Influence of "Belt and Road" Initiative on Chinese Investments in Europe Case Study: Balkan Countries*

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Abstract: "Belt and Road" (BR) initiative is currently the biggest economic initiative that gathers 68 countries from Asia, Africa and Europe. Its aim to improve economic cooperation among the countries that are involved by building infrastructural projects that will upgrade their mutual cooperation. The focus of this paper will be on BRI in Europe, in order to see the effects of this initiative by focusing on Chinese investments in this part of the world. The authors will look upon data starting from 2006 (before BRI) until 2017 (after BRI in 2013). By analyzing those data (335 investments) the authors will present the conclusions regarding past and present results. Also, the authors will show that during that time not only the level of investments changed (they rose significantly), but they also changed regarding the field of investments.

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A special case study will be dedicated to the Balkan countries, which are especially interesting at the moment, given that most direct investments from China go there. The authors will also look upon other types of investments in the Balkans to see if there are other types of investments such as acquisitions or mergers at all, and if not to inspect the possible reasons for behind that.

Key Words: Investments, "Belt and Road" Initiative, China, Europe, Balkan

Introduction

Economic relations between China and Europe have been fruitful for many decades. Ever since the establishment of PR China many countries in Europe have made diplomatic connections with China. However, the full cooperation was established after the reforms in China in 1978. With the implementation of Open Door Policy, China made numerous changes that led to the improvement of economic relations with many countries, European countries being among them.

It is also worth mentioning that China established particularly good relations with Europe Economic Community (EEC) in 1975, and later on with European Union (EU), due to many treaties that were signed, especially those after 1978 (Lađevac, 2018, Chen, 2014). Currently China is the no 1. exporter in the EU, while the EU is China's second largest partner for its exports (Eurostat 2018).

There were several stages in the development of the EEC (EU)—China trade relations. According to Chen (2009), those phases were:

1. *Waking-up and warming in the* 1970*s and* 1980*s*—although the diplomatic relations between them started in 1975, due to the implications of the Cold War, the diplomatic relations between the EEC and China were good, while the economic ones were at relatively low level (only 2.4 billion US $ in 1975). After the implementation of Open

Door Policy, trade volume started to grow, and by the end of the 80s it reached 23.51 billion US $.

2. *Downs and ups in the* 1990*s*-due to different visions of the EEC members towards the cooperation with China, trade value dropped significantly at the beginning of the nineties. The situation changed in 1994, after China liberalized its Foreign Trade Law. *It meant that more liberal trade was allowed*, which was a positive thing for the EU partners. One year later, the EU presented "A Long Term Policy Paper for European—China Relations" that clearly stated that the EU is ready to change its policy towards China-in a positive direction. The year of 1998 is especially important, because it marked the turning point in mutual relations. The EU implemented its policy of Comprehensive Partnership with China, which meant that it was trying to improve its economic bilateral relations with China. It has been 20 years now since the first EU-China summit was organized. This year the 20th EU-China Summit was held in Beijing in June (European Council, 2018).

3. *Rapid growth towards the "Honey Moon"*—In 2003 the EU declared the partnership to be strategic, while at the same time Chinese Government published its own document titled "China's Policy Paper towards the EU". That was the first policy paper that China dedicated to one region. That fact tells a lot, meaning that the EU was and still is a very important partner for China.

4. *Post "Honey Moon"*: certainty and uncertainty—Chen Xin, afore mentioned, was dealing with those relations between EU and China until 2009, and since that time many circumstances have changed, but the term 'post honey moon' still stands. There were lots of ups and downs in those relations between China and the EU, but the general impression is that they are developing in the right direction.

Speaking about recent period, it is worth mentioning that in 2016 the EU adopted a new strategy on China focusing on several elements: respecting China's integrity as one country, a more cohesive response from the EU countries towards China, better cooperation at high level summits and further improvement of cooperation through various projects and partnership programs (European Commission, 2016).

What is also very important, not only from the point of view of this paper, but also for the cooperation between China and the EU, is the use of "Belt and Road" initiative (BRI) in the EU strategy as a way of forging synergies of these two regions to improve Euro-Asia connectivity.

The rest of the European countries that are not part of the EU yet, but are at the moment at some stage of the EU joining are also improving their relations with China. Most notably it can be seen through the 16 + 1 Initiative that gathers 16 countries from Central and Eastern Europe and China into a group, with the aims similar to those of the BR initiative. These countries, like the EU countries, have had many changes in their relations with China, but in recent years they have been moving in a positive direction. That can particularly be said for the Balkan countries, and this is the reason why the authors have chosen to deal with them separately in this paper. But before we start with further analysis of this part of the paper, it is only proper to explain OBOR initiative in a couple of words.

The OBOR initiative is Chinese initiative developed in 2013 under the leadership of Chinese President XiJinping. The aim is to connect the regions of Asia, Europe and Africa better by improving mainly infrastructure. China, as a leader of the biggest economic project in XXI century so far, is constantly promoting the win-win cooperation that will enable all the involved parties to improve their relations and help each other.

This initiative is very important for European countries, because it will enable betterconnection between Europe and Asia by building better infrastructure and exchanging goods. BRI is just another way to straighten the relations between Europe and China.

It is also important to emphasize that even before BRI the relations between China and the European countries were excellent. Since 1980 there have been many companies from Europe that opening in China, as well as companies from China, mainly state companies, investing in Europe. This is the reason why this paper aims to compare Chinese investments in Europe before and after BRI, in order to see if there have been some changes in trends regarding the type of companies investing in Europe and also the field in which they are investing.

