

Enhancing Foreign Investments in Central and Eastern Europe: The Role of the Three Seas Initiative in Attracting Middle Eastern and Asian Investors

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Abstract. *Foreign investments are viewed as a key driver when it comes to economic growth and infrastructure development in the countries from Central and Eastern Europe. This paper aims to examine the role of the Three Seas Initiative as a platform for drawing funds from Middle Eastern and Asian investors and stake holders, focusing mainly on domains like transportation, energy and digitalization. It focuses also on highlighting the challenges when it comes to closing investment gaps in cross-border connectivity and attracting international financial engagement. Existing scientific literature underscores the importance of the Three Seas Initiative in addressing disparities in infrastructure across the region. However, there has been limited exploration on its probability of attracting non-european investors in the area. This paper analyzes the alignment between the needs of the regional infrastructure and the strategic priorities of Middle Eastern and Asian investors, such as technological or transportation innovation, energy security or food security. The research method used in the paper is based on a literature analysis or a review of the specialized literature, in which I will examine and synthesize previous research and findings in the field. The study addresses two central research questions: What strategies does the Three Seas Initiative use to attract foreign investments? How can Central and Eastern Europe position itself as an attractive destination for Middle Eastern and Asian investors? It is estimated that, at the moment, the value of The Three Seas Initiative projects is over 100 billion and they can enhance the region's appeal through improved connectivity and resilience. This article also provides valuable insights into how the infrastructure initiatives from The Three Seas Initiative align with the strategic goals of global investors.*

Keywords: Foreign investments, The Three Seas Initiative, Infrastructure development, Energy security, Economic integration and digitalization, Middle East and Asia, Central and Eastern Europe.

Introduction

For a consistent period of time, foreign investments have been considered a key factor in what means economic growth, regional integration and technological advancement. In Europe, especially in the Central and Eastern parts, the shift from communist or post-communist systems to the inclusion in the European Union has reshaped the economic environment, opening more prospects for foreign investors. Despite this, the region of CEE is still facing problems regarding the development in some vital areas, such as transportation, infrastructure or energy security. The Three Seas Initiative addresses these problems and has positioned itself as a unique platform through which they can be solved, showing investment attractiveness for all the 12 member states.

This research paper is trying to explore the link between dynamics of foreign investments and regional economic initiatives. The Three Seas Initiative has been analyzed mostly through the

lens of European policy and geopolitical strategy, but the potential to gather investors outside its borders is still to be looked at.

The main research question of this paper would be “How can the Three Seas Initiative enhance the attractiveness of Central and Eastern Europe states for foreign investors from the Middle East and Asia?”. By this, the paper aims to investigate the methods through which The Initiative addresses barriers for investments, such as energy dependency, limited market integration or infrastructure deficit.

One of the main Hypotheses of this paper states that the focus of the Three Seas Initiative on domains like energy, transport and technology should enhance the investors’ appeal for the area of CEE and also reduce the perceived risks. Plus, the accent that the Three Seas Initiative has put on cooperation and connectivity creates market access opportunities that may align with the long-term investment strategies of these investors.

Literature review

This literature review examines and consolidates current studies on foreign direct investments in Central and Eastern Europe, FDI attraction strategies, the impact of regional initiatives like The Three Seas Initiative and opportunities for drawing investors from the Middle East and Asia. Additionally, it highlights research gaps that this study aims to fill.

Since the collapse of communism, Central and Eastern European (CEE) countries have experienced major economic changes, integrating into global markets and attracting significant foreign direct investments (FDI) inflows (Estrin & Uvalic, 2014).

Nevertheless, the region still struggles with diversifying its investment sources and overcoming infrastructure gaps and deficits, which limit its ability to reach the full potential. Plus, The World Bank considers that a clear and consistent regulatory framework is essential for both attracting new investments and maintaining the confidence of current foreign investors. Extensive research indicates that the strength and reliability of a nation's legal and regulatory systems are directly linked to higher levels of foreign direct investment (FDI). The legal and regulatory frameworks of countries play a particularly significant role for larger firms. (World Bank, 2020).

The attractiveness and competitiveness of host destinations play a critical role in influencing foreign direct investment (FDI) decisions. (Horobet, A. et al., 2021).

In recent times, the origins of FDI entering the CEE region have undergone a significant change. Although Western European nations have historically been the dominant investors, countries in the Middle East and Asia are now increasingly acknowledging the opportunities for investment within the Three Seas Initiative (3SI). This trend is fueled by the region's advantageous geographic position, skilled workforce and promising economic growth potential. (Byczynski, G. et al., 2022).

