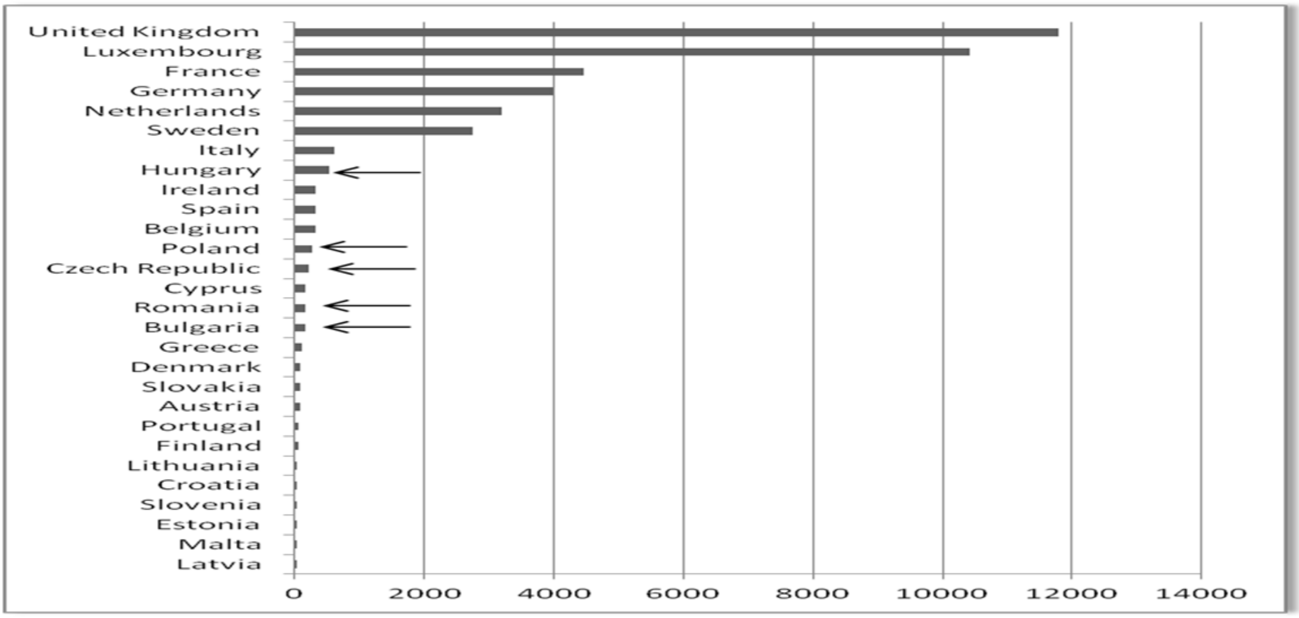
In spite of the increase of the trade in goods flows between Romania and China in the recent years as compared to the 2000-2005 time span, their values remain low as juxtaposed to other EU countries, due to the still underdeveloped connections between Romanian and Chinese companies. Besides, Romania's foreign trade is mostly managed by the multinational companies present in our country which have their own strategies and interests, not always complying with the Romanian government's endeavours of deepening and enlarging the bilateral relationship with China. Still, one way of developing bilateral trade in goods and services could be definitely that of encouraging more substantial and diverse Chinese investments in Romania, in the fields of interest of both our countries.

3. Chinese investments in Romania

- **A comparative perspective**

In the EU, the Chinese investments followed a "by country" pattern which resulted from the junction of Chinese interests, on the one hand, and the locally found opportunities and incentives, on the other hand. The charts below are relevant for better visualizing and understanding both the positioning of Chinese outward direct investment (ODI) to CEE within Europe, and the evolutions and change in rankings produced in recent years. **Chart 3** reveals that among the leading destinations of the Chinese ODI in Europe, besides the main beneficiaries, which were developed economies, a group of five Central and Eastern European countries (CEE5) stood out: Hungary, Poland, the Czech Republic, Romania and Bulgaria. All of them are countries where the Chinese ODI stock was larger than \$100 million in 2013 (MOFCOM/NBS/SAFE, 2014), much over the levels in the rest of the CEE16. Therefore, our analysis will focus on this group of countries.

