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FACULTY OF ECONOMICS

MASTER'S THESIS

THE IMPACT OF CROSS-CULTURAL DIFFERENCES, ATTITUDES AND STEREOTYPES ON CHINA-CEE ECONOMIC RELATIONS: A MULTI-COUNTRY STUDY

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AUTHORSHIP STATEMENT

The undersigned Davor Vuchkovski, a student at the University of Ljubljana, Faculty of Economics, (hereafter: FELU), declare that I am the author of the master's thesis entitled The impact of cross-cultural differences, attitudes and stereotypes on China-CEE economic relations: a multi-country study, written under supervision of Matevž Rašković, Ph.D., Assistant professor.

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INTRODUCTION

China is the largest economy in the world by aggregate GDP (Gross Domestic Product) in PPP (Purchasing power parity) (World Bank, 2015a). Its fast growth and role in the world economy has made China the top economic subject of discussion worldwide in the 21st century. Following the economic reforms starting in the late 1970s by Deng Xiaoping, the Chinese GDP per capita growth averaged about 9% annually between 1978 and 2013 (National Bureau of Statistics of China, 2014). In the period 1979–2010 Chinese GDP grew on average by close to 10% annually (9.91%), contributing to China surpassing Japan as the world's second largest economy in 2010 (National Bureau of Statistics of China, 2012; Historical GDP of China, n.d.). At the end of 2014, the International Monetary Fund (IMF) estimated that China's aggregate GDP in purchasing power parity (PPP) has surpassed that of the United States of America (USA) (with 17.6 trillion United States dollars (USD) for China and 17.4 trillion USD for the US) (Fray, 2014). In 2014/15, according to the World Economic Forum (WEF), China ranked 28th most competitive economy out of 144 countries worldwide and was by far the most competitive among the so-called BRICS (Brazil, Russia, India, China and South Africa) countries. By comparison, Slovenia ranked only 70th (WEF, 2014).

Due to its size, low labor costs, and lax environmental standards, labor standards and legislation, China became one of the world's major foreign direct investment (FDI) recipients, with a stock of 1.085 trillion US dollars in FDI at the end of 2014 (UNCTAD, 2015a). Manufacturing was moving to this part of the world and China became known as the "factory of the world". For example, in the mid-2000s China was contributing between 25% and 50% to the global production of cameras, TVs, washing machines, air conditioners, etc. (BearingPoint, 2005).

In 2001, China joined the World Trade Organization (WTO) and since then its growth has surged even more as tariffs for imports and exports from the rest of the world (the other WTO members) in general were lowered and trading became more liberalized, as did investments.

With an increased need for resources, especially oil and other energy resources, and no influence on global prices, China gradually started to abolish its outflow capital controls and opened out for (oil) ventures abroad. Thus, a new growth model for China was set up, the so-called "Go global strategy"; this time based on outward foreign investments (OFDI). The accumulated foreign reserves were supporting the new strategy, as China became the world's largest foreign reserve holder, with 3.9 trillion US dollars in 2015 (World Bank, 2015a). The "Go Global" strategy showed its results very quickly as the number of Chinese companies with their headquarters in mainland China grew from only two in 1996 to 85 in 2013, according to the Fortune Global 500 list (KPMG, 2013).

The 2008 global economic and financial crisis hit particularly hard China's most important trading partner, the European Union (EU) (European Commission, 2015). In order to

lessen its dependency on western EU markets, which constitute about 90% of EU-China trade (Liu, 2013), China looked to countries of Central and Eastern Europe (CEE), which it identified as untapped pockets of growth in terms of both trade and investment (Liu, 2013). The so-called 16+1 pragmatic cooperation platform, initiated by China in 2012, created a window of opportunity for 16 CEE countries, which has gained further relevance under the New Silk Road Economic Belt and 21st century Maritime Silk Road project. The project, seen as much more than a revival of the original Silk Road, seeks to strengthen China's trade, investment, political and financial ties over a new economic area linking Europe, Central Asia and East Asia, in which CEE countries can play an important role (Liu, 2013, p. 3; Liu, 2014).

The countries of CEE have experienced major changes in their political and economic systems since the breakdown of the centrally planned systems and political regimes. Unlike China, they were focused on becoming democratic societies, open market economies and EU members. Many of these countries criticized China regarding human rights and its political system, while some of them even recognized Taiwan in the mean time and established diplomatic relations for a short period. Some political decisions of this kind influenced the scope of China's economic cooperation with certain countries and continue to influence their different relationships to the present day (Liu, 2013).

Two decades later, despite the big cultural gap, new challenges brought this region together with China again, with the common interest of deepening economic cooperation. The financial crisis in Europe brought to the surface the negative consequence of deep economic integration with Western Europe, as all of the countries, with the exception of Poland, faced decreased trade and negative economic growth. In such circumstances, China with its changed role of an investor country, with its interest and capacities for big global investments, recognized a window of opportunity in Eastern Europe and the region became more open for Chinese investment (Liu, 2013). Eastern Europe still lacks developed and modern infrastructure, unlike its western allies, and at the same time needs new sources and fresh capital to continue its economic growth.

In 2012 the then Prime Minister Wen Jiabao, announced a 10 billion USD credit line and a 500 million USD investment fund for CEE under the so-called 16+1 pragmatic cooperation platform between China and the 16 countries of CEE (Liu, 2013). Despite the strengthening of relations between China and CEE in recent years, and a series of high-level political meetings between China and CEE (the latest was in December 2014 in Belgrade), CEE countries have differed in how they seized the window of opportunity in trade and investments arising from the China-CEE cooperation.

The **purpose** of this master's thesis is to understand the role of cross-cultural differences, attitudes and stereotypes towards the Chinese and business with China in terms of economic relations, where I focus only on bilateral trade of CEE countries with China and Chinese outward FDI in CEE countries. In this context, the underlying premise of my research is that cross-cultural differences, attitudes and stereotypes have a significant

impact on international business (Katz, 1995). In my research, I focus on representatives of the young generation (people born in the 1990s), since they are not only more cosmopolitan (Thompson & Tambyah, 1999) and culturally open (Kjelgaard & Askegaard, 2006) but should also be seen as future economists, managers and policy makers, who will shape growing economic and political relations between China and CEE countries.

The **main objective** of the master's thesis is to test whether cross-cultural differences, attitudes and stereotypes about the Chinese and business with China can explain economic relations between China on the one side and Poland, Slovenia and Montenegro on the other. The **key research question** of my master's thesis is thus: How cross-cultural differences, attitudes and stereotypes affect economic relations (international trade and FDI) between China and CEE countries? However, the quest of finding an answer to this question will be narrowed to three CEE countries: Poland, Slovenia and Montenegro.

Moreover, I focus on the most frequent stereotypes regarding the Chinese and assess the attitudes towards them among young Polish, Slovenian and Montenegrin students, as well as the level of ethnic distance of Polish, Slovenians and Montenegrin to the Chinese. I also focus on the differences between these three cultures with respect to Hofstede's cultural typology framework. Lastly, I assess the attitude of Polish, Slovenian and Montenegrin students towards foreign products (consumer ethnocentrism). My research is based on matched sample surveys among business students (young adults) in Poland (n=202), Slovenia (n=240) and Montenegro (n=117) carried out in paper form in the respective local languages in the spring/summer semester of 2015 at leading business schools and economic faculties in all three countries.

In order to test the impact of cross-cultural differences and attitudes on CEE's trade with China and Chinese OFDIs to CEE, I test the following **research hypotheses**:

1. Cultural proximity between a CEE country and China (in terms of Hofstede's cultural dimensions) has an impact on welcoming more Chinese OFDI in the host country, as along with supporting a stronger belief that CEE should cooperate more with China in terms of trade and FDI.
2. Weaker consumer ethnocentrism within a CEE country has an impact on welcoming more Chinese OFDI in the host country, along with supporting a stronger belief that CEE should cooperate more with China in terms of trade and FDI.
3. A smaller degree of ethnic distance towards the Chinese has an impact on welcoming more Chinese OFDI in the host country, along with supporting a stronger belief that CEE should cooperate more with China in terms of trade and FDI.
4. Better knowledge about the 16+1 platform and the New Silk Road (NSR) project has an impact on welcoming more Chinese OFDI in the host country, along with supporting a stronger belief that CEE should cooperate more with China in terms of trade and FDI.

My master's thesis is structured into six parts. In the first section, I define the determinants of trade and FDI, and analyze the most known trade (Ricardo, Heckscher and Ohlin and

Vernon) and FDI (Hymer, Dunning, Buckley and Casson) theories that have been developed over time with the development of international trade and multinational companies. Furthermore, I analyze the economic development of China, its impact on the global economy as well as the Chinese trade and FDI in CEE countries. In the second chapter, I define culture and examine Hofstede's cultural theory, which is then tested within the research. Furthermore, I present the Global Leadership and Organizational Behavior Effectiveness Research (GLOBE) project and Hall's high- and low-context culture theories. These theories are very important tools when analyzing the role of culture in international business. I analyze and compare the cross-cultural differences of China with Poland, Slovenia and Montenegro according to Hofstede's theory. In the third chapter I define and presente the role of stereotypes in international business. The fourth chapter features an overview of the Polish, Slovenian and Montenegrin economic and business environments, their competitiveness according to the World Bank and World Economic Forum methodologies, and analyzes the scope of the three countries' business cooperation with China. The fifth and sixth chapter present my research, including the data and methodology, the results and the key findings. The thesis concludes with several recommendations for China and each of the countries included in the research.

1 DETERMINANTS OF FOREIGN TRADE AND FDI

International business is often closely associated with globalization, seen as an ongoing process of cultural, economic, political and informational *interdependence* (Vaidya, 2006) and integration between countries (WTO, 2008). According to Baldwin and Martin (1999), from the 19th century on, we can distinguish at least two waves of globalization. The first one corresponds to the period before the First World War and the second one after the Second World War and lasting up to today. Both waves are characterized by rapid growth in output and trade, as well as technological inventions. This all contributed to fast development and significantly increased the quality of people's lives.

In modern history international trade started picking up and has been growing continuously, particularly after the Second World War. In 1947, at the point of signing the multilateral General Agreement on Tariffs and Trade (GATT), cross-border flow of goods started being liberalized as a consequence of reduced tariffs and elimination of other barriers. These new regulation policies set the basis for more liberalized cross-border trade and are the basis for the World Trade Organization (WTO) in its present form.

International trade and FDI, as well as their determinants and their contribution to the global economy have been subject to myriad economic studies. According to Santos-Paulino and Thirlwall (2004), the greatest contributors to trade liberalization are the multilateral reductions of trade barriers and controls, as well as the adaptation of international rules of trade. On the other hand, in relation to FDI, Hymer (1977) provides an idea that goes beyond the cross-border movement of capital due to difference in interest rates. He identifies the two main reasons for companies to go and invest abroad to be: (1)

to stay ahead of competitors, and (2) to turn company-specific advantage(s) to full and sustainable competitive advantage(s). Furthermore, the company gains access to new resources, diversifies its business activities and rationalizes its processes. According to Child and Rodrigues (2005), a firm investing abroad must possess a comparative advantage that will compensate for the risk of operating abroad and help it overcome the so-called liability of foreignness (LoF).

According to Gilmore, O'Donnell, Carson and Cummins (2003), there are several factors determining the choice of investment location:

- knowledge and experience related to a foreign market,
- size and growth of the foreign market and access to a free-trade area,
- government policies regarding FDI and financial incentives,
- economic factors and policies of the host market,
- cultural differences,
- cost of transport, materials and labor,
- availability of resources,
- political stability, and
- infrastructure and technology.

These factors are directly connected with the operational costs and uncertainties of investing in a foreign market. Furthermore, political stability and government policies are very important factors for such decisions. Billington (1999) found a negative correlation between the level of corporate taxation and investment decisions. When it comes to availability of resources, especially labor and raw materials, these factors are examined through the viewpoint of a company's corporate strategy; for example, whether the sources of competitive advantage of the investing company are cost- or differentiation-oriented. This is probably the reason why certain studies support the cost-minimization theory – i.e. the lower the labor costs, the higher the investment rate (Billington, 1999) – and others report just the opposite – higher wages reflect higher productivity and higher foreign investments (Beeson & Husted, 1989).

When entering a new market a company might choose between four essential market entry strategies (Buckley & Casson, 1998): (1) exporting, (2) licensing and other contractual agreements, (3) joint-venture partnering, or (4) investing (either greenfield or brownfield).

According to BearingPoint (2005), the entry mode choice for FDI has a significant impact on the capital to be invested, the technological know-how to be transferred and the time of transformation. When selecting a location for investing, the main criteria are the customers and market potential. This might explain the difference in the volume of Chinese investments between Eastern and Western Europe, as the key customers are located in the western part of the continent (Eurostat, 2015). This is also why Chinese FDI in CEE only amounts to about 10% of all Chinese investment in the EU (European Commission, 2015). Generally, factors influencing the selection of FDI location can be divided into several

categories, which include (BearingPoint, 2005): labor, socio-economic, tax and subsidy, infrastructure, international trade, living environment, operation cost and facility factors; as shown in Table 1.

Table 1. Factors in FDI location selection

Labor Factors: Foreign language skills Skilled labor availability Total labor (including social) costs Education levels Recruitment cost Service and teamwork ethic Work permits for foreign employees Absenteeism rate	**Socio-Economic Factors:** Economic growth Labor productivity Currency stability Investment in education Attitude toward foreign investment Investment in infrastructure Stability of government	**Tax and Subsidy Factors:** For job creation For capital investment For (or towards) operational costs For employee training costs Recent tax rulings Costs of exit
Facility Factors: Space rental or buying rates Flexibility of leasing terms Building and space availability Proximity to employment sources Time zone compatibility	**LOCATION**	**Infrastructure Factors:** Office/Production space accessibility Road/Rail/Airport accessibility Telecommunications network IS/IT services availability
Operation Cost Factors: Labor and material costs Utilities costs Depreciation of capital investments Telecommunication costs Tax costs IS/IT purchasing costs	**Living Environment Factors:** Housing costs and supply Education and adult training availability Medical services Crime rates Transportation availability Attitudes toward foreign residents	**International Trade Factors:** International sourcing access Overseas transport and freight costs Export and import tax situation Duties and tariffs Local content requirements Exchange rate fluctuations

Source: BearingPoint, *Global Market Expansion: China and Eastern Europe – Success Stories,* 2005, p.13.

1.1 Role of foreign trade and FDI in the global economy

The nature of international trade has been changing through the last decades and these changes have been characterized by a declining share of the traditional Western economies in the global output, a changed direction of flow of goods and services, and movement of the geographical centers of production within international value chains (Cling, 2014).

The main turning point in international trade and FDI after the 1960s is the allocation of different stages of production within a value chain between different countries. Before, goods were produced completely within the borders of one country. This still supported Ricardo's theory of comparative advantage and specialization, but in terms of components instead of finished goods exclusively. Technological development and information availability, combined with the decreased cost of transportation, supported a new model of production and created a massive flow of capital and FDI across the world. The fragmentation of the value chain also introduced the possibility of outsourcing and decreasing costs (Cling, 2014).

On the other hand, the increasingly fragmented production chains today make it very difficult to assess the true volume of international trade between countries and to properly

define the origin of the traded goods. The value-added approach is almost impossible to use, as the different components of the final goods or services are so interlaced and are very difficult to track (Cling, 2014).

International trade and FDI in the many forms we know today contribute towards regional and global rapid growth. The main effects of trade are (Dunn & Mutti, 2000, p. 40):

- Trade causes reallocation of resources.
- Trade equalizes the relative prices in the trading countries (ignoring transportation costs).
- Trade improves the economic welfare of the trading countries.

The main global effect of FDI is the increase in world output by expanding technology and managerial expertise. The benefits of FDI for the host and the home countries have been disputed among economists, especially when the home country is more developed than the host country. Less developed economies gain the most from investments by receiving additional capital, new skills for the labor force, increased tax collection and increased exports (Dunn & Mutti, 2000, p. 201).

A major role of foreign trade is to capture static and dynamic gains through more efficient allocation of resources, flow of knowledge and increased competition, as well as faster capital accumulation and technological progress (Santos-Paulino & Thirlwall, 2004). Import controls, on the other hand, protect the balance of payments, but reduce efficiency.

According to Baldwin (1992), research results showing negligible or poor correlation between the increase of aggregate income and increased trade capture only the static effect. Such research has a limited understanding of the dynamic effects of trade. He studied induced capital formation and showed that not only is the dynamic effect of trade liberalization measurable, it is also considerable. The capital formation resulting from trade liberalization is a lasting process and shows its effect in a medium-term increase of welfare.

Trade interdependency within an economic union such as the EU facilitates the development of the less developed economies or areas on the continent and contributes to better infrastructure, decreases social differences and increases the overall wealth of the population of the member countries (Baldwin & Wyposz, 2009).

The global reorganization of the production value chain set a new model of economic growth, based on investments and exports. Adopting this model, China as the largest country in the world, became the first exporter of goods in the world in the late 2000s. In the 2000–2012 period the reorganization of production globally increased the cumulative share of the emerging markets in world output by 7.3 percentage points. At the same time, the share of the USA, the EU and Japan in world exports decreased by 14 percentage points (Cling, 2014). Pouch (2012) notes that the emerging countries that have competitive advantage in the labor-extensive goods are capable of fast change and have already quickly

improved their position in other areas such as the food industry (e.g. Argentina and Brazil) and service exports (e.g. India and China).

According to the AUGUR project (2012), the economies of the world will continue to open up and thus world trade will grow further and even faster. Forecasts indicate that the market shares of India and China in global consumption will double by 2030 and will jointly account for more than 25% of the global consumption of goods and services. Furthermore, the share of total exports of developed economies will continuously decrease with the EU topping the list as the main loser (decrease of up to 10 percentage points). According to the WEF (2014), China is four times richer today compared to 1980 in terms of GDP per capita.

The future of the world economies, trade and globalization, according to Cling (2014), will be impacted mostly by four macro-economic scenarios: (1) reduced governmental influence, (2) higher interdependency between China and the US, (3) regionalization, and (4) multipolar cooperation and greater international convergence.

1.2 Key international trade theories

Each economic theory about international trade opens three main questions. The first one generally tries to explain the flows between two economies. The second one addresses the nature and extent of the gains or losses the economies obtain from trade, and the third inspects the relationship between trade policies and changes in the economy (Morgan & Katsikeas, 1997).

The importance of international trade for the development of countries has been documented already back in the 17th and later in the 19th century by the pioneers of classical economic theories, such as Adam Smith in 1776 and David Ricardo in 1817 in connection to the nature and causes of the wealth of nations (Morgan & Katsikeas, 1997).