This project is one of the most ambitious efforts in recent times, aiming to significantly change the future of Central and Eastern Europe. The TSI focuses on connecting this region more closely to Europe’s major energy, transport and communication systems. This will help the EU act as a stronger, unified player in the area and support its modernization. The objectives of the Three Seas Initiative are in line with China’s own Belt and Road infrastructure initiative and the 17+1 initiative in CEE. The China-Europe Land-Sea Express Route includes Hungary, Serbia, northern Macedonia, and Greece, and connects to the Chinese-owned port of Piraeus. This is a key project of China’s infrastructure connectivity in Southeast Europe. (Tchakarova, V., Benko L., 2021).

Potential investors might also find the Three Seas region appealing, as it is the fastest-growing economy not just in the European Union, but globally. Despite challenges like the

COVID-19 pandemic and the war in Ukraine, the area has consistently achieved higher GDP growth compared to Western Europe. Additionally, the pandemic highlighted the West's heavy reliance on China's economy, particularly for essential goods, exposing vulnerabilities in supply chains that threatened Europe's health security. This has led to a push for shorter supply chains and redirected investment. As a result, the Three Seas countries, with their cost-competitive, well-educated and skilled workforce are well-positioned to attract new investments. (Górny, G., 2024).

A significant point of discussion highlights the involvement of non-European countries in 3SI (Three Seas Initiative) events, as seen with the participation of Turkey and Azerbaijan at the 2023 Bucharest Summit. This inclusion signals an opportunity for Middle Eastern engagement, showing that the 3SI is willing to build connections beyond its core regional focus. Additionally, the 3SI's strategic aims, such as strengthening energy security and expanding transport networks, align well with the investment priorities of Middle Eastern nations looking to diversify their economies and form strategic alliances in Europe. This shared focus creates a strong foundation for deeper cooperation. (Institute of New Europe, 2023).

This study aims to fill this gap by examining how the 3SI's infrastructure initiatives can increase the appeal of the CEE region to investors from the Middle East and Asia. In doing so, it adds to the wider conversation about the relationship between geopolitical efforts and foreign direct investment (FDI) trends.

Methodology

The research approach employed in this paper involves a literature analysis or review of specialized sources, focusing on examining and synthesizing prior studies and findings, and also existing knowledge related to The Three Seas Initiative, Foreign Direct Investments and zone of interests for investors from The Middle East and Asia. Through this analysis and synthesis of relevant literature, the goal is to uncover ways to attract investors as mentioned before in the area of Central and Eastern Europe.

The literature review enables the identification and assessment of previous research, patterns, trends and factors that influence the decision of investing in the area of Central and Eastern Europe, especially the 3SI countries.

The aim of this method is to pinpoint gaps in the current literature and identify areas that need further exploration. By doing so, we seek to bring light on aspects that have either been overlooked or inadequately addressed, thereby creating opportunities for future research.

The study is guided by the following questions: Question 1: Does the The Three Seas Initiative utilize targeted strategies that successfully attract foreign investments from The Middle East and Asian investors? The argument for it is that The 3SI's focus on improving digital infrastructure and regional connectivity aligns with the investment priorities of Middle Eastern and Asian investors, which could result in higher FDI inflows from these regions. Question 2: Can Central and Eastern Europe boost its appeal to Middle Eastern and Asian investors by capitalizing on its strategic position, economic growth and involvement in initiatives such as the 3SI? The argument is that by highlighting its market potential, regional stability and infrastructure advancements within the 3SI framework, CEE can establish itself as an attractive investment hub for Middle Eastern and Asian investors.

A similar study from Andrei L.C, et al. (2023) provides a descriptive analysis of FDI landscapes in CEE, focusing on international capital flows and shows that as a representative region for emerging economies, Central and Eastern Europe demonstrates a highly dynamic international

investment environment – exceeding the global average investment activity. Consequently, its cooperation capital constitutes as one-fifth of the total international capital circulating in the region, primarily originating from the limited Visegrad-4 group countries (Czech Republic, Hungary, Poland and Slovakia), particularly Hungary. Additionally, two countries from the CEE region exhibit FDI behaviors that disrupt its overall homogeneity: Romania, which strongly adheres to the tendency of retaining its FDI domestically and not yet investing abroad, and Hungary, which represents the opposite case by increasingly investing abroad (DIA), potentially signaling a future trend for other countries in the region.