Historical Retrospective of Chinese Investments in Europe

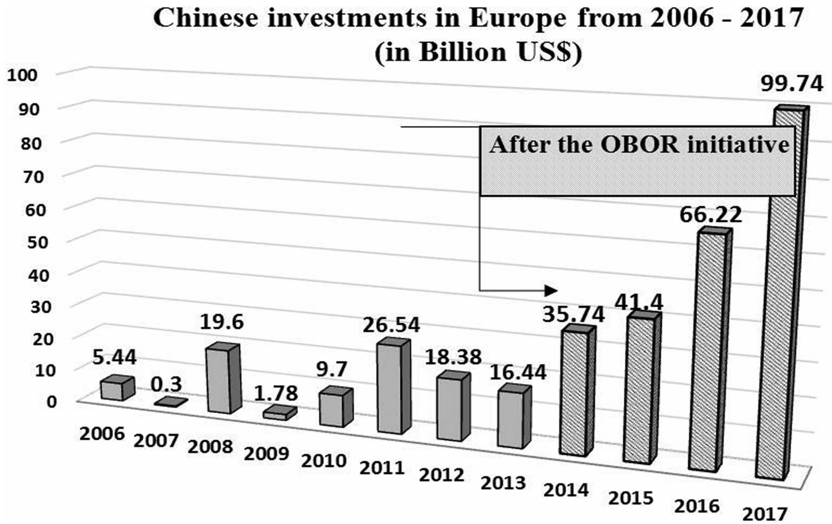
Since its opening to the world in 1979, and by means of the process of internationalization, Chinese government has put enormous effort to enable its companies to operate in all parts of the world, thus giving them the opportunity to get good positions in the global business market. After conquering Asian and African markets during the 80's and 90's of the 20th century and good positioning in North and South America at the beginning of the new millennium, Chinese companies are beginning to break into European market, too. Although the cooperation between the EU and China began in 1985, with the signing of trade and economic cooperation agreement[①], there were no significant investment projects by Chinese companies in Europe before 2005, when the first ones appeared.

The investment volume in this period ranged from US $ 100 to US $ 800 million. Of key importance in this penetration of Chinese companies into European market was a strategic agreement signed at the end of 2004 between Chinese government and Great Britain, France, Germany and Portugal, whose markets represent a promised land for Chinese investors today, primarily due to good diplomatic and economic

① More about this agreement is available at: http://ec.europa.eu/world/agreements/prepareCreateTreatiesWorkspace/treatiesGeneralData.do?step=0&redirect=true&treatyId=341

relations. In the next two years, i. e. during 2006 and 2007, Chinese companies' investments in European market did not record a significant growth (shown in Graph 1).

However, in 2008, the situation started to change slowly. The number of projects increased as well as the investment volume, having reached the record $19.6 billion inthat year. Of course, a large part of it was due to the acquisition of German Dresdner Bank, which was purchased by China Development Bank in September 2008 for $ 13.9 billion. This is still a unique record when speaking of Chinese investments in financial sector on the European territory (https://www.reuters.com/article/dresdnerbank-china/german-union-open-to-chinese-ownership-of-dresdner).



Graph 1 Chinese investments in Europe from 2006 – 2017 in Billion US $

Source: The authors' research is based on: China Global Investment Tracker

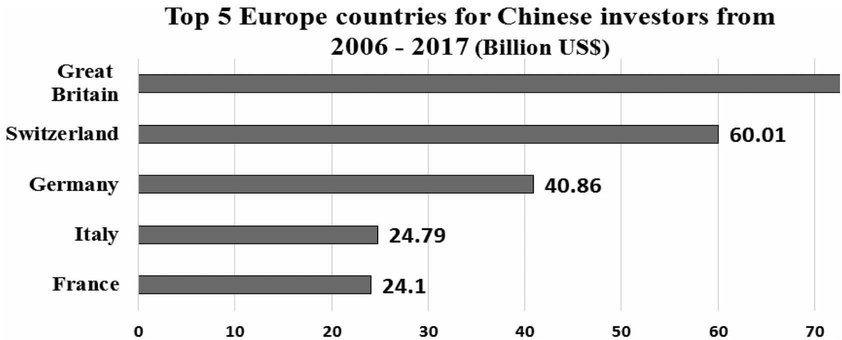
Since the begining of the global economic crisis in 2008, many European countries have tried to attract Chinese investors. Huge amounts of accumulated capital, as well as support from the Chinese Central

Government, have enabled the growth and development of Chinese companies in the European business market. This process did not benefit only one side, as many European companies, especially those in Western Europe, funded their R&D through joint projects with Chinese partners, improving their infrastructure as well as adopting new business models that were later used for business operations not only in Chinese, but also Asian market through their business units (https://www.clingendael.org/sites/default/files/2017-12/ETNC_Report_2017.PDF).

According to data collected by China Global Investment Tracker in the period from 2006 to 2013, the total volume of Chinese investments on the European continent amounted to 98.18 billion US dollars with dominant investments in this period being those in traditional economies such as energy, transport, logistics and finance. The main investors were Chinese state companies such as Chinese investment fund CIC, Sinopec, Chem China, Sinomach, State Grid etc., owing primarily to the enormous support of Chinese government, both diplomatic and financial.[①] The major investment destinations were the countries such as Great Britain, France, Germany, Switzerland and Italy (shown in Graph 2).

