

Belt and Road Initiative and Possible Implications for Central and Eastern Europe Countries

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Abstract: - Many of the Central and Eastern Europe Countries (CEEC) that are subject to The “16+1” Platform under China’s Belt and Road Initiative, including Romania, are member states of the European Union (EU) and their economic development strategies are implicitly dependent on the European Union’s goals, financing mechanisms and regulations. On the other hand, the CEEC’s geographical position, bridging Asia and Western Europe and their economic potential in the global value and production chain make them indispensable for BRI integration within Eurasia. Furthermore, in a more and more restrictive European context, due to Brexit and the refugee crisis, meeting the financing needs for development and economic growth is crucial for this group of countries in order to ensure their real convergence with the more developed West. In such a context, the present paper aims at bringing a contribution to the following pressing question for Brussels, in terms of geopolitical and economic concerns, namely, whether BRI can become a complementary support instrument to the European policies fostering CEEC’s integration with the West and not a competitive strategy hindering EU’s interests. To this aim, we try to investigate some of the features of specific cases of similar infrastructure investments in CEEC, financed by European funds and within the BRI framework, respectively, in order to have a base for a comparative analysis.

Key-Words: - economic integration, economic development, international relations, economic cooperation, geopolitics, European Union, Belt and Road

1. Introduction

The objective of our research endeavour was to deliver a qualitative analysis with respect to existing alternative solutions to the development of physical infrastructure in CEE countries, with the purpose to promote their economic growth, to foster trade and communication and to enhance the quality of life for all their citizens. The research methodology consists of a comparative analysis of case studies, and of a qualitative SWOT analysis of relevant investment.

2. The role of infrastructure for economic development

The research builds on a few premises, which will be briefly described next.

First, the infrastructure investment is still a key factor for economic development, mainly in the case of emerging economies, whose initial stock of capital leaves room for further improvements, both from a quantitative and a qualitative perspective. Economic infrastructures provide services and facilities that enable the functioning of the economy. The infrastructure contributes to economic growth at national level and to reducing regional gaps within and outside of the national borders. It accelerates the capital flows, the free movement of goods, services and labour, locally, regionally and world-wide. It also improves the productivity of economic processes.

Typically, infrastructure sectors refer to: i) Energy sector – refers to all industries directly related to the delivery of electricity and includes generators, transmission and distribution network assets; ii) Telecommunications sector – refers to all forms of telecommunications infrastructure assets for fixed line,

mobile and broadband services; iii) Transport sector, with the following breakdown: iii-a) Airports – refers to all airport infrastructure, including terminals, runways, aprons and hangers, and dedicated car parks; iii-b) Ports - refers to all infrastructure in a port, including container, bulk, break-bulk, non-bulk and commodity ports; iii-c) Rail - refers to fixed assets which form an integral part of rail networks, such as tracks, signalling and stations, including urban rail networks; iii-d) Roads - refers to all paved roads, including highways, motorways and bridges; iv) Water sector - refers to water collection, treatment and processing, transmission and distribution assets, including desalination (Oxford Economics; Global Infrastructure Hub, 2017).

Infrastructures contribute to the citizens’ quality of life and countries’ economic development.

- On the one hand, people need access to clean, safe water for drinking and cooking, energy for lighting and heating their homes, and, last but not least, roads and railways to get to work and travel for leisure, fixed line, mobile and broadband services to communicate. Businesses, on the other hand, need transport infrastructure to reach markets, power infrastructure to produce goods and services and
- Communication infrastructure to improve productivity. Labour and capital, along with total factor productivity, are the factors of production that contribute to the general economic growth and development of a country. The main features of economic infrastructure are described in the *Table 1*, below.

Table 1. Main features of economic infrastructures:

Feature	Effects/ Challenges	Potential Solutions
Large scale	Large capital costs needed	<ul style="list-style-type: none"> - Investments cannot – usually – be financed by a single organization; - Debt is often inevitable and covers a large part of the financing needs
Long lifetime	Robust technologies needed	<ul style="list-style-type: none"> - Assets must be adequately designed to operate in the long run - Unproven technologies carry risks for all parties involved
Long payback time	Stable, predictable operating cash flows needed	<ul style="list-style-type: none"> - Policy stability is necessary to ensure stable revenues to repay investment capital - Regulatory intervention might be necessary to guarantee revenues
Social benefits greater than private returns	<ul style="list-style-type: none"> - Insufficient incentive for markets to provide infrastructure goods - Public intervention needed often - Short-term political considerations and government borrowing constraints may hinder consistent long-term planning and investment 	<ul style="list-style-type: none"> - Regulations are necessary to address market inefficiencies, - Governments often provide infrastructure directly (sometimes with a private sector partner) - Governments look actively for alternative and/ or complementary financing sources in search for optimization