Results and discussions

Overview of FDI trends in CEE

By analyzing FDI inflows through Source regions, namely The Middle East, Asia, The EU and others – we can have an insight into the evolving economic landscape of the CEE countries.

Between 2003-2008, the CEE region experienced a significant increase in FDI inflows, rising from approximately US\$30 billion to US\$150 billion. This surge was attributed to investments from the EU and other European countries. (PWC, 2010).

In the aftermath of the 2008 financial crisis, FDI inflows into the CEE countries experienced fluctuations. A study analyzing the period from 1993-2014 found that FDI inflows were influenced by both external and internal factors, from global economic conditions to domestic economic policies and market potential. (Jimborean, R., & Kelber, A., 2017).

The EU has been a predominant source of FDI into CEE countries. Proximity, established trade relationships and the expansion of the EU include several CEE nations have facilitated substantial investment flows. For instance, in 2021, the largest flows of outward FDI from EU countries were recorded in financial and insurance activities, professional, scientific and technical activities and distributive trades. (Eurostat) (fig. 1)

Asian investments in CEE have been on an upward trajectory, particularly in sectors like manufacturing and technology. China, in particular, has emerged as a significant investor. In recent years, Hungary has attracted considerable Chinese investments, especially in electric vehicle manufacturing. Over the past 2 years, Hungary secured more than a quarter of Chinese investments in Europe, highlighting the growing economic ties between Asia and the CEE region. (Financial Times).

Investments from the Middle East into CEE have been comparatively modest, but are gradually increasing. Middle Eastern investors have shown interest in sectors such as real estate, tourism and energy.

A cornerstone of the 3SI is its commitment to develop infrastructure within the region. By prioritizing projects that enhance transportation and digital networks, the initiative aims to bridge the infrastructure gap between Eastern and Western Europe. This focus not only facilitates intra-regional trade, but also attracts FDI by creating a more integrated and efficient market environment.

The establishment of The Three Seas Initiative Investment Fund (3SIIF) underscores this commitment, serving as a dedicated vehicle to finance infrastructure projects and stimulate private sector investment. (Atlantic Council).



Figure 1. Foreign direct investment flows with the rest of the world, by economic activity, EU, 2021 (€ billion)

Source: Eurostat (bop_fdi6_flow) https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Foreign_direct_investment_-_flows

This marked a significant achievement during the Summit in Ljubljana. The announcement of its creation was made by the presidents of Poland Bank Gospodarstwa Krajowego (BGK) and Romania’s EximBank. This fund is accessible to all member states of the TSI and will function on a commercial basis. It aims to pool funds from diverse sources, with the founders targeting a total of approximately 5 billion. This fund is designed to serve as a financial mechanism for supporting collaborative initiatives among member states in Central Europe region. (Łukasz Lewkowicz, 2020).

Energy security and diversification are central to the 3SI initiative, with 39% of its projects targeting the energy sector across all 13 member states. These efforts enhance energy interconnectivity, reduce reliance on single sources, and build a resilient energy market, attracting foreign investors seeking stable, diversified systems. (Warsaw Institute, 2024).

FDI performance varies across the region, with Poland and Hungary leading, while Bulgaria and Slovenia trail. The Covid-19 pandemic caused a temporary global FDI decline, impacting CEE countries differently. As economies rebound, investment is rising, especially in technology, healthcare and renewable energy. Nations with effective pandemic management and framework has facilitated a swift recovery, bolstering investor confidence. For instance, Poland’s robust economic and supportive policies are better positioned to attract FDI. (The Times & The Sunday Times, 2024).

Country	Area in thousand km ²	Population in million	Gross national income	
			in billion USD	per capita
Poland	321,6	36,5 (according to GUS* 38,4)	469,5	12863
Romania	238,4	21,5	186,7	7620
Bulgaria	111,0	7,2	52,4	7277
Hungary	93,0	9,6	124,3	12948
Austria	83,9	8,4	386,4	45999
Czech Republic	78,9	10,5	192,5	18333
Lithuania	65,2	2,9	42,7	17211
Latvia	64,9	2,1	27,4	13047
Croatia	56,5	4,2	50,4	12000
Slovakia	49	5,2	89,5	17212
Estonia	45,2	1,2	23,1	19249
Slovenia	20,3	1,8	44,0	24443
Total	1218,8	111,1	1688,9	15201

Figure 2. Demographic and Economic potential of 3SI countries

Source: Original Calculations on the basis of P. Eberhart. (2017) *Ekonomiczne i kulturowe podstawy Trojmorza. Arcana, Culture, History, Politics*, No. 5 (137), 20-21.