Chart 3: The hierarchy of the EU countries, 2013 by value of the Chinese ODI stocks ($ million)



Note: Data on Chinese investment stock in Romania are based on the authors' calculations.

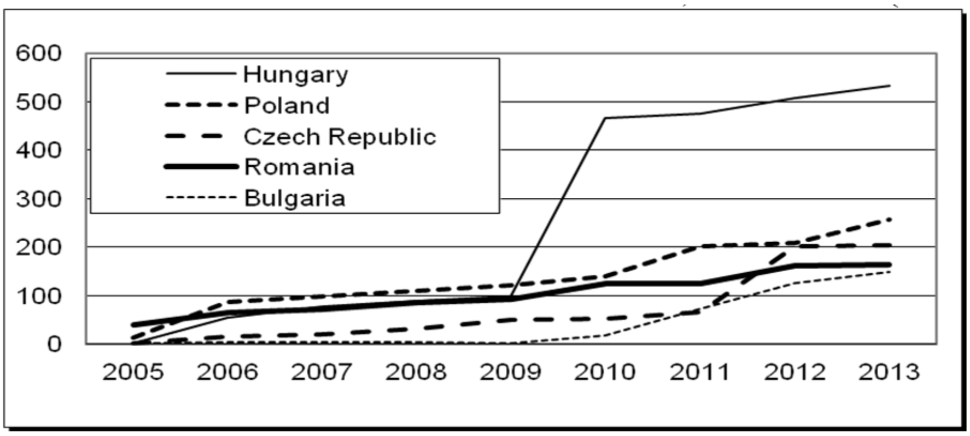
Source: Chart elaborated by authors, based on MOFCOM/NBS/SAFE (2014).

One remark is that this hierarchy reveals, at least for now, that only a reduced number of the CEE16 countries could attract significant Chinese investments. Secondly, the ones that could do that, the CEE5 group, are positioned in the middle of the ranking, with values much lower than those of the first ranked. Both these remarks seem to reveal that Chinese companies are still reticent in making significant investments in the area. Also, they are reflecting the post-crisis reality that Chinese companies have capitalized on the opportunities created by the global and local crises in Europe, striking profitable, previously unimaginable deals, in Western and Northern Europe.

Still, developments are encouraging in the CEE too, in the recent few years some larger investment agreements having been signed in chemicals (with Hungary), automotive (Bulgaria), machinery (Poland), IT&C (Hungary, Romania), infrastructure and logistics (Poland, Hungary, Serbia), electronics (Poland, the Czech Republic), energy (Poland, Romania, the Czech Republic, Serbia). Moreover, branches of the Bank of China and the Industrial and Commercial Bank of China, offices of some of the largest Chinese law companies, such as Yingke Law and Dacheng Law, are now present in Poland and Hungary (Szunomar, Biedermann, 2014, p. 26).

The way in which each of the CEE5 have managed to develop, extend and tighten their economic relations with China during the last decade, their having or not having a specific strategy in relation with this partner, the coherence of their succeeding governments in their bilateral relations with China and their obstinacy and insistence on negotiating and concluding agreements with this country have determined different evolutions in the volumes of Chinese ODI attracted and changes in rankings among the CEE5 group of countries in terms of their total Chinese ODI stock (**Chart 4**).

Chart 4: Chinese outward FDI stock in CEE5, 2005-2013 ($ million)



Note: Data regarding Chinese investment stock in Romania are based on the authors' calculations.

Source: Chart elaborated by authors, based on MOFCOM/NBS/SAFE (2014) data.

