

Institutional Barriers to Chinese Enterprises' Investment in Romania under the EU's Dual-Level Regulatory Framework: Challenges and Response Strategies

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Abstract: In recent years, bilateral trade between China and Romania has grown steadily, yet the scale of Chinese direct investment in Romania remains modest. As a member state of the European Union, Romania's investment policy environment is shaped simultaneously by EU-level regulation and by national legislation, producing a dual-layer institutional framework that has become increasingly restrictive toward non-EU investors in sectors deemed strategic. This paper examines the institutional barriers confronting Chinese enterprises in Romania, focusing on the EU Foreign Direct Investment Screening Regulation (EU) 2019/452, Romania's national screening mechanism under Government Emergency Ordinance 46/2022, sector-specific restrictions in telecommunications and nuclear energy, and constraints in Romania's public procurement regime. Drawing on the cases of Huawei's exclusion from Romania's 5G network, the termination of the China General Nuclear Cernavodă nuclear project, and the successful Bucharest Ring Road contract, the paper identifies the structural sources of policy risk and proposes response strategies centered on regulatory compliance, sector selection, and localized cooperation, offering practical reference for Chinese enterprises and for China-Romania economic cooperation.

Keywords: Foreign direct investment screening; Romania; European Union; Chinese outward investment; Public procurement

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1. Introduction

Since the launch of the China-Central and Eastern European Countries (China-CEEC) cooperation mechanism in 2012 and the Belt and Road Initiative in 2013, economic ties between China and Romania have deepened considerably. Bilateral trade reached a record US\$10.56 billion in 2023, and China has become one of Romania's principal non-EU trading partners, with trade exceeding US\$9 billion again in 2024^[1,2]. Yet this expansion in trade has not been matched by a proportional increase in Chinese direct investment: as of March

2024, subscribed capital of Chinese-owned firms stood at only about €357 million, and the National Bank of Romania recorded total direct investment of approximately €307 million ^[3].

This paper asks what institutional barriers Chinese enterprises face when investing in Romania, how EU-level and Romanian national rules interact to produce them, and what response strategies follow. Answering these questions matters beyond the bilateral relationship itself, since Romania is often described in Chinese policy commentary as a potential gateway into the EU single market. The analysis draws on the literature on FDI screening governance, which situates investment review within a broader securitization of economic policy, and on multi-level governance theory, which distinguishes explicit legal barriers from barriers arising from discretionary application of formally neutral rules or informal political commitments made outside the formal legal process.

2. China-Romania economic relations: An overview

Trade has consistently outpaced investment as the dominant form of China-Romania economic engagement. According to Chinese customs statistics, bilateral trade volume reached US\$10.56 billion in 2023, and in the first eight months of 2024 bilateral trade grew by 26.4 percent year-on-year, with Chinese exports to Romania—machinery, electronics, and vehicles—far outweighing Romanian exports of agricultural products, cosmetics, and wine ^[1,2]. Romanian trade statistics for 2024 record a bilateral trade volume of approximately US\$9.3 billion, with Romania running a trade deficit of roughly US\$7.7 billion, prompting Romanian officials to call for more balanced and diversified economic relations and for greater Romanian access to the Chinese market ^[4]. Investment figures tell a different story: Chinese direct investment remains a small fraction of the trade relationship, and roughly 13,700 Chinese-capital firms are registered in Romania, but their combined capital is modest relative to Romania’s overall stock of foreign direct investment ^[3]. This is consistent with the broader pattern documented for China-Central and Eastern European relations after 2019–2021, during which several high-profile Chinese investment projects in the region were canceled or scaled back amid growing scrutiny from EU institutions and Romania’s Euro-Atlantic partners ^[5]. Politically, Romania downgraded its representation at the 2021 China-CEEC summit to ministerial level rather than head-of-government level, while stopping short of full withdrawal from the mechanism, as Latvia and Estonia later did ^[5]. This combination of expanding trade, stagnant investment, and cooling political engagement forms the backdrop against which the specific institutional barriers discussed below have emerged.

3. Institutional barriers under the EU-Romania framework

3.1. The EU foreign direct investment screening regulation

Regulation (EU) 2019/452, applicable since October 2020, establishes a framework for screening foreign direct investment on security or public-order grounds without harmonizing member states’ mechanisms; it sets minimum content requirements and a cooperation mechanism through which member states and the European Commission may request information about, and comment on, investments screened elsewhere, while leaving each state sole responsibility for its own decisions ^[6]. Article 4 lists broad, non-exhaustive review factors covering critical infrastructure, critical technologies, the supply of critical inputs, and sensitive information ^[6]. Because the definition of these categories is broad and the Regulation preserves each member state’s sole responsibility for its own security decisions, it affords considerable discretion to national authorities—discretion

Romania has used to build one of the more expansive screening regimes in Central and Eastern Europe ^[9]. A successor regulation, expected to be finalized during 2025–2027, would extend mandatory screening obligations and broaden the scope of covered transactions, suggesting the regulatory trajectory is toward greater, not lesser, scrutiny of non-EU investment ^[7].