The analysis of FDI trends in CEE highlights a dynamic environment influenced by economic reforms, geopolitical factors and global economic changes. Over the last thirty years, FDI has been instrumental in driving the region's transformation, fostering economic modernization, job creation and infrastructure development.

There are several economic, cultural and regulatory obstacles that prevent Middle Eastern and Asian investors from investing in Central and Eastern Europe (CEE). For international investors, regulatory obstacles including uneven legal frameworks and ineffective bureaucracy can breed uncertainty, especially in industries like infrastructure and energy. (World Bank, 2020) Completare.

Furthermore, investors must manage different compliance requirements due to the lack of uniformity in EU rules among CEE nations, which makes cross-border investments even more difficult. (European commision, 2019)

Middle Eastern and Asian investors frequently find it difficult to integrate into local markets and build trust with regional stakeholders due to cultural hurdles, which also include language barriers and different business procedures. (Hofstede et al., 2010)

Geopolitical tensions, particularly the war in Ukraine, US-China tensions and strained relations between the EU and some CEE governments have impacted the origins and destinations of FDI. Investors in the Middle East and Asia now perceive risk more highly and may give political stability and security a higher priority than only economic concerns when assessing prospects in the region. For instance, Hungary has seen a rise in Chinese investment, while Poland continues to enjoy strong confidence from EU and U.S. investors.

The following chapters will explore further into the 3SI's role in boosting investment flows, particularly from the Middle East and Asian investors, and will offer policy recommendations to enhance CEE's standing in the global investment arena.

The role of The Three Seas Initiative in attracting Middle Eastern and Asian investors

After the 2018 Bucharest Summit, the TSI shifted from conceptual goals to practical project execution. The *Three Seas Initiative – Priority Interconnection Projects* catalog, spanning 150 pages, outlined key investment priorities. In infrastructure, Via Carpathia will be the main transport corridor for 12 states, running along the EU's eastern border and connecting Klaipeda, Lithuania, to Thessaloniki, Greece, via Poland, Slovakia, Hungary, Romania, and Bulgaria. Via Baltica will link northeastern Poland with Lithuania, Latvia, and Estonia. (Łukasz Lewkowicz, 2020).



Figure 3. Via Carpathia

Source: 3Seas Europe (<https://3seaseurope.com/via-carpatia-ten-t/>).

In May 2024, DP World, a leading UAE port operator, opened a €21 million multimodal terminal in Aiud, Romania, marking 20 years in the market. The 8.2-hectare facility, set to handle 50,000 TEU annually, enhances regional connectivity and links Constanța Port to Central and Eastern Europe via rail, including night services. DP World has invested over €200 million in Romania and plans to expand investments to €250 million by 2025, reinforcing its role as a key logistics hub in the region. (DP World, 2024).

The Three Seas Initiative highlights key rail and water transport projects, notably Romania's Rail-2-Sea initiative. This dual-use railway will connect Gdańsk (Poland) and Constanța (Romania), crossing Poland, Slovakia, Hungary and Romania. Feasibility studies in early 2019 focused on modernizing 2,342 km of railway, including sections like Arad-Timișoara-Caransebeș and Bucharest-Constanța, upgraded for speeds up to 160 km/h. The route links major Romanian industrial hubs, such as Timișoara and Bucharest, to Constanța port, while supporting advanced digital networks like 5G. Aligned with the TEN-T core network and Rhine-Danube corridor, Rail-2-Sea holds significant commercial and strategic value. (Łukasz Lewkowicz, 2020). (figure 4).

These projects aim to enhance north-south connectivity between the Baltic, Adriatic, and Black Seas. Asian investors, notably from China and Japan, are keen on global infrastructure initiatives that boost trade and supply chain efficiency. China’s Belt and Road Initiative (BRI) exemplifies this focus on international transport infrastructure. Three Seas Initiative projects could align with the BRI, offering Asian investors opportunities to support CEE’s transportation network development. (Congressional Research Service, 2021).

Energy security is a critical issue in the Three Seas Initiative (TSI) region, driven by heavy reliance on Russian gas, which accounted for 70% of supplies in 2019. Despite diversification efforts, Russia’s destabilizing actions, such as hybrid warfare in Ukraine and disinformation campaigns, underscore the region’s vulnerability and the pressing need for energy independence. (Tchakarova, V., Benko, L., 2021).