1.2.1 Ricardo's classical trade theory

The first theory about international trade, the classical trade theory developed by Ricardo in 1817, explains the flows of goods or services between at least two nations. According to this theory, both countries are able to gain and are better off if they engage their resources into production of goods and services for which they have an economic advantage. The basis of the classical theory of trade lies in the comparative cost concept and the theory of specialization. Therefore, a country is expected to have an economic advantage for some goods and a disadvantage for others, and should thus focus its production factors on the goods for which this advantage exists. After satisfying the local consumption, the country should trade the surplus with a country which has an economic disadvantage for producing these particular goods. However, the theory fails to provide a formulation of what causes the differences in relative economic advantage between countries in the first place (Morgan & Katsikeas, 1997).

1.2.2 Factor proportion theory

Factor proportion theory was developed between the two world wars by Heckscher and Ohlin in 1933. In contrast to classical theory, this one provides an explanation for the differences in advantages between different countries. The theory states that countries will produce and trade mostly such goods, requiring production factors locally possessed by the country in relative abundance. Following classical theory of trade, goods are again freely tradable and the factors of production are not mobile across borders. A country is considered to have a relative local abundance of one factor of production if the ratio of this factor to another exceeds the corresponding proportion compared to another country. Alternatively, the relative prices of the same factors of production can also be compared. According to this theory, the country that has a relatively lower wage rate would produce and trade more labor-intensive goods and services and the country with relatively cheaper capital will trade more capital-intensive goods (Morgan & Katsikeas, 1997).

1.2.3 Vernon's product life-cycle theory

Both of the previously described theories explain the trade flows and the gains of international trade, but are unable to explain the development of multinational companies (MNCs) after the Second World War. The universality of classical and factor proportion theory decreased and a new theory was developed to account for the increasing importance of MNCs in global trade, the so-called product life-cycle theory. This theory was developed by Raymond Vernon in 1966 and explains the characteristics of countries, the product life cycle and the internationalization of companies, particularly focusing on the selection of production location. This theory identifies four stages in each product's life cycle: (1) innovation, (2) growth, (3) maturity and (4) decline (Denisia, 2010). The theory even shows how a product might emerge as a country's exported good and later on become an imported good (Morgan & Katsikeas, 1997).

In the initial stage of the life cycle, producers have technological advantage, but as the product develops and reaches new markets, the technology becomes widely accessible. Competitors will start to copy and reproduce standardized products, but the companies must keep their presence on the local markets in order to maintain their market shares. As the product becomes mature and consumer demand becomes (more) elastic, producers face the pressure of cost reduction and therefore need to move production in developing countries with lower labor costs. In such cases, if a successful subsidiary abroad can even start exporting the good back in the country of initial origin (Vernon, 1966).

1.3 Key FDI theories

According to the OECD (Organization for Economic Co-operation and Development) (2008), a foreign direct investor owns at least 10% of the ordinary shares and voting power of an investment in a foreign company, while a lower share is considered just a portfolio

investment. Such voting power explains the relation between the investor and the enterprise, since it allows sufficient control over the investment.

FDIs developed as a result of certain needs that the companies engaged in international trade have regarding control of value-adding activities of companies. They are a relatively new thing in the history of international business. The first FDI theories developed together with the first practices of capital movement after the Second World War.

1.3.1 Hymer's market imperfections theory

Hymer set one of the first FDI theories in the 1960s by defining firm-specific assets as assets that create competitive advantage of a firm over its competition. FDIs are in the function of exploiting such non-shared capabilities abroad. This theory is also known as the market imperfection theory and comes from the findings that companies seek market opportunities abroad (Morgan & Katsikeas, 1997). Moreover, an investing company also gains access to raw materials and other resources in the host market.

In his theory Hymer discussed the problem of information costs for investing companies, and demonstrated that a company will invest abroad only if the firm-specific capabilities that create the relative advantage for the company compensate for the costs of operating abroad (LoF). Furthermore, Hymer recognized in his theory that investing abroad is a decision taken at firm level (Denisia, 2010) and is thus more complex than the previous capital-market financial decisions due to differences in interest rates.

1.3.2 Dunning's international production theory

The second theory, which followed in the 1980s, is the international production theory developed by John H. Dunning in 1980. This theory suggests that the tendency of a company to invest and produce abroad will depend on the specific attractions of the home country compared to the resources and advantages of moving to a foreign country. This theory stated for the first time that foreign government actions may significantly influence business conditions for foreign investors, thus attracting or hindering FDI (Morgan & Katsikeas, 1997).

Dunning's (1988) eclectic paradigm theory of international production introduced ownership, location and internalization (OLI) in the theory of comparative advantage of a firm seeking new markets, resources and efficiency. The ownership part of the theory may be divided into three main sub-areas: (1) privileged access to markets due to possession of rare intangible assets such as patents or trademarks or limited natural resources, (2) assets connected with innovation activities such as technology and knowledge, and (3) large-scale and learning economies, as well as access to large financial capital.

The location part of the theory refers to the potential host country of the FDI. It reflects the qualitative as well as quantitative properties of production factors, market size and related costs. Furthermore, host countries may have political or social advantages, such as special

government policies that affect FDI, or cultural diversity due to the distance between the home and the host markets.

Internalization refers to the self-assessment and belief that the best utilization of the ownership advantages is achieved by keeping the production of goods or sale of services in-house rather than entering a contractual agreement with another firm and thus externalizing them.

1.3.3 Internalization theory

The internalization theory developed by Buckley and Casson in 1976 describes a form of vertical integration, which introduced new operations and activities and brought processes under the same common ownership and thus decreased the company's costs (Morgan & Katsikeas, 1997). The theory explains the existence of MNCs and their attempt to develop specific advantages through unique internal organization of performing activities.

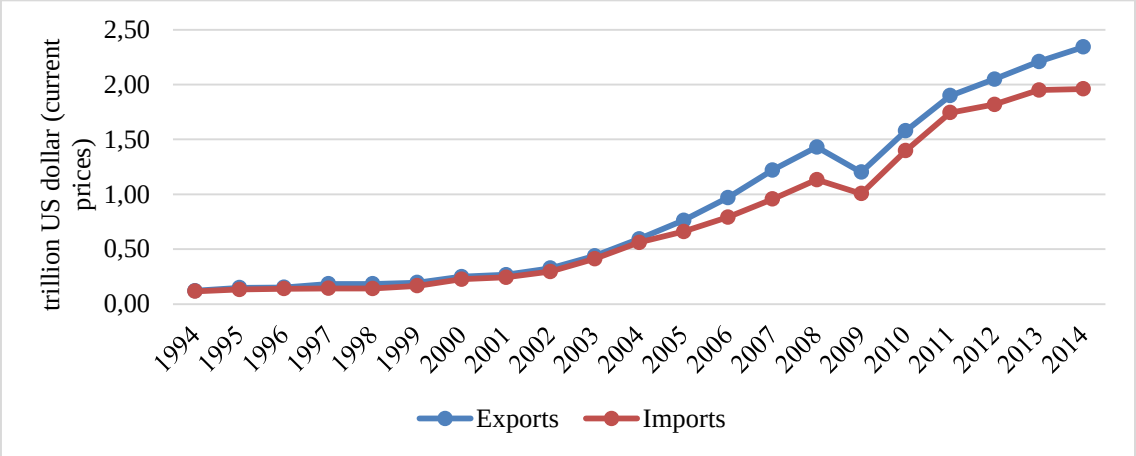
Having outlined some of the most important international trade and FDI theories, the next sections move on to the issue of understanding Chinese foreign trade patterns and outward FDI (OFDI).

1.4 Understanding Chinese foreign trade and OFDI

In the late 1970s, after more than 30 years of economic isolation and self-sufficiency (Yunlong Man, 1997), China started building a new economic model, tailored to its country-specific needs (Pencea, 2013). China's rapid economic growth since 1980 is considered to be one of the most important events in modern economic history. This growth started with the opening of the Chinese borders not only to foreign trade, but particularly to the inflow of foreign capital. These investments brought technology and managerial know-how, and gradually introduced Chinese companies into globally efficient production chains. In 2001, China became the world's largest FDI recipient, following its accession to the WTO (Hanemann & Rosen, 2012).

After China became a member of the WTO in 2001, its role in global trade rose rapidly. In 10 years, between 2001 and 2011, Chinese exports grew from 250 million to a staggering 1.9 trillion USD. In 2011, China exported to Africa the same level of goods as it did to the US in 2002, a total of 73 billion US dollars' worth. In 2010, China took the position of the largest telecommunication equipment and textile exporter from the EU (WTO, 2011). At the end of 2013, China officially became the largest exporter, with 2.36 trillion USD in total exports, surpassing the US with 2.28 trillion USD in total exports (World Bank, 2015a). Today, China and the EU have two of the biggest trades in the world, with China at the EU's second and the EU is China's first trading partner. The trade between China and the EU exceeds 1 billion euros daily, and in 2014 it reached 366.9 billion euros with a negative balance of –137.8 billion euros for the EU (European Commission, 2015).

Figure 1. Total imports and exports goods of China from 1994 to 2014



Source: WTO, *Total merchandise trade*, 2015.

At the beginning of the 1990s, foreign reserves were scarce and capital was illegally moved abroad by corrupt officials. Therefore, the country set strict capital controls. Ten years later, at the beginning of the 2000s, China started promoting its "Go Global" strategy, by which these controls were gradually removed and the country became a global investor for the first time in its economic history. The idea behind this strategy at first was resource seeking. Later, around 2008–2010, it shifted also to a combination of resource and market seeking. The approvals for Chinese outward foreign direct investment (OFDI) were gradually simplified and localized. The first Chinese companies to go abroad and buy resources were oil companies, given China's large needs for oil. China's huge and heavy industries are among of the largest energy consumers and ten years ago the country's three biggest oil companies (China National Corporation, Sinopec and China National Offshore Oil Corporation) had practically no stake in the global resources extraction. Today, PetroChina, with its production of 4.4 million barrels per day, is the world's fifth oil producer (Forbes, 2015).

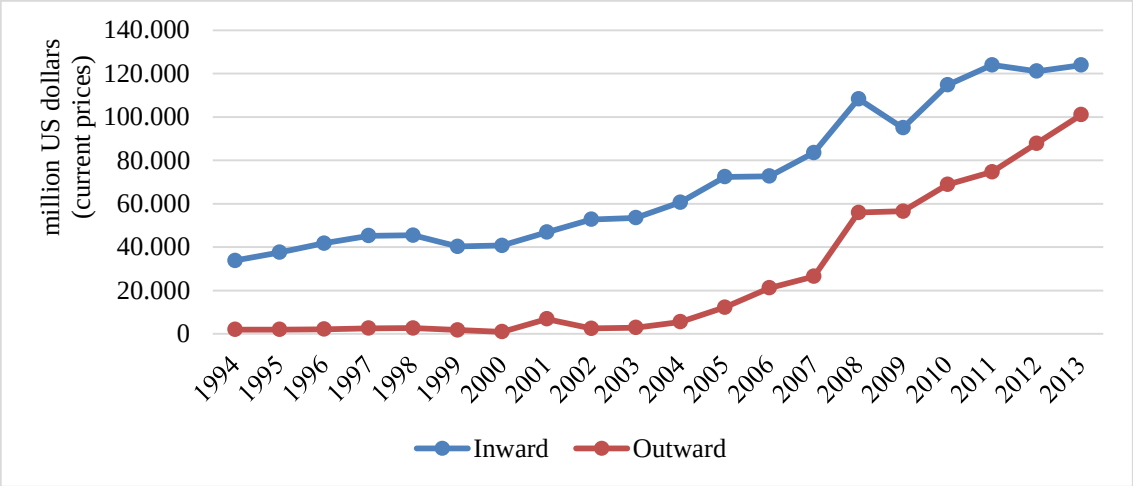
China's growth model of FDI attraction and global exports was highly successful, but the competition arising from other Asian and emerging economies as destinations for new FDI demands a new action plan for further growth. On the other hand, China is currently the world's largest foreign reserve holder, with some 3.9 trillion US dollars in 2015 (World Bank, 2015a), and the number of Chinese companies among the world's largest corporations grows every year. In 2013, 85 companies with headquarters in mainland China were on the Fortune Global 500 list (KPMG, 2013). In 1996, only two Chinese companies could be found on this list.

Greater OFDI balances the direct investment account and later on slows the accumulation of exchange reserves. Furthermore, Chinese companies are willing to change their position in global value chains in order to start producing higher added-value products and services and move away from so-called processing trade. Today, they are strong in production and assembling, i.e. the middle segment, but this brings them the lowest margins. Moving up or

backwards on the value chain towards higher value-added products and services requires more proficient knowledge in branding, distribution and retail, as well as higher R&D (research and development) expenditures, which Chinese companies currently still lack. The service sector in China is still relatively underdeveloped, both in size and depth (Hanemann & Rosen, 2012).

According to Hanemann and Rosen (2012), the economic development of a country is closely related to its FDI patterns. Namely, as soon as the GDP per capita reaches a certain point, domestic companies start investing abroad while FDI stays strong. Once the OFDI surpasses the inward flows, the country's net FDI position changes from deeply negative into positive. As soon as the country's GDP per capita reaches the level of a developed economy, its net FDI position stabilizes around a certain equilibrium. China's OFDI is currently catching up with the inward investments. In 2013, China's global OFDI reached a level of 101 billion USD, whereas inward FDI was at 124 billion USD (UNCTAD, 2015b).

Figure 2. China's inward and outward FDI from 1994 to 2013



Source: UNCTAD, *Foreign direct investment flows and stock*, 2015b.

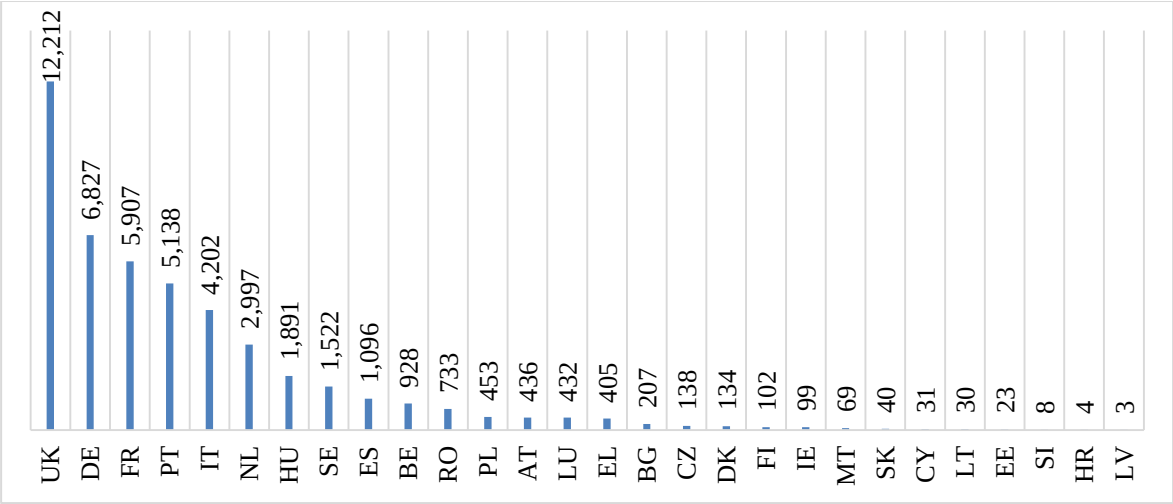
Chinese OFDI in 2013 (by value) took place in Hong Kong (58%), Latin America (13%), the Caribbean (12%), Europe (6%), North America (4%), South-East Asia (4%), Australia (3%) and Africa (3%) (Ernst & Young, 2015). The biggest problem with this statistical representation is that the main part of the investments in Hong Kong and the Caribbean was probably re-invested to other parts of the world, but this is difficult to trace.

In 2014, a big shift in industry sectors (in value) occurred in comparison to 2010 in which Chinese overseas mergers and acquisitions took place. Computer and electronics, mining, real estate, utilities and energy, and agribusiness and food took the top five places from oil and gas, mining, automotive, finance, and chemicals respectively (KPMG, 2015).

Within the EU, China invested over 46 trillion euros in the 2000–2014 period, 54.15% of which went to the United Kingdom, Germany and France. The CEE member states

received only 7.66% of the total Chinese investments in the EU in the same period. The top five industries for Chinese investment in Europe were: energy (28%), automotive (13%), agriculture and food (12%), real estate (11%), and industrial equipment (9%) (Hanemann & Huotari, 2015).

Figure 3. China's OFDI in the EU from 2000 to 2014 (in trillion euros)



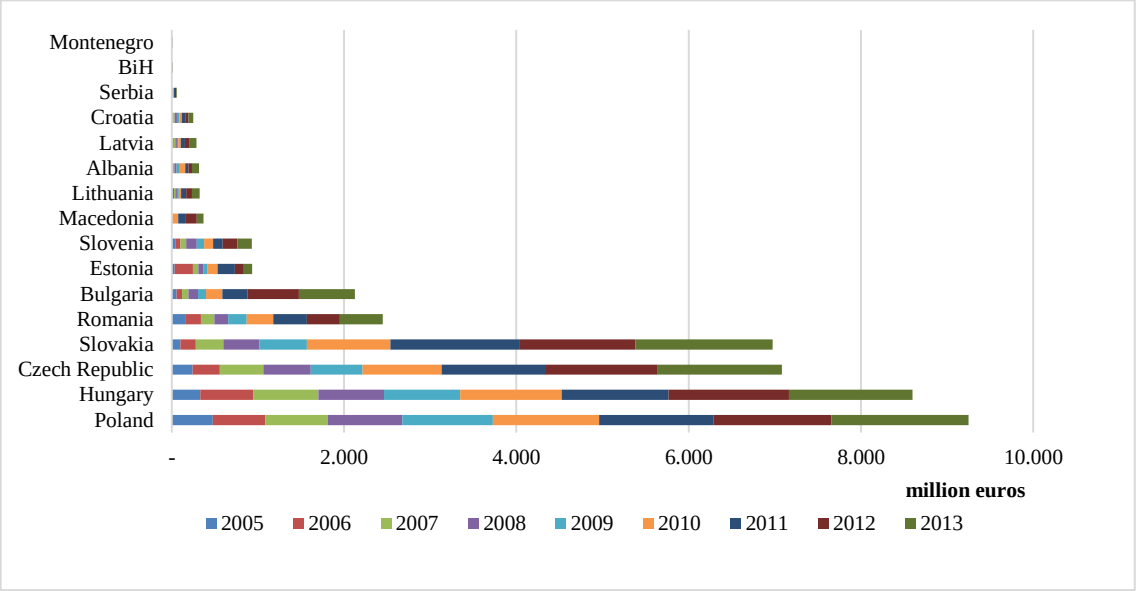
Source: Hanemann & Huotari, *Chinese FDI in Europe and Germany Preparing for a New Era of Chinese Capital*, 2015, p. 15.