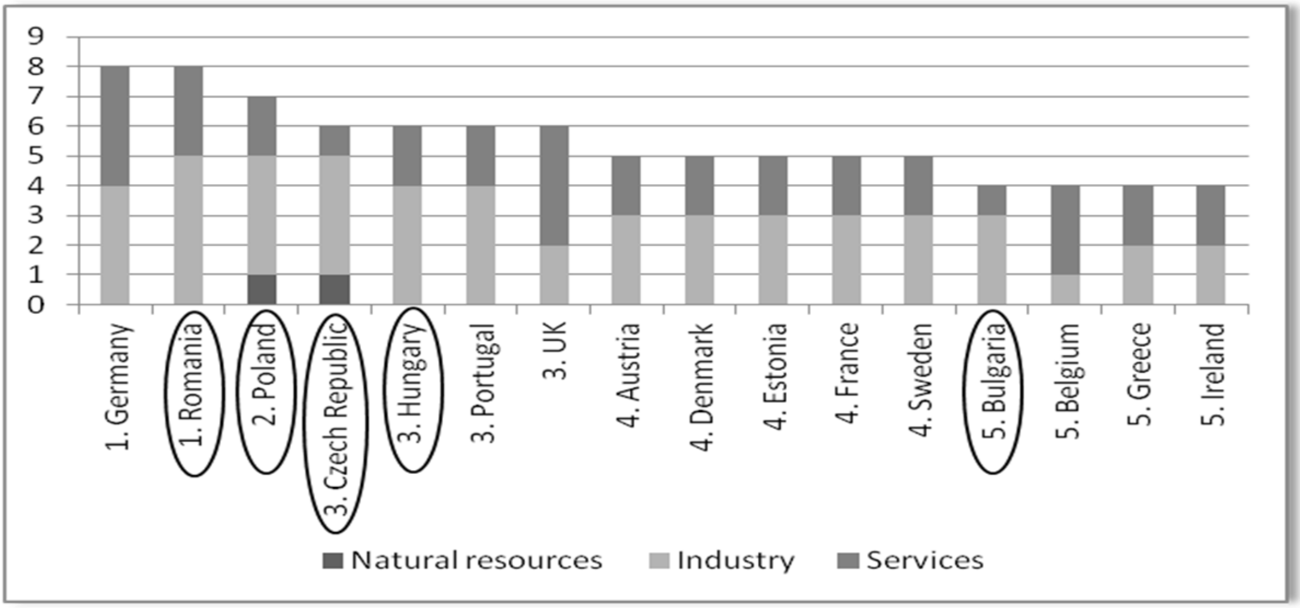
While Romania, which led the group in 2005 has registered a slow upward evolution and a successive descent in rankings to the fourth position at present, Hungary has managed a remarkable "leap forward" after 2009, taking first position in the hierarchy, followed by Poland, with a significant "jump" after 2010 and the Czech Republic also managing a leaping, subsequent to 2011.

- **The recent past**

Romania was a favourite destination for the early Chinese investments in Europe. Besides their history of friendship with China, Romania and the other CEE economies, with their geographic placement, lower costs, cheaper but skilled and educated labour, make ideal locations for investments in export-oriented manufacturing, and that is why in the early 2000s the Chinese official plan for this region was to turn it into a manufacturing base for "made in Europe" Chinese goods. Among the targeted CEE countries, Romania was the first choice, followed by Poland, the Czech Republic and Hungary (**Chart 5**).

Five industrial fields in Romania (textiles, leather goods and luggage, TV sets, computers, telecommunications and electronic equipment), plus three services sectors were recommended for Chinese investments, revealing an option for *a trade-substituting investment strategy* aiming at avoiding import barriers and preserving/extending the existing market shares of Chinese exporters to Europe.

Chart 5: OFIC* top 15 most attractive European destinations for Chinese investments in the early 2000s, by number of attractive sectors



Source: Chart elaborated by the authors, based on MOFCOM, Ministry of Foreign Affairs - **Outbound Foreign Investment Catalogue* (OFIC).

Not only the official guidelines, mainly substantiated into the "*Outbound Foreign Investment Catalogue*" (OFIC) of 2004, but also the factual Chinese investments in Europe showed a bias for Romania, at the time. While the OFIC document, which indicated the countries and sectors where Chinese companies were advised to invest, placed Romania in first position, next to Germany, the factual investments in 2005 showed too that Romania ranked first, cumulating two thirds of the overall Chinese investment stock in Central and Eastern Europe. These investments were mostly made by family small and medium size companies (SMEs), involved in trade or in low-to-medium technology manufacturing. That is why, although great in number, these SMEs had little capital and couldn't cumulate high investment values in the Romanian economy. Still, ***they indicated the existence of a comparative advantage for our country*** which could have been better capitalized on. But Romania was completely absorbed by its efforts to join the EU and didn't devise any purposeful strategy to build on this advantage. This came on top of a certain previous mismatch of policies and implementation lag between the two countries: the Chinese going-out policy, initiated in 1999, was devised at a time when the privatisation process was broadly finished in Romania, with much of the ownership already in private hands. Additionally, had there been any late opportunities, the first Chinese companies testing the going-out policy of the State Council were small and medium private ones, with low economic power and skills and, therefore, unable to manage significant take-overs.