Figure 4. Rail-2-Sea Project

Source: 3SI Research Center (<https://3si.politic.edu.pl/rail-2-sea/>).

Key gas projects are vital for the Visegrad 4 (Poland, Czech Republic, Slovakia, Hungary) and other CEE states, aiming to diversify energy supplies and reduce reliance on single sources. Major initiatives include the GIPL (Poland-Lithuania), BRUA (Bulgaria-Romania-Hungary-Austria), and Eastring (Slovakia-Hungary-Romania-Bulgaria) pipelines, along with the Romania-Hungary interconnector, Baltic Pipe (Norway-Denmark-Poland), and Poland-Slovakia and Poland-Ukraine interconnections. These projects enhance regional energy security and cross-border cooperation, building a more resilient and interconnected energy infrastructure in CEE. (Musialek, P., 2020). (figure 5)

The LNG terminal in Świnoujście, Poland is a strategic energy infrastructure project aimed at diversifying energy sources and reducing dependence on Russian gas. The terminal enhances energy security in the region and supports the 3SI's energy goals. (European Commission, 2019 ; Three Seas Initiative, 2021).

The terminal has drawn major investments from Middle Eastern countries, especially Qatar, which has secured long-term LNG supply deals with Poland, spurring further investments in pipelines and storage facilities. This energy partnership strengthens bilateral ties, with Qatar supplying 30% of Poland's gas imports and positioning itself as a key strategic ally. Aligning with Poland's goal to become an Eastern European energy hub, this collaboration boosts economic growth. In 2019, Qatar-Poland trade totaled 852.4 million, with the Qatari exports to Poland reaching \$750.1m in the same year, largely dominated by liquefied natural gas (LNG). (The Peninsula Qatar, 2024).

Attracting Gulf and Asian co-investments faces challenges. While Gulf sovereign wealth funds diversify into regions like China and Southeast Asia, their engagement in the Three Seas region remains low, possibly due to limited awareness of 3SI opportunities or concerns over geopolitical risks. (The Circuit, 2024)

The Three Seas region faces numerous geopolitical tensions, such as energy dependency issues and evolving regional security dynamics. These factors contribute to an unpredictable investment environment, highlighting the need for the 3SI to adopt measures that build investor confidence and foster greater stability. (The European Institute for International Relations, 2021).

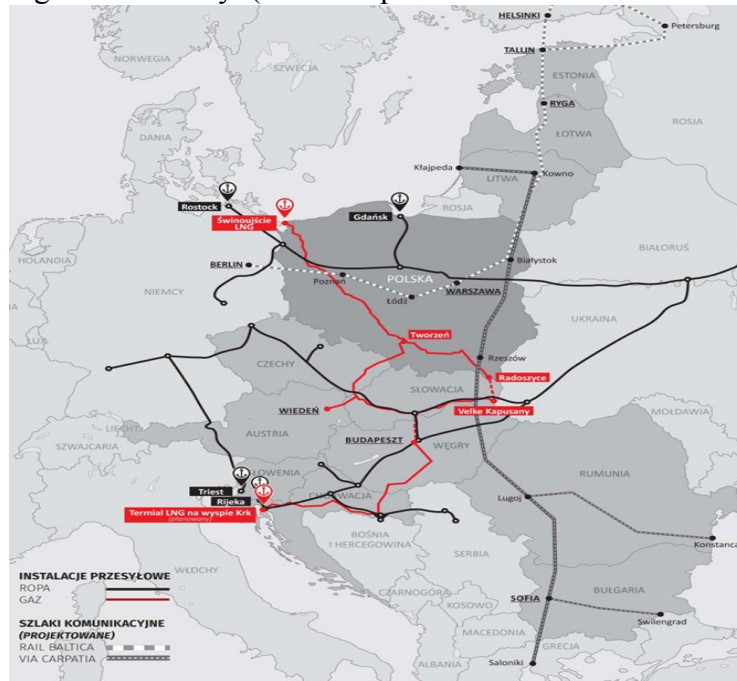


Figure 5. Gas and oil pipelines in the TSI region

Source: Lewkowicz, Ł. (2020). The Three Seas Initiative as a new model of regional cooperation in Central Europe: a Polish perspective. *Revista UNISCI / UNISCI Journal*, N° 54..