Among the most significant investments during that period are: the purchase of the Addax Petroleum Group in Switzerland, which was bought by Sinopec, China's state company, in June 2009 for US $ 7.2 billion; the purchase of 50% stake in Fortis, the well-known Belgian financial house, purchased by the Chinese private company Ping An (insurance house) in September 2008 for US $ 3 billion; the purchase of 3% stake in the British Barclays Bank in July 2007 by

① For more references about Chinese state-owned companies see: Zakić K., Radišić B. (2018), "*Chinese SOEs Vs Chinese private companies in international market*", Economic and Social Development, 30th International Scientific Conference on Economic and Social Development, Belgrade, 25-26th May 2018



Graph 2 Top 5 European countries for Chinese investors from 2006 – 2017 in Billion US $ ①

Source: The authors' research is based on: China Global Investment Tracker

China Development Bank for as much as US $ 3.04 billion. All these as well as many other Chinese companies' investments in that period were a part of the Chinese government strategic plan to invest money in the energy, financial and transport sectors in order to spread the network and presence of Chinese companies on the European continent more easily. (http://www.aei.org/china-global-investment-tracker/).

Speaking of the strategic choice of Chinese companies in the period 2006 – 2009, the two most dominant certainly are the acquisition and FDI, and, to a smaller pecentage, joint venture, primarily in the industries with a high level of innovation, such as the technology, IT and automotive industries.

This trend continued throughout the period 2010 – 2013 (shown in Table 1), since energy and transport sectors remained in the main focus. However, what is most noteworthy is the fact that the number of investments kept increasing from year to year, that new industries

① In the period from 2006 – 2013, investments in these countries were more than 50% of the total number of Chinese investments in Europe. Also, the UK is a record holder not only for the total volume but also for the number of investments (99 in period from january 2006 until december 2017, according to China Global Investment Tracker) emerged as key sectors for investment, that the acquisition strategy was predominant, and finally, that the average investment amount increased as well.

In addition to the aforementioned changes, the growing presence of Chinese private companies, such as HNA Group, Fosun, Bright Foods or Dalian Wanda was also noticeable. The investment destination started changing as well, so that the main focus in that period slowly shifted from Western to Eastern Europe and Scandinavia, with new markets with high potential in the countries like Sweden, Ukraine, Norway, Belarus and Hungary. In addition to primary investment sectors, the automotive industry (the purchase of Swedish Volvo by Geely Auto in March 2010 for US $ 2.7 billion) and the chemical industry (the purchase of the Norwegian chemical giant Elkem by Chem China in January 2011 for US $ 2.01 billion) were increasingly being invested into. Chinese state giants like Sinomach, China Railway Construction, Sinohydro and Dongfang Electric are also present on the European continent. They mostly work as the main contractors on crucial infrastructural projects in EasternEurope, which are financed through loans from Chinese government, most often supported by Exim Bank, for a repayment period of 20 to 30 years. All this has only strengthened the position of Chinese companies in European market, opening the door to many Chinese businessmen who in the years to come have recorded significant business success in this part of the world. Chinese companies are no longer just silent observers who remain in the shadow of American corporations and European business giants (Collier, 2018, pp. 29 – 31).

Table 1 **Type of Chinese investments in Europe before BRI (2010 – 2013)**

Year	Number of investments	Strategic choice			Average investment amount	The most dominant sector's
		Acquisition	(FDI)	JV		
2010	15	46.66%	46.66%	6.67%	646 mil. US $	Energy, Transport

(Contd.)

Year	Number of investments	Strategic choice			Average investment amount	The most dominant sector's
		Acquisition	(FDI)	JV		
2011	30	63.34%	26.66%	10%	884 mil. US $	Transport, Energy
2012	31	77.42%	12.90%	12.90%	618 mil. US $	Real Estate, Energy
2013	37	56.78%	27%	16.22%	439 mil. US $	Transport, Real Estate

Source: The authors' research is based on: China Global Investment Tracker

Influence of BRI On Chinese Investments in Europe

In late 2013, Chinese President Xi Jinping announced one of the most ambitious Chinese foreign economic initiatives known as "Belt and Road". His vision involves an ambitious infrastructure development program for connecting less developed border regions in China with neighboring countries. This project is probably one of the largest development plans in the modern history of the world. On the mainland, Beijing aims to link underdeveloped coastal parts of the country with Europe through Central Asia, while the second part of Xi's plan involves the construction of a maritime route linking the rapid economic growth of Southeast Asia with southern China provinces through ports and railways.

(https://www.lowyinstitute.org/publications/understanding-belt-and-road- initiative).

The EU, as one of the key points on the new Silk Road, recognized the importance of this project and initiated a meeting between the leaders of China and the EU in Brussels in May 2015. The agreements on cooperation and improvement were signed in infrastructural projects in the first place. This implied the construction and modernization of railways and roads as well as investments in key ports such as Piraeus, Hamburg and Rotterdam, with the primary goal being ensuring faster flow of goods, both from China and the European countries, with the constant increase of the volume of services. In addition to investments in infrastructure, great importance was given to investments in energy sector and alternative energy sources (primarily wind farms), the area in which a number of memorandums and agreements on joint projects were signed, with the possibility of using favorable loans for infrastructure and energy projects financed by Chinese Government. (https://www.yicaiglobal.com/news/eu-will-draft-europe-asia-interconnection-blueprint-adapt-belt-and-road)

These agreements and mutual understanding of the two parties about the importance of the OBOR project have created new business opportunities for Chinese companies in the EU market. The rest of Europe, primarily the Balkan non-EU countries, are involved in the 16 + 1 Initiative, which will be discussed in more detail further in the text.