However, both the initial dissonance of policies and the later lack of strategy on Romania's part have contributed to Romania's following decrease in ranking, in terms of the totally attracted Chinese investment stock: from ranking first in 2005, it fell to the second place in 2006, third place between 2007-2011 and, finally, to the fourth position after 2012 (**Table 1**). Correspondingly, Romania's share in the total Chinese investment stock of the CEE5 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 12.7% in 2013. The downward trend was accelerated by the interruption of the TAROM Bucharest–Beijing direct flights (2004) and the maintenance of quite restrictive and lengthy visa procedures by the Romanian party, while providing little or no assistance to the Chinese investors in their difficult attempt of adjusting to an unknown and challenging Romanian business environment. Hence, Chinese investment flows to Romania grew at a slower rate, while their pace in other CEE countries picked up speed, especially in Hungary and Poland, which had already been accepted in the EU and could be more committed and more successful in developing a stronger relationship with China, attracting, consequently, increased Chinese outward direct investments. Furthermore, these two countries – and later on both the Czech Republic and Bulgaria – managed to capitalize on the second wave of Chinese ODI, performed by powerful state owned, or state-backed companies and implying considerable higher amounts invested per project.

Table 1: Chinese Investment Stock in Major CEE, 2005-2013

($ million)

Country	2005	2006	2007	2008	2009	2010	2011	2012	2013
Hungary	2.8	53.7	78.2	88.8	97.4	465.7	475.4	507.4	533.1
Poland	12.4	87.2	98.9	109.9	120.3	140.3	201.3	208.1	226.4
Czech Republic	1.4	14. 7	19.6	32.4	49.3	52.3	66.8	202.5	220.3
Bulgaria	3.0	4.7	4.7	4.7	2.3	18.6	72. 6	126.7	147.4
Romania	39.4	65.6	72.9	85.7	93.3	124.9	125.8	161.1	163.8
Romania's rank	**1**	**2**	**3**	**3**	**3**	**3**	**3**	**4**	**4**
Total CEE5	**59.0**	**225.9**	**274.3**	**321.5**	**362.6**	**801.8**	**941.9**	**1205.8**	**1291.0**
Romania vs. CEE5 (%)	**66.8**	**29.0**	**26.6**	**26.7**	**25.7**	**15.6**	**13.4**	**13.4**	**12.7**

Note: Data regarding Chinese investment stock in Romania, Romania's rank and share at the level of CEE5 is based on the authors' calculations.

Source: The authors' calculations based on MOFCOM/NBS/SAFE data (2014).

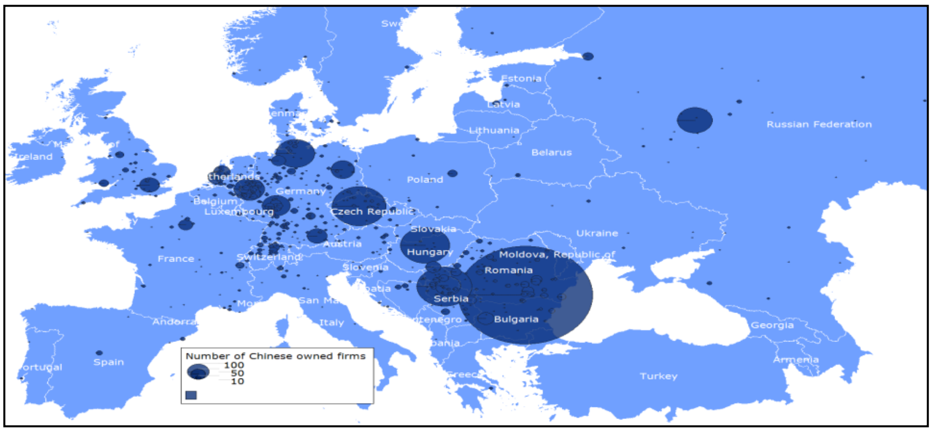
Additionally, after the onset of the global economic crisis the whole international economic environment changed dramatically and, as a consequence, a growing discrepancy between the initial Chinese government investment guidelines (OFIC) and the actual investment decisions of the companies became increasingly apparent at the EU level, with the bulk of investments going prevailingly to the EU15 *"developed Europe"* (around 90% of the total inflow) and not to the CEE economies from the EU "*periphery"*. Similarly, against this backdrop, the factual investment pattern among the CEE5 didn't observe the initial official planning, to Romania's disadvantage.