1.5 Chinese trade with Central and Eastern Europe (CEE)

The EU is China's largest trading partner, with close to 1.2 billion EUR of cumulative (exports and imports) daily trade between the two. The biggest share of imports to the EU in fact comes from China, while China is, on the other hand, the second largest and the fastest growing export market for the EU (European Commission, 2015). In 2013, 8.5% of the total exported goods and 4.7% of the total exported services from the EU went to China. On the other hand, 16.6% of the total exported goods and 4.0% of the total exported services from China were imported by the EU. However, a separate analysis by country or region within the EU shows a big difference in the scope of trading with China. Germany, for example, is by far the largest trading partner for China. In 2013, bilateral trade reached 138.6 billion euros – more than the next three countries (United Kingdom, France and the Netherlands) combined (Deutsche Bank AG, 2014).

The economies of CEE are small and open economies. Combined, however, they represent 20% of the total EU population. The share in the total trade with China in 2014 was only 4.68% and 10.45% of the total EU exports to China and imports from China respectively. However, the cumulative trade in the 2005–2013 period increased relatively faster compared to Western Europe, as the imports grew by 67 percentage points and exports grew by 247 percentage points, (Eurostat, 2015).

Figure 4. China's imports from CEE markets from 2005 to 2013

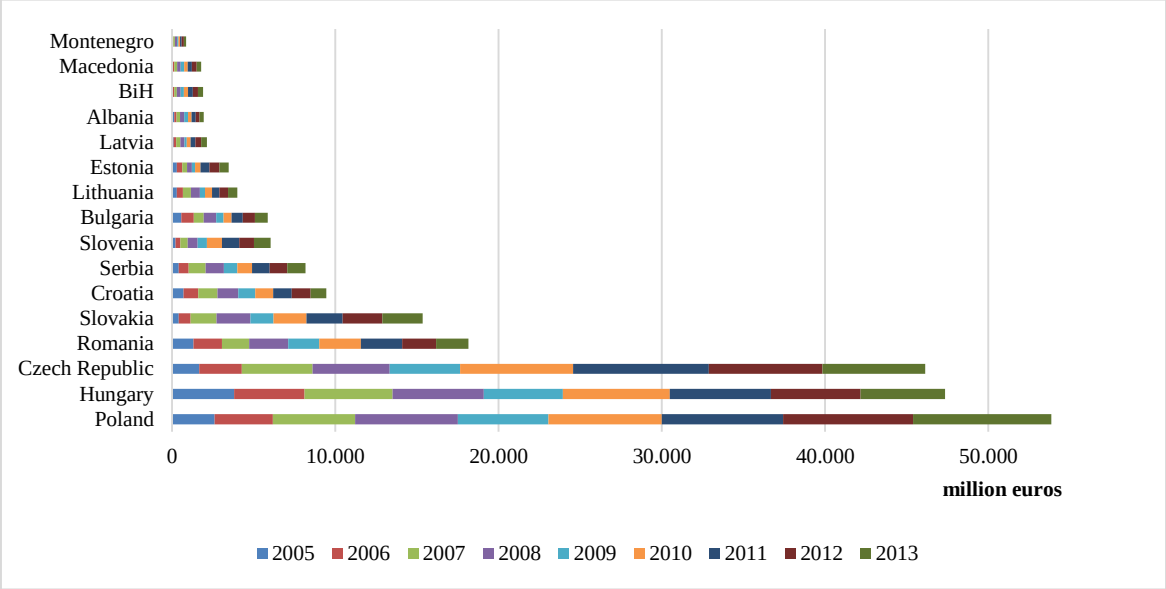


Source: Eurostat, *International trade detailed data*, 2015; Monstat, *Foreign trade*, 2015; Agency for Statistics BiH, *External trade*, 2015; State Statistical Office of the Republic of Macedonia, *Foreign trade*, 2015; Institute for Statistcs of Albania, *External trade*, 2015; Statistical Office of the Republic of Serbia, *Foreign trade data*, 2015.

Due to the 2008 global economic and financial crisis, Chinese trade with the rest of the world experienced a big drop in 2008 and 2009, when exports fell by 16% and imports by 11%. This was mainly due to the drop in consumption in China's two biggest markets and trade partners, namely the US and the EU (especially its western member countries). This was the main reason for China to react quickly and try to explore the potential of the other part of Europe, the CEE region, which can also be noticed from the big increase in trade. In 2009 and 2010, imports from China to CEE markets increased by 38% and at the same time exports from these markets to China increased by 41% (Eurostat, 2015).

In 2011 the first economic and trade forum between China and CEE countries took place in Budapest, Hungary. This forum was the basis for the next meeting in Warsaw, Poland in 2012 when former Chinese Prime Minister Wen Jiabao announced 12 measures for promoting bilateral trade relations with the CEE region and a 10 billion USD special credit line for the CEE countries. This was the starting point for development of the so-called 16+1 pragmatic cooperation platform and since then China has sent more than 30 trade promotion delegations to the CEE countries (Liu, 2013). It has further hosted a series of high-level people-to-people dialogues. Following the initial economic trade and investment forum in Budapest, Chinese Prime Minister Li Keqiang meet with the highest level of political representatives (usually prime ministers) from the 16 CEE countries in Warsaw (2012), Bucharest (2013), and most recently in Belgrade (2014). A series of high-level meetings have also been organized in China.

Figure 5. China's exports to CEE markets from 2005 to 2013



Source: Eurostat, *International trade detailed data*, 2015; Monstat, *Foreign trade*, 2015; Agency for Statistics BiH, *External trade*, 2015; State Statistical Office of the Republic of Macedonia, *Foreign trade*, 2015; Institute for Statistcs of Albania, *External trade*, 2015; Statistical Office of the Republic of Serbia, *Foreign trade data*, 2015.

Figures 4 and 5 show that China's main partners among the CEE countries when it comes to imports are Poland, Hungary, the Czech Republic and Slovakia. For exports these are Poland, Hungary, Czech Republic and Romania. These two groups account for 81% (imports) and 78% (exports) of the total regional volumes respectively. The cumulative account balance of the countries of CEE with China between 2005 and 2013 is highly negative, since they exported only for 19% the value of the total imports over the same period (Eurostat, 2015).

1.6 Chinese OFDI in CEE

The political and economic changes that occurred in CEE in the 1990s have offered many investment opportunities in this region. The formerly state-owned companies were subject to reorganization and privatization, and at the same time many market-opening policies were adopted, encouraging foreign direct investors in different manners. All these countries were undergoing thorough political changes and they all had a common goal of joining the single EU market. Many European companies used this opportunity to invest. After joining the single EU market, the scope of the investment capacities and policies gradually decreased. However, in the 1990s, China missed the investment opportunities in CEE due to its strict policy of capital control.

The Chinese OFDI started with the tenth 5-year plan period, between 2000 and 2005. At this point, the investment opportunities in the CEE region were still not fully recognized by China and, consequentially, the extent of the investments in this region was rather limited. According to Liu (2013), another problem with the region were the different political

opinions each of the countries had towards China. Poland and the Czech Republic criticized the Chinese political system and its attitude towards human rights in Tibet, while Slovakia and Hungary kept their distance from these issues. The Western Balkan countries (Albania, BiH, Croatia, Macedonia and Montenegro) – except for Serbia, which was seen as the essential successor of Socialist Yugoslavia and thus an "old friend" of China, like Hungary – are too small, peripheral in the CEE region, and have a high level of economical interdependency with the EU, and strong political influence from both the EU and the USA (Liu, 2013, p. 8).

China tried to use a regional approach in CEE to overcome the size difference between each individual CEE market and this Asian giant, but it is very difficult for the countries to be represented jointly as they are different, they lack a leading country and are even competitors among themselves. The CEE region is already deeply interconnected with the rest of Europe, highly dependent on exports to western EU markets (Germany, France, Italy, the UK), and due to the eurozone's debt crisis, which had a negative impact on the entire Union, these countries become more open to non-European investments. This is where the economic interest of the region and China met. On the one hand, this openness is needed in order to continue the economic growth and catch-up strategies in CEE. Moreover, China recognized the opportunities for investment in the region as well as the possible role of an entry point for all of the EU within its "One Belt, One Road" (OBRD) project, which focuses on connectivity and trade cooperation among countries from China to Europe (One Belt, One Road, n.d.). According to Liu (2013, p. 3) this "window of opportunity" can be furthermore transformed into a strategic opportunity if China succeeds to push the mutual cooperation further and gain foothold in the CEE region during this period under the 16+1 pragmatic cooperation platform between China and CEE countries. According to KPMG (2013), Chinese companies perceive EU markets as stable economic environments with advanced economies, skilled labor and transparent legal environments.

However, Chinese OFDI in CEE is still limited in size, but it is growing rapidly. Between 2003 and 2009, the average annual growth of the global Chinese OFDI stock was 39.5%. At the same time, the average annual growth of Chinese OFDI in the EU-27 was much stronger, at 57% annually (Clegg & Voss, 2012). The Chinese OFDI stock in CEE grew even faster, with an average annual rate of 63% between 2004 and 2012. For example, the stock volume in Hungary in 2012 was six times that of 2007, and in the Czech Republic it grew by ten times in the same period (Liu, 2014). These volumes are, however, still very small compared to those of Western Europe. In 2010, for example, the EU-15 attracted 87% of the total OFDI stock volume from China (Ministry of Commerce People's Republic of China, 2011). From the data in Table 2 we can see that Chinese investments in the region vary greatly across CEE and are highly concentrated in Hungary, Poland, the Czech Republic and Romania, where 81% of all OFDI in 2012 was placed.

Table 2. The value of Chinese OFDI in CEE from 2006 to 2012 (in 10,000 USD)

Country/Year	2006	2007	2008	2009	2010	2011	2012
Hungary	5,365	7,817	8,875	9,741	46,570	47,535	50,741
Poland	8,718	9,893	10,993	12,030	14,031	20,126	20,811
Romania	6,563	7,288	8,566	9,334	12,495	12,583	16,109
Czech Republic	1,467	1,964	3,243	4,934	5,233	6,683	20,245
Bulgaria	474	474	474	231	1,860	7,256	12,674
Slovakia	10	510	510	936	982	2,578	8,601
Croatia	75	784	784	810	813	818	863
BiH	351	351	351	592	598	601	607
Lithuania	393	393	393	393	393	393	697
Estonia	126	126	126	750	750	750	350
Slovenia	140	140	140	500	500	500	500
Serbia	-	200	200	268	484	505	647
Albania	51	51	51	435	443	443	443
Latvia	231	57	57	54	54	54	54
Montenegro	-	32	32	32	32	32	32
Macedonia	20	20	20	20	20	20	26
Total	*23,984*	*30,100*	*34,815*	*41,060*	*85,258*	*100,877*	*133,400*

Source*:* Liu, *The analysis of China's investment in V4,* 2014, p. 25.

After reviewing the most important international trade and FDI theories as well as summarizing the Chinese foreign trade patterns and outward FDIs (OFDIs), the next sections provide theoretical background of culture, attitudes and stereotypes, while also taking a look at their role in international business.

2 CULTURE AND INTERNATIONAL BUSINESS

The prevalence of MNCs in the business environment and their impact on the global economy created the need for new management-oriented theories of dealing with cross-cultural issues. In a constantly increasing competitive environment, companies felt an increased urge to improve their knowledge about cultural differences and their impact on international trade, assuming that they can use this knowledge as a competitive advantage for further success when doing business internationally. Since the 1980s, with the creation of Hofstede's theory of cultural dimensions, cross-cultural management has slowly become a separate research discipline. The importance of the role of culture in today's increasingly globalized business can perhaps be best illustrated with Hofstede's (1994, p. 1) words that "the business of international business *is* culture."

2.1 Definitions and operationalization of culture

One of the first definitions of culture dates back to 1871 when Edward Burnett Tylor (in Routamaa & Hautala, 2008, p. 130) defined it as "that complex whole that includes knowledge, beliefs, art, laws, custom, and any other capabilities and habits acquired by man as a member of society."

According to Kluckhohn (1951, p. 86), "culture consists in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the

distinctive achievements of human groups, including their embodiments in artifacts; the essential core of culture consists of traditional (i.e. historically derived and selected) ideas and especially their attached values." Culture is built upon values, which we acquire in the early ages of socialization and distinguish an individual or a group from others. A value in this context is defined as "a conception, explicit or implicit, distinctive of an individual or characteristic of a group, of the desirable which influences the selection from available modes, means and ends of action" (Kluckhohn in Hills, 2002, p. 4).

Hofstede (1984, p. 21) defines culture as "the collective programming of the human mind that distinguishes the members of one human group from those of another. Culture, in this sense, is a system of collectively held values." According to Hill (2003), the main determinants of culture defining the norms and value systems of a human group are: religion, political philosophy, economic philosophy, education, language and social structure.

The iceberg model of culture provides a metaphor of the cultural characteristics that can be visible to an observer. As only 10% of an iceberg is visible above the sea level, 90% of our cultural characteristics are hidden and as such difficult to be identified or studied. The characteristics on the *surface* are visible and can be easily reached. Below are the *unspoken rules*, for which the context of the situation has to be identified first in order to be understood. A typical example is protocol or business etiquette. At the bottom are the *unconscious rules*, which represent the cultural characteristics that are out of conscious awareness and are difficult to study, such as non-verbal communication, rate of intensity of speech, etc. (del Galdo & Nielsen, 1996).

The onion model of culture introduced by Trompenaars (1996) divides culture into two parts, the explicit on the surface and the implicit in the core. The *outer layer* consists of the first things we observe at cultural level, such as language, buildings, monuments and so on. The *middle layer* of culture defines the norms and values, what is right and what is wrong (norms), what is good and what is bad (values) within a group of people. The *core* of culture consists of rules and methods that society has developed in order to face and deal with regular problems. According to Trompenaars (1996, p. 51), "understanding the core of the onion is the key to successfully working with other cultures."

Hills (2002) talks about cross-cultural psychology and its main broad topics of research, the understanding of people who come from different cultural backgrounds, as well as the understanding of universal similarities between all human beings. These similarities or differences (contingencies) can be found on many levels in society and have very different forms, from simple and concrete to very complex and abstract. They may also depend on the attitudes we have towards different concepts like taste, religion, politics, etc. In the first half of the twentieth century, researchers and scientists believed that these attitudes can be measured in order to predict the behavior. However, the reality is that some of them are very complex, have to be measured very carefully and can depend on many factors, which should also be examined and included in the context (Hills, 2002).

2.2 Key cultural typologies

2.2.1 Hofstede's cultural dimensions theory

Hofstede's study conducted within IBM between 1968 and 1972 resulted in a groundbreaking theory of cross-cultural differences and dimensions, as well as an assessment of their impact on international business. His research was based on surveys among 116,000 IBM employees from 72 countries. Since 1980, when his theory was firstly published, the theory has become a useful tool for intercultural research. Since its publication, the theory has been subject to several revisions, but it is still one of the most applied cultural typologies in management after 30 years. This being said, it has also received a lot of criticism (e.g. McSweeney, 2002).

Before Hofstede's theory was developed, culture was treated as a single black box "variable". Thus, every statistical difference between two societies that was found in a statistical research and could not be accounted for in a more specific way was defined as a result of culture. Hofstede's theory showed that this variable can be unpacked into several independent dimensions and studies accordingly (Minkov & Hofstede, 2011).

According to Hofstede (2001), his study focused on two main aspects, the differences between societies and the ecological variables between societies. Initially, the theory had four cultural dimensions: power distance (PDI), uncertainty avoidance (UAI), individualism versus collectivism (IDV) and masculinity versus femininity (MAS). However, it was later on updated with two additional dimensions: long versus short-term orientation (LTO) and indulgence versus restraint (IND).

Table 3. Hofstede's low versus high power distance characteristics

Low power distance	High power distance
• Use of power should be legitimate and is subject to criteria of good and evil.	• Power is a basic fact of society antedating good or evil; its legitimacy is irrelevant.
• Parents treat children as equal.	• Parents teach children obedience.
• Older people are neither respected nor feared.	• Older people are both respected and feared.
• Student-centered education.	• Teacher-centered education.
• Hierarchy means inequality of roles, established for convenience.	• Hierarchy means existential inequality.
• Subordinates expect to be consulted.	• Subordinates expect to be told what to do.
• Pluralist governments based on majority vote and changed peacefully.	• Autocratic governments based on co-optation and changed by revolution.
• Corruption rare; scandals end political careers.	• Corruption frequent; scandals are covered up.
• Income distribution in society rather even.	• Income distribution in society very uneven.
• Religions stressing equality of believers.	• Religions with a hierarchy of priests.

Source: Hofstede, *Dimensionalizing Cultures: The Hofstede Model in Context*, 2011, p. 9.

The first dimension, power distance, represents the inequalities and distribution of power (and hierarchy) within a society. It can be interpreted through several elements like wealth, prestige, different types of rights, social status, etc. (see Table 3). Power distance, as a dimension, reflects the degree to which less powerful members within an institution or a society judge the inequality and accept it as legitimate. More importantly, countries can be

compared on the power distance index, which is derived as a mean value of the countries' indices of several institutions or organizations like family, schools, religion, etc. Hofstede's PDI generally characterizes Western societies with a low power distance and Eastern (Asian) societies with a high power distance (Brew, Hesketh & Taylor, 2001).

According to Hofstede (2001), both low and high power distance index countries have societal and organizational hierarchies, but in the high power distance index countries, the role of hierarchy is existential; i.e. superiors are seen as superior individuals. Furthermore, empirical results show that the dependence on the power of others is negatively correlated with the average level of education in a country. Therefore, power in the high power indexed countries decreases as the level of education increases through time. Power and inequality are a reality of all countries, but inequality in some countries is greater and more widely accepted than in others.

The second dimension, uncertainty avoidance, is related to the basic fact of human nature of coping with uncertainty about the future. Hofstede has developed the UAI, which in European and other Western countries is usually correlated with the PDI; but similar significant correlation was not proven for other countries (Hofstede, 2001). Gouveia and Ros (2000, p. 26) defined uncertainty avoidance as the "degree to which members of a society are uncomfortable with uncertainty and ambiguity." Uncertainty avoidance should not be mistaken with risk avoidance, since it is defined as the tolerance towards unknown situations (Minkov & Hofstede, 2011). Countries with a high uncertainty avoidance index have set regulations against unstructured situations in order to avoid damages caused by uncertainty (see Table 4). Empirical evidence regarding uncertainty avoidance shows that CEE countries have a higher degree of uncertainty avoidance than China. The Chinese low UAI score is explainable with the deeply rooted philosophy of Confucius, with the belief that things will happen anyway and an individual can do little to control the events (Rozbicka, 2008).