Source: (EUNOMIA, 2018)

Second, the regional context differs significantly between neighbours. Some of the CEE countries are members of the European Union, some of them are candidates to accession and some of them are included in the neighbouring policy of the European Union, but do not enjoy a short-run prospect of integration within EU at all. Also, the economic outlook for this group of countries is different. Some of the countries, like those belonging to the Visegrád Four group, have succeeded to reduce the development gap between them and the Western Europe faster than Romania or Bulgaria have, which, in turn are a step ahead of their neighbours in the Western Balkans. As a common pattern, the entire region is characterized by the same structural differences that make it lag behind of the developed Europe. CEE countries rely on capital flows with the West, on export and trade with the European single market while being insufficiently integrated within the global market. Their main advantage is related to the low costs of production and labour cost, in particular, which ensures them a certain position in the global value chains, but no clear prospects of leaping towards the innovative economy.

The economic integration has been giving a strong impulse to economic growth, trade and opening of the economies to the global flows. However, due to persistent structural differences, the real convergence process in the region has been delayed and the capital inflows tend to target the Western countries, rather than CEEC. Therefore, the catching up process has been very slow.

Third, it has also been noted that starting with 2007-2009, the European Union's resilience in the face of crises of larger magnitude and/or more complex has weakened. Today, the EU is facing difficulties in dealing with the refugee waves, Brexit and economic difficulties in the Eurozone, such as that related to the sovereign debt., All these have affected the general budget allocated for economic development and social cohesion. Thus, the catching-up countries are to confront limited space of intervention, whilst they, nevertheless, require capital investments larger than their more developed peers in order to face regional and global challenges.

It shouldn't come as a surprise then, that China's Belt and Road Initiative has been regarded by many actors as an opportunity for the CEEC to leverage the efforts for economic development. The initiative, though, still has to deliver a positive impact, the process being drawn back by several reasons. Cultural and management differences, non-conformity with the European rules and practices have constituted barriers for the process to advance accordingly. For the non-member states, equally, the Chinese funds could be attractive provided that they are consistent with clear and sustainable development policies and not only deliver short-term promises burdened by disadvantageous long-run economic terms.

3. Comparative analysis of EU funded project of large infrastructure in Romania and BRI funded large infrastructure project in Montenegro

For the purpose of the analysis, we have chosen two different approaches of infrastructure development in two countries that are located in the same region, South-Eastern Europe, Montenegro and Romania. Romania is one of the youngest member of the European Union, since its accession in 2007, while Montenegro is one of the youngest countries of the region, separated from the former Republic of Yugoslavia. Nowadays, Montenegro is engaged in the process of EU accession. Both countries are part of the "16+1" Platform to engage with China in a collaborative process of economic development, on the premises of mutual interests.

Both countries are characterized by an underdeveloped transport infrastructure, namely insufficient roads and railway interconnections with the Western Europe and this is an aspect that hinders their economic growth potential and convergence with the developed countries. The investment in infrastructure is seen as a part of the solution to increase the economic integration of the countries and regions in Europe and an opportunity to reduce the gaps between them. The investment in infrastructure is difficult to advance rapidly without an adequate support from the state or the European Union.

Case study 1. Chinese Motorway in Montenegro

Context

Montenegro is a small country in the Western Balkans, candidate to the European Union accession and a member of NATO since 2017. The infrastructure of Montenegro is not at par with the European standards; the network of roads is not in the category of express roads or motorways. Building motorways is regarded as a main national priority, in order to increase regional development, to make