- **The present Chinese investment landscape in Romania**

China is Romania's main Asian investing partner. It ranks the 5th among the foreign investors in our country by the number of companies set up, but only the 18th by the amount invested (Ministry of Justice/National Trade Register Office, 2014), which is extremely far from the potential. Currently, there are over 11,000 Chinese companies registered in Romania, accounting for about 5% of the total number of businesses with foreign participation, but, presumably, just about one third of them are still 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 companies. ***Such a high degree of geographic concentration highlights a strong propensity to clustering, so that these companies are more capable of adapting to the foreign environment, while also reaping economies of agglomeration.***

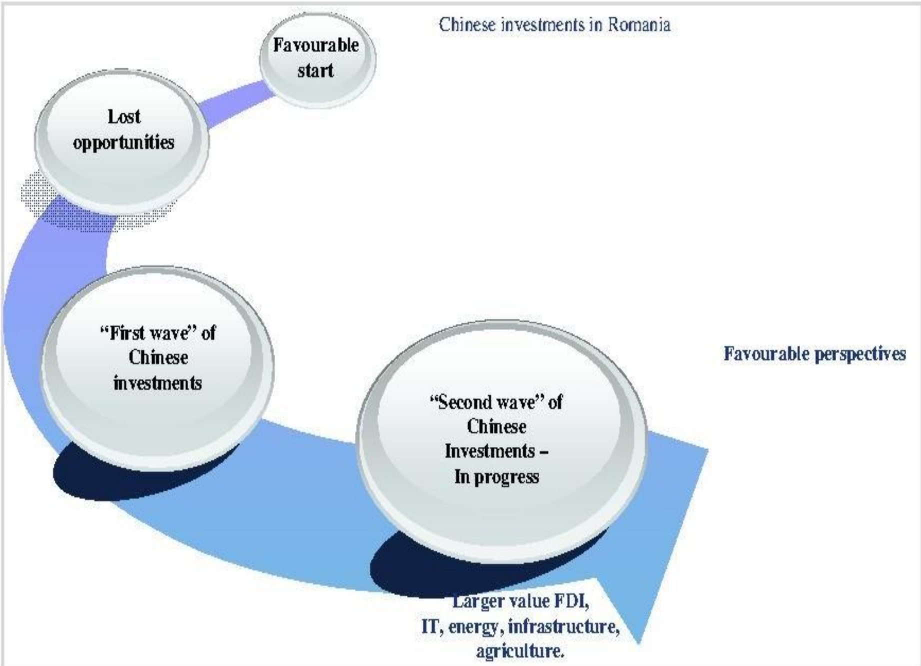
Map 1: Geographical distribution of Chinese firms in Europe, 2013 (numbers)



Source: The Heritage Foundation, 2013.

Most of the Chinese businesses in Romania are still individual, or family-owned companies from the first Chinese "going out" wave (Chart 6), fully matching the European pattern, where more than 4 out of 5 Chinese companies (82%) fall into these two categories (The Antwerp Forum, 2013). Currently, the Chinese businessmen in Romania are regionally organised in 16 federations, about 90% of them developing activities in Bucharest, the capital city (Xiaoming, 2010).

Chart 6: Successive waves of Chinese investments in Romania



Source: Chart elaborated by the authors.