TSI digital projects are crucial for enhancing cybersecurity in Central Europe. The 3SI Digital Highway, proposed by Poland and open to TSI states and Scandinavia, aims to develop secure cross-border digital infrastructure, including fiber optics and 5G, to improve data transfer and address communication gaps. In 2019, the project was in the design phase, with

implementation planned for 2020, involving funding applications and construction. Another initiative, the Central European Drone Demonstrator (CEDD), led by Poland with TSI states, Moldova, and Ukraine, focuses on creating rules for the UAV market and building aviation and ICT infrastructure for safe and efficient low-altitude operations (U-space). The project entered implementation in 2019, with development and evaluation scheduled from January 2020 to late 2021. (Łukasz Lewkowicz, 2020).

The Three Seas Initiative (3SI) drives infrastructure, energy security and digital connectivity in Central and Eastern Europe (CEE), attracting Middle Eastern and Asian investors. By focusing on transport, energy diversification and digital innovation, it aligns with investor goals for stable, high-yield opportunities. Projects like Via Carpatia, the Baltic-Adriatic Corridor and the Świnoujście LNG Terminal draw foreign direct investment (FDI), boosting economic integration and regional competitiveness. However, challenges still remain.

China – The Investments made in The Three Seas region

The Three Seas region concept isn't explicitly part of Chinese policy. However, China, acknowledging CEE's growing importance, launched the 14+1 format (previously 17+1) in 2012 to strengthen political and economic ties. Many, especially in Hungary, connect China's CEE engagement to the 2011 China-CEE Economic and Trade Forum co-hosted by China and Hungary. Hungary leads the Three Seas region in Chinese investments. (Kałan, D. et. al., 2020).

China's investment in the Three Seas region, part of its broader economic expansion through the Belt and Road Initiative (BRI), began with President Xi Jinping's 2013 announcements in Kazakhstan and Indonesia. Analysts estimate BRI investments could reach USD 1.2-1.3 trillion by 2027. (Chatzky, A., 2020)

For Three Seas countries, the key interest lies in the Eurasian Bridge Economic Corridor, which drives infrastructure, logistics and technology projects. (Tomaszewska, P.,2019). Recognizing the opportunity, Central and Eastern Europe, particularly the Three Seas region, serves as China's economic gateway to the West. (Lu, H., Rohr, C., Hafner, M., Knack. A., 2018).



Figure 6. Land and sea corridors of the Belt and Road Initiative

Source: Council on Foreign Relations.

Europe, including the Three Seas region, represents a small portion of China’s Belt and Road Initiative, with limited investment. However, as China’s FDI grows, the region holds significant potential to attract Chinese capital. In technology and digitization, Huawei leads investments, followed by Alibaba, ZTE, and CATL. Huawei is the EU’s second-largest investor in its sector, with China focusing on infrastructure and tech in high-growth markets. (Huawei, 2021).

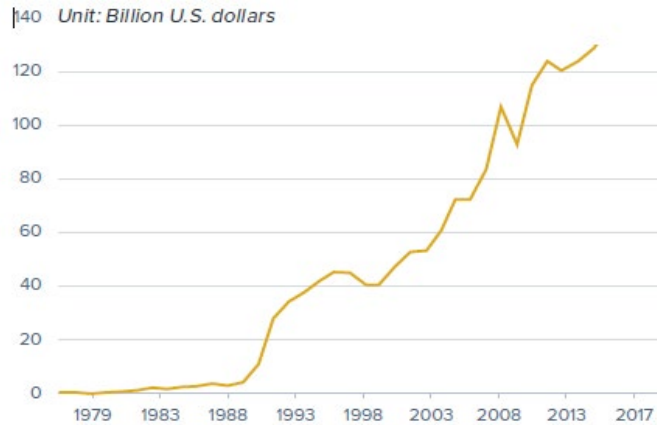


Figure 7. China’s use of FDI

Source: Chinese Ministry of Commerce.

In Austria, EHang Holdings’ 2020 investment began testing autonomous air vehicles in Linz; China’s largest talc manufacturer, Liaoning Aihai in 2021 completed construction of its factory in Vienna; Investments in the launch of the Inter-railway Express train service from the Chinese city of Suzhou to Granz. (Pan Yinru. 2021).

In 2018, Bulgarian and Chinese agriculture ministers opened an office in Plovdiv to support the 14+1 Logistics Center. In 2019, China Machinery Engineering Corporation (CMEC) signed a EUR 120 million deal with Logistical Center-Varna to develop port infrastructure in Bulgaria’s largest coastal city. (Filipova.R., 2019).