the interconnections with its neighbours and intensify the economic activity, trade and tourism. The main infrastructure axis connects the Southern port of Bar in the Adriatic Sea to the Serbian border and further on to Belgrade. This is part of the European corridor XI that connects Bari (Italy) with Bucharest (Romania), via Belgrade (Serbia). Building the motorway from Bar to Boljare (Serbian border) is the largest infrastructure project in the history of Montenegro. It is a 164 km long, but very expensive due to rough mountain terrain, which requires very challenging mega constructions of tunnels and bridges. The estimated costs were initially at 2 billion euros, but have been rising up to 2.2 billion euros recently. The motorway project was divided into three phases. The government of Montenegro has started the discussions to call for an international bid, under a public-private partnership. After two failures to assign the contract to the bid winners for sections 1 and 3, respectively, because they failed to provide the banking guarantees in time, in 2011 the government decided to open discussions with China for building the road within a direct assignment arrangement under their bilateral treaty. The discussions were concluded in 2014, the contract successfully being granted to the Chinese companies in order to build the first section of the motorway, with the financial backing of Exim Bank of China and the possibility to build the other sections later on. The works for the first priority section of 41 km that connects Smokovac, near the capital Podgorica, to Matesevo, on the way to Boljare, have started in 2015 and are still under way to date. The section is estimated to be finalized in May 2019. (Seenews, 2017)

Management and finance

What were the main provisions of the bilateral agreement?

- Exim Bank of China offered a loan of EUR 809 million to Montenegro, which covers 85% of the total cost of the first phase of the motorway,
- The loan was denominated in USD (944 million) and carried an interest rate of 2%, with a repayment schedule of 20 years and 6 years of grace period,
- The constructor would be the state-owned China Road and Bridge Group (CRBC), a branch of China Communications Construction Company, the largest construction company in the world,
- The Montenegrin company Monteput would act as the supervisor and project management unit,
- Construction materials, equipment and other goods were to be imported from China, exempted of customs duties and VAT,
- Chinese workers were given 70% of works, equal to two-thirds of the total amount of 3,605 workers needed,
- Any legal dispute would be resolved under a jurisdiction of a legal court in China,
- Subcontractors, most of them from Montenegro, and suppliers from Europe were to be approved.

Issues

Since the works began, apparently, so the financial problems for Montenegro have been soaring. The government hasn't hedged for the negative exchange rate variations, so that the cost of the project has raised to nearly EUR 1 billion, which represents 25% of Montenegro' GDP. The Chinese loan for the first phase has determined a huge increase of the public debt of Montenegro which forced the government to increase taxes, freeze the wages and put an end to some other social policies, like benefits for mothers. Montenegro's debt was expected to reach 80% of GDP in 2018. The IMF considers that the country would not be able to finalize the project anymore and the roll-over of debt will worsen the financial position of Montenegro. The second serious problem is that, at the current stage of project implementation, the motorway is largely ineffective, leading to nowhere. It connects two cities that have a small transit in between, of less than 6,000 vehicles a day, whilst the average traffic in order to render it effective would be of 22,000 to 25,000 vehicles a day. (Reuters, 2018)

Montenegro authorities hope that with the construction of the remaining phases, the highway would boost the economic growth, bring regional development in the underdeveloped North, increase trade with Serbia and improve road safety. But, in order to reach to its destination, the road would require additional USD 1.2 billion. The next two phases are less costly than the first one, due to a less challenging terrain profile, but the option to take on more debt is very improbable. In that sense, the solutions that the government is taking into consideration is a third partner to build and operate the highway, to run it under concession for 30 years to get a return on investment. The government

conceived with CRBC a memorandum of understanding to complete the rest of the road on a PPP basis.

There were worries expressed that this would be used by China to increase its influence over Montenegro.

Case study 2. TEN-T IV, Nădlac-Constanța highway

Context

Since Romania's EU accession in 2007, it was well acknowledged that building the transport infrastructure was a main development priority for Romania in order to catch-up with the developed economies of Western Europe. The interconnection to the neighbouring countries and from there to the Western Europe was set up in correlation with EU's mobility and transport plans coordinated by the European Commission (European Commission, 2018). Considering that European Commission's strategy is integrated for all the member states, for the established corridors of transport priority was given to the investments financed by European funds. In Romania's case, the main corridor is related to Rhine – Danube connection, on West – East route, for all the means of transport: railways, roads, maritime and airlines. Under this framework, considering that more than 70% of transport is made by road, it was designed the TEN-T corridor IV, which connects the Eastern port of Constanta, the largest in the Black Sea, with a motorway to the Hungarian border, via Nădlac. The importance of this road is paramount, taking into account that it would make a shorter distance and time for trade of goods on the East-West route.