Statistics are contradictory and confusing about the overall value of Chinese ODI stock in Romania, as there are certain informational shortages and large differences between the statistical methodologies and records in China, the EU and Romania. Considering, for instance, the 2012 total investment stock levels, we discover that while the Chinese statistical data (**Table 1**) recorded an investment stock in Romania of about €126 million (equivalent of $161 million),[4] the EU statistics gave less than half that amount (€69 million)[5], in striking contrast with the €420 million in the Romanian records – which were, therefore, more than triple the Chinese level and six times larger than the EU one. Moreover, according to the president of the Romania-China

[4] 1 $= 0.78 Euro, at 2012 average rate, CIA World Factbook, retrieved on 30.03.2014.
[5] Eurostat, data retrived on 30.03.2014.

Trade and Industry Chamber, the €420 million was an undervaluation[6], declaration which we might be inclined to agree to, if we turn to other sources and find out that in their records the Chinese investment stock in Romania exceeds the €1 billion threshold (Heritage Foundation, 2014).Therefore, the total Chinese investments in Romania are at best somewhere between €0.5-1.0 billion, accounting for only around 2% of the total.

Anyway, whichever the level considered, the value of the Chinese ODI to Romania is obviously much under the potential. Still, although they didn't progress as they could and a lot of potential has remained untapped, there are some significant achievements of *the first wave of SME investors* worth reminding (**Chart 6**): the €200 million "Red Dragon" trade hub and its neighbouring €100 million China Town, near Bucharest; the €100 million Pârşcov industrial park including five factories with production, distribution and foreign trade operations in garments, wood processing, cigarettes, electronics, electric appliances, ecologic electric bulbs, fresh fruit and vegetables; other successful investments in bicycle production, recycling, construction materials, industrial printing (Pencea, 2014).

There is also a more recent, *second wave of larger and more powerful Chinese investors in Romania, dealing in high tech industries*: (i) outstanding *companies in information technology* (ZTE, Huawei) – which came in the early 2000s, but only very recently have shown their readiness to make sizeable investments (ZTE – about €100 million by the 2015 yearend, Huawei – over €300 million by 2018); (ii) *businesses in renewable energy* (RE), building and operating photovoltaic parks and wind farms. Unfortunately, the Chinese investors reacted quite late to the Romanian "green certificate" incentive programme, missing its most rewarding phase. As a result of the programme, in the recent few years Romania has experienced a tremendous RE industry growth, so that, considering its objectives met and the incentive scheme already too generous, in 2013-2014 the Romanian government curtailed the incentives granted. Consequently, late Chinese investors were discouraged, some of them choosing to partially curtail their investment plans.

- **Prospects of a "third wave" of Chinese investments**

The analysis above shows that, *as opposed to other European investment destinations, CEE5 included, Romania has not succeeded yet in attracting sizeable Chinese businesses in large investment projects.* If in Europe, considered as a whole, the proportion of Chinese corporate presence has slightly increased in recent years, mainly due to their growing investments in the Western and Northern European developed economies, in the CEE countries the trend seems quite languid and in Romania almost absent. For now, in spite of the considerable local potential and the proven Chinese interest in the available opportunities, the numerous, but somehow sporadic and inconsistent attempts to negotiate and agree on larger projects didn't lead to any substantive results in Romania.

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 generation, 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). Among these older projects, the most advanced one is Rovinari, with China Huadian Engineering Co. (CHEC) going to invest around €1 billion in a new 600 MW thermo-power station facility. Other large projects in energy which are currently being negotiated with fairly good chances of success are the 1000 MW / €1 billion hydro-power station of Tarniţa-Lăpuşeşti, with Sinohydro, and reactors 3 and 4 of the Cernavodă nuclear power plant, with China General Nuclear Power Group (Pencea, Oehler-Sincai, 2014). These two sizeable projects, which had been discussed sporadically with China for many years with no concrete results, took off after the China-CEE16 Forum in Bucharest and its numerous subsequent bilateral meetings, having increased chances of advancing to concluding an investment agreement.

