THE IMPORTANCE OF CHINESE INVESTMENTS IN THE ONE BELT, ONE ROAD INITIATIVE

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Abstract: The 16+1 cooperation initiative, involving the People's Republic of China and the 16 countries of Central and Eastern Europe, was officially launched in 2012. Each of the countries has its own cooperation priorities, but the majority of the investment projects which are part of the initiative is in the areas of transport infrastructure, agriculture, energy, logistics, health, etc. This cooperation initiative is complementary to China's landmark foreign policy project, One Belt, One Road; together, they determine China's attitude towards these 16 countries. Firstly, this paper will view the main sectors of Chinese investment throughout the countries of Central and Eastern Europe since 2012. This will be followed by the investment projects which have been completed, as well as the most recent announced projects and their estimated value. Five years after the official launching of the 16+1 cooperation initiative, it is clear that not all countries in the region have benefited equally from the initiative - while some have maintained enthusiasm due to a large number of implemented projects and tangible results, the others are still waiting to see tax revenue flowing into their budgets and are growing sceptical. The authors point out that dominant countries such as Hungary, Poland, the Czech Republic, Romania, Serbia or Bulgaria have seen most of the benefits; although it is unrealistic to expect equal benefits to all 16 countries of Central and Eastern Europe, the initiative will be fully successful only if major Chinese companies gain a stronghold in those countries in which they were absent until now.

Key words: People's Republic of China, Central and Eastern Europe, Serbia, 16+1, cooperation, investments.

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ONE BELT, ONE ROAD INITIATIVE AND ITS ECONOMIC IMPORTANCE

China's tremendous economic development has made China an increasingly attractive economic partner in the first and second decade of the 21st century. During this period, the ancient Silk Road trade route became attractive once again. Its symbolism in the different geopolitical circumstances served China as the ideological basis for the proliferation of ideas of the "New Silk Road", which has become, within the political paradigm of the "Chinese dream", the leading national development strategy. Building on the earlier proclaimed policy of the "Peaceful Development", this strategy conceptually shaped China's efforts to consolidate the regional security and to ensure the harmonious economic development of most of the world. This strategic concept of Chinese foreign policy came up together with the economic concept of "Open door" which was applied in China by more than three decades and that led to the market-oriented reforms and gradual process of liberalization from which were removed the internal barriers in terms of movement of goods, labour and capital (Hongyuan & Yun & Qifa, 2012, p. 128, etc). Starting from 2000, onwards, China has made significant progress in the global market. Joining the World Trade Organization and by strengthening their economic capacity, China has managed to occupy one of the leading positions in the world economy. Unfortunately, today, as well as other global powers, China is faced with serious economic threats which are caused by the world economic crisis and internal social tensions. These problems were put aside exports and foreign direct investment as a leading Chinese economic development model. Given the difficult business conditions, China tries to find new export markets or preserve existing ones. This is the main reason why the "New Silk Road" has developed in two political framework initiatives expressed through the phrases: *the Silk Road Economic Belt* and *the 21st century Maritime Silk Road* and which is usually referred to in China as *Yi Dai Yi Lu (One Belt, One Road).* The "Silk Road Economic Belt" initiative called by the Chinese President Xi Jinping in September 2013, aims to promote cooperation between China and countries in Asia and Europe, according to the new model, which should include: "1) strengthen policy communication, which may help 'switch on a green light' for joint economic cooperation; 2) strengthen road connections, with the idea to establish a great transport corridor from the Pacific to the Baltic Sea, and from Central Asia to the Indian

Ocean, then gradually build a network of transportation connections between eastern, western and southern Asia; 3) strengthen trade facilitation, with a focus on eliminating trade barriers and taking steps to reduce trade and investment expenses; 4) strengthen monetary cooperation, with special attention to currency settlements that could decrease transaction costs and lessen financial risk while increasing economic competitiveness; 5. strengthen people-to-people relation" (Xinhua, 2013).[2] On the other hand, the second initiative of the "21st century Maritime Silk Road" which was first mentioned by the Chinese President Xi in early October 2013, should serve for the improvement of maritime economy as well as environment protection, science, technology and security cooperation along the sea routes of southern Eurasia, from the Pacific coast to East Africa, the eastern Atlantic shores and Mediterranean.[3] *The Belt and Road initiatives* have been proposed with the purpose of benefiting both China and the countries along the land and maritime route. They are open to all countries and international organizations (for example: Shanghai Cooperation Organization, the Eurasian Economic Community, Asia-Pacific Economic Cooperation, Asia-Europe Meeting, ASEAN plus China, BRICS, etc.), while adhering to the principles of mutual respect and common interests. The most important common economic interests include the improvement of trade and investment flows (facilitated through greater use of local currencies in cross-border exchange,

[2] Professor Liu Zuokui from the Institute for European Studies of the Chinese Academy of Social Sciences points out that: "The Silk Road Economic Belt has three routes on the corridor which refers to the Siberian Continental Bridge (also known as the First Eurasian Continental Bridge), starts from Vladivostok in the eastern part of Russia and ends in Rotterdam in the Netherlands; the New Eurasian Continental Bridge (also known as the Second Eurasian Continental Bridge), begins in Lianyungang in east China's Jiangsu Province and ends in Rotterdam. It exits China *via* the Alataw Pass and runs through Central Asia into Russia, Poland, and Germany; the third is the Eurasian Continental Bridge that is now on the drawing board. This proposed route would start from Shenzhen in Guangdong Province and end in Europe via Myanmar, Bangladesh, India, Pakistan, Iran, Turkey and Bulgaria". (Liu, Z. 2015, p. 186).