At the accession date, there were two functional highways, the one from Bucharest to Pitesti on A1 (110 km) and the one Bucharest to Cernavodă (152 km) on A2. In 2012, the completed road from Bucharest to Constanta (203 km) was opened for transit. The main challenge for the implementation of the investment plans with structural funds was to achieve an effective use of the funds while observing the EU's regulations and best practices. The economic model that many EU countries have embraced for developing their physical infrastructure rely on the absorption of European funds using the operational programs under the wide umbrella of regional development and cohesion policies. The determinant factor that encourages this kind of approach is the financial offer from the European Commission, which imposes a lighter burden on the Member States' public finances. Most of the investment costs are covered by European funds, with a limited financial co-participation from the beneficiary state. The European funds mechanism requires the beneficiaries of the funds (public authorities or companies, in this case, of large infrastructure investments), after an ex-ante evaluation and approval process in front of the EU authorities, to implement the projects with own financial resources (including state budget allocation and/ or banking loans), the expenses incurred, checked and approved by the EU authorities being later on reimbursed, with the exception of VAT. All the funds are allocated without charges or interests, if the objectives and regulations are observed by the engaged parts. The principles upon which the European policies of regional development are built include the concentration of resources, effort and spending, programming of the funds, partnership and additionality (European Commission, 2018). The programming phase is extremely important since it is during this phase when the interests of the member states and of the European Union are accommodated. The programming phase is jointly implemented by the EU and national authorities, considering the national needs, resources, as well as legislative and judicial aspects, the administrative capacity and compliance with European rules and procedures.

For the first multiannual budget framework 2007 – 2013, the implementation process initiated at a disappointingly slow pace. Nevertheless, this was the case of every new member of the European Union to face an initial, more difficult, period of legislative adaptation and strengthening of its administrative capacity. For Romania, it was not much easier, due to its rigid and underperforming administration, wide territorial spread of the projects and administrative structures, lack of project management skills, lagging behind economic reforms and budgetary constraints.

The motorway, which is meant to connect the capital, Bucharest, to Hungary and Western Europe has a total distance of 576 km and was divided in eight segments, including the Bucharest – Pitesti segment, which has already been in use since 1972. The rest of the seven segments are partially functional, under construction or not yet initiated, as it is the case of Pitesti – Sibiu, which is the most complex and expensive section, due to challenging mountain terrain. A number of five sections were carried out during the first multiannual budget framework 2007 – 2013, with the works being finalized during 2011 – 2015 (www.130km.ro, 2018). The entire investment was financed by European funds, except

VAT, and a contribution of 15% of the project value, which was financed from the state budget. The European Commission has granted a three years period of grace to end any project which had been initiated during the envisaged period and claim the reimbursement of the incurred expenditures. After the grace period, the expenditures, already incurred or not, would not be claimed and reimbursed and the beneficiary (the state) would bear all the remaining expenses.

For a better understanding, it is worth examining how the works for one segment have evolved, starting with the preparation phase, and continuing with the project design and execution. To this aim, we selected the Deva – Lugoj segment of the highway, covering a 100 km distance and having an estimated cost of 500 million euros. The highway segment was divided into four sections, with an average of 25 km each. The implementation process started in 2011, with separate international bids for each section. The bids were open to participants, on competition basis, using an open access software SEAP implemented by the Romanian Authority for Public Procurement, which is available for all the public institutions, state companies and even private enterprises.

The construction works for Section 1, of 27.4 km, were won by a consortium consisting of three Italian companies, with a total cost of 151 million euros; the works for Section 2, of 28.6 km, were granted to another consortium formed by two Italian companies, for a cost of 128 million euros; the works for Section 3, of 21 km, were won by a Spanish consortium, for a cost of 132 million euros and those for Section 4, of 22 km, were granted to a Romanian consortium, with a total cost of EUR 93 mil. (National Company for Road Infrastructure Administration, 2018) The schedule of execution provided six months for the technical design and two years for implementation. Most of the works have started in 2013. The deadlines for finalizing each section were 2015 for Section 1, 2021 for Section 2, partially finished in 2017, and 2018 for Sections 3 and 4.