Table 4. Hofstede's weak versus strong uncertainty avoidance characteristics

Weak uncertainty avoidance	Strong uncertainty avoidance
• The uncertainty inherent in life is accepted and each day is taken as it comes. • Ease, lower stress, self-control, low anxiety. • Higher scores on subjective health and well-being. • Tolerance of deviant persons and ideas; what is different is curious. • Comfortable with ambiguity and chaos. • Teachers may say "I don't know". • Changing jobs, no problem. • Dislike of rules – written or unwritten. • In politics, citizens feel and are seen as competent towards authorities. • In religion, philosophy and science: relativism and empiricism.	• The uncertainty inherent in life is felt as a continuous threat that must be fought. • Higher stress, emotionality, anxiety, neuroticism. • Lower scores on subjective health and well-being. • Intolerance to deviant persons and ideas: what is different is dangerous. • Need for clarity and structure. • Teachers supposed to have all the answers. • Staying in jobs even if disliked. • Emotional need for rules – even if not obeyed. • In politics, citizens feel and are seen as incompetent towards authorities. • In religion, philosophy and science: belief in ultimate truths and grand theories.

Source: Hofstede, *Dimensionalizing Cultures: The Hofstede Model in Context*, 2011, p. 10.

The third dimension of Hofstede's theory speaks about the way people live together within

a society. People's values and behavior are shaped by the groups they live in and belong to. Hofstede (2001) makes a comparison with specific animal species, such as wolves, which live in packs, and tigers, which live solitarily.

Table 5. Characteristics of individualism and collectivism, according to Hofstede

Individualism	Collectivism
• Everyone is supposed to take care of him or herself and his or her immediate family only. • "I"-consciousness. • Right of privacy. • Speaking one's mind is healthy. • Others classified as individuals. • Personal opinion expected: one person one vote. • Transgression of norms leads to guilt feelings. • Languages in which the word "I" is indispensable. • Purpose of education is learning to learn. • Task prevails over relationship.	• People are born into extended families or clans, which protect them in exchange for loyalty. • "We"-consciousness. • Stress on belonging. • Harmony should always be maintained. • Others classified as in-group or out-group. • Opinions and votes predetermined by in-group. • Transgression of norms leads to shame feelings. • Languages in which the word "I" is avoided. • Purpose of education is learning how to do. • Relationship prevails over task.

Source: Hofstede, *Dimensionalizing Cultures: The Hofstede Model in Context*, 2011, p. 11.

Gouveia and Ros (2000, p. 26) defined individualism as "an assessment of the emotional independence and autonomy of the person." Minkov and Hofstede (2011, p. 12), on the other hand, speak of "the relationship between the individual and the group." The individualism index is generally negatively correlated with the PDI and in Europe also generally in negative correlation with the UAI (Hofstede, 2001). Individualism is associated with independence, meaning people should be self-reliant and help only those closest to them, and on the other hand, people from collectivistic groups depend more on the others within the same group (Gouveia & Ros, 2000) (see Table 5). Due to the strong influence of the Confucianism, the Chinese are at the bottom of the individualism index rating (Hofstede, 2001).

Table 6. Characteristics of femininity and masculinity, according to Hofstede

Femininity	Masculinity
• Minimum emotional and social role differentiation between the genders. • Men and women should be modest and caring. • Balance between family and work. • Sympathy for the weak. • Both fathers and mothers deal with facts and feelings. • Both boys and girls may cry but neither should fight. • Mothers decide on the number of children. • Many women in elected political positions. • Religion focuses on fellow human beings. • Matter-of-fact attitudes about sexuality; sex is a way of relating.	• Maximum emotional and social role differentiation between the genders. • Men should be and women may be assertive and ambitious. • Work prevails over family. • Admiration for the strong. • Fathers deal with facts, mothers with feelings. • Girls cry, boys do not; boys should fight back, girls should not fight. • Fathers decide on family size. • Few women in elected political positions. • Religion focuses on God or gods. • Moralistic attitudes about sexuality; sex is a way of performing.

Source: Hofstede, *Dimensionalizing Cultures: The Hofstede Model in Context*, 2011, p. 12.

The fourth cultural dimension in Hofstede's model refers to masculinity versus femininity. This dimension examines the social role of gender characteristics within a society. Hofstede (2001) found out that for every society, regardless whether it is developed or

undeveloped, rich or poor, the general tendency is that men are supposed to be concerned about their economic status and be competitive, whereas women are supposed to take care of the home, the children and people in general (see Table 6). According to Gouveia and Ros (2000, p. 26), this dimension refers to "a preference for accomplishment, heroism, severity and material success as opposed to a preference for relationships, modesty, attention to the weak and quality of life."

Table 7. Characteristics of short- versus long-term orientation of societies

Short-term orientation	Long-term orientation
• Most important events in life occurred in the past or take place now.	• Most important events in life will occur in the future.
• Personal steadiness and stability: a good person is always the same.	• A good person adopts to the circumstances.
• There are universal guidelines about what is good and what is evil.	• What is good and evil depends upon the circumstances.
• Traditions are sacrosanct.	• Traditions are adaptable to changed circumstances.
• Family life guided by imperatives.	• Family life guided by shared tasks.
• Supposed to be proud of one's country.	• Trying to learn from other countries.
• Service to others is an important goal.	• Thrift and perseverance are important goals.
• Social spending and consumption.	• Large savings, funds available for investment.
• Students attribute success and failure to luck.	• Student attribute success to effort and failure to lack of effort.
• Slow or no economic growth of poor countries.	• Fast economic growth of countries until a level of prosperity is reached.

Source: Hofstede, *Dimensionalizing Cultures: The Hofstede Model in Context*, 2011, p. 15.

The fifth dimension of Hofstede's theory was included subsequently. This dimension is also known as Confucian dynamism, since its characteristics are related to Confucian thinking, such as skill acquisition and education, hard work, perseverance, saving, etc. (Hofstede, 2001) (see Table 7). These characteristics and the dimension itself strongly correlate with economic growth. According to Minkov and Hofstede (2011), Asian and European societies are more long-term oriented, whereas the rest of the (Western) world is more short-term oriented.

Table 8. Characteristics of indulgence versus restraint, according to Hofstede

Indulgence	Restraint
• Higher percentage of people declaring themselves as very happy.	• Fewer very happy people.
• A perception of personal life control.	• A perception of happiness: what happens to me is not my own doing.
• Freedom of speech seen as important.	• Freedom of speech is not a primary concern.
• Higher importance of leisure.	• Lower importance of leisure.
• More likely to remember positive emotions.	• Less likely to remember positive emotions.
• In countries with an educated population, higher birthrates.	• In countries with an educated population, lower birthrates.
• More people actively involved in sports.	• Fewer people actively involved in sports.
• In countries with enough food, higher percentage of obese people.	• In countries with enough food, fewer obese people.
• In wealthy countries, lenient sexual norms.	• In wealthy countries, stricter sexual norms.
• Maintaining order in the nation is not given a high priority.	• Higher number of police officers per 100,000 people.

Source: Hofstede, *Dimensionalizing Cultures: The Hofstede Model in Context*, 2011, p. 16.

Indulgence versus restraint is the latest dimension which was added to Hofstede's model. According to this cultural dimension (which was initially developed by Minkov, who was then invited in 2010 to join the author's team for the latest edition of Hofstede's "Cultures and organizations"), measures of life control and the importance of leisure are the best predictors of happiness (Minkov & Hofstede, 2011). According to Minkov and Hofstede (2011, p. 15), "/i/ndulgence stands for a society that allows relatively free gratification of basic and natural human desires related to enjoying life and having fun. Restraint stands for a society that controls gratification of needs and regulates it by means of strict social norms" (see Table 8).

2.2.2 The GLOBE project

The GLOBE project defines culture as "shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives and are transmitted across age generations" (Javidan, Stahl, Brodbeck & Wilderom, 2005, p. 61). The GLOBE (Global Leadership and Organization Behavior Effectiveness) project was partially inspired by Hofstede's doctrine and was developed upon a project based on surveys among over 17,000 middle managers from several industries in 62 cultures. Over 160 scientists were involved in the project from all over the world (Javidan, et al., 2005).

Table 9. GLOBE cultural dimensions

Power distance	Degree to which a culture's people are (should be) separated by power, authority, and prestige.
In-group collectivism	Degree to which a culture's people (should) take pride in and (should) feel loyalty towards their families, organizations, and employers.
Institutional collectivism	Degree to which individuals are (should be) encouraged by institutions to be integrated into broader entities with harmony and cooperation as paramount principles at the expense of autonomy and individual freedom.
Uncertainty avoidance	Degree to which a culture's people (should) seek orderliness, consistency, and structure.
Future orientation	Degree to which a culture's people are (should be) willing to defer immediate gratification for future benefits.
Gender egalitarianism	Degree to which a culture's people (should) support gender equality
Assertiveness	Degree to which a culture's people are (should be) assertive, confrontational, and aggressive.
Humane orientation	Degree to which a culture's people are (should be) fair, altruistic, generous, caring, and kind towards others.
Performance orientation	Degree to which a culture's people (should) encourage and reward people for performance.

Source: Jevidah et al., *Cross-bordetransfer of knowledge:Cultural lessons from Project GLOBE*, 2005, p. 62.

Contrary to Hofstede's theory, the GLOBE project measures both *values* and *practices* (actual behavior). The common existing practices were measured through survey items assessing "what is" and "what are" the behaviors and institutional practices, and the values were measured through survey items "what should be" referring to the perception of the respondent. The values are measured through the opinions and aspiration of the respondents about the way things are supposed to be done (Javidan, et al., 2005).

The GLOBE project has nine dimensions (see Table 9), six of which were developed by expanding Hofstede's theory, plus three additional dimensions not captured by Hofstede. The project also divides societies into 10 clusters. This method of cross-cultural comparison provides deeper understanding of cultures and is useful for cross-cultural comparison.

2.2.3 Hall's high- and low-context cultures

In 1976, Hall developed a theory of cultural differences based on certain characteristics associated with communication. The theory distinguishes between two types of culture: high- and low-context culture. In his book *Beyond Culture* he explained the difference in context orientation. In a high-context culture, for example, despite the verbal and/or written elements of language, there are many cultural elements in the communication which do not necessarily convey the whole message (the message is quite implicit). Moreover, people from high-context cultures tend to use a lot of metaphors, and many things in communication are taken for granted. On the other hand, in low-context cultures messages and communication are not so restricted, as things are quite explicit, simple and clear. Based on this the possibility of misunderstanding without the knowledge about the culture is higher for low-context people towards high-context people, due to the fact that the expressions of a high-context person are expected to be understood by "reading between the lines" and having certain knowledge to understand the unsaid.

Table 10. The characteristics of Hall's high- and low-context cultures

Factor	High-context culture	Low-context culture
Overtness of messages	Many covert and implicit messages, with use of metaphor and reading between the lines.	Many overt and explicit messages that are simple and clear.
Locus of control and attribution of failure	Inner locus of control and personal acceptance for failure.	Outer locus of control and blaming others for failure.
Use of non-verbal communication	Much non-verbal communication.	More focus on verbal communication than body language.
Expression of reaction	Reserved, inward reaction.	Visible, external outward reaction.
Cohesion and separation of groups	Strong distinction between in-group and out-group. Strong sense of family.	Fragile and open out-grouping patterns, changing as needed.
People bonds	Strong people bonds with affiliation to family and community.	Fragile bonds between people with little sense of loyalty.
Level of commitment to relationships	High commitment to long-term relationships. Relationship more important than task.	Low commitment to relationship. Task more important than relationship.
Flexibility of time	Time is open and flexible. Process is more important than product.	Time is highly organized. Product is more important than process.

Source: Hall, *Beyond culture*, 1989.

Hall also distinguishes the two cultures by several other characteristics summarized in Table 10. High-context cultures strongly believe in self-control of events that affect people and accept failure more easy. People belonging to high-content cultures are also more

collectivistic, create strong interpersonal relationships with others and have high commitment to long-term relationships, while people from low-context cultures create more fragile bonds between people and show lower commitment to long-term relationships. In the case of high-context cultures, time is more flexible, while in low-context cultures people tend to highly organize their time and thus value products over processes. Within the high-context group of cultures, Hall defines Asian cultures, such as Chinese, Korean and Japanese, whereas Western cultures, such as American, French and German, are categorized as low-context cultures.

2.3 Impact of cross-cultural differences on foreign trade and FDI

The socio-cultural characteristics of a country and their impact on foreign trade and FDI have been widely discussed in the literature of international business, as well as economic sociology and psychology. There are also several different points of view regarding the differences between nations and their impact on the scope of trade and FDI.

Theories of international business suggest that the existence of transaction costs and liability of foreignness influence the decision of investing instead of serving a market through exports only. From this perspective, companies are forced to deal with market imperfections and the cultural specifics of different markets. Furthermore, according to Bandelj (2002), a potential investor firm may already have established its own trading network in the host economy, and such established business ties between investors and hosts will have a positive effect on future FDIs between them. Lastly, greater cross-cultural differences also translate into higher marketing adaptation costs (Doole & Lowe, 2008).

Personal relations between expatriates and business members in the host country will further facilitate the scope of doing business or decisions to invest, as they will transfer information about the opportunities, business environment and cultural issues, and potentially lobby for certain locations. For instance, it is likely that US and Austrian investments in Croatia were initiated through the personal networks of Croatian immigrants with the support of the Croatian Investments Promotion Agency (Bandelj, 2002).

According to Dunning and Rojec (1993), cultural factors are likely to influence the business activity in the case of FDI, since a long-term interest is transferred along with the transfer of capital. This interest can be seen as the degree of influence of the investor over the management of the host company. Knowing the culture and business practices in the host economy, the investor is more likely to transfer and fulfill its interests. In the case of great divergence of business conceptions between the investor and the host country, the investor is more likely to invest in an economy in which the cultural values are perceived to be closer to its own values and which the investor believes to be more familiar with.

Moreover, knowledge of other cultures is difficult to quantify, but the presence of non-immigrant national minorities and their interaction with the people from the two countries

might significantly contribute towards the creation of tacit knowledge about the other country's culture (Bandelj, 2002).

The Chinese population in Europe increased from 0.6 (2.31% of total overseas Chinese population) to 4.7 million (4.73% of total overseas Chinese population) between 1980 and 2007. The Chinese minority in Western Europe is much more numerous (98% of the total Chinese minority) and has a longer tradition compared to that in CEE. Especially in countries like Slovenia and Montenegro, the Chinese population is very small and almost negligible (estimated to be around 1,000). The Chinese started to immigrate to CEE only in the 1990s and 2000s (Latham & Wu, 2013).

Dow and Ferencikova (2010) found in their research of FDI in Slovakia a significant correlation between the distance in national culture and two FDI aspects, market selection and performance. For the third aspect, entry mode, they found weak results with a low level of significance and did not provide strong explanation for the entry mode selection. Another research, conducted by Kogut and Singh (1988), tested 228 companies that entered the US marked by joint venture, acquisition or wholly-owned greenfield investment in several sectors and found correlation between the entry mode and the investor's country of origin. Japanese companies, which are culturally more distinct to the US culture than European ones, preferred greenfield investment and joint ventures over acquisition.

According to Felbermayr and Toubal (2010), who empirically investigated the impact of cultural variables on trade volumes, conventional cultural variables such as common language, legal system, religious proximity and ethnic ties matter in the trade volume of the aggregate imports between two countries. On the other hand, informal trade costs, represented by cultural distance, were more important for complex differentiated goods, which are more difficult to sell and require more complex contracts than homogeneous goods.

Similarly as for FDI, the level of immigration between two countries is correlated with the level of trade between the two countries. Tadesse and White (2007) investigated the relation between immigration and trade flows, and found that for each percent of immigrant stock between two countries the level of exports to the immigrant's home country increases by 0.047% *ceteris paribus*. Their research was conducted for the US market and their conclusion was quite clear – immigrants promote US exports to their home countries.

Another empirical research of Tadesse and White from 2010 tested the cultural distance expressed through several variables of nine OECD members and their trading partners in pairs. Their results showed that, on average, Italy, followed by the US and Australia, are least distinct with their partners, while Sweden and Denmark are the most distinct OECD countries from their trading partners. Moreover, according to the same research, for each percent of increase in cultural distance between a selected OECD country and one of its

trading partners, the imports of the OECD country from the respective trading partner decreases by 0.7758% *ceteris paribus*.

2.4 Cross-cultural comparison of China, Poland, Slovenia and Montenegro

Hofstede's theory, which was previously explained together with its indices of cultural dimensions, allows us to directly compare different countries according to the cultural characteristics and values. A country's index has a value between 1 and 120. In this part of the master's thesis, I will make a cross-cultural comparison of the three CEE countries, Poland, Slovenia and Montenegro, with China. Since scores for Montenegro do not exist within the GLOBE project, I have limited the cross-cultural comparison of the three countries only to Hofstede's typology.

If we compare the countries by the first dimension of power distance, we can see that this dimension is actually the only one where all the countries share similar values (see Figure 6), i.e. they are all above the world PDI average of 55 (Rozbicka, 2008) and thus accept and expect unequal distribution of power within the society. This can logically be explained by the fact that all the countries share a common communist recent history. Furthermore, as China is going through a rapid globalization and industrialization process, recent studies show that these processes influence young Chinese and slowly change their values in terms of being less tolerant of power distances (Rozbicka, 2008).

The biggest gap in all dimensions exists in uncertainty avoidance, where Poland scores a UAI of 93, Slovenia and Montenegro both score a UAI of 88, and China scores relatively low with a UAI of 30, meaning that these CEE cultures have very high preferences for avoiding uncertainty in the future compared to the Chinese. In Poland, Slovenia and Montenegro social security is an important element in an individual's motivation, there is strong emotional need for rules and people are hesitant towards unorthodox ideas. On the other hand, Chinese language is ambiguous and difficult for Western cultures (Hofstede Center, 2015). China's low UAI score can moreover be explained with the deeply rooted Confucian philosophy, with the belief that things will happen anyway and an individual can do little to control the events (Rozbicka, 2008).

According to Krivokapić and Ćeranić (2014), in the Montenegrin society, social positioning and status as well as relations between people and friendships are the main objectives and are appreciated more than work results and accumulated wealth. Furthermore, regarding uncertainty avoidance they confirm that Montenegrin people prefer a standard and uniform lifestyle and feel comfortable with it.