[3] According to the recent information, published by the Xinhua agency, the Maritime Silk Road begins in Quanzhou (Fujian) and hits other southern Chinese ports (Fujian, Zhejiang and Guangdong) before heading to the Malacca Strait. From Kuala Lumpur, the Maritime Silk Road heads to Kolkata, crosses the rest of the Indian Ocean to Nairobi and then around the Horn of Africa into the Mediterranean – with final stops in Greece and Italy.

and through currency swap arrangements between the People's Bank of China and other central or national banks), the improvement of transport infrastructure (the railway and highway network, and the deep water port facilities) and deepening economic integration (greater access to the Chinese market for all countries along the route, and *vice versa*) (Dimitrijević & Jokanović, 2016a, pp. 26-27; Xinhua, 2015a). In order to achieve these initiatives, China and the states concerned from different continents have established the Asian Infrastructure Investment Bank (AIIB) with the initial capital of 100 billion US dollars earmarked for funding infrastructure projects and promoting regional interconnectivity and integration (Xinhua, 2015b). In line with the published Chinese projections, both of these initiatives are expected to become fully operative by 2025 (Escobar, 2014). These initiatives should boost the revitalization of the large part of the world which covers the vast area with more than 4, 4 billion people. It is expected that the total value of these initiatives surpasses 21 trillion US dollars (almost one-third of the world's GDP) (Janković, 2016, p. 6). The network of investments that includes *the Belt and Road initiatives* might create the landmark infrastructure projects of the 21st century *(World Land-Bridge)*, encompassing 60 or more countries from different continents (Zepp-LaRouche, 2015, pp. 2, etc.) Therefore, the importance of *the Belt and Road initiatives* is huge taking into account the number of countries they could encompass and the potential economic benefits for all of them. Hence, *the Belt and Road initiatives* indicate a positive climate for building a new international economic system that could bring prosperity to a large number of countries that are on the "New Silk Road", including Serbia, which, according to its specific position in international relations has a special significance for their implementation.[4]

[4] It seems very interesting to note that China came out with a list of priorities within *the Belt and Road initiatives* in February 2015. These priorities include building transporting infrastructure, facilitating the flow of investment and trade, simplification of customs procedures, the construction of logistics centres, financial cooperation, with the expansion of cooperation between nations through intensifying exchanges in culture, education, science, etc. In March 2015, the National Development and Reform Commission announced an important strategic document titled: "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road". This document outlines the framework of cooperation within *the Belt and Road initiatives* (National Development and Reform Commission, 2015a). The same Commission

EU AND THE OBOR INITIATIVE – BETWEEN APPROVAL AND SCEPTICISM

The EU and its member states all have different views and expectations of the OBOR initiative. For the most part, the experts agree on the potentially positive effects of the initiative – David Gosset of Shanghai's China, Europe International Business School describes the initiative as capable of reshaping the Eurasia (in terms of prosperity and cohesiveness) if it is successful (Xinhua, 2015d). Bai Ming of Chinese Academy of International Trade and Economic Cooperation assumes that OBOR would result in China's additional open-up to the Western businesses and more opportunities for Chinese businesses throughout the EU (Xinhua, 2015d). Another author mentioning the benefits of the OBOR is Zhu Dan of European Union Chamber of Commerce in China – she views OBOR as a possible remedy of the EU's economic hardships and believes that China and the EU have a complementary economic structure (Xinhua, 2015d). One of the experts highlighting the EU's internal insecurity about China, the OBOR initiative and China's increasing presence in Europe is Dragan Pavlićević (Pavlićević, 2015). As he notes, China's cooperation with Central and Eastern Europe (CEE) is being constantly monitored and assessed in the EU institutions; the fears persist that OBOR is capable of splitting the EU so as to better accommodate Chinese interests, despite the reassurance from Chinese Premier Li Keqiang that China is in full support of the European integration (in December 2014) and that OBOR would contribute to fewer differences in development and living standards between different EU regions, while fully following the EU legal standards (Pavlićević, 2015). Pavlićević sees the China-CEE ties as dependent on the broader EU-China policy; he underlines the political control Brussels is exerting over the EU's central and eastern parts and believes that the China-CEE relations would worsen should the EU institutions and officials take a more radical approach towards China.

adopted on 22 October 2015, the "Action Plan for Harmonization of Standards along the Belt and Road (2015-2017)" which confirmed that the objectives of the previous adopted document *(Vision and Actions)*, will be achieved in practice (National Development and Reform Commission, 2015b).

CHINA AND THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

When the Chinese President Xi Jinping launched the Maritime Silk Road and the Silk Road Economic Belt initiatives (which together became known as the OBOR), it became clear that the 16 countries of Central and Eastern Europe occupy a major position in the initiative – they link China and its targeted markets in Western Europe. The OBOR initiative coincides with China's cooperation mechanism with the 16 CEE countries (the 16+1 platform), and the two complement each other. The strong ties between China and CEE countries will surely increase the chances of success of the OBOR initiative. The 16+1 platform was launched in 2011 during the then-Chinese Premier Wen Jiabao's visit to Budapest and has been one of the dominant topics in European affairs ever since; the initial document, presented at the China-CEEC Economic and Trade Forum, was the five-point proposal to strengthen the mutual ties. The next such summit happened in Warsaw the following year (the first China-CEEC summit), and this proposal was deepened and broadened into a 12-point initiative. This document has remained a backbone of China's approach towards the CEE countries – during its implementation, the Secretariat for Cooperation between China and CEE was established in September 2012, the special credit line of USD 10 billion aimed specifically at the CEE countries was launched, and initial steps were made to stimulate Chinese investments in special economic and technology zones in CEE countries. The initial points of common interest for China and the CEE countries also included the financial and banking sectors, transportation (the prospects of construction of a network of highways and high-speed railways), cultural, scientific and educational cooperation (scholarships and the broadening network of Confucius Institutes) and coordination of activities on tourism promotion. Finally, the researchers of the China-CEEC ties have received another source of funding and support, a research fund dealing specifically with this topic. In November 2013, the China-CEE summit took place in Bucharest, Romania; the key document of this summit was the Bucharest Guidelines for Cooperation between China and CEE. The main motto of these guidelines remained the win-win cooperation, bearing fruits for all participants in areas of investment and trade, science and technology, innovation, environmental protection and energy (nuclear energy and the renewable, in particular), infrastructure, people to people exchanges and culture. The parties to the Bucharest