In Croatia, a wastewater treatment plant is set to be built in Rijeka. The project, led by China Energy Engineering Group Jiangsu Power Design Institute and Sumec Complete Equipment and Engineering, has an estimated cost of USD 7 million. (Šabić, S., S. 2022). In 2018, the China Road and Bridge Corporation, a Chinese consortium, secured a contract to construct a bridge over the Adriatic Sea, linking Dubrovnik—previously isolated from mainland Croatia—to the rest of the country. Completed in 2022, the bridge stands as the largest investment project undertaken by a Chinese company and financed by the European Union. (Global Times, 2022).

Since 2015, CEFC China Energy has invested €1.5 billion in Czech real estate, tourism, and finance. Meanwhile, China General Nuclear (CGN) has pursued investments in Czech nuclear power expansion since 2017, despite past issues with Chinese companies failing to meet contracts or facing financial troubles in the country. (Dębiec, K., Jakobowski. J., 2018).

In 2018, Guangzhou Hangxin Aviation Technology, a Chinese engineering firm, acquired a 100% stake in Estonia’s Magnetic MRO, an aircraft maintenance and repair company, for €43 million. This marked the largest Chinese investment in Estonia to date.(Hankewitz, S., 2018).

South Korea and Japan - General macroeconomic outlook; investment and key investment areas in the Three Seas Region; incentives and obstacles.

South Korea, Asia's fourth-largest economy and fifth in the World Bank's 2020 Doing Business ranking, is a top investment partner for Three Seas Initiative countries. Poland highlights Korea's innovation, driving investments in consumer electronics and automotive sectors. (Polish Investment and Trade Agency, 2022).

South Korean firms have long invested in Central and Eastern Europe, with Poland as the top destination. From 2016-2021, 56% of projects (€5.1 billion) went to Poland, followed by the Czech Republic (26%; €2.4 billion), Slovakia, Hungary, Romania, and Bulgaria. (Harper, J., 2021).

Korean investment in the Baltics is minimal, except in Latvia. In 2020, Estonia reported €1 million, Lithuania dropped from €480 million in 2019 to zero, and Latvia recorded €23 million. (*EU-Japan Centre*).

From 2002 to August 2022, the Polish Investment and Trade Agency supported 64 Korean direct investments, totaling €6.4 billion and creating 28,796 jobs. (Polish Investment and Trade Agency, 2022).

South Korea's state-owned Hydro Nuclear Power recently bid to build Poland's first nuclear plant, featuring six reactors (8.4 gigawatts total), with the first operational by 2033. (Marek, S.; Fenton, S., 2022).

South Korea accounts for nearly two-thirds of foreign e-mobility investments in Poland, totaling €2.7 billion and making Poland the EU's top exporter of lithium-ion batteries. (Harper, J., 2021).

Japan is the third largest economy in the world. Its 29th position for ease of doing business highlights significant potential for simplifying business between Japan and other countries in the coming years. Europe remains the third most favored region for Japanese investors, with investments growing to \$73 billion in the two decades before the pandemic. Japan is recognized as a key external partner of the Three Seas Initiative. (OECD, 2022).

The Three Seas Initiative's importance is highlighted by high-level engagements, such as Japanese Prime Minister Shinzo Abe's 2018 visit to five 3SI countries and a 2019 meeting with V4 leaders in Bratislava, showcasing Japan's growing interest. Japan actively joins 3SI Business Forums and uses the 3SI Investment Fund to explore regional potential. At events like the Asia-Europe Meeting (2018) and G20 Osaka Summit (2019), Japan and the EU launched a Connectivity Partnership for sustainable infrastructure, focusing on transport, energy, and people-to-people ties, with Eastern Europe and the Western Balkans as key regions, aligning with 3SI goals. (Byczynski, G. et al., 2022)

Japan is a major investor in Poland, the Three Seas Region's largest economy. By 2022, over 350 Japanese firms operated there, planning PLN 1.4 billion in investments, drawn by Poland's skilled workforce, strategic location, and low costs. Future investments will likely focus on energy, a key 3SI priority, as seen in Mitsubishi Hitachi Power Systems' 2018 Kozenice Power Plant project. With rising energy risks, Japanese cooperation in this sector is set to expand. (Byczynski, G. et al., 2022).

The 3SI region, with political backing and post-pandemic recovery, has strong potential to attract Japanese and South Korean investments, thanks to its skilled workforce, energy focus and digital security. While both nations have shifted some investments from Western Europe, 3SI countries must improve their environment, especially in green transformation and security. However, the Russian-Ukrainian war remains a major barrier, as escalation fears may deter investment. (Byczynski, G. et al., 2022).