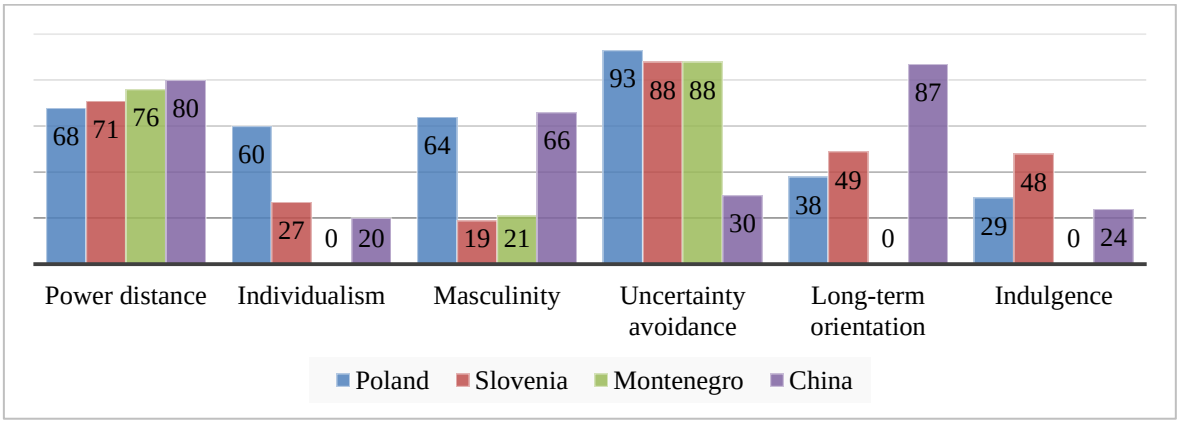
The next dimension in which the Polish and the Chinese culture are significantly different is individualism. Poland with an IDV score of 60 is a more individualistic culture and China with an IDV score of 20 is a collectivistic society. Unlike Poland, the Slovenian culture is much more collectivistic and is, in this sense, closer to Chinese. The Polish

appreciate privacy and personal opinion and the employer-employee relationship is based on mutual advantage (Hofstede Center, 2015). The Chinese culture, on the other hand, promotes shared responsibility as well as taking care of the members within the group and extended family (Rozbicka, 2008). With a high index of power distance and being individualistic, the Polish society is contradictory, because it needs a certain level of hierarchy despite being individualistic (Hofstede Center, 2015).

Unfortunately, the data for Montenegro about Hofstede's indices of cultural dimensions is very limited in the literature. According to Krivokapić and Ćeranić (2014), Montenegrin people score an MAS of 21 for masculinity and Slovenians score even lower, 19, being the most feminine society of these four countries. The Slovenian people, therefore, value equality and solidarity and resolution of conflicts is done through negotiations and compromise. Chinese culture scores an MAS of 66 and is the most masculine of the four, meaning that the society is driven by competition and success, and people sacrifice family over work. A typical real-life example would be the Chinese people working and providing services, such as shops, restaurants, hairdressers very late at night (Hofstede Center, 2015).

Another significant difference of Poland and Slovenia to China is in the long-term orientation. The LTO index for Poland is relatively low at 38, for Slovenia it stands at 49, while the index is very high for China, 87. This means that Polish people compared to the Chinese are more prone to stability, have relatively small propensity to save and focus on achieving quick results (Hofstede Center, 2015). The Chinese culture is very pragmatic and people can adapt easily to changed conditions. For Chinese people thrift and perseverance are very important long-term goals, while in the short term it is important to protect one's "face", respect tradition and accomplish social obligations. Moreover, in the long term Chinese people possess the ability to overcome obstacles with time (Rozbicka, 2008).

Figure 6. Poland, Slovenia and Montenegro in comparison with China, according to Hofstede's theory



Source: Hofstede Center, *Country comparison*, 2015; Krivokapić & Ćeranić, *Dominant value patterns in the Montenegrin society*, 2014, pp. 207-208.

With an IND score of 24, the Chinese society is seen as restrained and the people by social norms feel that indulging themselves is wrong and are more cynical and pessimistic. Polish

culture scores a bit higher, an IND of 29, and in this regard is more similar to the Chinese than Slovenian culture. On the other hand, Slovenian people, scoring 48, are neither restrained nor indulgent (Hofstede Center, 2015).

3 ATTITUDES AND STEREOTYPES

A lot of research has been conducted regarding discrimination, especially based on gender and ethnicity, as well as its impact on productivity, wage level, rate of employment, etc. On the other hand, stereotypes and attitudes are another issue and also have significant impact on business (Katz, 1995). In international business environments, people with different mindsets and cultural "software" interact with each other. Stereotypes exist even at the managerial level, potentially affecting managerial decision-making (Zaidman, 2000). While stereotypes often have negative connotations, attitudes as expressions of favor or disfavor of people, places or objects can have more balanced positive or negative connotations.

3.1 Understanding ethnic attitudes and national stereotypes

"Stereotypes can be viewed as an examination of how individuals feel about others in terms of, for example, age, gender or race" (Burns, Myers & Kakabadse, 1995, p. 213). Stereotypes are the basis for discrimination and can appear in different forms or magnitude between different social groups. Despite the rapid globalization, interdependence between nations through increased global migration (there are 232 million migrants across the world – OECD, 2013), according to Hofstede (2005, p. 238), the cultural diversity and diverse way of thinking will remain present for the next few hundred years. Carr (2002, p. 11) defines stereotypes in international business as "perceptions and preconceived ideas held about other cultures in international markets".

According to Rašković and Svetličič (2011), stereotypes are created at different segments of the general public, and they influence and shape public opinion. They are a measurable component of public opinion and directly impact international business relations, in particular international business ventures. Moreover, stereotypes in certain areas such as the region of former Yugoslavia not only originate in cross-cultural differences, but also have historical and political connotations, bearing in mind that the region was historically part of a single country (Rašković & Svetličič, 2011; McSweeney, 2002). Since the disintegration of Yugoslavia, we can observe cross-cultural divergence between the former republics, as Slovenia and Croatia historically had closer economic and religious ties with Western Europe while the rest have an emphasized Orthodox tradition and were part of the Turkish Empire for centuries (Schwartz, 2008).

According to Rowley (2002, p. 4), "stereotypes of different groups develop as individuals interact with members of the stereotyped group or obtain information about the group from other sources". The mental and psychological process behind stereotypes is often explained with the creation of antipathy towards a certain group based on select characteristics.

According to Baumeister & Finkel (2010, p. 346), "cognitive appraisals give rise to effective reactions, which then shape intention and behavior".

However, a replicated study of the "Princeton Trilogy" (three studies conducted by Katz and Braley in 1933, Gilbert in 1951 and Karlins et al. in 1969) examining ethnic and national stereotypes) has shown that stereotypes are changeable in content and consensus through time (Madon, Guyll, Aboufadel, Montiel, Smith, Palumbo & Jussim, 2001).

3.2 Role of attitudes and stereotypes in international business

According to Neale and Bazerman (1992), the most important skill for business is negotiation. While negotiating, managers act according to their perception of situations. Thus, their assumptions and expectations might not necessarily be supported by objective facts, but rather by subjective interpretations (Burns et al., 1995). A successful negotiator is one who will recognize that a foreign negotiator will have a different perception and beliefs, and will be able to adjust accordingly (Herbig & Kramer, 1991).

Burns, Myers and Kakabadse's (1995) survey examined the perception of 12 "quality" indicators, such as trust, punctuality, humor, competence, reliability, etc. among managers from five EU countries. They asked them to score managers from each of the countries included in the research in order to examine the attitudes and possible stereotypes among/about them. The research covered 1,000 SME (Small and medium-sized enterprises) managers from four sectors. Their results showed that the British graded the French low on trustworthiness, all the nations assessed the Spanish to be less punctual, the Germans assessed the rest as "too humorous", the Spanish assessed the British as less competent on average, and the Germans scored significantly higher on reliability than the British from all the others. From this perspective, the negotiation skills of the managers and directors and their perception of their counterpart are of great importance, as the choice of foreign partner can often be crucial in any international venture.

If we take a look at international trade in general, consumers show preference for products made in particular countries more than others, especially when the brand is unknown to them (Elliott & Cameron, 1994), and these preferences (also known as the country-of-origin effect) are related with the level of economic development of nations (Gaedeke, 1973). Furthermore, Shimp and Sharma (1987, p. 280) define consumers' beliefs about the appropriateness and morality of buying foreign products as *consumer ethnocentrism*.

On the other hand, Katz (1995) says there is reason to believe that stereotypes between nations are not critical for international business, since the availability of information is very different in real-life situations and business environments and experimental settings. He tested this hypothesis and found a significant relation between the level of discrimination of a person and the level of provided information about that particular person. Furthermore, the conclusion is that stereotypes act as defaults when information is insufficient to provide judgment.

In their research, Rašković and Svetličič (2011) found that among the countries of former Yugoslavia, exports per capita between coupled countries have a very strong negative correlation with the negative stereotypes about each particular country.

4 ECONOMIC AND BUSINESS ENVIRONMENTS OF POLAND, SLOVENIA AND MONTENEGRO

Companies operating in international markets must be aware of all the factors influencing their business, since no company operates in a vacuum. When entering a new market or expanding the scope of business in an existing market, detailed understanding of the market and its cause-and-effect mechanisms, and a market analysis are essential for the company to understand its environment and implement appropriate strategies and actions (Makovec & Hrastelj, 2003).

In this part of the thesis, I use data and information from the World Bank (WB) and the World Economic Forum (WEF), as well as other information sources and databases to analyze the economic and business environments of Poland, Slovenia and Montenegro. The two institutions (WB and WEF) have developed myriad indices enabling direct comparison. The WEF's Global Competitiveness Report (for 2014–2015) enables a detailed analysis and cross-country comparison across different competitiveness areas and their many indicators among 144 countries.

Table 11. Selected WEF business competitiveness indicators for Poland, Slovenia and Montenegro (ranking among 144 countries)

Indicator	Poland	Slovenia	Montenegro
Prevalence of trade barriers	#66	#39	#78
Trade tariffs, % duty	#5	#5	#44
Prevalence of foreign ownership	#54	#134	#75
Business impact of rules on FDI	#76	#136	#74
FDI and technology transfer	#68	#114	#82

Source*:* WEF, *Global Competitiveness Report 2014-2015,* 2014, pp. 277-339.

The WB's Doing Business Survey compares essential aspects of doing business across 189 different countries worldwide. The WB Doing Business Index is based on 10 indicators, each consisting of several equal-weight sub-indicators that assess the regulatory environment of a country in terms of doing business. The WEF Global Competitiveness Index, on the other hand, is based on 12 pillars divided into sets of institutions, policies and factors influencing the level of competitiveness of a country in terms of doing business.

Table 12. The World Bank's Doing Business Indicators for Poland, Slovenia and Montenegro (ranking among 189 countries)

Indicator	Poland	Slovenia	Montenegro
Overall ease of doing business	***#32***	***#51***	***#36***

Starting a business	#85	#15	#56
Registering property	#39	#90	#87
Trading across borders	#41	#53	#52
Dealing with construction permits	#137	#90	#138
Getting credit	#17	#116	#4
Enforcing contracts	#52	#122	#136
Resolving insolvency	#32	#42	#33
Paying taxes	#87	#42	#98

Source: World Bank, *Doing Business 2015 Going Beyond Efficiency*, 2014b, pp. 205-217.

4.1 Poland

Poland is the biggest CEE country by population and GDP. It joined the European Union in 2004 and is the only country of the EU that retained positive economic growth throughout the crisis period form 2007 to 2014. In fact, the Polish economy in this period grew nearly one quarter in size, more exactly by 24%. In 2014 the nominal GDP of Poland was 548 billion USD. Poland's GDP based on PPP represented 0.94% of the global GDP, ranking Poland in the 21st place in the world (World Bank, 2015a). From a socio-cultural perspective, Poland is a typical representative of the Eastern-European cluster (Schwartz, 2008).

4.1.1 Economic environment

Poland's output growth in during the global crisis has been remarkably high. Between 2007 and 2014, the average annual output growth was 3.2%. The economic growth moved from 1.7% in 2013 to 3.3% in 2014 due to a significant increase in fixed investments, and is expected to reach 3.7% in 2016 due to increased private consumption (World Bank, 2015c). According to Piatkowski (2015), the main reasons for Poland's excellent performance during the crisis are the fiscal and monetary stimuli, large depreciation of the currency and the size of the domestic market, which limited exposure to falling international trade. Poland is still not a member of the eurozone, which means it maintains its own monetary policy and could depreciate the Polish zloty.

Since joining the EU, the main ambitions of Poland have been to fully catch up with the rest of Europe, as the current average GDP per capita stands at 67% of the EU average (Eurostat, 2015), and to strengthen its influence on the decision making within the Union. Poland's main trading partner is Germany, accounting for 25.1% of the total Polish exports in 2013. The total exports in 2014 were 155 billion euros, out of which 75% was within the EU (Central Statistical Office of Poland, 2014a). This means the country is very dependent on the economic performance of this neighboring country. And although Poland is not a member of the eurozone, the risks associated with the eurozone are directly transferable into the Polish economy. Further challenges for Poland that might directly affect its trade patterns and the level of FDI are high youth unemployment, which was 22% in 2014, and an ageing population. The median age increased between 1990 and 2013 from 30.9 to 36.2 years for males and from 33.7 to 38.4 years for females. By 2030, it is expected that 23%

of the population will be older than 65, while the fertility rate stands at 1.3 (Central Statistical Office of Poland, 2014b).

The inflation in Poland stayed at a very low level of 0.1% in 2014, according to the World Economic Forum, at, and because of this it ranked very high with lowest inflation. There are several factors for this, but the main ones are the imported low inflation from the eurozone's trading partners and the declining prices of oil and food.

The current account deficit in Poland narrowed from 5% of GDP in 2010 and 2011 to just 1.3% in 2013, mainly due to increased exports to the EU and inflow of EU Structural Funds. The fiscal deficit decreased to 3.2% in 2014 and the public debt stock declined by 6.9 percentage points to 48.8% of GDP in 2014 (World Bank, 2015c).

In 2013, exports of goods and services accounted for 45.09% of Poland's GDP. Moreover, the share of high-tech exports among manufactured goods was 7.71% and the share of ICT goods exports within total goods exports was 6.82%. The inward and outward FDI stocks as share of GDP were 49% and 11% respectively, and the FDI inflows as percentage of GDP was 0.01% (World Bank, 2015a).

4.1.2 Business environment and competitiveness

According to WB Doing Business 2015 survey, Poland ranked 32nd out of 189 countries, thus above the EU average and higher than all the other EU member states of CEE. Compared to 2014, its rank actually dropped 2 places. According to the WB, financing and getting credit are relatively accessible – on average 6 procedures are required and it takes 33 days. For getting credit the country ranks 17th in the world.

On the other hand, dealing with construction permits in Poland is very complicated and time consuming. It takes an average of 212 days for a company to obtain a permit and this is the reason for the low 137th position. The taxation environment is also less business-friendly, and so are the procedures for starting a new business. It takes 286 hours per year on average to deal with taxes and 30 days to open a business. These are the reasons the country ranked low for dealing with taxes and staring a business, 87th and 85th respectively.

The most noticeable reforms in 2014, according to the WB, were the reduction and revision of fees for new electricity connections, which decreased the price of getting connected to the grid, the introduction of an online system for transferring property, a reduction of notary fees, which made Poland more attractive for FDI, and the implementation of the new terminal operating system at the port of Gdansk, which made international trade easier.

According to the WEF, Poland ranked 43rd out of 144 countries on competitiveness in 2015, which is two spots lower than in 2014. Poland is currently ranked as a transition economy between efficiency- and innovation-driven economies. According to the Global Competitiveness Report (WEF, 2014), the most problematic factors for doing business in

Poland are the tax regulations, the restrictive labor regulations and the inefficient government bureaucracy. Furthermore, Poland should make further efforts to improve the efficiency of the legal framework in settling disputes, and reduce the number of days needed to start a business from the institutional and administrative point of view. The quality of the infrastructure, particularly roads, the quality of management schools from the educational point of view, the country's capacity to attract talent, the firm-level technology absorption and the companies' expenditures on R&D could also be improved. On the other hand, the country is performing well in the telecommunication infrastructure, the level of tertiary education enrollment, the flexibility of wage determination and the relative number of PCT (Patent Cooperation Treaty) patent applications.

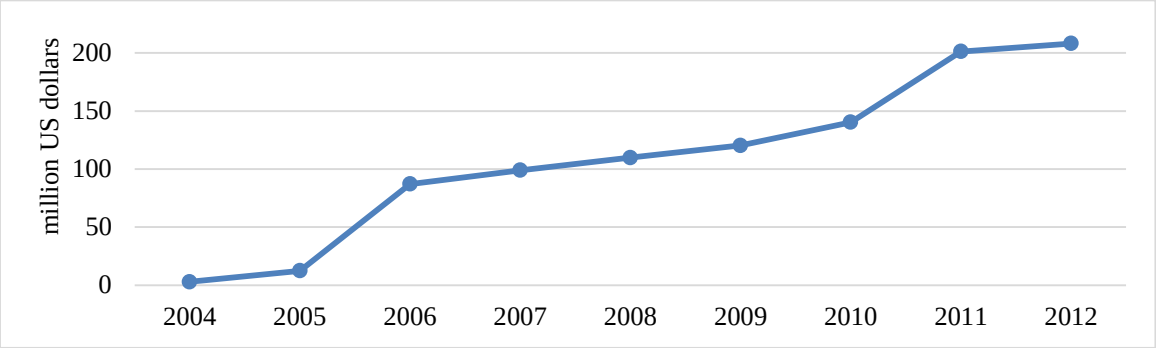
4.1.3 Bilateral trade and investment relations with China

Poland is China's biggest trade partner in CEE, with accumulated stock of 66,746 million euros of imports but only 193 million euros of exports between 2004 and 2014. We can see that there is great disproportion between the levels of import and export. In 2009, China was Poland's second import partner with a share of 9.3% in the total imports. This big gap between imports and exports comes as a result of the structural difference in trade, i.e. unprocessed goods are exported to China and higher value-added products are imported back. Poland mainly exports to China products of metallurgical, electromechanical and chemical industries (86% in 2011), with copper as the most important product, while imports of electromechanical industry products amount to 58%, followed by light industry (14%) and products of the metallurgical industry (7%) (Embassy of the Republic of Poland in Beijing, n.d.).

In 2011, the Polish and the Chinese president, Bronisław Komorowski and Hu Jintao, signed a strategic partnership and since then Poland has been hoping to attract more Chinese OFDI and decrease its trade deficit with China. Poland's major challenge from this partnership agreement is to attract significant capital from the big Chinese financial institutions, such as the China Development Bank. However, there is a difference in the interests, as Poland would rather see companies entering the IT and communications sectors while Chinese companies are more interested in the mining, power and infrastructure sectors (Jurczyk & Mierzejewski, 2014).

Chinese OFDI in Poland grew from 2 to 200 million USD between 2004 and 2012. In 2009 the China Overseas Engineering Group (COVEC) won the first infrastructural tender in Europe for building a 50km stretch of highway between Warsaw and Berlin. The Chinese bid was subject to complains by the competition as the company won the tender for less than 50% of the one billion US dollars earmarked for the project by the Polish government and it was even subject to an anti-dumping inspection. Later on, the project became even more scandalous as the Chinese had not accounted for the rising oil prices and demanded an amendment to the contract for additional payment. In 2011 the contract was canceled and the national road agency of Poland demanded 270 million US dollars in damages from COVEC (Want China Times, 2011).