Guidelines have encouraged each other to connect China and the CEE countries by highway and high-speed railway, while simultaneously setting the distribution and logistics network. The document compelled the financial institutions of China and CEEC to design the full use of the previously mentioned USD 10 billion credit line so as to promote the China-CEE economic cooperation and trade. At this time, the China-CEE Investment Cooperation Fund was officially launched and more financial institutions and businesses were invited to support the fund. The Bucharest Guidelines also supported the People's Bank of China and the central banks of CEE countries in signing agreements of currency swaps, while promoting local currency settlement as one of the means to promote trade and investment. The 3rd China-CEE summit was hosted by Serbia in 2014 and saw the drafting and the adoption of the Belgrade Guidelines for Cooperation. The parties to the guidelines support the establishment of the China-CEE business council (with Warsaw as its seat). The Belgrade Guidelines acknowledged the founding of the Secretariat of the contact mechanism for the China–CEE investment promotion agencies, with offices in Beijing and Warsaw. In addition to the invitation for a full use of the USD 10 billion credit line which was present in the previous two guidelines, these guidelines commended the Sino-Hungarian and Sino-Albanian currency swap agreements (Chinese currency, the Yuan RMB, is to be used by business circles as the settlement currency in cross-border trade and investment). At the China-CEEC summit in Belgrade, China pledged to increase the funds available in cooperation with the CEE countries, all according to the European standards. Most of the attention during the summit was given to the future high-speed railway connecting Belgrade and Budapest. The total length of railways is 350 km, of which the length of the Serbian side is 184 km and of the Hungarian side is 166 km. In addition to the existing track, the plan envisages the construction of another, mixed type, for passenger and cargo transport. Preliminary estimates released to the public, saying that the value of the project could be amounted from EUR 1.5 to circa EUR 2.5 billion. The total value of shares through Serbia was estimated to circa EUR 400 million.[5] After

[5] In the previous period, the Serbia Government has been actively working on keeping the coast of the Serbian section of Belgrade-Budapest railway down, even below EUR 400 million. This represents a significant reduction from the originally announced budget of over EUR 850 million. Instead of making a new loan arrangement with China, Serbia

the trilateral meeting of the representatives of China, Hungary and Serbia, held in Belgrade in early September 2016, the parties agreed that the signing of a commercial contract on the project of modernization and reconstruction of the Belgrade-Budapest railway should be performed at the fifth Summit of the mechanism of "16+1" in Riga, in November 2016. Finally, at the 5th Summit in Riga, Serbian company *Serbian Railways,* together with the Representative of the Government of Serbia, signed a commercial contract for the construction of the first section of speed railway Belgrade - Budapest (from Belgrade to Stara Pazova length of 34.5 km), with a consortium of Chinese companies - *China Railway International* and *China Communications Construction Company* in the amount of circa EUR 319 million. Serbia has signed the Memorandum of Understanding with the Chinese Exim Bank, which envisages lending to the construction of that section of railway high-speed railway through Serbia. (Politika, 2016, p. 5). On the basis of the data presented, it is essential to understand that the construction of the Belgrade-Budapest railway is a part of China's New Silk Road strategy, which aims to connect the port of Piraeus with Central and Western Europe through Macedonia, Serbia and Hungary. The railway project will serve as an important impetus for the economic development of Serbia, Hungary and other countries in the region. The importance of this project for Serbia is also echoed by Prime Minister Aleksandar Vučić who sees marks that "the Belgrade-Budapest railway would contribute to the realization of the transport networks, as well as to the movement of people and goods, which would hitherto encourage the creation of logistics routes and distribution centres, and long-term access to new markets".[6] At the 4th China-CEEC Summit in Suzhou, in November 2015, Serbia became a leader among CEEC

is interested in financing the project through its own budgetary means or with the help of a previously agreed loan with Russia (Pavlićević, 2015a).

[6] Very interesting may be the fact that Serbia and countries in the region have not given up of the project "Morava", which is also considered a possible direction in the framework of implementation of the strategy of the "New Silk Road". Namely, on the basis of the Protocol signed in January 2013, *China Gezhouba Group Corporation* (CGGC), has prepared a feasibility study for the construction of part of the channel "Danube-Morava-Vardar" through Serbia. The study included the project "Channel Morava", whose value is estimated at EUR 4, 5 billion. As a potential contractor in 2016 mentions the Chinese company *Bonn Project*.

in implementing joint infrastructure and energy projects with China. In Suzhou, China and CEEC supported Serbia's efforts to establish a China-CEEC centre for transport infrastructure and cooperation in Belgrade (Kong, 2015). Bearing in mind Serbia's geographical location, traffic and energy connections with the region and beyond, the heads of government of China and CEEC concluded that Serbia could be an important link along the Silk Road. Therefore, the parties gave support for the construction of industrial parks along the Danube. In addition, in the field of Serbian transport infrastructure, China also supported investment in the two sections of Corridor 11 (highway E-763 Belgrade-Bar): Obrenovac-Ub and Lajkovac-Ljig, in total length of 50.23 km. According to Anton Spisak, only 8% of all foreign direct investment in the EU members in Central and Eastern Europe are of Chinese origin (with significantly larger percentages in favour of western European countries such as Germany, France, the UK, etc.). Although the total amount of Chinese investment in the CEE lags far behind the one of leading EU members, some countries have seen more benefits from this investment than others – Anton Spisak singles out Hungary and Poland as countries where 40% and 20% of Chinese investments landed, respectively; as for the non-EU members from the region, the dominant destination for Chinese investment is Serbia with 66% of the total Chinese capital flow towards these countries (Anton Spisak, 2017). Poland is also the country where an anticipated infrastructure project with Chinese funding during the late 2000s, a proposed highway connecting Warsaw and Berlin, ended with failure – due to the fact that the Chinese companies involved in the project were not fully adhering to the European rules and standards and unable to overcome the opposition, the project was cancelled and these companies had to withdraw (Vasily Kashin, 2017). The evolution of China-CEE cooperation and its importance has been monitored and studied by numerous authors; among them is Liu Zuokui with his advice to participating countries to reach an agreement in easier issues first – the initial successes would offer impetus for the broadening and deepening of the cooperation and the tackling of the more difficult issues. Liu continues by suggesting the evasion of economic and political risks to the Chinese Government; the interest of Chinese Government would best be served by respecting the market laws, assigning the front seat to the enterprises and letting the key projects shape the cooperation. When analysing all effects of all of these summits between China and the CEE countries, it can be concluded that the

“16+1” platform may serve as a catalyst which would bring some new approaches to development and strategic partnership in various productive spheres. Even more, the cooperation between China and the CEE countries is in line with China’s objective of being a partner for growth with the EU. In other words, China regards the renewal of its relationship with the CEE countries as a precursor to the improvement of the China-EU relations, and believes that, by enhancing the overall level of China’s relations with the CEE countries, a healthier China-EU relationship will also be promoted.