Potential and perspectives for increased investments from China, South Korea and Japan

The Baltic states' reduced economic ties with Beijing, following Lithuania's Taiwan Office renaming and a cooperation halt, weaken the format and may set a precedent, influenced by China's Ukraine stance. The war on the eastern border risks isolating Three Seas countries from the East, including the New Silk Road, driven by US influence and competition with China. China's loan-based model in developing countries often mismatches regional needs, raising fears of a "debt trap," as seen in Sri Lanka. Distrust among regional elites (except Hungary) toward China's hybrid system complicates cooperation on strategic infrastructure. Chinese investments in the Three Seas region and globally are less transparent than Western ones, hindering factual assessment. While China labels the region as Central and Eastern Europe, including the Balkans and Greece, the Three Seas holds little importance in its global priorities, except for Hungary. (Byczynski, G. et al., 2022).

South Korea and Japan are key partners for the Three Seas Initiative, offering vital foreign investment, including in infrastructure. Poland's success, supported by its Investment and Trade offices in Seoul and Tokyo, highlights the region's appeal, particularly in strategic sectors like e-mobility and energy, as seen in projects like the Solidarity Transport Hub. However, building strong personal relationships, often extending to private matters, is crucial for effective business ties with Korean and Japanese partners. Cultural awareness greatly aids in building business and investor relations, boosting the chances of success. Korean and Japanese investments in Poland, particularly in e-mobility, highlight the importance of skilled human capital, lower labor costs compared to Western Europe, and tax incentives. Prioritizing talent development and a streamlined tax system is key to attracting these investors. Poland's approach, combining cultural understanding, good practices, and institutional incentives, offers a model for Three Seas Initiative countries to attract high-quality foreign direct investment. (Byczynski, G. et al., 2022).

Conclusion

This study has examined the role of the Three Seas Initiative (3SI) in enhancing foreign direct investment (FDI) in Central and Eastern Europe (CEE), with a particular focus on attracting investors from the Middle East and Asia. Through an analysis of FDI trends in CEE, the strategic objectives of the 3SI and the investment activities of countries from the Middle East, such as Qatar or UAE, plus China, South Korea and Japan, this research underscores the growing importance of infrastructure-led economic cooperation in fostering regional development and global connectivity.

A key contribution of this paper is the identification of the 3SI as a platform that facilitates foreign investments by improving transport, energy and digital infrastructure. By addressing critical gaps in regional connectivity, the initiative enhances the attractiveness of CEE as a destination for investors seeking stable and strategically positioned markets. The study highlights how China has already established a strong investment presence in the region through its Belt and Road Initiative (BRI), while South Korea and Japan are emerging as key players, focusing on sectors such as technology, energy and manufacturing. Also, the Middle East countries such as Qatar and UAE have invested massively in energy fields and logistics. Furthermore, the analysis of incentives and obstacles reveals that, despite growing investment interest, challenges such as regulatory barriers, geopolitical uncertainties and competition from Western investors continue to shape investment dynamics in the region.

The findings of this study have several important implications. For policymakers in CEE, the research underscores the need to develop targeted investment policies that align with the economic interests of Middle Eastern and Asian investors. This includes creating tailored incentives, strengthening legal frameworks and enhancing bilateral cooperation. Additionally, the

study suggests that the 3SI can further expand its role by integrating its initiatives with global investment programs such as China's BRI, Middle East's GCC (Gulf Cooperation Council) or Japan's connectivity strategies, fostering more comprehensive investment synergies.

Despite its contributions, this research has some limitations. Firstly, the study is primarily based on secondary data, which may not fully reflect the most recent investment shifts and policy changes. Secondly, while the paper provides a broad overview of investment patterns, a more granular, sector-specific analysis would be beneficial for understanding the precise economic impact of foreign investments in CEE. Lastly, future research directions should incorporate primary data sources, such as interviews with policymakers and investors, to gain deeper insights into the motivations, challenges and strategic goals of Middle Eastern and Asian investors in the 3SI region. Also, a deeper understanding of the competitive advantages and difficulties of the 3SI in luring Middle Eastern and Asian capital may be possible through comparisons with other regional efforts, such as China's Belt and Road Initiative.

Overall, this study highlights the transformative potential of the 3SI in shaping the future of foreign investments in CEE. As the region continues to evolve as a strategic investment hub, further research on investment patterns, policy adjustments and sector-specific developments will be crucial in maximizing the opportunities presented by growing economic ties with the Middle East and Asia.

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