In *infrastructure development*, opportunities are tremendous as Romania needs 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. Besides the older infrastructure projects, the newly discussed project of a *high-speed railway connection* between Constanţa, Bucharest, Budapest and Vienna, is a very attractive one as it could play a significant role in both the intra-CEE, intra-EU cooperation, and their bilateral trade and economic cooperation with China. This new high-speed rail connecting Constanţa

[6] In November 2013, the president of Romania-China Trade and Industry Chamber, Mr. G. Gelmegeanu declared*: "According to the National Bank of Romania Chinese FDI have reached €420 million. But their value is probably double. Actually, investments are much higher because not all the companies chose to increase their social capital."* (www.casarochi.ro, 5.11.2013).

and Bucharest, 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 about 2000 Romanian-Chinese joint-venture companies being hosted. The Constanța-Bucharest-Arad high-speed line crossing the country from East to West, and the industrial park near the Black Sea and along the Danube might be key pieces in the larger strategic plan of setting up a modern new Silk Road connecting Asia and Europe.

4. Conclusions

Romania and China have established diplomatic relations 65 years ago and have a long track of fruitful economic, technologic, scientific and cultural exchanges and cooperation experiences all along this time lapse. During the last few decades they both have undergone major transformations, having, on the one hand, their economic fundamentals substantially changed, and, on the other hand, facing a new international environment, in which their positioning, relations, alliances and integration into the world economy are substantially different.

China has been one of the great beneficiaries of globalization, succeeding for decades in attracting and capitalizing on sizeable foreign capital inflows and in fostering its outstanding growth and development performance. Given its changed economic fundamentals after decades of accelerated transformation, China is now committed to adjusting to its new internal and external realities by implementing comprehensive reforms, including some touching international trade and capital movement. Against this background, in the recent years of lower external demand for Chinese goods and of slowing export growth, China has swiftly raised its outward investments, becoming an increasingly important capital provider in the external markets and managing to rank third in the international investors' world hierarchy. Obviously, in its endeavour, it follows its own interests of securing access to new markets, natural resources, new technologies, sources of knowledge and innovation, distribution networks or reputed foreign brands, but simultaneously it acts as a growth driver in the economies where it invests. Consequently, the other countries, the CEE group included, strive for Chinese capital, the more so in the aftermath of the global economic crisis.

Romania has also changed substantially, becoming a market economy, with a completely different economic structure, deeply integrated into the European Union and striving to develop, modernize and catch up with the technologically and economically advanced EU members in the Western part of the continent. In its endeavour, both cooperation and exchanges inside and outside the EU are of utmost importance. Its comparative advantages, geographic placement, commonalities and complementarities with China create a host of opportunities to develop trade in goods and services, investment and cooperation, which have still remained largely untapped.

According to the European Commission's data, China and the EU are daily trading goods in value of over €1 billion. Comparatively, Romania and China are trading goods of the same amount in six months, as Romania's trade with China is still undeveloped and represents only 0.6% of the EU-China trade. Not only the direct trade volume is low, with asymmetric import and export flows which generate a large trade deficit for Romania, but also the trade structure is unbalanced in terms of the SITC sections involved in the bilateral exchanges. However, attracting more Chinese investments could not only help create jobs, diversify industrial output and raise competitiveness in Romania, but it could also pave the way for larger and more balanced commercial exchanges between the two countries.

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 generated by the outbreak of the global economic crisis, Romania failed to capitalize on its advantage and lost ground in "the race" for Chinese capital. This state of facts could change provided Romania manages wisely the opportunities opened by the "16+1" platform, capitalizing on China's interest to expand globally in strategic sectors – such as infrastructure, telecommunications, agriculture, or energy – taking 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 railways, or renewable energy – and also deriving benefits from China's strategies aiming at building a modern Silk Road which connects Asia and Europe.

To date, the impact of Chinese ODI in Romania has been minor, but it might become significant following the 2013 China-CEE16 Forum in Bucharest, when Romania has achieved a renewed opportunity to attract significantly larger Chinese investments and accelerate both its catching up efforts, and fulfilling its wish of developing a larger and deeper trade and investment partnership with China. To this end, it needs a comprehensive, consistent and stable investment promotion strategy of its own, focussed on attracting high quality investments able to help improve Romania's industrial structure, create jobs and raise competitiveness, as prerequisites of a stronger presence in international markets and in the Romanian-Chinese bilateral exchanges and cooperation.

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