CHINESE INVESTMENTS IN THE CEE REGION

The Chinese investments in the CEE countries amounted to 1.697 billion US dollars in 2014 (Agatha Kratz, 2014) and have been growing faster and faster ever since. They represent a huge opportunity for development as well as good evidence of the successful conduct of foreign policy of China and the CEE countries which promote economic cooperation not only at inter-regional but also at the global level and contributing to the harmonization of relations between East and West. In this context, the mechanism of multilateral cooperation “16+1” represents a significant political tool by which it is possible to achieve the development of mutual cooperation between China and the countries of Central and Eastern Europe, as well as the achievement of a comprehensive strategic partnership between China and the European Union.[7] Agnes Szunomar has compared the characteristics, motivations and location determinants of Chinese

[7] At the fourth Meeting CEEC and China held on 24 November 2015 in Suzhou (China), the Prime Minister of China Li Keqiang said: “China supports the European integration process, as well as a united, stable and prosperous Europe that plays a greater role in the international community… China’s cooperation with the 16 CEECs will not result in fragmenting the European Union. Much to the contrary, it will help deepen cooperation between China and the European Union and narrow the development gap between the eastern and western parts of the European Union… China-CEEC cooperation is undoubtedly part and parcel of China-Europe cooperation, and the two could naturally go in parallel and be mutually reinforcing“. (Pavlićević, 2015b, p. 12). According to the Joint Statement made during President Xi’s trip to EU headquarters, China and EU decided to develop synergies between China’s “Silk Road Economic Belt” initiative and EU policies and jointly to explore common initiatives along these lines (Joint Statement, 2014).

investments in the CEE countries with their counterparts from other East Asian countries, but also from the developed European countries and the US. Unlike Western and other East Asian investors who are driven by labour costs, market size and corporate taxes, Szunomar describe the Chinese investment as being institutionalized-guided; the institutional factors sought by Chinese companies are the size of the Chinese community in the country receiving the investment, investment, privatisation and public procurement opportunities, as well as the quality of political relations between the recipient country and China (Szunomar, 2016). The dynamics of future Chinese investment in the region remains to be seen – although the Chinese investments in Europe experienced a rise (35 billion Euros in 2016, an increase of 77% compared to 2015), there are signs of a slowdown due to the reduced foreign exchange reserves in China and the fact that the Chinese authorities want to prevent capital outflow (ČTK, 2017); if the Chinese investments in Europe are to be decreased, the same will happen with the Chinese investment in the CEE region.

Serbia

As Serbia is an active participant into the cooperation mechanism “16+1”, Serbia could also be a good partner in the realization of the Chinese development strategy of the “New Silk Road”. First, because the relations between the two countries imbued with mutual understanding and trust, and second, China and Serbia are sufficiently open to promote various forms of economic cooperation (Janković, 2016, p. 16). This is best reflected in the presence of the Chinese investments in the CEE countries that contribute to improving industrial capacity and living standards. However, in this regard, there are certain doubts because the participation of the Chinese investments in the CEE countries’ economy remained modest (Jackoby, 2015). Also, their importance for accelerated economic growth is limited to certain industries such as transport infrastructure, energy and ICT sectors. Although there is a tendency of growth and expansion in other industries, these investments are criticized that are exclusively based on the state-to-state loans by providing state guarantees, which in the long run brings into question their feasibility and financial profitability. Of course, there are some general weaknesses that are not related directly to the Chinese investment since they stem from the macroeconomic indicators of CEEC economies that prevent their greater financial efficiency (for example: inadequate economic structure, insufficient use of production capacities, outdated technology, inflexible labour market, limited domestic consumption, poor liquidity, lack of transparency of institutions and procedures, administrative barriers, corruption, etc.). The authors in this regard focus their analysis on the concrete examples of the CEEC-Chinese investment relations in the last decade. For example, as they have entered Serbia, the Chinese companies have aimed for energy, ICT telecommunication and agriculture sector. First investment in energy sector relates to the revitalization of Kostolac B Power Plant with a value of $293 million. This project is funded by China on the basis of state-to-state loan under preferential conditions. It is important to be noted that the *Chinese Exim Bank* had approved to Serbia the new loan of $ 608, 26 million to build a new thermal block Kostolac B3 of 350 MW and for the expansion of mining pit Drmno from 9 million tons to 12 million tons per year (Pavlićević, 2015b, p. 11). The loan had approved with a repayment period of 20 years, a grace period of 7 years. The total value of the second phase of the revitalization of Kostolac Power Plant is EUR 715.6 million. The necessary additional funding will provide Serbia and its public company *Electric Power Industry of Serbia* (EPS). A new thermal bloc will be built in 58 months and it is expected that the works will be completed by the end of 2019. The revitalization and construction of thermal power plant Kostolac were taken over the *China National Machinery and Equipment Import & Export Corporation* (CMEC). The Chinese companies *China Environmental Energy Holdings* (CEE) and the *Shenzhen Energy Group* (SEC), in consortium with the Serbian public company *Electric Power Industry of Serbia* (EPS) participate in the construction of Block 3 Thermal Power Plant Nikola Tesla B in Obrenovac and mining pit Radljevo. The projected installed capacity of the new unit is 744 MW. The total project cost is estimated at over EUR 2 billion. According to information published by the public, the new power plant should become an independent producer of electric power in a majority Chinese ownership. The dynamics of implementation of the project is uncertain, due to the floods that hit Obrenovac and its surroundings in 2014. In addition to these investments, China has invested in Serbian IT sector. These investments contribute to accelerated economic and technological development of Serbia and they are very important for Serbia's inclusion in the modern economy. An illustrative example is the investment in Serbian integrated telecommunications system for which the