3.2. Romania’s national FDI screening mechanism

Romania operationalized this framework through Government Emergency Ordinance 46/2022, replacing ad hoc review by the Supreme Council of National Defence (CSAT) with a dedicated Foreign Direct Investment Screening Commission (CEISD) ^[8]. Investments in sectors designated sensitive under CSAT Decision 73/2012—critical infrastructure, energy, communications, defense, and advanced technology—require notification above a threshold originally set at €2 million and raised to €5 million for certain categories in 2026, though sub-threshold deals remain reviewable where they may affect national security ^[9,10]. Since December 2023, the regime covers EU investors as well as non-EU investors, and since December 2024, even purely domestic transactions between Romanian entities, reflecting concern about circumvention through intermediary structures ^[10]. Review may take 45 days or longer, with requests for information resetting the clock; non-compliant agreements are void, and fines may reach 10 percent of global annual turnover. Legal commentators describe the regime, following successive rounds of amendment in 2023–2026, as among the most expansive and intricate FDI screening frameworks in Central and Eastern Europe ^[11]. For Chinese enterprises, whose Romanian investments concentrate disproportionately in telecommunications, energy, and transport—precisely the sectors designated sensitive—this expansive and still-evolving regime is a significant source of transactional risk and delay, independent of any explicit nationality-based restriction.

3.3. Sector-specific restrictions and public procurement barriers

Sector-specific legislation compounds this general regime. Romania became, in August 2019, the first country in the world to sign a bilateral memorandum with the United States committing both governments to a risk-based evaluation of 5G vendors, under which suppliers “controlled by a foreign government” and lacking “a transparent ownership structure” would be excluded from national 5G networks ^[12,13]. This commitment was codified into law in June 2021, requiring that any company supplying 5G technology and equipment obtain approval from the Supreme Defence Council—effectively barring Huawei and other Chinese-controlled vendors, with operators required to remove existing Huawei equipment from core networks by 2026 and from the wider radio access network by 2028; Huawei’s Romanian subsidiary estimated the exclusion could cost the domestic economy as much as US\$9.2 billion and thousands of jobs ^[13,14].

In the energy sector, the trajectory of the Cernavodă Units 3 and 4 nuclear project illustrates how a project can progress through years of commercial negotiation only to be terminated once geopolitical alignment considerations intervene. State-owned Nuclearelectrica signed a memorandum of understanding with China General Nuclear (CGN) in November 2015, and in 2019 the parties signed a preliminary agreement under which CGN would take a 51 percent stake in the joint venture. In January 2020, however, the government announced the contract would instead go to NATO and EU companies, and by June 2020 Nuclearelectrica had terminated all negotiations with CGN. Romanian officials did not publicly specify the grounds, but press reporting attributed the decision to security concerns raised by Romania’s “strategic partners,” compounded by a 2016 U.S. Department of Justice indictment of CGN for alleged nuclear espionage ^[15]. In October 2020,

Romania and the United States signed an intergovernmental agreement—ratified by parliament in July 2021—to cooperate on Cernavodă using U.S. technology, with the U.S. Export-Import Bank expressing interest in financing up to US\$7 billion ^[16].

A further, more indirect barrier arises from Romania's public procurement regime—Law nos. 98-101/2016, transposing EU Directives 2014/23-25/EU, implemented through secondary legislation and guidance from the National Agency for Public Procurement (ANAP) ^[17]. While formally non-discriminatory, its EU-derived technical, financial, and sustainability qualification criteria, combined with the overlapping requirement that qualifying investments also clear FDI screening, create a compounded compliance burden for non-EU bidders that is lighter for EU-domiciled competitors benefiting from mutual recognition across the single market. In strategic sectors, this compounding of procurement compliance and security screening substantially raises transaction costs and timeline uncertainty for large Chinese-led bids, even absent an explicit prohibition on Chinese participation.

4. Case analysis

The Huawei and CGN cases share a consistent pattern: projects in sectors explicitly designated as strategic (telecommunications core infrastructure, nuclear energy) and requiring a controlling equity stake or long-term technological dependency proved highly vulnerable to termination once geopolitical alignment pressures intensified, regardless of the technical merit or commercial competitiveness of the Chinese partner. In both cases, the decisive factor was not a formal finding under Romania's FDI screening mechanism—which in the Huawei case did not yet exist in its current form, and in the CGN case had not yet been triggered under GEO 46/2022, only adopted in 2022—but bilateral political commitments made with the United States, the 2019 5G memorandum and the 2020 Cernavodă intergovernmental agreement, that pre-empted the commercial process ^[13,15]. For Chinese enterprises, the risk in Romania's most sensitive sectors thus extends beyond formal legal criteria to an informal layer of geopolitical alignment risk capable of overriding an already-advanced commercial negotiation.