Figure 7. Chinese OFDI in Poland between 2004 and 2012



Source: Liu, *The analysis of China's investment in V4,* 2014, p. 25

4.2 Slovenia

Slovenia is a small open-market economy with a population of only 2 million people. It is the most developed economy in terms of GDP per capita in the CEE region with a GDP per capita of 23,962 US dollars (World Bank, 2015a). It was the first among the new member states to join the eurozone (in 2007). Slovenia reached its peak level of development in terms of GDP per capita in 2008 with 91% of the EU-28 average. The economic crisis then brought a decline of the relative level by 7 percentage points to 84% of the EU-28 average. From the socio-cultural perspective, Slovenia is closely connected with the German, Austrian and even Hungarian cluster due to its historical links with the Austro-Hungarian Empire.

4.2.1 Economic environment

Slovenia is small open-market economy. It is very dependent on exports, as the exports-of-goods-and-services-to-GDP ratio has been constantly increasing over the last few years and reached 77% in 2014. Furthermore, in 2013 the share of high-tech exports among manufactured goods was 6% and the share of ICT (Information and communication technologies) goods exports within the total exports of goods was 1.7%. The inward and outward FDI stock as share of GDP were 32.5% and 17.1% respectively, and the FDI inflows as percentage of GDP stood at 0.2% (World Bank, 2015a; UNCTAD, 2015a).

Due to decreased private consumption and a higher surplus from exported services, Slovenia recorded an overall surplus in its external trade during the last four years. In the period from 2008 to 2013, the number of those employed dropped by 4 percentage points and is 2% below the EU average. The biggest increase in unemployment was recorded in the construction and manufacturing sectors. In 2014 the unemployment rate in Slovenia was 10.2% (World Bank, 2015a).

Slovenia is a member of the eurozone and this has a positive impact on international business in terms of reduced transaction costs within the EU and lower currency risk. On

the other hand, due to the lack of own monetary policy the country is limited in performing anti-crisis measures and was exposed to the turmoil from the rest of the Union.

Inflation in Slovenia fell from 2.7% in 2012 to only 0.2% in 2014. Public and private consumption in Slovenia decreased in 2014 compared to 2013 by 1.1 and 1.3 percentage points respectively but at the same time investments increased by 0.4 percentage points (Institute of Macroeconomic analysis and development, 2015).

In 2014, due to previous unsuccessful government anti-crisis measures and spending, Slovenia's gross public debt rose to 80.9% of GDP and the fiscal deficit in the same year was 4.9% (European Commission, 2015).

4.2.2 Business environment and competitiveness

Slovenia's overall score in 2015, according to the World Bank, is 51st in the world, and compared to 2014 the country fell by 5 notches.

The Slovenian business environment, according to the World Bank's evaluation, is the most successful in the early stage of staring a business. In this category the country ranks 15th in the world, since it only takes 2 procedures in an average of 6 days to start a new business and there is no cost. However, the financial crisis and the big share or non-performing assets in the Slovenian banks' portfolios have made the crediting system much tighter compared to the pre-crisis period. In terms of getting credit, Slovenia ranks as low as 116th. The next issue is the inefficiency of the Slovenian judicial system and slow procedures. It takes 32 procedures and 3.5 years on average to resolve a commercial dispute.

In 2014, the biggest improvement made by Slovenia for increasing competitiveness and making business easier was in the area of resolving insolvency procedures. Slovenia introduced a simplified reorganizational procedure for small and preventive restructuring for large and medium-sized companies and allowed creditors to have greater participation in the management of an insolvent company.

In 2015, according to the World Economic Forum, Slovenia ranked 70th in terms of competitiveness and is categorized as an innovation-driven economy. Compared to 2014, the country lost 8 places. The most problematic factors for doing business in Slovenia were access to financing, inefficient government bureaucracy and relatively high tax rates. Furthermore, Slovenia could make further efforts to improve the efficiency of the legal framework in settling disputes and for the protection of minority shareholders' interest. Slovenian infrastructure is well developed, particularly the roads and ports. The railroads are also assessed as relatively good, but Slovenia lacks airline connections with more major European cities and is not directly connected with any overseas country.

On the other hand, Slovenian educational system is lauded for very good collaboration of universities with the industry in R&D projects. Slovenia ranks 7th in tertiary education

enrolment. It also does well in terms of availability of the latest technologies and local supplier quality which indicate good conditions for investors and doing business.

4.2.3 Bilateral trade and investment relations with China

Compared to Poland, Slovenia imported twice as much goods and services per capita from China in 2014. The overall trade between the two countries has increased 7-fold between 2004 and 2014, with imports from China growing faster than exports (Eurostat, 2015). When looking for statistical data about imports to Slovenia from China, a big difference can be found between the Chinese and Slovenian statistical offices. China counts all the exports through the Port of Koper as imports into Slovenia, whereas the Slovenian office does not count the goods arriving in this port only for transit as Slovenian imports.

Slovenia's main trading partners are Germany and Italy, accounting for 16.2% and 15.8% of the total imports respectively. Between 2000 and 2010 the share of Chinese goods within the total imports increased from 1.4% to 5.3%. The share of Chinese goods within the total imports from non-EU countries was 9.6% in 2010 (Statistical Office of the Republic of Slovenia, 2012).

In terms of trade structure, Slovenia's exports to China in 2014 were mainly in product groups of electrical machinery/equipment and parts (32%), plastics and plastic products, rubber and rubber goods (17%), and boilers, machinery and mechanical appliances (15%). The product groups that accounted for most of the import were meanwhile electrical machinery/equipment and parts (22%), organic chemicals (19%), and boilers, machinery and mechanical appliances (14%). Slovenia was the 89th export and 101st import partner for China in 2014. Exports to China represented 0.61% of the total Slovenian exports. (Izvozno okno, n.d.).

In terms of Chinese FDI, Slovenia underperforms compared to the rest of CEE. The value of Chinese investments in Slovenia in the period between 2009 and 2014 was around 5 million US dollars per year. The only major investor – the Chinese state-owned CHTC, which bought Durabus (a Maribor-based vehicle and bus producer) in 2013 – invested 10 million US dollars. According to the CEO of Durabus, Bryan Zhao, Slovenia posseses skilled labor with a good work ethic and has a stable political environment and legislation, but the only problem is the financing because of the tight crediting policies of Slovenian banks (RTV Slovenija, 2014).

4.3 Montenegro

Montenegro is the smallest country in CEE by population and GDP and has a population of only 0.6 million people. After falling into a recession in 2012 the Montenegrin economy shows signs of recovery, as GDP growth returned to a positive 3.3% and 1.5% in 2013 and 2014 respectively.

In 2015, according to the World Bank's country report, the main recommendations were ensuring macroeconomic environment and institutional flexibility for sustainable long-term growth, trade encouragement and improvement of infrastructure. Montenegro is a candidate country for membership in the EU and is already negotiating its accession to the Union. From the socio-cultural perspective, due to the historical background Montenegro is connected to the Serbian-Turkish cluster.

4.3.1 Economic environment

Montenegro's GDP per capita in 2014 with 7,370 US dollars was 50% of the Polish and only 30% of the Slovenian (World Bank, 2015d). In 2014, Montenegro experienced vulnerability to several external factors. Due to lower exports and reduced transfers from abroad, the current account deficit reached 15.4% of the GDP. Furthermore, the FDI inflows declined by 10.7% of GDP compared to 2013. Although Montenegro is an even smaller country than Slovenia, its economy is more closed, its exports of goods and services representing only 40% of GDP (World Bank, 2015d). Moreover, the share of ICT goods exports within total goods exports in 2013 was 0.4%. The inward and outward FDI stock as percentage of GDP was 123% and 9.5% respectively, and the FDI inflows as share of GDP were 10.1% (World Bank, 2015a).

Stronger economic activity in 2014 contributed to increased revenues from VAT (Value-added tax) and income tax, and consequentially government deficit decreased from 4.7% of GDP in 2013 to 1.1% in 2014. This also contributed to a slight decrease in public debt, which stood at 57.5% of GDP in 2014 (World Bank, 2015d).

Even though Montenegro is not part of the EU or the eurozone, it uses the euro as legal tender. From the macroeconomic perspective this means that the government cannot pursue its own monetary policy, and the risks associated with the eurozone and its inflation are directly transferable to the country's economy. On the other hand, this is an advantage for investors and traders, as currency risks and transaction costs are avoided.

The unemployment rate in Montenegro in 2014 was 16.6% of the labor force. This means the employment is well below the EU average, at 65%. The unemployment is mainly structural and stems from an underdeveloped private sector. The three main problems in this regard are: (1) workers are trying to withdraw from active service relatively early, (2) a large proportion of the capable working-age population is economically inactive, and (3) many of the unemployed lack skills for employment (World Bank, 2015a).

The results from the most resent PISA (Program for International Student Assessment) study, in which Montenegro participated in 2012, show extremely weak results for basic academic skills of Montenegrin students. The country ranked 54th out of 65 participating countries, mainly OECD members (World Bank, 2015d).

4.3.2 Business environment and competitiveness

According to the World Bank Doing Business research, Montenegro performed better than Slovenia and ranked a bit behind Poland. The country came in 36th and performed best in the financing area, where it ranked 4th in the world for getting credit.

On the other hand, with 29 payments on average per year and 320 hours spent on dealing with taxes, the country ranked 98th in this area. For greenfield investments a particular problem might be building new facilities. Despite the improvements in dealing with construction permits, where new regulations made the procedure simpler and less costly, the average time for obtaining a construction permit is 158 days and the cost is 12.2% of the value. This is the reason for the low ranking in this particular area, where the country gets 138th place.

According to the World Economic Forum, Montenegro kept the same position in 2015 as in the previous year, so the economy ranked 67th in terms of competitiveness.

The most problematic areas for Montenegro, according to the Global Competitiveness Index, are access to financing, the corruption and poor work ethic in the national labor force. Furthermore, Montenegro's judicial independence is also relatively weak and there is relatively low intellectual property protection. Other weaknesses of the economy in terms of doing business are the local supplier quality and the production process sophistication. Montenegro has a relatively low total tax rate as percentage of the total profits and by this criterion the country ranks on a high 13th place.

4.3.3 Bilateral trade and investment relations with China

The trade between Montenegro and China is relatively small and almost entirely in one direction. In 2014 the imports of goods and services from China amounted to 133 million euros and the exports to China only to 2.5 million euros. China is, however, the second partner of Montenegro in terms of imports with a 9.1% share of the total imports in the country (Statistical office of Montenegro, 2015).

The main goals of Montenegro are to attract more tourists from China and participate in the Euro 2020 strategic plan between China and the EU (forecasting exchange of goods and services of up to 1 trillion euros) as an entry and exit point through the Port of Bar.

Chinese FDI in Montenegro was practically not present before 2006. In the first year of investment, China invested 0.2 million euros. The peak was in 2009 with 2.5 million euros in Chinese OFDI in Montenegro. The stock volume of these investments until 2015 reached 7.8 million euros and is very small in comparison with the rest of the CEE countries (Statistical office of Montenegro, 2015).

In 2015 the CRBC (China Road and Bridge Corporation) started the construction of the Bar-Boljare highway, which will connect Montenegro with Serbia, and through Belgrade

also with the rest of Europe. The construction will cost around 1.1 billion US dollars and will be financed 15% by the Montenegrin government and 85% through a loan from the Chinese Exim bank. The funding for this project is part of the 10 billion USD credit line to 16 countries of CEE Europe that was announced in April 2011 by the then Chinese Prime Minister Wen Jiabao (Government of Montenegro, 2014).

5 DATA AND METHODOLOGY

5.1 Purpose and objectives of the research

The purpose of the empirical part of my research was to understand the role of cross-cultural differences, attitudes and stereotypes towards the Chinese and business with China in the context of economic relations between China and the three representative countries of CEE considered in my master thesis. In terms of economic ties, I have addressed both trade and Chinese OFDI to the three CEE countries. The underlying premise of my research is that cross-cultural differences, attitudes and stereotypes have a significant impact on international business (Katz, 1995).

Thus, the main objective of my empirical research was to assess the role of cross-cultural differences, attitudes and stereotypes about the Chinese and business with China in explaining bilateral trade between China on the one hand and Poland, Slovenia and Montenegro on the other hand, as well as the level of Chinese OFDI in these three countries.

5.2 Data

Data was collected in Poland, Slovenia and Montenegro using a matched sampling approach typical in such cross-cultural comparisons (Peterson & Merunka, 2014). In my research I focus on representatives of the young generation (mainly people born in the 1990s), since they are not only more cosmopolitan (Thompson & Tambyah, 1999) and culturally open (Kjelgaard & Askegaard, 2006), but should also be seen as future economists, managers and policy makers who will shape the future of socio-economic development in their respective countries, as well as economic and political relations between China and CEE countries.

A paper-based questionnaire was distributed in each country (following a translation-back translation procedure) in the spring/summer semester of 2015 at leading universities in Katowice (Poland), Ljubljana (Slovenia) and Podgorica (Montenegro). Only students with a business, economics and/or international relations backgrounds were included in the research to further ensure a higher level of both education match across the three countries, as well as familiarity with trade and FDI aspects captured with our stereotype and attitude testing. The main sample characteristics are summarized in Table 13.

Table 13. Sample characteristics across the matched samples

	Poland	Slovenia	Montenegro
Sample size	202	240	117
Gender	47.5% male, 52.5% female	37.4% male, 62.6% female	30.4% male, 69.6% female
Median year of birth	1993 (35.6%)	1993 (27.9%)	1995 (47.6%)
At least a 3-month experience abroad	12.0%	18.0%	14.9%
Previous travel to China*	2.0% (2)	1.7% (1)	5.1% (1)

Note. *The number in brackets is the average number of trips to China among respondents who have already travelled to the country.

The corresponding summary shows that in Slovenia and Montenegro the majority of the respondents are females born in 1993 and 1995 respectively, whereas the sample in Poland was balanced with an almost equal distribution of male and female students born in 1993. In most cases, the respondents have not spent more than 3 months abroad. This is particularly true in the case of Polish students, since only 12% of them have been exposed to a different cultural environment by spending at least 3 months abroad. Moreover, the vast majority of cases have also never traveled to China. Only a small share of the respondents from the samples has travelled to the country. Thus, the majority of the respondents have little or no experience actually acquired in China.

5.3 Methodology

Stereotypes were measured as top-of-mind open-end associations (characteristics) according to the Katz and Braly (1933) and Madon et al. (2001) approaches to stereotype measurement. Each respondent was requested to recall a maximum of 5 open-end associations related to Chinese people in general, as can be seen from the questionnaire in Appendix A. This was followed by measuring the so-called ethnic distance towards the Chinese using the Bogardus (1933) social distance scale instrument. The scale was set from 1 to 6, from the highest social distance level (1) of living in the same country to the lowest/closest level (6) of having a Chinese person as a family member/spouse.

Preference for doing business with the Chinese was measured based on a rank-ordering method in comparison with doing business with selected nationalities, such as Americans, Slovenians (replaced with Serbians when surveying Slovenian students), Poles (replaced with French when surveying Polish students), Chinese, Germans, Indians, Russians, and Japanese/Koreans.

This was then followed by a series of Likert-type statements related to the perceived level of competitiveness of the Chinese economy relative to the host CEE economy (Poland, Slovenia and Montenegro), attitudes towards Chinese inward FDI into the host economy, as well as perceptions and concerns of growing economic power of China in the world and the region. Additionally, in the context of China-CEE cooperation the general familiarity with the 16+1 pragmatic platform and the NSR project were also tested. Data was coded and analyzed in Excel.

This was followed by another series of Likert-type statements related to the perception of the respondents' own cultural characteristics using Sharma's (2010) personal cultural orientations instrument, which can directly correspond to Hofstede's cultural dimensions of power distance (first three statements under Question no. 8 in the questionnaire), uncertainty avoidance (second three statements under Question no. 8) and level of individualism (last three statements under Question no. 8). At the end of the questionnaire, four Likert-type statements assessed the degree of consumer ethnocentrism of the respondents, using the reduced 4-item scale employed by Sharma (2010) from the original 17-item Shimp and Sharma (1987) scale.

5.4 Hypotheses testing

Based on the presented theoretical framework in the second and third chapter, I decided to test the following research hypotheses:

1. Cultural proximity between a CEE country and China (in terms of Hofstede's cultural dimensions) has an impact on welcoming more Chinese OFDI in the host country, as along with supporting a stronger belief that CEE should cooperate more with China in terms of trade and FDI.
2. Weaker consumer ethnocentrism within a CEE country has an impact on welcoming more Chinese OFDI in the host country, along with supporting a stronger belief that CEE should cooperate more with China in terms of trade and FDI.
3. A smaller degree of ethnic distance towards the Chinese has an impact on welcoming more Chinese OFDI in the host country, along with supporting a stronger belief that CEE should cooperate more with China in terms of trade and FDI.
4. Better knowledge about the 16+1 platform and the New Silk Road (NSR) project has an impact on welcoming more Chinese OFDI in the host country, along with supporting a stronger belief that CEE should cooperate more with China in terms of trade and FDI.

In order to test the impact of cross-cultural differences and attitudes on CEE trade with China and Chinese OFDI to CEE, two dependent variables – (1) *degree of welcoming more Chinese FDI in the host* country (question 6e in the questionnaire) and the (2) *belief that Western Balkans/CEE (in the case of Poland) should cooperate more with China in trade and investment* (question 6g in the questionnaire) – were tested using OLS (Ordinary least squares) linear regression.

For independent variables, the following multi-item constructs (calculated as simple averages) were included: (1) cultural orientation related to power distance (statements 8a–8c), (2) cultural orientation related to uncertainty avoidance (statements 8d–8f), (3) cultural orientation related to individualism (statements 8g–8i), (4) consumer ethnocentrism (statements 9a–9d). In addition to these multi-item constructs, the ethnic distance scale (question 3), as well as the (5) level of familiarity with the 16+1 pragmatic cooperation platform (question 10a) and (6) familiarity with the NSR project were included. In the case of the latter two, the variables were transformed from a 3-point scale (don't know, just

heard of it, know about it) to a 2-point scale (don't know vs. at least heard of it); given the unequal distribution of answers.