In Europe, a significant increase in Chinese investments was noticeable already in 2014, compared to the period 2010 – 2013 (shown in Table 2). Also, new private Chinese companies appeared in the European market that invested their money mainly in IT sector, entertainment and real estate.

Table 2 **Type of Chinese investments in Europe after BRI**

Year	Number of investments	Strategic choice			Average investment amount	The most dominant sector's
		Acquisition	(FDI)	JV		
2014	55	81.8%	12.72%	5.45%	641 mil. US $	Energy, Real Estate, Technology
2015	47	80.08%	12.76%	6.38%	870 mil. US $	Transport, Finance, Entertainment
2016	81	76.54%	8.64%	14.82%	830 mil. US $	Energy, Real Estate, Tourism
2017	63	76.2%	9.52%	14.28%	1646 mil. US $	Energy, Finance, Agriculture

Source: The authors' research is based on: China Global Investment Tracker

Money was increasingly invested in the purchase of companies in the Netherlands, Israel, Belgium, Luxemburg and Greece, although the investment areas, such as Great Britain, France and Germany still had a primacy. Chinese state-owned companies continued to invest heavily in the energy, transportation and financial sectors. In this period, the company which was particularly actve was SAFE Investment Company, whose primary task was buying smaller stakes in the companies in the financial and energy sectors across Europe. In that sense they bought: 5% of Enel company in Italy in 2014 for the amount of 2.76 billion US $, then 2% of Unicredit Bank in 2015 at the price of 820 million US $, the Madrilena gas company in Spain in 2015 for 730 million US $, as well as many other companies throughout Europe with an average 2–30% stake. This strategy enabled Chinese government to diversify its investment regionally by redirecting the operations of its state-owned companies from Asian and Australian markets to those of Europe.

With the emergence of new investors and the allocation of money from the OBOR project budget, mostly through purpose funds such as CIC and Exim Bank, the average investment amount in a fiscal year significantly increased, but new records were also set for individual investments of Chinese companies in Europe (shown in Table 3).

Industries such as technology, agriculture, entertainment and tourism slowly gained primacy, while the acquisition strategy accounted for over 80% of the strategic choice of Chinese companies when entering into European market already in the first year after OBOR.

Huge amounts of accumulated capital, the money from the OBOR project, Government support and the emergence of new private investors all brought about a significant increase in Chinese investments on European continent. As a matter of fact, already in 2014 there was an increase of 117% compared to 2013, and a new record was set with a total of 35.74 billionUS $ invested across Europe (shown in Graph 3).

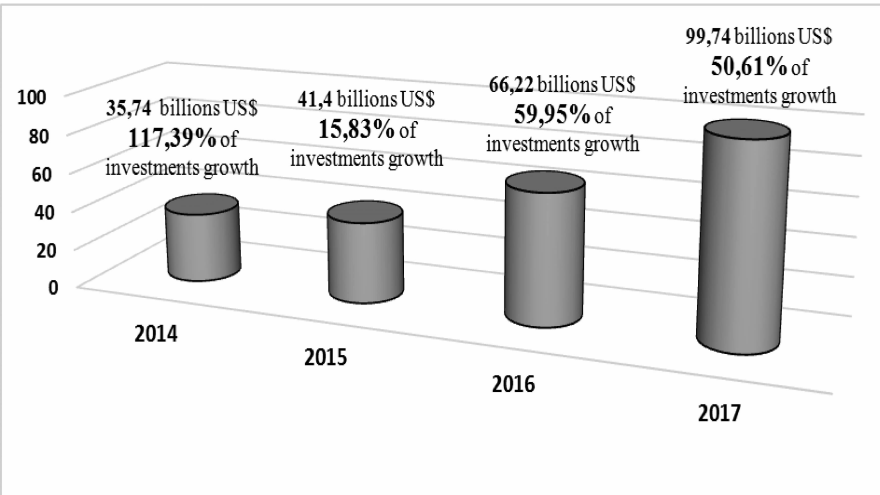
Table 3 **BRI influence on Chinese investments in Europe from 2014–2017**

Year	Average investment amount	The most dominant sector's	Primary markets for investment	The most common strategic choice	The biggest deal
					Amount in billion US $
2014	641 mil. US $	Energy, Real Estate, Technology	Great Britain, France, Belgium	Acquisition 81.8%	CDPReti(35%) / Italy
					2.5

(Contd.)