Chinese company *Huawei Technologies* and *Serbian Railways* company have signed the Memorandum of Understanding in 2011. This MoU has, followed by the agreements on technical cooperation in 2012, and in 2013. The estimated value of the project amounts to circa EUR 200 million. The first phase of modernization should be completed by 2018, and the total value of the works is estimated at EUR 78 million. Planned sections of railway lines were Corridors 10 and 11, Pančevo-Vršac and Požega-Kraljevo-Lapovo. Another significant example is the investment in the Serbian company *Telekom* agreed in July 2016. The agreement that was signed with *Huawei Technologies* provides the procurement of equipment and materials, construction and provision of services for the implementation of the ALL IP transformation. Investment is based on a Chinese bank preferential loan, amounting to EUR 150 million. Strategically, probably the most important Chinese investment in Serbia is an investment in the Serbian company in Smederevo *Iron Works Ltd*. This investment speaks in favour of the overall growth of the Chinese industrial investments in Serbia (Yang & Zhang, 2016). The importance of this investment of EUR 46 million is expressed through the reduction of the deficit of Serbian foreign trade balance with China, as well as the increase in GDP of 1%. Also, this investment affects employment growth and living standards. The investment includes an additional investment of at least EUR 300 million, increases industrial activity and capacity of the Serbian economy (Politika, 2016, p. 5). In this way, further incentives for the Chinese investments in Serbia would represent the mutual benefit because they promote the mutual economic cooperation, raise the level of political relations and improve the cultural, scientific and technological exchanges and cooperation, and thus create the preconditions for the realization of long-term development strategy of the "New Silk Road" as a pledge for a common future.

Bulgaria

When it comes to Bulgaria, agriculture is the dominant cooperative sector and the attraction to Chinese businesses. A large number of investment projects (with a goal of developing an industrial park on different locations in Bulgaria) have been announced and received media coverage, but few of them thus far become a thing of reality (among them was the Tianjin State Farms Agribusiness Group's ambition to build a 100 million euro-worth food processing industrial park; the same company is also renting land in northwestern Bulgaria for agricultural purposes) (Novinite, 2014). One of the investments that is fully operative is in the automotive sector - China's Great Wall Motors has invested in a production facility in Lovech; the production goal for this facility was set at 50 thousand passengers and freight vehicles every year (Bal, 2013). A number of new projects have been announced in the previous months, and it remains to be seen if and when they will be completed and if they will increase the total Chinese investment in Bulgaria which currently does not exceed 100 million euro. One of them includes a signed Memorandum of understanding about redeveloping an old zinc mine in southwestern Bulgaria; on the Chinese side, the memorandum was signed by a group of private Chinese investors (Cheresheva, 2017). However, the most notable new project is the construction of Saint Sofia, a massive tourist and entertainment complex in the town of Elin Pelin near Sofia – the value of this project is estimated at 750 million euro, and it envisages the construction of hotels, casinos, an aqua park, conference halls, a shopping mall, offices and public green spaces. According to the initial estimates, Saint Sofia (already referred to as "the Bulgarian Las Vegas") is to be completed within three years; the company in charge of the project is the Chinese-owned Bulgarian Development Holdings Limited, BDHL (Cheresheva, 2017). This is not the only recent Chinese real estate project in Bulgaria – the Chinese investors have signalled their interest in transforming a private airport in southwestern Bulgaria into an international cargo hub linked to the railroad network (a project worth 100 million euro), and building luxury hotels, a marina port and a casino in the Thracian Cliffs golf resort on the Bulgarian Black Sea coast (a project worth 200 million euro) (Tsvetelia Tsolova, 2017). Apart from the above-mentioned projects, it is worth of mentioning the China Railway Rolling Stock Corporation (CRRC) 300 million euro investment in Bulgarian Railways (BDZ). Of this amount, 130 million euro will be used for refinancing BDZ debt, whereas the rest will be used for acquiring new electric and diesel trains from CRRC. This investment is to be repaid through capital transfer from the Bulgarian state to the BDZ (Novinite, 2017). In addition, the Chinese e-commerce heavyweight Alibaba is willing to build a logistics centre in Burgas, on the Bulgarian Black Sea coast, to service its European orders and to offer Bulgarian commodities and food on its trade platform, whereas GS Solar Company considers building a solar panel factory (InvestSofia, 2017).

Romania

The accumulated Chinese investment in Romania amounted to 741 million US dollars as of mid-2016; when it comes to Romania, the investment ambitions are most frequently shown by producers of industrial goods from China aiming to expand further into the EU market (Kashin, 2017). In addition to industrial goods, Romania has caught the eye of the Chinese investors in agriculture, spare parts for cars, nuclear and solar energy, real estate and education. Some investments have been fully realised, but many more remain a mere announcement with realisation and launching being months or even years away; the reason lies in instability following the new Romanian government ambition to examine foreign direct investment in Romania for corruption, which has reduced the inflow of foreign direct investment from 10.93 billion US dollars in 2011 to 3.62 billion US dollars in 2016 (Wilson, 2017). Among others, the Romanian government has opened a corruption probe against a joint venture between KazMunayGaz (KMG), owner of Romanian oil company Rompetrol since 2007, and Shanghai conglomerate CEFC – two weeks after KMG and CEFC reached an agreement about the joint venture in Romania, KMG assets worth 2.1 billion US dollars have been frozen. Although the deal seemed to be on the verge of being broken, the two companies continued with the realisation of the joint venture and KMG sold 51% of its Romanian subsidiary, KMGI, to CEFC. If this investment is to become fully realised in the coming years, its value will surpass 3 billion US dollars (Wilson, 2017). When it comes to other notable Chinese investment projects in Romania, they include the Chinese Cofco company and its granary in the Romanian port of Corabia worth EUR 3 million. Cofco is the owner of another granary in Constanţa and thus plays an important role in grain transport in the Lower Danube (New Europe Investor, 2015). The much anticipated Chinese modernisation of Cernavoda nuclear plant and the construction of Tarniţa power plant, worth around 6 billion euro, are as of February 2017 still being negotiated (Besliu, 2014; Gheorghe, 2017). Last but not least, five investment projects (worth 118 million euro) were announced in 2016 during the minister of economy-level summit in Ningbo, China; they include a future auto parts factory in Braşov, a car ornament factory, a solar power station of 20MW, a real estate investment in Bucharest and educational exchange in Hunedoara (The Diplomat.RO, 2016).