Management and finance

- The contract of works was granted by the Romanian authority in charge with the operational program for infrastructure, with the approval of the European Commission,
- The bidding consortium(s) had to present a banking guarantee for the participation in the bidding procedure, equal to an amount and for the period established by the contracting authority, based on Romanian legislation on public procurement,
- The consortium(s) had to meet all the imposed technical requirements in order to fulfil the tasks. They were allowed to subcontract part of the works, which they have often done,
- Most of the hired workers are Romanians, only few, supervisory staff being foreigners,
- Construction materials and equipment are either supplied by the Romanian subcontractors from the local market, or imported from the EU, free of customs duty, under the single market laws,
- The expenses are carried out by the consortium, which transfers all the documents that justify the activities and expenses to the beneficiary, which is the National Company of Road Infrastructure Administration. Based on an ex-post evaluation and verification of conformity, they reimburse the expenditures from the Romanian Authority of Payments. The Authority of Payments has budgetary provisions of expenses allocated from the state budget for all the programmed investments. Eventually, the Romanian authority claims the reimbursed amounts from the European Commission,
- The funds to cover the estimated expenses must be provided in the state budget allocation which was approved for the operational year,
- The consortium must ensure the cash-flow of the project in order to avoid shortages or delays of payment and works.

Issues

- The rigorous procedure under current legislation regarding public procurement, environmental protection and property regime, monitoring, control and verification from both the Romanian and European Commission authorities, make the process very complex and bureaucratic,
- Each phase which requires an open bid (project design and/ or execution) is usually delayed due to the right of other competitors willing to win the bid to challenge the results of the contest, for technical, economical or eligibility reasons. Most often than not, the bidding processes have been cancelled and initiated all over again. This has generated significant delays in project implementation, additional costs and litigations for the companies engaged in

the process and the beneficiary,

- There have been problems related to the technical capacity of the Consortiums and their subcontractors. In some instances, when the winning Consortium and/ or its subcontractors didn't provide the required guarantees or didn't meet the technical conditions the contract needed to be prematurely terminated. Sometimes contractors participate simultaneously in numerous bidding procedure and, when successful, end up committing to assignments far exceeding their capacity, with the potential to generate delays in project implementation. Large parts of the works are, therefore, subcontracted to local companies, which often don't have the technical ability to fulfil the tasks, missing the qualified staff, workers or equipment,
- The size of the labour force in Romania's construction sector is highly volatile. Free movement of labour across EU, higher quality of life incentives and wages in the West, the rapid rise of construction works demand in the economy have created many opportunities for and flexibility of the local labour force. Labour mobility and better working conditions elsewhere have the potential to generate a shortage of qualified workers in the construction sector and this can become a problem for any company engaged in road infrastructure projects, which leads to delays of works and rescheduling of operations,
- Although the EU funds are said to be free of charge, as they don't carry any interest rate, the allocation of funds from the state budget, due to the way the European mechanism of payments is designed, induces an increase of budget expenditures and sometimes a budget deficit, which requires a proper fiscal response,
- Although the projects are denominated in euro equivalent, the exchange rate is usually stable, Romania adopting most of the European provisions related to the monetary union and financial stability. In that respect, the currency risk is limited. Nevertheless, sometimes fluctuations of the exchange rate do occur, with the unexpected depreciation of the national currency inducing additional costs to the projects.

4. SWOT Analysis of Chinese versus EU funded investments in infrastructure

In what follows, *Table 2* and *Table 3* we present the results of a SWOT analysis, based on the features of each of the cases presented above, which could, in turn, be taken into consideration as a base for the comparison of advantages and disadvantages of the two mechanisms available for the development of public infrastructure in the region.

Table 2. SWOT analysis of Chinese investments in infrastructure in CEECs, from their perspective

Strengths	Weaknesses
<ul style="list-style-type: none"> - Strong political commitment for reaching the project objectives, - Competitive costs of transfer and ancillary, respectively, - Experience and resources of contractor readily available to timely deliver in each of the project's phase, - Safety of contract pillars, considering the unitary approach with respect to: management, legal and financial issues, technical compliance and guarantees. 	<ul style="list-style-type: none"> - Dependency on China's policy objectives and on a single source for project management and finance, - Limited capacity to negotiate the size of the financial support in line with the country's reimbursement capacity, - Limited use of local resources, including labour force, with a lower multiplying effect on economy, - Cultural differences, with potentially negative impact on project management outcomes, - Weak provisions for control of conformity and technical surveillance of the works, - Subpar compliance with EU policies and regulations regarding technical standards, public procurement rules and transparency, - Lower budget incomes due to duties exemptions

	on construction equipment and materials imports.
Opportunities <ul style="list-style-type: none"> - Increased economic integration, regional development and growth at the national level, - Better infrastructure connectivity with neighbouring countries, - Increase of local, regional transregional and global inbound and outbound flows of trade and investments, - Better road safety, - Diversification of cooperation with China. 	Threats <ul style="list-style-type: none"> - Not meeting the envisaged economic target indicators (efficiency and effectiveness) for the road infrastructure due to poor correlation with the implementation of complementary infrastructure investment initiatives at the national and regional level, with implications on the financial sustainability of the public debt, - Further financial risks related to the currency exchange rate deterioration, which increase both the financial and the works costs, - Legal barriers and opacity of contract, - Potential corruption of government officials in the context of reduced transparency, - Control and verification of feasibility and technical conformity might be rigged, - Potential damage to the environment, - Externalizing of works, potential losses for local workers, - Increased geopolitical exposure to China, affecting the other players' interests in the region (EU).