Year	Average investment amount	The most dominant sector's	Primary markets for investment	The most common strategic choice	The biggest deal
					Amount in billion US $
2015	870 mil. US $	Transport, Finance, Entertainment	Great Britain, Italy, Germany	Acquisition 80.08%	Pirelli(100%) / Italy
					7.86
2016	830 mil. US $	Energy, Real Estate, Tourism	Great Britain, Germany, Netherlands	Acquisition 76.54%	Supercell(84%) / Finland
					8.6
2017	1646 mil. US $	Energy, Finance, Agriculture	Switzerland, Great Britain, Sweden	Acquisition 76.2%	Syngenta(98%) / Switzerland
					43.06

Source: The authors' research is based on: China Global Investment Tracker



Graph 3. Chinese investments in Europe after BRI with percentage changes

Source: The authors' research is based on: China Global Investment Tracker

The most important investments in the first year of the initiative were the following: 1. Tye purchase of 35% stake in CDP Reti, the Italian energy company, for US $ 2.5 billion, whose shares were merged with the State Grid company; and 2. The purchase of 51% stake in the Dutch Nidera company, one the leaders in agricultural business in Western

Europe, with the purchase made by the Chinese state-owned company COFCO in the amount of US $ 2.04 billion. The amount of these as well as some other acquisitions made by private Chinese companies in tourism, technology and real estate idustries ranged from US $ 200 million to US $ 1.2 billion

(https://www.bloomberg.com/graphics/2016-china-deals/).

During 2015 and 2016, the investments of Chinese companies continued to grow steadily, primarily due to large investments in finance, entertainment and transportation industries. In this regard, the HNA Group investment (the purchase of Avolon, the Irish airline, for US $ 5.17 billion in September 2015), or that made by ChemChina (the purchase of the Italian giant Pirelli for US $ 7.86 billion) was particularly interesting, but there were also many other acquisitions in entertainment industry such as the acquisition of 84% stake in the Swedish company Supercell made by Tencent, which in June 2016 amounted to US $ 8.6 billion (https://www.ifri.org/en/publications/publications-ifri/ouvrages-ifri/chinese-investment-europe-country-level-approach).

According to data collected by Bloomberg, the year of 2016 will be remembered as theyear with the largest investment volume of Chinese companies in the world market. In that year they invested a record US $ 247 billion (through 342 transactions), almost 27% of which was invested on the territory of Europe. It should be noted that at the beginning of 2017, Chinese government introduced the increased control over its companies' investment on a global scale and particularly in the United States, due to a number of problematic investments. As a result, European market got to the forefront, having become the primary market for Chinese investors at the end of one fiscal year for the first time. Namely, at the end of 2017, the investment volume of Chinese companies at the global level amounted to US $ 168.05 billion. Around 59% of that ended in Europe, more precisely US $ 99.74 billion, generally through numerous acquisitions, primarily made by private Chinese companies, and the funds that in the previous period had a more important role than Chinese state giants. This move also led to new record investments, when speaking about individual purchases made by a Chinese investor in Europe (shown in Table 4).

Table 4 **The biggest individual investments of Chinese companies in Europe from 2006 – 2017 in billion US $**

Year	Company name	Amount in billions US $	Name of acquired company	Sector / Country
2017	Chem China	43.06	Syngenta(98%)	Agriculture / Switzerland
2008	China D. Bank	13.9	Dresdner Bank	Finance/ Germany
2017	CIC	13.79	Logicor(100%)	Logistics / UK
2017	Ping An	9.66	HSBC(5%)	Finance / UK
2015	Tencent	8.6	Supercell(84%)	Entertainment / Finland

Source: The authors' research is based on: China's Top 500 Enterprises and China Global Investment Tracker

The table shows that as many as 4 out of 5 largest individual Chinese investments in Europe were recorded after the OBOR initiative. Many of them belong to primaryinvestment industries such as finance, logistics and agriculture. However, record investments are noticeable in the new industries such as entertainment, which, in the period since 2015 has become quite dominant and widely spoken about in the world media. Yet, the investment that has so far attracted the largest attention is certainly the purchase of the Swiss company Syngeta, one of the world's chemical leaders in the production of seeds and pesticides in June 2017. When speaking about individual Chinese investments, this acquisition is a record not only in Europe, but also globally

(https://www.reuters.com/article/us-china-syngenta/china-owned-syngenta-plots-growth-in-challenging-home-market-idUSKBN1KE1B3).

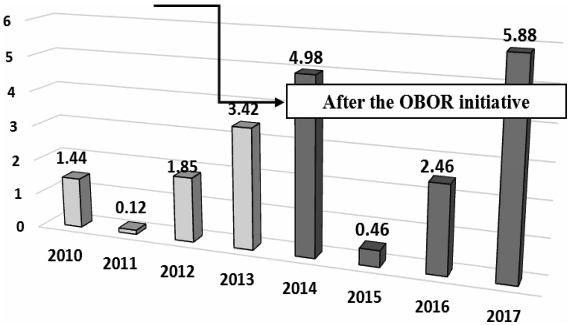
The OBOR Initiative has certainly brought about new opportunities for business success to Chinese investors in Europe, which is primarily noticeable through a steady increase in investment volume and the number of investments, as well as the emergence of practically unknown Chinese companies that have seen their first international steps in this market. Constant efforts to improve diplomatic and economic relations with the European countries and the support of Chinese government through various strategic projects and newly-established funds can only strengthen the position of Chinese companies, which have been slowly but surely turning into leaders in the European business market in recent years.

Case Study: The Balkan Countries

China's active presence in Central and Eastern Europe is becoming increasingly noticeable, mostly through the "16 + 1 format", which is a part of China's internationalization strategy. At the same time, this initiative is firmly supported by the governments of the European countries which are included in the format. This statement is confirmed by the fact that, together with the members countries, China has held six summits in Eastern Europe for the past six years. It should be noted that the Republic of Serbia was one of the hosts of the summit held in Belgrade in 2014.