Macedonia

During the Government of Nikola Gruevski, cooperation with China was initiated in the areas of energy, transport infrastructure and agriculture. Among the announced projects are the highway sections Kičevo – Ohrid and Miladinovci – Štip (in both cases, the construction is to be performed by Chinese company Sinohydro), and the funding is provided through a 580 million euro loan from China's Exim Bank (Vlada.MK, 2013). A recent report by Paris-based think tank European Union Institute of Security Studies (EUISS) has pointed out to the Chinese companies' habit of contacting and requesting contracts for the projects directly from the government. As the Chinese companies do not prefer to secure their contracts via tenders and in a transparent way, EUISS report claims that the Chinese investment in its current form leads to an increase of already ubiquitous corruption. In case of Macedonia, EUISS sets the approximate sum of money lost to corruption (for both Kičevo – Ohrid and Miladinovci – Štip highway sections) at 155 million euro (Bjelotomic, 2017). This political instability (matched with the political changes in Macedonia) was not welcomed by Sinohydro and the construction works were only resumed after a temporary halt. In addition to highway construction, the Chinese companies have worked together with Macedonian Railways to assist in their rolling stock modernisation – China Railway Rolling Stock Corporation has supplied Macedonian Railways with new electric trains (Atli, 2016).

Albania

China and Albania have had very strong ties during the socialist era; during the 1990s and 2000s, these ties were lost and their re-establishing took a lot of effort. The most recent developments show, however, that Sino-Albanian business cooperation is quickly growing stronger and more intense – the Chinese companies have already entered Albanian energy and transportation sectors and expect to gain grounds in other areas as well. In March 2016, Shanghai-based Geo-Jade Petroleum acquired the controlling rights in two Albanian oil fields for 442 million US dollars - of these two, Patos-Marinza field is the biggest European onshore oil field and it produces 11900 barrels of oil every day while the other field, Kuçova, produces additional 400 barrels of oil per day (Atli, 2016). In terms of transport infrastructure, China Communications Construction Company is developing the northern Albanian port of Shëngjin. The Tirana International Airport has been taken over by a consortium of China Everbright and a company from Hong Kong (with airport management rights until 2025), and the Chinese companies have displayed interest in constructing a highway between Tirana and the Macedonian border using loans from China (Atli, 2016). According to Genti Beqiri, head of the Albanian Investment Development Agency, the number of Chinese companies in Albania (whether small, medium or large) stands at around 150; the Chinese companies are likely to expand into mining as well – they are interested in assisting chromium extraction in Albanian mines (Xinhua, 2017).

Montenegro

The Chinese investment in Montenegro focuses currently on infrastructure and transportation; in a similar way to other CEE countries, China as a source of investment is superseded by the European countries (in case of Montenegro, it is Norway, Italy, Hungary and Russia), although the investment (confirmed and forthcoming) exceeded 906 million euro as of October 2016. The notable projects include the future highway Podgorica – Kolašin (809.6 million euro) and the modernisation of the Montenegrin naval fleet (97 million euro) (Bibic, 2016). The highway Podgorica – Kolašin is part of the longer section Bar – Boljare and its construction has been criticised by the IMF, the World Bank and the EBRD on grounds of the fiscal stability. The project realisation has also been delayed for at least a year (May 2015 – June 2016), which questions the ability to meet the deadlines (set for 2019). On the other hand, the modernisation of the naval fleet has been supported by two loans from China's Exim Bank of 56 million euro and 41 million euro respectively. A total of four ships (built by the Chinese Poly Group) has been ordered, and first two ships have already been delivered in 2012 (Bibic, 2016). The Chinese companies were also interested in entering the energy sector in Montenegro, in particular, the construction of hydro power plants on the Morača and Komarnica rivers. In this case, a total of five plants (worth 664 million euro) is expected to be built, but there aren't any deadlines given (Bibic, 2016).

Bosnia and Herzegovina

One of the largest investments in Bosnia in the post-war period was announced during the Sarajevo business forum in 2016. China Gezhouba Group Corporation has signed a Memorandum of Understanding (MoU) with Elektroprivreda BiH for the construction of Block 7 of Thermal Power Plant Tuzla, worth 722 million euro. This project will be supported by a loan from the China Exim Bank, to be repaid in 15 years (Karanovic-Nikolic, 2016). The upgrade of this power plant is expected to increase the competitiveness of BiH-generated electricity on the European market as well as to open new jobs for coal miners. Although the initial estimates included the beginning of construction works in spring 2017, as of May 2017 the signed MoU was still being examined by the Ministry of Finance of the Federation BiH (Nezavisne Novine, 2017). In the meantime, the project has encountered a fierce resistance from the local environment protection groups due to anticipated excessive CO_2 pollution as soon as Block 7 becomes functional. The environment protection groups were unable to influence the construction and launching of another such power plant, located in Stanari (worth 390 million US dollars and funded by another China Exim Bank loan); these groups have filed a complaint in the case of Block 7 in an attempt to prevent issuing the environmental permit and to thus prevent its construction (Darby, 2016)

Croatia

The Chinese investment in Croatia has been facilitated after the founding of the Zagreb-based Chinese Southeast European Business Association, or CSEBA, in 2014. There are currently two announced investment projects, in areas of tourism and automobiles. The Chinese company Zhongya Real Estate (owned by Zhongya Holding from the Guangdong province) has announced its coming with 30 million euro investment in Krapinske Toplice; the project will include the construction of mini-villas and apartments, facilities for the accommodation of spa guests and hospitals, but also a home for the elderly and a public garage. The Chinese investor also aims at buying the hotel Toplice from the current owners (Rogulj, 2017). Another Chinese investment which is expected to become a matter of reality in the coming years is the 30 million US dollar investment in Rimac, a Croatian manufacturer of electric cars. Camel Group, a Chinese manufacturer of batteries and battery packs (including those used in all sorts of vehicles), has signed an agreement on investing 27 million US dollars in Rimac Automobili, as well as 3 million US dollars in Greyp Bikes, a subsidiary of Rimac Automobili. The investor has stated its appreciation of the Rimac technology and will to expand further into the electric car market (The Dubrovnik Times, 2017).

Slovenia

The Chinese investments in Slovenia have thus far been rare. The most recent investment includes the Maribor Airport – this airport was previously owned by Slovenian savings bank Delavska hranilnica, but has been sold in December 2016 to SHS Aviation (a company backed with Chinese capital). The agreed sum is 10 million euro, of which 7 million euro was already paid; the rest of the sum will be paid as soon as Maribor Airport receives a 15-year lease for the airport infrastructure (Prokopova, 2016).