Source: authors' analysis

Table 3. SWOT analysis of EU funded public investments in infrastructure in CEECs, from their perspective

Strengths <ul style="list-style-type: none"> - Alignment with EU policies for regional development and integration - programming, financing and coordination, - Compliance with EU regulations regarding legal aspects and technical standards, transparency, control and verification, - Availability of EU best practices of and resources for project implementation, - Relative safety of financial flows and lower fiscal burden (non-reimbursable funds). 	Weaknesses <ul style="list-style-type: none"> - High fragmentation of the infrastructure project design and implementation, with subcontracting of main works and tasks, - Complex bureaucratic procedures for each project phase, - Higher cost of transfer for authorities and companies due to red tape, - Potential shortages of qualified workers, equipment and management skills, - Costly compliance with complex technical construction standards.
Opportunities <ul style="list-style-type: none"> - Interconnectivity with neighbours and trading partners, - Increase of trade and global access for businesses, - Economic growth and employment, - Foreign investments, - Environment protection, - Better road safety, - Fostering of European integration and regional development, - Promotion of sustainable, inclusive and smart growth, under the EU agenda. 	Threats <ul style="list-style-type: none"> - Delays in project implementation, - Insufficient mobility of workers, - Cash-flow variations due to budgetary constraints, unavailability of other financial resources and delays in payments disbursement from the European Commission, - Not meeting the envisaged economic efficiency and effectiveness targets of the infrastructure project, - Weak administrative capacity of local and central authorities in charge with project

	implementation, - Weak technical capacity of subcontractors, - Increase of budget expenditure and sometimes of the budget deficit.
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Source: authors' analysis

5. Conclusions

In this paper, we presented a qualitative analysis of existing alternative solutions to the development of physical infrastructure in CEE countries. Based on a couple of case studies, we identified the advantages and disadvantages of choosing one solution or another for public investment in large infrastructure. The case studies reflected the main characteristics of public investment based on Chinese Belt and Road Initiative, developed in Montenegro, respectively of a motorway project developed in Romania, based on European funds.

What both types of public investments showed was that there are still many opportunities and leverages that investments in infrastructure could drive. Economic infrastructures provide services and facilities that enable the functioning of the economy. Both type of international investments (BRI and EU policies) contribute to the quality of life and economic development, foster growth and development, facilitating trade and investment flows and labor force mobility.

Despite that, there are significant differences with regards to the practices and the management of the entire process of projects' implementation between the two models. While BRI projects are characterized by an integrated management and straight forward looking, the EU projects are characterized by an integrated strategy and programming. The integrated management leads to a stronger political commitment to deliver the results, a lower cost of implementation and safety of the contract pillars. The integrated strategy and programming, on the other side, lead to better alignment of EU policies and interests, regional development and interconnectivity, compliance with EU regulations and objectives, safety of financial flows and a lower fiscal burden on the state budget.

BRI projects are affected by lack of strategic development, they deliver an infrastructure which is not clear how would integrate with the regional perspectives. The risk of not meeting the economic targets and the investment return is increased. The beneficiary could eventually obtain a partially irrelevant road that leads to nowhere, but that could bear a huge cost of maintenance and loan reimbursement.

On the other side, EU funded projects are affected by lack of integrated management. The cost of red tape and the exhausting bureaucratic process more often increase the risks of delaying the implementation with years, there is a higher cost of compliance with regulations and a high fragmentation of projects.

Another conclusion is that there are cultural and practical differences of project management, which the Chinese partners need to observe in order to comply with EU regulation in order to cooperate with CEE countries. There is still a lot to improve in order to make Belt and Road Initiative compatible with EU objectives and practices, but what the analysis showed was that there is a potential for Chinese investments to become a complementary source to the EU policies, considering the regional development needs of each CEEC.

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