



# Weekly Briefing

## **Romania external relations briefing:**

### **Romania and 16+1 Summit**

**Oana Cristina Popovici**


## **China-CEE Institute**

Kiadó: Kína-KKE Intézet Nonprofit Kft.

Szerkesztésért felelős személy: Chen Xin

Kiadásért felelős személy: Huang Ping

 1052 Budapest Petőfi Sándor utca 11.

 +36 1 5858 690

 [office@china-cee.eu](mailto:office@china-cee.eu)

 [china-cee.eu](http://china-cee.eu)

## **Evaluation of the 16+1 Summit on Romania**

Romania participated at the 6<sup>th</sup> Summit of Heads of Government from Central and Eastern Europe and the People's Republic of China which took place in Budapest under the 16+1 formula of cooperation, launched in 2012. The official delegation of Romania was led by the Deputy Prime Minister Paul Stănescu, who is also the minister for Regional Development, Public Administration and European Funds. It also included representatives of the General Secretariat of the Government, the Ministry of Foreign Affairs, the Ministry of Energy, the Ministry of Transport, the Ministry of Regional Development, Public Administration and European Funds and the Ministry of Business, Commerce and Entrepreneurship.

During the Summit, Romania reiterated its position as an active participant in enhancing the opportunities emerged from the multilateral collaboration between these countries and within the framework of the Belt and Road Initiative. Romania also assumed its role as a binder for a smooth cooperation between Europe and China. The Summit proved to be of a significant importance for strengthening the economic relationship with China and with the neighboring countries and for further building the strong cooperation path for the already 5-years old China-CEE working framework.

### **Important achievements for Romania during the 16+1 Summit**

**1-The export of alfalfa crop in China kicked off, once with the signing of the protocol on sanitary-veterinary and phytosanitary conditions.**

The president of the Romanian National Sanitary Veterinary and Food Safety Authority, Geronimo Brănescu, and the Chinese minister of the General Administration for Quality Supervision, Inspection and Quarantine, Zhi Shuping, signed the Protocol containing the sanitary and phytosanitary conditions for the

Romanian exports of alfalfa in China. The document is the result of a thorough procedure for the verification and authorization of the conditions under which the exporting economic agents are producing and processing this type of hay. This action will have a direct impact on the volume of bilateral trade between Romania and China.

## **2-Romania became part of the Interbank Association Agreement 16+1**

Romania has expressed its interest of actively participating in the financial-banking cooperation between People's Republic of China and the rest of Central and Eastern European countries by becoming part of the Interbank Association Agreement 16+1. Eximbank România, the bank which signed the document, has a major importance for the Romanian economy. The bank was founded in 1992 and the Romanian state continues to be its majority shareholder. It is endowed with a double function in supporting the Romanian business environment, due to its activity as both a *commercial bank* – through which is providing financing solutions, trade finance or financial risk management solutions – and as a *state agent*, delivering unique products which contain state aid components, such as guarantees and insurance.

## **3-Success for the Romanian economic mission**

Through the economic mission lead by the president of the Chamber of Commerce and Industry of Bucharest, Sorin Dimitriu, at the Economic, trade and financial forum held in the margins of the Summit, the representatives of the business environment had the opportunity to establish contacts for laying the foundations of international business collaborations. The delegation was composed of almost 50 members, representing 43 companies from Romania, who conducted several bilateral meetings with potential business partners in the area of automotive, electrotechnics, automation, agricultural and food processing industry, wine production and export, textiles, building materials, legal assistance to foreign companies and tourism, according to the Chamber of Commerce and Industry of Bucharest. The institution considers that the

economic mission accomplished its goal with great success giving the fact that each Romanian company had on average five meetings with potential partners.

In addition, the opportunities of further promoting Romania on the Chinese market will be enhanced following the partnership between Romania and the China – CEEC Investment and Trade Expo in 2018. Moreover, the achievements of the mission were also related to strengthening the collaboration with the countries in the European region, some important meetings taking place with the officials of the Macedonia and Hungary Chamber of Commerce and Industry.

### **Closely examination of Romania's 16+1 Summit achievements**

Although it may seem that these were rather punctual actions for Romania, they could be assumed as future steps in the development of a sound relationship with China.

The potential of a long-term orientation in the area of trade and finance is augmented by the long tradition of bilateral cooperation between Romania and China. In 2019 there will be 70 years since the establishment of the Romanian-Chinese diplomatic relations and 15 years since the launch of the Ample Partnership of Friendship and Cooperation.