Hungary

Among the countries benefiting from cooperation with China since the 2012 official launch of the 16+1 cooperation mechanism, Hungary has always held a special place. Some of the reasons include Hungarian geographical position in Central Europe, its EU membership and a sizeable Chinese community living in Hungary. The most recent decision by the Hungarian Government to reduce the corporate tax rate to 9%, the lowest in EU (previously it was 10% for profits not exceeding 500 million forints (1.6 million euro) and 19% for profits exceeding that threshold) will also contribute to even greater Chinese investment in Hungary (Deloitte, 2017). Peter Szijjártó, Hungarian minister of foreign affairs and trade, has estimated the Chinese investments in Hungary as exceeding 4 billion US dollars as of May 2017, which would make Hungary the most popular destination for the Chinese investments in the whole CEE region (Xu, 2017). The sectors which have seen most of the Chinese investment in Hungary are logistics, telecommunications and chemicals. In previous years, the fully realised projects include the Huawei distribution centre in Hungary with more than

3000 employees, as well as Waihua Industrial Group-BorsodChem partnership worth USD 1.6 billion (Hsiao, Czekaj, 2011). When it comes to the most recent projects, in 2016 two automotive industry suppliers from China have displayed wish to invest 30 million Euros in Hungary, which would create approximately 600 new jobs in the country; of these announced investments, one is expected to be a capacity extension while the other will be a Greenfield investment (Keszthelyi, 2016). On the other hand, in 2015 four deals were signed – one of them is in the aviation sector and includes a 1.4 billion dollar loan from China Construction Bank Financial Leasing Co, issued to the Hungarian low-cost airline Wizz Air to replenish its fleet with 11 new Airbus 320 planes. The cooperation in the telecommunication sector was marked by two new deals – one of them was between Huawei Technologies and the Szechenyi Istvan University in Gyȍr, envisaging the launching of a 300 thousand US dollar fund to be used for a telecommunication lab. The other involved EPS Parking System and China's ZTE ITS Co, and the two sides agreed to jointly operate thousands of parking facilities throughout China. Finally, a 2015 memorandum of understanding between Hungary and China allows Hungary to issue Yuan renminbi-denominated government bonds with a total worth of 1.5 billion Euros, for the purpose of the Belgrade-Budapest railway project (Wang, 2015)

Slovakia

The number of Chinese companies willing to invest in Slovakia has been on a steady decline in previous years, although the value of the investment itself has experienced a rise. The number of companies receiving Chinese investment has dropped from 1668 in 2011 to 1232 in October 2016; the volume of the investment has however been increased by around 2 million euro in this period. According to Slovak consultant Milan Seliak, the Chinese investors in Slovakia prefer investing into bonds, loans and investment funds. However, if the total Chinese investment in Slovakia is to be compared with the total foreign investment in Slovakia, it is prudent to say that it has yet to experience its growth – as of October 2016, China has invested around 47.06 million euro in Slovakia, which was only around 1% of the total foreign direct investment in Slovakia (CIJ Journal, 2016)

Czech Republic

The official relations between the Czech Republic and China have been significantly improved during the mandate of the Czech President Miloš Zeman; one of the symbols of this improvement is the official visit of the Chinese President Xi Jinping to Prague in March 2016 and the President Zeman's reaction to the October 2016 visit of the Dalai Lama to Prague – President Zeman was among the high officials who condemned the visit and distanced themselves from any activities related to the Dalai Lama's visit (Karaskova, 2016). According to the October 2016 Bisnode ranking of the most important foreign investors in the Czech Republic, China was occupying the 22nd place with a total of 5.2 billion Czech Koruny (slightly below 200 million euro) of investment (Radio Prague, 2016). The Czech Republic has been a point of Chinese interest due to its EU membership, vicinity and good connections with Germany and other European markets for Chinese goods and services, but also due to advanced technologies and high standards applied in the Czech industry (automobiles, civil aviation, IT), health care system and agriculture. However, the most important confirmed investment is in the area of real estate, a November 2016 acquisition of Florentinum office complex in Prague (worth 311.5 million US dollars) by CEFC China Energy (Hollis, 2016); CEFC is one of the largest private companies in China, and it has acquired a complex with office and retail space hosting Bank of China, HSBC Bank and RSJ Investment Group (Czech company active in the financial market). This is not the only investment by CEFC in the Czech Republic – the company has invested 78.46 million US dollars in the Czech brewery Pivovary Lobkowitz (one of the leading beer producers in the country), acquired a ten percent stake in Travel Service (operator of Smartwings airline and in possession of a share in Czech Airlines) and a number of hotels, and has a share in J&T Finance Group, a Czech-Slovak banking and finance company (Hollis, 2016). Among the anticipated Chinese investments in the Czech Republic is the one of Huawei, a Chinese telecommunications giant, with an estimated worth of 360 million US dollars (announced during Xi Jinping visit to Prague). This investment is in early stages and is being scrutinised by the Czech authorities for a balance between economic benefits and possible security risks - parts of the intelligence community in the Czech Republic oppose the Huawei investment due to alleged connections with the Chinese Government and potential for espionage and leakage of sensitive information (Šulc, 2017). Still, it is confirmed that Huawei will take part in initiatives throughout the Czech Republic such as “smart city” or “safe city”.

Poland

In a similar way to Hungary, Poland has been since 2012 one of the leading CEE countries when it comes to cooperation with China; an important reason in favour of Poland is the size of its market, availability of skilled labour and good connections with Western European countries. In dealing with China, Poland prefers foreign direct investment, the construction of factories and translocation of the industrial production process in Poland, which would mean the creation of new jobs for Polish citizens. The accumulated Chinese investment in Poland amounted to 462 million US dollars as of mid-2016 (Kashin, 2017); despite the fact that Chinese investment in Poland is rapidly growing, it still represents only 1.2% of the total FDI in Poland (far behind the investment from Germany, USA, Japan or South Korea) (Yao, 2017). As of December 2014, there were 884 Chinese companies registered in Poland, most of them small enterprises. At the same time, an influx of major Chinese investors was signalled by LiuGong Dressta Machinery (Chinese heavy equipment giant) acquisition of Huta Stalowa Wola (worth 75.2 million US dollars), Tri-Ring acquisition of Fabryka Łożysk Tocznych (a producer of roller bearings) in Kraśnik (worth 75.2 million US dollars) and Chinese investment into Animex (a Polish producer of meat products). These investments were mostly mergers and acquisitions; one example of an investment that included translocation of the production process to Poland was the 2016 decision of ChunXing Group (a manufacturer of aluminium components) to launch its prototype workshop in Gdańsk – according to the scheme, this facility is supposed to optimise the logistics for European customers and to make sure the prototypes are delivered in a short time (Choromanska, 2016) (Góralczyk, 2017). In order to complement the investment projects concluded on the governmental level, the Chinese have directed their attention to local authorities throughout Poland. The examples of this approach and its successful realisation are numerous – one such agreement was signed between the authorities of Opole (Lower Silesia) and the Chinese company Hongbo (an LED lamp producer), concerning the sale of 8 hectares of land intended for construction of LED lamps and worth