5.5 Research limitations

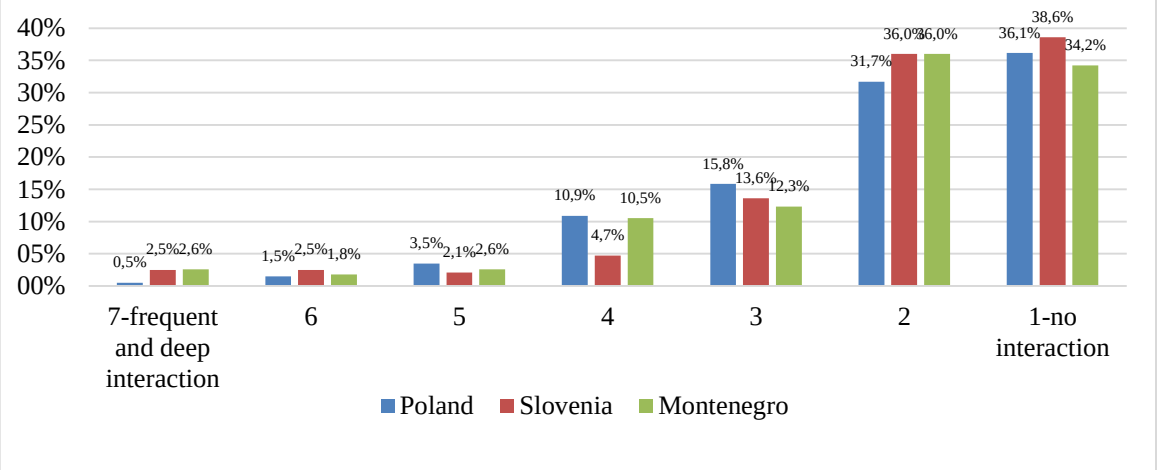
This research has focused explicitly on stereotypes, attitudes and ethnic distance of the young generation towards business with China/the Chinese and Chinese FDI in CEE, as well as a self-assessment of selected cultural characteristics (PDI, UAI, IDV) of the young generation. Due to the nature of the sample, the results cannot be considered representative for the general populations in Poland, Slovenia and Montenegro. Furthermore, the top-of-mind associations gathered by the respondents are quite broad and general. For some of them the connotation is not clear. We should also keep in mind that our respondents were students with no or little work and business experience and very little experience of actually interacting with the Chinese, let alone conducting business with them. Thus, while their stereotypes may not be based on actual experience, their attitudes towards China, doing business with the Chinese and Chinese FDI can be viewed as too optimistic, as they probably did not think about the potential issues and negative effects of doing business with the Chinese and of Chinese FDI in their respective countries. Nonetheless, I believe that the ethnic distance scale and the overall ranking of preference of doing business with the Chinese compared to other selected nationalities are good indicators of generally positive attitudes of the young generation in the three respective CEE countries towards the Chinese. As regards the OLS regression used, I fully acknowledge the simple nature of the tested models, which do not include any "hard economic" determinants of foreign trade and FDI but only test the potential impact of selected cultural determinants, ethnic distance and familiarity with the 16+1 pragmatic cooperation platform and the NSR project on two statements related to welcoming more Chinese FDI and a belief that Western Balkans/CEE (in the case of Poland) should cooperate more with China in terms of trade and FDI.

6 RESULTS

6.1 Respondents' interaction with the Chinese

Figure 8 shows the results from the first part of the questionnaire, where the level of interaction with the Chinese (abroad or at home) was measured on a 7-point ordinal scale, from 1 – *no interaction* to 7 – *frequent (at least a few times per year) and deep interaction*.

Figure 8. Levels of interaction with Chinese people over the last 3 years (abroad or at home) in Poland, Slovenia and Montenegro



Note. The 7-point ordinal scale goes from 1 – *no interaction* to 7 – *frequent (at least a few times per year) and deep interaction*.

The respondents in all three countries on average indicated very low levels of interaction with the Chinese at home or abroad within the last 3 years. The average scores on a 7-point scale were 2.27 for Montenegro, 2.20 for Poland and 2.14 for Slovenia. Thus, the corresponding stereotypes and attitudes towards the Chinese are generally not based on previous experience with the Chinese, which should be taken into account in the interpretation of our results.

6.2 Stereotypes about the Chinese

Table 14 summarizes the most frequent stereotypes regarding the Chinese, measured as top-of-mind associations according to the Katz and Braly (1933) approach. Each respondent was asked to provide five associations. The corresponding results are presented for each place separately. As we can see, an overwhelming majority of Polish respondents see the Chinese as extremely hard working, followed by being short, smart, positive and friendly and numerous; and thus distinguish them by their race. Slovenians have similar perceptions of the Chinese, considering them to be very hard working, short, quiet and calm. On the other hand, the majority of Montenegrin respondents see the Chinese as being primarily short, which has to do with the fact that people in Montenegro are tall. This is followed by a perception of Chinese people as being hard working, smiling and always positive. A larger proportion of stereotypes among Montenegrin respondents were also connected to business – Chinese shops and boutiques, as well as the motorway project supported by the Chinese in Montenegro. This was not the case among the Slovenian respondents, whereas the Poles also associated the Chinese with cheap shopping and Chinese shops.

Table 14. Most frequent stereotypes regarding the Chinese (measured as top-of-mind associations)

Poland					Slovenia					Montenegro				
1st place	**2nd place**	**3rd place**	**4th place**	**5th place**	**1st place**	**2nd place**	**3rd place**	**4th place**	**5th place**	**1st place**	**2nd place**	**3rd place**	**4th place**	**5th place**
Hard working (22.8%)	*Hard working* (22.8%)	*Hard working* (6.5%)	*Short* (5.8%)	*Hard working* (4.1%)	*Short* (22.7%)	*Hard working* (15.5%)	*Hard working* (7.0%)	*Hard working* (9.2%)	*Hard working* (9.1%)	*Short* (19.4%)	*Smiling/ Happy* (16.0%)	*Short* (11.7%)	*Smiling* (8.3%)	*Hard working* (17.5%)
Short (17.3%)	*Short* (10.5%)	*Short* (4.8%)	*Hard working* (5.0%)	*Smiling* (4.1%)	*Hard working* (11.4%)	*Short* (10.6%)	*Short* (6.5%)	*Numerous* (7.7%)	*Smart* (6.1%)	*Hard working* (13.3%)	*Short* (10.6%)	*Smiling/ Happy* (9.4%)	*Kind* (4.2%)	*Smart* (7.0%)
Yellow (5.6%)	*Smiling* (34.7%)	*Yellow* (3.6%)	*Friendly* (4.3%)	*Yellow* (3.3%)	*Food* (7.0%)	*Smart/ Resourceful* (4.9%)	*Smart* (4.7%)	*Short* (5.1%)	*Kind/ Smiling* (6.1%)	*Positive* (9.2%)	*Hard working* (6.4%)	*Hard working* (5.9%)	*Smart* (4.2%)	*Smiling* (5.3%)
Kind/ Smiling (3.6%)	*Slanting eyes (4.2)*	*Numerous* (3.6%)	*Numerous* (3.6%)	*Enterprising* (3.3%)	*Quiet/ Calm* (3.5%)	*Calm/ Quiet* (3.5%)	*Food* (4.2%)	*Tourists* (4.1%)	*Numerous* (4.3%)	*Yellow* (6.1%)	*Smart* (4.3%)	*Smart* (4.7%)	*Short* (4.2%)	*Strange* (3.5%)
Intelligent (2.5%)	*Yellow* (3.2%)	*Gifted/ Intelligent* (3.0%)	*Cheap shopping* (3.6%)	*Loyal* (3.5%)	*Smart* (3.1%)	*Smiling* (3.1%)	*Numerous* (3.7%)	*Advanced* (3.1%)	*Developed* (3.7%)	*All the same* (5.1%)	*All the same* (4.1%)	*Eyes & hair* (4.7%)	*Ugly* (4.2%)	*Funny* (3.5%)

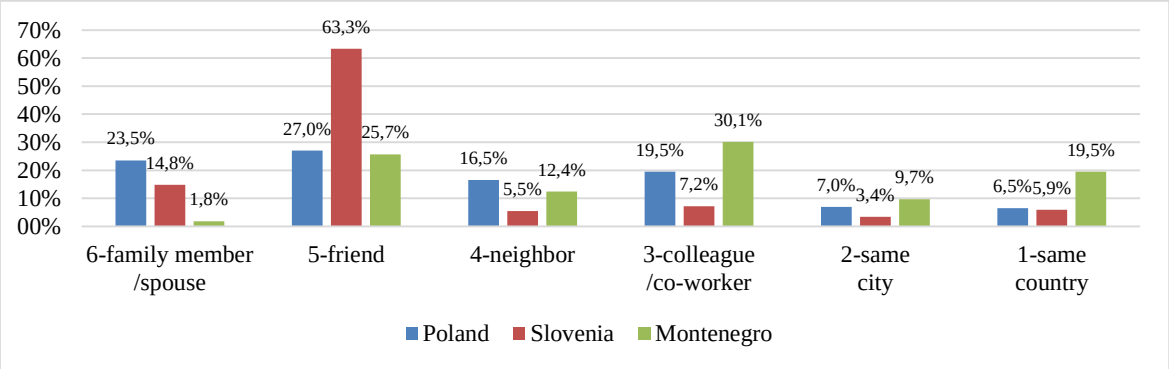
Notes. Rankings based on most frequent associations for each of the five associations (places) separately.
Frequency of each association in a particular place is provided in brackets.

6.3 Ethnic distance towards the Chinese

Figure 9 presents the results of declared levels of ethnic distance towards the Chinese on a 6-point Bogardus (1933) social distance scale among young adults in Poland, Slovenia and Montenegro. The scale ranges from 1 – *accepting to live in the same country* (highest social distance) to 6 – *accepting as close relative/spouse by marriage* (no social distance).

The results show that Polish respondents display the lowest level of ethnic distance, as 23.5% of them would accept a Chinese person as a family member. On the other hand, a vast majority of the Slovenian respondents would accept a Chinese person as a friend and a relatively lower share of the respondents expressed the willingness to have them as a close family member or spouse (14.8%). Compared to Montenegrins, both Poles and Slovenians show much lower ethnic distance towards the Chinese.

Figure 9. Declared levels of ethnic distance of young adults in Poland, Slovenia and Montenegro towards the Chinese



Note. Measured on a 6-point Bogardus (1933) social distance scale.

On the other hand, a majority of Montenegrins would accept a Chinese person as a colleague/co-worker (30.1%), followed by a friend (25.7%). We can generally say that the young generation in Poland and Slovenia display much lower levels of ethnic distance towards the Chinese compared to Montenegro, since the average scores were 4.6 for Slovenia, 4.2 for Poland and 3.2 for Montenegro (measured on a 6-point ordinal scale).

6.4 Preference towards doing business with the Chinese

Next, the respondents were asked to rank eight specified nationalities as to with whom they would prefer to do business in the future. Table 15 shows the results where the Chinese were compared to Americans, Germans, Russians, Indians, Japanese and Koreans, Serbs, French and Poles. As we can see, the Chinese are almost equally desired as business partners in all three countries; as they score 60.6% in Montenegro, 56% in Poland and 54.0% in Slovenia in terms of relative ranking, where 100% would mean that all the respondents had the highest preference (rank one) for conducting business with that nationality. Furthermore, the relative differences in rating (preference to do business) between the compared cultures are highest in Poland (53.3 percentage points between

Americans and Russians) and lowest in Montenegro (31.1 percentage points between Americans and Indians).

Table 15. Preference for conducting future business for assigned nationalities (ranking)

Poland		**Slovenia**		**Montenegro**	
Ranking	***Nationality (Relative rating)***	***Ranking***	***Nationality (Relative rating)***	***Ranking***	***Nationality (Relative rating)***
#1	Americans (79.5%)	*#1*	Germans (86.4%)	*#1*	Americans (68.4%)
#2	Germans (76.1%)	*#2*	Americans (71.1%)	*#2*	Russians (64.7%)
#3	Slovenians (62.5%)	*#3*	Russians (54.6%)	*#3*	Germans (63.5%)
#4	Japanese & Koreans (59.4%)	*#4*	Chinese (54.0%)	*#4*	Chinese (60.6%)
#5	French (58.9%)	*#5*	Serbs (53.5%)	*#5*	Slovenians (58.2%)
#6	Chinese (56.0%)	*#6*	Japanese & Koreans (53%)	*#6*	Japanese & Koreans (50.6%)
#7	Indians (31.7%)	*#7*	Poles (48.5%)	*#7*	Poles (48.7%)
#8	Russians (26.2%)	*#8*	Indians (33.9%)	*#8*	Indians (37.3%)

Notes. Respondents were asked to assign a 1–8 ranking indicating their preference for conducting business in the future with a specific nationality. 1st place corresponds to the highest level of preference and 8th place corresponds to the lowest level of preference. Final results are represented based on relative positioning, i.e. a 100% relative rating would mean that all the respondents had the highest preference (rank one) for conducting business with a particular nationality.

Having said this, we can conclude that while there are clear differences in terms of ethnic distance towards the Chinese in all three respective countries, these differences do not seem to translate into differences in terms of preference for doing business with the Chinese.

6.5 Attitudes towards China, business with China and Chinese FDI

Table 16 displays general attitudes towards China, business with China/the Chinese, Chinese OFDI to CEE and China-CEE cooperation. The respondents most strongly agree (4.7) that the Western Balkans (in the case of Slovenia and Montenegro) should cooperate more with China in trade and FDI. In the case of Poland this statement referred to China-CEE cooperation. Compared to both Poland and Montenegro, Slovenian students showed a warmer welcome towards Chinese FDI in their country (4.7), which would create additional jobs, while Montenegrins agreed more that China had already surpassed the USA as the world's biggest economic superpower (4.6). While Slovenians also similarly agreed with this (4.5), students in both Poland and Slovenia believed that the EU should control Chinese FDI in Europe (4.3 and 4.5). On the other hand, Montenegrins are less afraid of the growing economic power of China in the world (3.6) and feel less strongly that the EU should control Chinese FDI in Europe (3.8). Respondents in all three countries were also quite well aware that China is much more competitive than their respective economies (according to WEF competitiveness rankings).

Table 16. Attitudes towards China, Chinese FDI and cooperation with China (7-point scales)

Statement	Poland	Slovenia	Montenegro
I think China has surpassed the USA as the world's biggest economic superpower.	4.2 (*1.6*)	4.5 (*1.6*)	4.6 (*2.2*)
I think my country is more competitive than China (according to the WEF global competitiveness rankings).	2.1 (*1.4*)	1.8 (*1.3*)	2.2 (*1.9*)
I am afraid of the growing economic power of China in the world.	4.2 (*1.6*)	4.0 (*1.7*)	3.6 (*1.8*)
I think the EU should control foreign direct investment (FDI) of China in Europe.	4.3 (*1.6*)	4.5 (*1.5*)	3.8 (*1.8*)
I would welcome more Chinese foreign direct invests (FDI) in my country (e.g. creation of more jobs).	4.3 (*1.5*)	4.7 (*1.5*)	4.3 (*1.9*)
I think Chinese investors are the same as other investors from Western countries (in terms of FDI).	4.1 (*1.5*)	4.3 (*1.6*)	4.2 (*1.6*)
I think the Western Balkans/CEE* should cooperate more with China in trade and foreign direct investment.	4.6 (*1.4*)	4.9 (*1.4*)	4.9 (*1.7*)

Notes. Measured on a 7-point scale (1 – lowest level of agreement, 7 – highest level of agreement). Standard deviations are shown in brackets.
*In the case of Poland.

6.6 Cross-cultural differences

Table 17 displays the characteristics of Polish, Slovenian and Montenegrin cultures according to Hofstede's cultural theory, tested through nine Likert-type statements related to three of Hofstede's cultural dimensions: power distance, uncertainty avoidance and collectivism.

The results show that Poles appear to have higher power distance than Montenegrins (4.2) and Slovenians (4.1), showing higher level of subordination to people of higher rank (4.2) and would hardly reject a request by someone who is senior (5.0). Furthermore, Montenegrins expressed the strongest level of uncertainty avoidance (3.9), followed by Poles (3.6) and Slovenians (3.5). Lastly and surprisingly, both Montenegrins (5.6) and Slovenians (5.5) show higher level of individualism than Poles (5.4). Poles value independent identity the most (5.7) but rely more on others (5.4). Montenegrins, on the other hand, rely on themselves and appreciate independent identity equally (5.6).

In terms of internal reliability, the values of Cronbach's alpha for the three dimensions of culture show relatively strong internal reliability for individualism and uncertainty avoidance, but lower internal reliability for power distance across all three countries. The scale in this case is therefore more reliable for measuring the second and the third tested dimension. Despite Cronbach's alpha values being below the desired threshold of 0.7, I still treated the three statements related to power distance as part of a common power distance construct, since these statements have been previously tested and employed by Sharma (2010) and since Cronbach's alpha still exceeds 0.5.

Table 17. Cross-cultural differences between Polish, Slovenian and Montenegrin respondents (7-point scales)

	Statement	Poland	Slovenia	Montenegro
PDI	***I easily conform to the wishes of someone in a higher position than mine.***	4.2 *(1.3)*	4.1 *(1.4)*	3.8 *(2.0)*
	It is difficult for me to refuse a request if someone senior asks me.	5.0 *(1.5)*	4.5 *(1.7)*	4.7 *(2.0)*
	I find it hard to disagree with authority figures.	3.9 *(1.5)*	3.7 *(1.7)*	4.0 *(1.7)*
	Construct score*	4.4 *(1.5)*	4.1 *(1.6)*	*4.2 (1.9)*
	Cronbach's alpha	0.524	0.537	0.568
UAI	***I prefer a routine way of life to an unpredictable one full of change.***	3.7 *(1.7)*	3.6 *(1.6)*	3.7 *(1.8)*
	I would not describe myself as a risk taker.	3.8 *(1.6)*	3.7 *(1.5)*	3.8 *(2.2)*
	I do not like taking too many chances to avoid making a mistake.	3.5 *(1.4)*	3.4 *(1.6)*	4.3 *(1.9)*
	Construct score*	*3.6 (1.6)*	3.5 *(1.6)*	3.9 *(2.0)*
	Cronbach's alpha	0.775	0.768	0.626
IDV	***I would rather depend on myself than others.***	5.4 *(1.4)*	5.7 *(1.3)*	5.7 *(1.7)*
	My personal identity, independent of others, is important to me.	5.7 *(1.2)*	5.4 *(1.3)*	5.6 *(1.6)*
	I rely on myself most of the time, rarely on others.	5.2 *(1.4)*	5.3 *(1.2)*	5.6 *(1.6)*
	Construct score*	5.4 *(1.3)*	5.5 *(1.3)*	5.6 *(1.6)*
	Cronbach's alpha	0.804	0.689	0.885

Note. *Construct score calculated as a simple average from the three individual item scores.