Beijing announced a US $ 10 billion credit line to support China's investment in the region, but also facilitate co-operation and commitment in two-way trade. In addition, Chinese Central Government expressed a wish to establish an investment fund of US $ 3 billion, whose primary focus would be on infrastructure projects throughout Western Balkans. As this initiative is now incorporated into OBOR, there is a noticeable increase in the investments of Chinese companies in the Balkans (shown inGraph 4).

This primarily refers to two crucial projects in this part of Europe: The Port of Piraeus and Belgrade-Budapest Railway, that enable the



Graph 4 Chinese investments in Balkan countries before and after OBOR initiative in(Billion US $)

Source: The authors' research is based on: China Global Investment Tracker

smooth flow of goods from China to this part of the world.

Greece

China's interest in investing in the Balkans, i. e. Greece has been noticeable since 2008, when the Chinese state giant in overseas transportation industry, COSCO, began with its investments in the Piraeus port. Namely, since 2008 onwards, this company has invested US $ 4. 3 billion in Piraeus, where recently, through majority interest of 67% stake, it has gained control and participation in the port authorities. This ambitious project clearly aims to help promote Chinese goods in the southeast and central Europe, especially after the expansion of the Suez Canal capacity in August 2015 (http: //www. bbc. com/news/world-europe-41654346). Like in Europe, transportation, logistics and energy are certainly the primary industries for Chinese companies' investments in Greece, although spreading to tourism, real estate, retail and telecommunication industries has also been noticeable over the past two years. In addition to the aforementioned COSCO, the companies such as Fosun, State Grid and State Energy, whose investments are predominantly in the energy sector, have alsobeen operating in the Greek market.

Serbia

The traditional friendship between the two peoples and good political and economic relations resulted in signing of a strategic partnership between Serbia and China in late 2009. Shortly thereafter the first investments of Chinese companies to Serbia began, whose volume in 2010 amounted to US $ 600 million, owing to two infrastructure projects: the construction of a bridge, financed through a loan obtained from Chinese Exim Bank (the project value-US $ 260 million) while the contractor was China Construction Corporation, a Chinese state-owned company, and the construction of a block in the Kostolac Thermal Power Plant, (the project value-US $ 340 million), again financed from the loan obtained by Exim Bank, with Sinomach, a Chinese state company as the contractor. (Jelisavac Trosic et all, 2018) In the period from 2013 to 2017, Chinese companies launched new projects across Serbia primarily owing to numerous agreements and memoranda signed by the two governments. In addition to the already proven companies Sinomach and China CC, Chinese giants in the field of metal industry such as Hebei Iron Corp., then Power China in the field of energy, as well as Huawei, the world-known brand in the field of telecommunications also operate on Serbian market. Huawei, for example, opened its representative office in Serbia in 2015. Through its work on large infrastructure projects, Chinese CRBC (China Road and Bridge Corporation) proved to be the most successful in Serbia. In addition to the construction of a bridge over the Danube, it worked on further four projects (the construction and reconstruction of road sections) in the period 2013 – 2017. All projects were financed by loans obtained from Chinese Exim Bank. Also, according to the already signed agreements, this company will be the main contractor for the construction and modernization of the 350 km long Belgrade-Budapest railway. For projects in the energy sector, the Chinese state company CMEC (Sinomach) is in charge, which, in addition to the construction of the block in the Kostolac Thermal Power Plant, also worked on the construction and reconstruction of the Nikola Tesla Thermal Plant in Obrenovac and the reconstruction of the Radljevo mine. The Chinese Power C. C. company worked as a partner on the modernization of the Serbian electrical grid, through two projects that were also financed from the loan from the Chinese bank. In order to modernize the telecommunication network inSerbia, the Chinese company Huawei and Telekom Srbija signed a contract on cooperation in 2016, which includes the purchase and installation of the latest equipment of the Chinese manufacturer, as well as joint work on the modernization of the Internet network in Serbia and the introduction of the 5G technology. Chinese company Hebei Iron bought Smederevo Zelezara (the ironworks), one of the comapnies with a huge loss in Serbia, for US $ 56 million in 2016. It is also bound by contract to invest additional US $ 240 million over the next two years. The idea of this project is the complete modernization of the factory and the increase in production capacity from 875 000 tons to 2. 1 million tons of steel per year. With the help of new owners, that would gradually but surely turn Sartid, from a failing giant that employed 5200 workers to a regional leader in production (https://www.reuters.com/article/us-serbia-privatisation-steel/chinas-hebei-signs-agreement-to-buy-serbian-steel-plant-idUSKCN0XF130).

Montenegro

In Montenegro, a Chinese construction corporation is currently upgrading 10 kilometers of the railway that connects the Port of Bar in the Montenegrin coast to Belgrade, while the China Pacific Construction Group has signed a contract to build a highway between Montenegro and

Albania. The 689 million-euro loan provided by the state Export-Import (Exim Bank of China) has been taken by Montenegrin Government for the construction of the Podgorica-Kolašin highway section as well as for connecting the roads between the City of Bar on the Adriatic coast and the border with Serbia. Finally, another loan from Exim Bank in the amount of 56 million is intended for the construction of new boats to be owned by Montenegro, while the contractor is the Chinese company Poly Group Corporation. (http://www.balkanalysis.com/montenegro/2016/08/09/chinese-investment-developments-in-the-balkans-2016-focus-on-montenegro)

Albania

In Albania, the Geo Jade Petroleum Corporation from Shanghai bought a controlling interest from the Canadian Bankers Petroleum in two Albanian oil fields for $ 442 million in 2016. In December 2014, Albanian Government and Exim Bank agreed on a loan for the construction of the Arbër highway, a part of the road to the formerYugoslav Republic of Macedonia and Bulgaria, which will thus connect the Ionian Sea and the Bulgarian part of the Black Sea coast. China Everbright Group and Friedmann Pacific Asset Management purchased the airport shares in Tirana in 2016, expanding thus their influence and control over the transportation and logistics companies in the Balkans. The group will manage the facility until 2025, with a two-year extension until 2027 (https://www.reuters.com/article/us-china-albania-everbright/china-everbright-group-buys-albanian-airport-operator-idUSKCN1271ZE).