By contrast, the Bucharest Ring Road case illustrates that Chinese participation in Romanian infrastructure remains viable where a project is structured as a competitively tendered public works contract under the EU-aligned procurement regime rather than as a foreign-controlled joint venture in a security-sensitive asset. In March 2023, the China Civil Engineering Construction Corporation (CCECC) signed a contract for the third section of the 100.8-kilometer Bucharest Ring Road, an 8.6-kilometer stretch built to EU technical standards ^[18]. Unlike the Cernavodă and Huawei cases, this project did not involve Chinese acquisition of control over a strategic asset or dependency on Chinese-supplied critical technology; it was a construction and engineering services contract awarded through ordinary public procurement procedures. This contrast indicates that the principal institutional barrier facing Chinese enterprises in Romania is not a blanket restriction on Chinese participation in the economy, but a sector- and structure-specific constraint concentrated in transactions involving equity control over critical infrastructure or long-term technological dependency in designated sensitive sectors.

5. Response strategies

Given this institutional environment, Chinese enterprises seeking to invest in Romania should adopt a

differentiated strategy that reflects the sector- and structure-specific nature of the barriers identified above, rather than treating Romania as uniformly open or closed to Chinese capital.

First, enterprises should prioritize early regulatory compliance assessment. Given the expanding scope of GEO 46/2022, Chinese investors should conduct a formal FDI screening assessment at the earliest stage of transaction planning, in parallel with commercial due diligence, and budget for the 45-day-plus statutory review timeline and the possibility of a Phase II review involving CSAT^[9,11]. Engaging Romanian legal counsel with CEISD filing experience is advisable given the regime's continuing interpretive uncertainty^[11].

Second, enterprises should favor sectors and transaction structures outside the most politically sensitive categories. As the Bucharest Ring Road case demonstrates, construction, engineering, and manufacturing investments structured as competitively tendered contracts or minority, non-controlling stakes face materially lower geopolitical risk than proposed acquisitions of control in telecommunications core networks, nuclear energy, or other CSAT-designated critical infrastructure^[9,18]. Where investment in a nominally sensitive sector is attractive, structuring the transaction to avoid triggering a change-of-control threshold, or partnering with EU-domiciled co-investors, may reduce both the probability and consequences of screening intervention.

Third, enterprises should pursue joint ventures and local partnerships with Romanian and other EU firms already versed in EU-standard technical, environmental, and procurement requirements. Local partnership addresses both the compliance dimension—Romanian and EU partners already meet ANAP qualification standards—and the political dimension, since co-investment with EU-domiciled partners reduces the perception of a project as a vehicle for exclusive Chinese control^[17].

Fourth, enterprises and Chinese authorities should invest in sustained policy communication with Romanian regulators and the European Commission's investment screening coordination unit, given that Romania's screening decisions increasingly interact with the EU-level cooperation mechanism and its pending successor regulation^[6,7]. Transparent disclosure of ownership structures—the absence of which was explicitly cited as grounds for excluding vendors from Romania's 5G market—should be treated as a baseline compliance requirement rather than an optional disclosure^[13,14].

Finally, at the bilateral level, continued engagement through mechanisms such as the China-Romania Joint Commission on Economic Cooperation can help identify sectors—green transport infrastructure, agricultural trade, manufacturing—where Chinese investment complements rather than substitutes for Romania's security priorities, supporting the more balanced economic relationship Romanian officials have themselves called for^[4]. Given that Romania's regulatory trajectory is likely to tighten further as the EU's successor screening regulation is finalized, Chinese enterprises should adopt a medium-term planning horizon: building a track record of compliant, non-controversial investment in less sensitive sectors, as CCECC has done, can establish institutional credibility that may, over time, ease the path for more ambitious future investment^[7,18].

6. Conclusion

Chinese enterprises' investment in Romania is constrained by a genuinely dual-level institutional architecture: an EU framework granting broad, non-harmonized screening authority that is being tightened through ongoing reform, and a Romanian regime that has, since 2022, become one of the most expansive FDI screening systems in Central and Eastern Europe, compounded by telecommunications and energy legislation adopted in response to bilateral security commitments. The termination of the Cernavodă nuclear project and the exclusion of Huawei from Romania's 5G network demonstrate that these barriers are most acute where Chinese enterprises

seek controlling stakes or long-term technological dependency in critical infrastructure sectors, while the continued participation of CCECC in EU-standard public procurement projects like the Bucharest Ring Road demonstrates that meaningful space for Chinese investment persists outside these politically sensitive categories. Compared with studies that treat China-CEEC investment as a single regional bloc, this country-specific, dual-level analysis offers a more precise account of where barriers concentrate. The analysis is limited by the small number of large-scale Chinese investment cases available for study; future research could extend the comparison to other Central and Eastern European states applying the same EU framework and track how the pending EU screening reform reshapes this environment. For Chinese enterprises and policymakers seeking to sustain the broader China-Romania economic relationship, success depends less on the aggregate scale of investment ambition than on the precision with which sector selection, transaction structure, compliance planning, and local partnership are calibrated to Romania's specific and still-evolving regulatory architecture.

Disclosure statement

The author declares no conflict of interest.

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