Moreover, there is a huge potential in developing the economic relations between China and Romania due to several reasons. Among them, Romania is a large consumption market, the seventh largest country in the EU as number of population and the second largest in the region, amid the 16 CEE countries. As part of the EU, Romania could provide faster penetration of the European Union market. It also has a high potential of development in the area of infrastructure and constructions, while the Danube river and the Constanta maritime port at the Black Sea provides a unique route for the access of foreign companies in the Europe and could transform into an important logistic hub.

Under these auspices, significant bonds as those established during the 16+1 Summit in Budapest could lay the path for collaboration in large-scale

projects, in which Romania and China intend to establish a long-term relationship. China has already shown its interest in investing in car parts factories, in real estate properties and in the energy field in Romania. China General Nuclear Power Corporation intends to invest in the construction of two nuclear reactors at the Cernavoda Nuclear Power Plant. The negotiations with China Huadian Engineering regarding the Rovinari thermal power plant were resumed in August for building a new 600 MW energy group. Several projects were announced to be launched in the summer of 2016, among which a car parts factory in Brasov, a real estate complex in Bucharest and a solar power station. A special interest for further enhancing bilateral trade and tourism is the resumption of the Bucharest - Beijing flight route. The intention of completing such large-scale projects was repeatedly articulated by the political officials this year.

In other areas, the China Tobacco International Europe Company has already invested 40 million euros in the tobacco factory in Buzau and other 20 million euros in the Eurosport DHS SA factory in Hunedoara, which is producing bicycles. The Chinese company ZTE has made known its intentions of focusing on the development of the "smart city" concept, by collaborating with local governments in several pilot projects.

The statistics indicate the potential of further enhancing the economic, trade and financial relationships.

The number of companies with Chinese capital in Romania reached 12,068 at the end of 2016, representing 5.8% of the total number of companies with foreign capital in Romania. China is, therefore, in the top 5 of the countries with the highest number of companies, after Italy, Germany, Turkey and Hungary. Still, the volume of the investments is quite low, China being ranked the 19<sup>th</sup> as regards the total value of the capital (0.315 million euro), which represents only 0.75% of the total subscribed capital, according to the data of the Romanian National Trade Register Office.

As regards bilateral trade, only 1.1% of Romania's exports have China as main destination, while 5.1% of total imports came from China in 2016. Romania is on the 8<sup>th</sup> place among the CEE countries acting under the 16+1 framework as regards the share of exports to China in the total value of the exports and on the fifth place as regards the exports volume (682 million USD), after Hungary (2.25 billion USD), the Czech Republic (1.92 billion USD), Poland (1.91 billion USD) and Slovakia (1.26 billion USD) in 2016, according to Observatory of Economic Complexity (OEC) data.

Romania receives the fourth largest volume of Chinese imports among the 16 CEE countries, of 3.82 billion USD, after Poland (23,4 billion USD), the Czech Republic (17.8 billion USD), Slovakia (6.35 billion USD) and Hungary (4.87 billion USD) in 2016. This amount represents 5.1% of total Romanian imports, which ranks the country on the 12<sup>th</sup> place. Except for the Czech Republic, all the other countries in the region registered a trade deficit with China in 2016.

Moreover, Romania proved its interest in enhancing the cooperation under the 16+1 framework and took the initiative for deepening the relationships in the field of energy. Recently, at the beginning of November, Romania organized a Ministerial Conference on Energy Co-operation - the first of its kind in this context –, with the assistance of the 16+1 Energy Dialogue and Cooperation Center, where officials from the 16+1 countries attended. The main goal was to assess the opportunities and challenges in the energy field in the region and to identify the possibilities of launching common projects in this area. The meeting was followed by a 16+1 Energy Fair and Expo. The fair represented a unique event for gathering together representatives of some of the largest Chinese energy companies in China, Romania and in the other Central and Eastern European countries and exploring joint business projects.

Romania demonstrated its interest and political will in being part of the 16+1 cooperation format and enhancing the benefits of such a partnership. Earlier this year, in July 2017, Romania hosted both the China-CEEC Political

Party Dialogue and the 3rd China-CEEC Young Politicians Forum. In fact, Romania was the host of the second 16+1 summit of Central and Eastern European countries and China in 2013. While the relationships between the countries are building and examples of good practices are arising, Romania's actions until now showed that it is determined to capitalize on the opportunities provided under the 16+1 cooperation format and to expand in sectors where strong developments are grounded.