78 million US dollars. Another project was initiated between China Coal and Prairie Mining from Australia, regarding the Jan Karski coal mine near Lublin (the production is scheduled for 2023 and will be worth 630 million US dollars) (Góralczyk, 2017). The Chinese companies have also been active in the area of electric grid modernisation in Poland – Pinggao, a Chinese company owned by State Grid Corporation of China, has won several tenders for modernisation or construction of transmission networks worth 150.4 million US dollars in total. On the other hand, the Chinese company Sinohydro has been charged with constructing a 67-km section of electric line between Chełm and Lublin, an investment worth 150.4 million US dollars (Góralczyk, 2017). Finally, the Chinese have shown interest in generating energy from alternative sources – Chinese investor China Everbright International has acquired Novago, a Mława (central Poland)-based energy producer on the principle waste-to-energy, a deal worth 37.6 million US dollars (Góralczyk, 2017); the final cost has, however, reached 123 million euro, due to the fact that the Novago, in addition to waste-to-energy production process, covers municipal waste treatment, waste recycling, land filling and waste collection (Neveling, 2016).

Lithuania

The Chinese investors in Lithuania have been interested in agriculture (to be specific, in black tea production), IT sector and maritime transportation. Chinese entry into the Lithuanian agricultural sector was marked by the 2016 arrival of the Yunnan Dianhong Group, a large black tea producer in China, and their decision to register activities in China. This investor will initially open a service centre dedicated to the consumers throughout the European Union and, if this service centre is successful, their operations in Lithuania will be reinforced by establishing a black tea processing plant which will meet the needs of EU consumers and operate according to the EU regulation (Ministraspirmininkas, 2016). The development of the Lithuanian IT sector will be assisted with a 10 million euro investment fund which was announced by Chinese IT businesses and their Lithuanian partners in July 2017. This fund will be available to Lithuanian IT startups, and to high-tech, biotechnology and laser industries (GoVilnius, 2017). Also, the use of IT technologies for international settlements will be implemented in Lithuania courtesy of China's

International Business Settlement (IBS) Limited; in 2016, this investor has decided to open a settlement centre in Lithuania (with 20 new jobs, which is expected to be doubled in the near future) and to register a subsidiary in this country, an investment of 20 million US dollars. IBS has also applied for an electronic money institution licence and hopes to apply for a specialised bank licence issued by the Central Bank of Lithuania. The established clearance system will be processing settlements between China and the EU, and the supported currencies will include euro, US dollar and the Yuan renminbi (InvestLithuania, 2016). When it comes to maritime transportation, Klaipeda port at the Lithuanian Baltic Sea coast has signed a letter of intent with China Merchants Group (a parent company of PRC's largest port operator, CMHI). According to the Chinese investor's announcement, Klaipeda port will be connected to a massive, 77.6 km^2 large industrial park worth 5 billion US dollars which will be built by China Merchants Group in the neighbouring Belarus, and will receive container traffic from that industrial park (Knowler, 2015)

Latvia

As an EU member, Latvia adheres to the EU common customs and tariff policy with China, but also influences the decisions which are made in the intra-EU debates. Still, Latvia is one of the CEE countries which have seen only a limited amount of the Chinese investment so far – the overall Chinese investment in Latvia does not exceed 5.78 million euro, which is 40 times larger than Latvian investment in China (Bukovskis, 2016). Still, there is a great interest for cooperation with China, in areas of transport and logistics, food processing, timber processing, ITC, education and tourism sectors; China is currently Latvia's 46th largest investor (Ministry of Commerce, People's Republic of China, 2016)

Estonia

The Sino-Estonian investment ties are yet to become fully developed. The Chinese investment in Estonia amounted to 3.5 million US dollars in 2015 (only a fraction of the total foreign direct investment in Estonia in the same year, worth 130 million US dollars) (Chan, 2017). Cooperation with China focuses on transportation and IT – in 2017, a strategic partnership was announced between Taxify (the Estonian taxi booking start-up, named in 2014 the best mobile application in Estonia) and Didi Chuxing (a Beijing ride-sharing company) which opens the door for Didi investment in Taxify and support of the latter's growth and innovation in the European and African markets (Estonian World, 2017). Estonia has caught China's attention due to its geographical position – it is the nearest EU member state to China. As a result, the Chinese e-commerce giant Alibaba is considering the development of a logistics centre in Tallinn, in cooperation with the Estonian postal service Eesti Post; this logistics centre would accelerate the delivery of the ordered parcels to customers as far away as Spain (The Baltic Course, 2016).

CONCLUSION

Five years after the 16+1 cooperation format has been launched, the cooperation has not been flawless and its fruits were not available to an equal extent to all participant countries. However, the countries which are part of this cooperation mechanism still have the goodwill and enthusiasm for the cooperation to continue. This mechanism offers China a unique opportunity to shape its bilateral relations with each of the 16 countries of Central and Eastern Europe, and to improve its knowledge about this region and the neighbouring regions of Europe. On the other hand, the CEE countries have been using this forum to deepen and broaden their bilateral ties with China and to highlight the areas of cooperation which they deem the most important and where they think the Chinese assistance can be useful. Despite occasional successes in cooperation with China and political support to China in disputes such as the South China Sea, a radical foreign policy shift towards China in either of these countries is highly unlikely – these countries are expected to retain their positions as current or prospective EU members, and the importance they attach to European integration.

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