Macedonia

In the former Yugoslav Republic of Macedonia, Chinese companies are currently working on the construction of two highways, the Skoplje-Stip section in the eastern part of the country and Kicevo-Ohrid section in the west. The project is financed by the loan from the Chinese Development Bank. Macedonia is very important in the context of China's BRI strategy because it is on the most important route connecting the Port of Piraeus in Greece and Budapest in Hungary. After the agreement between Hungary and Serbia in Belgrade in 2015, Macedonia and China prepared a feasibility study to modernize rail transportation in Macedonia, thus improving the Athens-Budapest railroad through this territory. It has to be noted that Chinese companies are already supplying Skopje with electric trains. However, frequent political problems and instability in the country prevent the arrival of more serious Chinese companies which are repelled by the current situation and a weak credit rating of the country itself. ①

Bulgaria

Bulgarian market is not particularly interesting to Chinese businessmen, primarily due to underdevelopment of energy, transportation and logistics sectors, which are the primary industries for investment in the international business market. Although Bulgaria is an EU member, the Chinese companies' operations in that country are reduced to a minimum. However, the following should be mentioned as significant investments: a joint venture project between the Chinese automotive company GreatWall Motor and the Bulgarian giant in that industry, Litex Motors. The value of this project is about US dollar 300 million, and in 2013 a joint factory was opened to produce cars under the Chinese brand. The idea behind this project is to develop the Chinese automotive industry, which is currently in the expansion, but also offer

① http://www.atimes.com/article/china-in-the-balkans-macedonia-albania-seek-beijings-help-in-building-infrastructure/.

to the European market high-quality SUV models at affordable prices. This is the first time that a Chinese car company has opened its production plant on the territory of the European Union①.

Romania

Chinese companies started their penetration into Romanian market in 2013, when Min Yang company started a joint venture with the Romanian company Speranta. The idea behind this project, which is supported by the Chinese government, is an investment in alternative energy sources (wind energy) and the consutrction of a 200MW wind park, with the project value being US dollar 540 million. This enabled other Chinese companies from this industry to enter the market, so that just a few months later and 170 kilometers further, the Chinese company Goldwind initiated a similar project. Not even China's state-owned company Sinomach, which is one of the biggest investors in the Balkans, bypassed this country. Namely, in 2014 the construction of a power plant was agreed through a loan from the Chinese bank, under the condition that the Chinese state company Sinomach be the contractor on the project. In 2017, CEFC, one of the 10 most powerful private Chinese companies bought 51% stake in KMG International in Romania, the company previously owned by Kazakhstani Mui Gas, for a sum of US $ 350 million. The idea behind this acquisition was the possibility of trade in oil derivatives in Romania, Bulgaria and Moldova, as well as a signed partnership for trade in these resources in the Black Sea region②.

Slovenia

As far as Slovenian market is concerned, only one Chinese

① https://www.novinite.com/articles/136867/Bulgaria+Opens+Great+Wall+Car+Plant%2C+Hopes+for+Great+Chinese+Investments.

② https://www.reuters.com/article/china-cefc-kazmunaigas/update-1-kazakh-kmg-sees-sale-of-stake-in-romanian-unit-to-cefc-by-end-june-idUSL8N1R15O2.

investment in this region has been recorded so far. Namely, in 2017 the Chinese investment fund ZhejiangJinke bought the Slovenian company Outfit7 for just over US $ 1 billion. This company is primarily known for its Talking Tom application and is one of the leading companies in the industry of family entertainment in Europe with over 300 million active users. This acquisition has been the largest single acquisition in the entertainment industry in Europe so far. ①

Bosnia and Herzegovina

In the territory of Bosnia and Herzegovina Chinese companies have implemented a similar investment approach to that used in the rest of the Balkans. In that sense, foreign direct investments through infrastructure loans are dominant, while contractors are mainly Chinese state companies such as Sinomach, Dongfang, China E. E. and Shangdong Group. The Dongfang El. Company was the first to begin to penetrate the market of Bosnia and Herzegovina when, in 2010, it signed a contract on the construction of a 300 MW Stanari Power Plant. The project was financed by the Chinese Exim Bank. The total investment amounted to US $ 710 million and the project was completed in 2014. In the next few years, Chinese companies started working on similar projects, investing mostly in traditional forms of energy, while alternative sources like construction of wind parks, for example, have become interesting in the Balkans over the past two years. Other investments include: the construction of a thermal power plant in Tuzla (Elektroprivreda Bosna) in 2014, with the investment value of US $ 1.06 billion through the loan of the Chinese Exim bank; the rehabilitation of the Stanari coal mine in 2015, with the Chinese company Dongfang as the main contractor; the construction of the Banja Luka-Prijedor highway section in 2017, the project worth US $ 640 million, while the negotiations on the modernization and

① https://digitalspoiler.com/slovenian-unicorn-behind-talking-tom-acquired-1-billion/.

reconstruction of the across border railway on the Banja Luka-Novigrad-Dobrin section (Croatia) are under way. The contractor should also be the Chinese company Shangdong. One of China's largest state-owned companies Sinomach bought a 51% stake in the Gacko Thermal Power Plant in 2017, where it signed an investment contract to build a new thermal block titled Gacko 2. The value of this project is US $ 310 million. Bosnia and Herzegovina is an attractive market for Chinese companies primarily due to significant hydro-energy resources and is one of the few countries in the Western Balkans capable of producing and exportingsignificant amout of electricity. ①

Based on the given examples, it is obvious that China continues to maintain strong cooperation with thethe Balkan countries, which is certainly in line with the goals of the OBOR and 16 + 1 initiatives. As far as the strategic choice is concerned, the cases prove that FDI is dominant as the primary choice both before and after OBOR (shown in Tables 1 – 2 and 1 – 3), which differs significantly from the rest of Europe, primarily owing to the enormous support from Chinese government. China will continue to invest in this part of Europe according to its plans, with Chinese Exim Bank certainly playing a major role in this. As a matter of fact, this bank has financed most projects in this part of the world from its funds. The form of financing itself does not differ much from country to country; these are mainly loans with a repayment period of 20 to 30 years, with the contract stipulating that the Chinese company be the main contractor of the project. In some countries there is also a form where Exim Bank covers 85% of the cost through credit, while the remaining 15% is covered by the host country.

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① https://www.reuters.com/article/energy-balkans-china/chinese-firms-invest-in-emerging-markets-energy-for-eu-toehold-idUSL5N0EN1CF20130611.

Table 2 **Comparative analysis of Chinese investments between Balkan countries and the rest of the Europe before BRI (Million US dollars)**

	Balkan countries			Rest of the Europe		
Year	Average investment amount	The most dominant sector's	The most dominant strategic choice	Average investment amount	The most dominant sector's	The most dominant strategic choice
2010	360 mil. US $	Energy	FDI-through credit	646 mil. US $	Energy, Transport	Acquisition, FDI
2011	120 mil. US $	Retail	Acquisition	884 mil. US $	Energy, Transport	Acquisition
2012	553 mil. US $	Logistics, Real estate, Energy	Acquisition, Joint-venture	618 mil. US $	Real Estate, Energy	Acquisition
2013	489 mil. US $	Energy, Transport, Logistics	FDI-through credit	439 mil. US $	Transport, Real Estate	Acquisition

Source: The authors' research is based on: China Global Investment Tracker.

Table 3 **Comparative analysis of Chinese investments in the Balkan countries and the rest of the Europe after BRI (Million US dollars)**

	Balkan countries			Rest of the Europe		
Year	Average investment amount	The most dominant sector's	The most dominant strategic choice	Average investment amount	The most dominant sector's	The most dominant strategic choice
2014	756 mil. US $	Energy, Transport	FDI-through credit	641 mil. US $	Energy, Real Estate, Technology	Acquisition
2015	460 mil. US $	Energy	FDI-through credit	870 mil. US $	Transport, Finance, Entertainment	Acquisition
2016	273 mil. US $	Energy, Transport	FDI-through credit, Acquisition	830 mil. US $	Energy, Real Estate, Tourism	Acquisition
2017	490 mil. US $	Energy, Transport	FDI-through credit, Acquisition	1646 mil. US $	Energy, Finance, Agriculture	Acquisition

Source: The authors' research is based on: China Global Investment Tracker.

Ⅱ. Final Remarks and Conclusion

China is fully employing its resources (both state and private) to promote and fulfil its "Belt and Road" initiative at the moment. Most European countries are using this momentum and project for several purposes: to improve their relationship with China, solve some of their internal problems (e. g. infrastructural projects) or improve their national companies.

This win-win situation is crucial for this initiative, and Chinese Government uses this term to describe the aim of this project in the best way possible. It is important to underline this philosophy, because recently many negative opinions coming from the USA in particular, and sometimes also from the EU, could have been heard.

Regarding the issues that were analysed in the paper, the following can be concluded:

First, BRI has clearly affected the level of investment in Europe. The data presented showed that the amount, average number and the number of investments in Europe increased. That was very beneficial for European countries, given that the financial crises in 2009 led to many problems that could not have been solved easily. It also meant that some of the projects and investments needed to be postponed. On the other hand, the fact it that through BRI, some of them can still be fulfilled.

Second, After the BRI implementation, the level of investments in the EU significantly grew. It can also be concluded that in the EU in particular, Chinese companies changed the field in which they invested. They changed from traditional types of economies towards new types of economies, e. g. from transportation to IT industry. In addition, in the EU most Chinese companies (both state and private) used acquisition as the main strategy choice.

Third, Regarding the Balkan countries, the situation is the same, in the sense that the level of investments after BRI initiative started to increase. However, in the Balkan countries FDI prevail over other types of strategic investments. Also, infrastructural projects are at the centre of Chinese attention in this region.

Of course, the time frame is still very short for these conclusions to be final. It will be extremely interesting to see what will change in the future, and what patterns will be dominant in upcoming period. It can be said that at the moment BRI is still being fully realized, yielding visible positive results.