6.7 Consumer ethnocentrism

Table 18 shows scores related to individual consumer ethnocentrism statements for Polish, Slovenian and Montenegrin respondents. Slovenians (3.8) and Montenegrins (3.8) believe that foreign products are harmful for their economies more than Poles do (3.5). Furthermore, Slovenians and Montenegrins believe more than Poles do that their respective country should import only goods that are not produced locally and support domestic goods although they are aware that this might cost them in the long term. Overall, Montenegrins expressed the highest level of consumer ethnocentrism (4.9), while Slovenians and Poles scored relatively lower on average (4.0).

Table 18. Consumer ethnocentrism in Poland, Slovenia and Montenegro (7-point scales)

Statement	Poland	Slovenia	Montenegro
We should not buy foreign products, because it hurts our economy.	3.5 *(1.6)*	3.8 *(1.7)*	3.8 *(2.1)*
Only products unavailable in our country should be imported.	3.8 *(1.8)*	3.6 *(1.8)*	5.1 *(2.1)*
Purchasing foreign products allows other countries to get rich off of us.	4.0 *(1.7)*	3.8 *(1.7)*	5.3 *(1.9)*
It may cost me in the long run, but I support my country's products.	4.7 *(1.5)*	4.7 *(1.6)*	5.5 *(1.7)*
Construct score*	4.0 *(1.7)*	4.0 *(1.8)*	4.9 *(2.1)*
Cronbach's alpha	0.807	0.715	0.742

Note. *Construct score calculated as a simple average from the three individual item scores.

The values of Cronbach's alpha for the composite consumer ethnocentrism construct are presented at the bottom of Table 18. They show that the statements have relatively high internal reliability across three countries and the measurement of consumer ethnocentrism through these four statements is quite straightforward.

6.8 Familiarity with the 16+1 cooperation platform and the New Silk Road

Lastly, Table 19 displays the familiarity of Polish, Slovenian and Montenegrin students with the 16+1 pragmatic cooperation platform and the New Silk Road (NSR) project. As we can see, there is greater familiarity with the 16+1 platform than the New Silk Road project in all three countries.

Table 19. Familiarity with the 16+1 platform and the New Silk Road (NSR) project

Poland			**Slovenia**			**Montenegro**		
Level of awareness/ familiarity	***16+1***	***NSR***	***Level of awareness/ familiarity***	***16+1***	***NSR***	***Level of awareness/ familiarity***	***16+1***	***NSR***
Not at all familiar	82%	36%	***Not at all familiar***	82%	60%	***Not at all familiar***	70%	64%
Heard of it, but don't know it	17%	43%	***Heard of it, but don't know it***	15%	31%	***Heard of it, but don't know it***	27%	29%
Know about it	1%	20%	***Know about it***	3%	9%	***Know about it***	3%	8%

Note. Sums many not add up to 100% due to rounding.

The most notable difference in the familiarity between the 16+1 pragmatic cooperation platform and the NSR can be seen in the case of Poland, since only 1% of the respondents indicated that they know about the 16+1 pragmatic cooperation platform beyond having simply heard about it, while this share was 20% in the case of the NSR. On the other hand, these gaps were much smaller in Slovenia and Montenegro where they amounted to differences of only a few percentage points; again in favor of familiarity with the NSR project.

6.9 Regression analysis

Table 20 displays three OLS regression results for each of the three CEE countries for the first dependent variable, while Table 21 shows the results for the second dependent variable. Appropriate collinearity statistics were also performed (testing for potential variance inflation). In all cases and across all the models, VIF statistics did not exceed the value 2.0; thus, we can conclude there were no potential multicollinearity concerns. Given a limited sample size, bootstrapping (2,000 samples) was also carried out.

Table 20. Determinants of welcoming more Chinese FDI in Poland, Slovenia and Montenegro (OLS regression)

	Poland		**Slovenia**		**Montenegro**	
	Reg. coeff.	***Std. error***	***Reg. coeff.***	***Std. error***	***Reg. coeff.***	***Std. error***
Constant	3.535**	1.210	2.145^{+}	1.139	1.799	1.722
Power distance	–0.046	0.116	0.028	0.109	0.223	0.204
Uncertainty avoidance	0.037	0.094	–0.045	0.091	–0.162	0.189
Individualism	0.066	0.107	**0.230***	0.119	0.046	0.163
Consumer ethnocentrism	**–0.168**$^{+}$	0.096	–0.071	0.087	0.187	0.176
Ethnic distance	0.114	0.080	**0.253****	0.087	0.200	0.163
Familiarity with 16+1	0.179	0.285	0.095	0.270	0.444	0.580
Familiarity with NSR	0.283	0.247	0.245	0.215	–0.079	0.576
Degrees of freedom	*7*		*7*		*7*	
F change statistic	*1.878*		*2.872*		*1.035*	
R^2	*0.068*		*0.086*		*0.094*	

Notes. Results based on bootstrapping (2,000 samples). $^{+}p<0.10$; $*p<0.05$; $**p<0.01$.

As we can see from the corresponding OLS regression results in Table 20, all three models display fairly low R^2 values, as was expected given the simple nature of the models, which did not include other "hard economic" determinants of trade and FDI. Moreover, consumer ethnocentrism was the only statistically significant determinant in the Polish model (β=−0.168; *p<0.10*), while this was not the case in the other two country models. Ethnic distance (β=0.253; *p<0.01*) and individualism (β=0.230; *p<0.05*) were significant determinants of welcoming more Chinese FDI to Slovenia, while there were no significant determinants in the Montenegrin model in terms of welcoming more Chinese FDI.

Table 21. Determinants of believing that the Western Balkans/CEE (in the case of Poland) should cooperate more with China in terms of trade and FDI (OLS regression)

	Poland		**Slovenia**		**Montenegro**	
	Reg. coeff.	***Std. error***	***Reg. coeff.***	***Std. error***	***Reg. coeff.***	***Std. error***
Constant	4.218**	0.998	2.336*	0.973	2.569	1.584
Power distance	0.061	0.090	0.082	0.097	0.015	0.181
Uncertainty avoidance	-0.113	0.082	-0.023	0.077	0.090	0.167
Individualism	**0.164**$^{+}$	0.100	**0.296****	0.098	0.064	0.168
Consumer ethnocentrism	**-0.190***	0.090	**-0.162***	0.049	0.066	0.156
Ethnic distance	**0.221****	0.079	**0.247****	0.091	0.015	0.151
Familiarity with 16+1	-0.228	0.256	-0.025	0.220	-0.391	0.575
Familiarity with NSR	-0.131	0.214	0.144	0.173	**1.166***	0.034
Degrees of freedom	*7*		*7*		*7*	
F statistic	*3.849*		*4.822*		*0.912*	
R^2	*0.130*		*0.137*		*0.082*	

Notes. Results based on bootstrapping (2,000 samples). $^{+}p<0.10$; $*p<0.05$; $**p<0.01$.

As we can see from the corresponding OLS regression results in Table 21, the R^2 statistics are a bit higher for the Polish and Slovenian models. Within the Polish country model, ethnic distance (β=0.221; *p<0.01*), consumer ethnocentrism (β=−0.190; *p<0.05*) and individualism (β=0.164; *p<0.10*) are significant determinants of believing that CEE should cooperate more with China in terms of trade and FDI. Within the Slovenian country model

a similar picture can be observed, while only familiarity with the NSR project is a significant determinant of believing the Western Balkans should cooperate more with China in terms of trade and FDI in the case of the Montenegrin model, but this impact was especially strong (β=1.166; $p<0.05$).

6.10 Summary of key findings

The young generation in Poland, Slovenia and Montenegro mostly had very limited interaction with Chinese (abroad or at home) and very few have actually traveled to China. Nevertheless, the stereotypes in all the three nations are generally quite positive or neutral, with "working hard" and being "short" dominating. Hard work is seen as a cornerstone value, especially in Slovenia (Zupan, Kaše, Rašković, Yao & Wanf, 2015). The stereotype about Chinese being short might play an important role in negotiations, especially with Poles and Montenegrins, who emphasized this stereotype more than the Slovenes. Height or any other physical difference that is already widely accepted as a stereotype for a particular nation may result in a psychological difference in negotiating power.

Despite the fact that Montenegro is a relatively less homogeneous society (according to the 2011census, 45% of the total population was ethnically Montenegrin) than Poland (according to the 2011census, 96% of the total population was ethnically Polish) and Slovenia (according to the 2002census, 83% of the total population was ethnically Slovenian), they show a relatively higher level of power distance towards the Chinese. The reason for this might be that Montenegrin students are less involved in international exchange programs abroad than Slovenians. On the other hand, Polish students have the lowest rate of time spent abroad, but Poland founded in 2006the first Confucius Institute, which promotes Chinese culture and language, while Montenegro received such an institute only in 2015. The Confucius Institute in Ljubljana has been operating for over five years and is based within the biggest faculty of economics in Slovenia.

Germany is Slovenia's and Poland's first trading partner, therefore the results about Germans being the most preferable nation for bilateral business relation in Slovenia and second in Poland are not at all surprising. Americans are in the first place in Poland and this might be the case because of historical resentments towards Germany. In the case of Montenegro, Russians – the most important investors in the country's tourism – take second place after Americans. The Chinese are ranked fourth in Montenegro and Slovenia and sixth in Poland, but the relative distance between China and the third preferred country is very small, which is a very positive attitude towards doing business with the Chinese. Furthermore, despite the clear differences in ethnic distance, differences in preferences for doing business with the Chinese in the three countries are much less evident.

The Montenegrin students on average agree less that the EU should control Chinese investments, but on the other hand all the students agree similarly that Chinese investments are the same as investments from any other Western country. Slovenians would be

relatively more welcoming towards Chinese investments in their country than Poles and Montenegrins.

The Chinese were ranked higher by Slovenians than by Poles with respect to the willingness to do business with a Chinese counterpart, and Slovenians showed less ethnic distance than Montenegrins. We can see that Slovenia imports the most Chinese goods per capita, followed by Poland and then Montenegro. China was Poland's second imports partner in 2009 and Montenegro's second imports partner in 2014. Within these years, they both imported 9% of their total imports from China. On the other hand, Slovenia exported the most goods per capita out all the three countries in the 2005–2013 period. Furthermore, Slovenia and Poland have relatively smaller FDI inflows (0.01% and 0.02% of GDP in 2013) and are generally more closed for FDI than Montenegro (10.1% of GDP in 2013), but still attracted much more investments per capita from China. This might be the reason Montenegro is more open to Chinese investors, but it is less attractive because of its geographical position and infrastructure.

Furthermore, we can see that the unsuccessful Chinese investment in the Polish highway did not affect too much the opinion of Poles regarding the Chinese. No such issue happened in Slovenia or Montenegro; however, the students in all three countries would accept a Chinese business partner similarly. The Polish students for example did not even bring up the failed highway investment in their top-of-mind associations as for example a few Montenegrins did mention the undergoing Chinese project in Montenegro.

Table 22. Summary table of key results

Key data	Poland	Slovenia	Montenegro
Primary data			
Ethnic distance	4.2	4.6	3.2
Preference for doing business with Chinese	56.0%	54.0%	60.6%
Hofstede's PDI	4.4	4.1	4.2
Hofstede's UAI	3.6	3.5	3.9
Hofstede's IDV	5.4	5.5	5.6
Cultural difference score (Kogut & Singh, 1988)	2.809	2.979	2.078
Consumer ethnocentrism	4.0	4.0	4.9
Secondary data			
Imports stock from China*	1,399.08	3,022.88	1,449.40
Exports stock to China*	240.19	464.23	14.95
Stock of Chinese OFDI in CEE country**	22.83	11.40	3.20

Notes. *per capita, 2005–2013, in million euros; **per capita, 2007–2012, in million euros.

As can be seen from Table 22, the level of imports per capita from China is quite similar for Poland and Montenegro, despite an obvious difference in the size of the two countries. On the other hand, Chinese exports to Slovenia are about twice as high. Linking this trade data with the cultural dimensions of power distance, uncertainty avoidance and individualism, we can observe that similar scores for these three cultural dimensions among the three studied CEE countries do not seem to translate into similar levels of

imports from China. This is also the case with the composite cultural difference scores, calculated according to the Kogut and Singh (1988) composite index. While the level of consumer ethnocentrism is significantly higher in Montenegro, compared to Poland and Slovenia, the impact of consumer ethnocentrism on either of the two dependent variables in my regression models was not statistically significant. Similarly, cultural aspects and ethnic distance do not seem to determine FDI level in the three CEE countries. In terms of my regression analysis results, the only notable exception was Slovenia, where individualism and ethnic distance do have a significant impact on the welcoming of more Chinese FDI to Slovenia (see Table 20).

The awareness of the 16+1 pragmatic cooperation platform remains relatively low among the young generation in all three countries, with 82% of Polish and Slovenians and 70% of Montenegrins indicating they are not familiar with the topic. This may be somewhat surprising, since the high-level political meetings of Chinese Prime Minister Wen with CEE countries (CEECs) in April 2011 in Warsaw and his successor Li in December 2014 in Belgrade received extensive media coverage and generally increased the awareness of potential cooperation between China and CEECs. On the other hand, the level of awareness of the New Silk Road / One Belt One Road (OBOR) project is considerably higher in both countries, with 43% of the respondents in Poland, 31% in Slovenia and 29% in Montenegro indicating they have at least heard of it. This shows that the young generation is able to recognize particularly the investment opportunities arising from the New Silk Road project, and should not be underestimated in this regard.

Lastly, the results from the regression analysis show that consumer ethnocentrism was the only significant determinant for the degree of welcoming more Chinese FDI in the host country in the case of Poland with negative relation as expected. In the case of Slovenia, the two significant determinants were individualism and ethnic distance, both positively related, which is again expected, as the highest score 6 – *family member/spouse* actually represents the lowest level of ethnic distance. In the case of Montenegro, none of the determinants were significant. For the second variable, the belief that the Western Balkans/CEE (in the case of Poland) should cooperate more with China in trade and investment, for Poland ethnic distance and individualism were positively related and significant, which is again expected, as the lower ethnic distance the stronger the belief that CEE and China should cooperate more. Consumer ethnocentrism was the next significant determinant in the case of Poland and was negatively related, meaning that the less people are ethnocentric the more they believe that CEE and China should increase cooperation. In the case of Slovenia, the results are very similar to Poland, whereas in the case of Montenegro, only the familiarity with the NSR project is significant and positively related, meaning the more people know about the project the more they believe CEE and China should increase their trade and FDI cooperation.

In terms of my research hypotheses, Table 23 summarizes the results of testing the four research hypotheses based on both results from my regression analysis (see Tables 20 and 21), as well as the presented summary data in Table 22.

Table 23. Summary of research hypotheses

Research hypothesis	Result
Cultural proximity between a CEE country and China (in terms of Hofstede's cultural dimensions) has an impact on welcoming more Chinese OFDI in the host country, along with supporting a stronger belief that CEE should cooperate more with China in terms of trade and FDI.	Generally rejected
Weaker consumer ethnocentrism within a CEE country has an impact on welcoming more Chinese OFDI in the host country, along with supporting a stronger belief that CEE should cooperate more with China in terms of trade and FDI.	Partially confirmed
A smaller degree of ethnic distance towards the Chinese has an impact on welcoming more Chinese OFDI in the host country, along with supporting a stronger belief that CEE should cooperate more with China in terms of trade and FDI.	Partially confirmed
Better knowledge about the 16+1 platform and the New Silk Road (NSR) project has an impact on welcoming more Chinese OFDI in the host country, along with supporting a stronger belief that CEE should cooperate more with China in terms of trade and FDI.	Rejected

RECOMMENDATIONS

Recommendations for China

China has recognized the potential of CEECs within EU-China economic relations, and should continue with its efforts for increased cooperation with CEECs in the areas of trade and investment. From Poland's and Slovenia's preference for doing business with Germans (seen as a consequence of trading heavily with Germany), we can also notice that by increasing trade and becoming a more important trading partner the willingness for cooperation increases. The rapid growth of Chinese OFDI in CEE countries and increased trade are likely to also induce better cross-cultural understanding and greater acceptance of Chinese products and FDI in the future.

The Chinese government should spread its diplomatic actions to the wider public. Students and ordinary people should be better informed about the current plans and programs, and should recognize the benefits these programs could bring. Better knowledge about the 16+1 platform and the NSR (OBOR) project would create a positive attitude towards Chinese investments and trade with China in general. China should open even more Confucius institutes, which will spread and bring closer the Chinese culture and language as well as information about the plans for economic cooperation to the people in CEE countries.

Chinese investors can shift their concentrated investments from Western Europe to the CEE region, since these countries can provide good local suppliers, they are very close and

well connected to Western Europe, and offer high-quality human capital (WEF, 2014). Slovenia, for example, is already an innovation-driven economy and possesses innovative companies and a highly-skilled and educated workforce. On the other hand, Poland has the highest share of high-tech exports among manufactured goods and highest ICT goods exports among total exported goods. Chinese investors are willing and are already shifting from production towards more value-added activities. Poland scores the highest in terms of competitiveness according to the WEF and is also a neighboring country of Germany, China's second trading partner in the EU, and has much lower labor costs.

China should be very careful and analyze each country separately, because not only do the Chinese and the CEE cultures differ, but there are also big differences among the cultures of CEE countries (Liu, 2013).

Furthermore, the strategy of the Chinese government to involve all the countries within one program or at least treat them in groups should be led by China and should avoid preference for certain countries over others, so as not to create competition among them. Moreover, China should support bigger projects with involvement of several countries together in order for the cultural and economic differences between them to converge.

Differences in long-term orientation, as with Poland and Slovenia, for example, or individualism can affect the principal-agent relations if the selected managers are from the host country. In the opposite case, a Chinese manager might have problems when communicating with the rest of the employees. Chinese investors should carefully analyze each culture and try to exploit the similarities and overcome the differences. For instance, in the case of trade, differences present between China and Poland or China and Slovenia/Montenegro, such as individualism and masculinity, should be taken into account when selecting an appropriate marketing strategy. Furthermore, Chinese investors should strengthen their brand positioning for their top-class products and set corporate responsibility schemes and thus reduce the consumer ethnocentrism effect.

Recommendations for Poland, Slovenia and Montenegro

Poland, Slovenia and Montenegro could better exploit their geographical position, knowledge and technology to attract more Chinese FDI. Montenegro and Slovenia, for example, can involve themselves in joint projects with Serbia and Hungary (their neighboring countries) respectively, taking into account that these two countries are strong political and economic partners of China from the CEE region.

Chinese companies are willing to enter into contracts and ownership abroad in order to learn and shift towards more value-added industries, and activities thus have access to capital. Slovenia and Poland should promote their geographical and economic proximity to Germany and the rest of the EU, as well as their rich industrial and technological capacities. The countries of CEE should improve their interaction with China to get more familiar with the Chinese culture. Companies from the CEE region should be encouraged to increase their participation at Asian trade shows, for example, where they could

establish new business connections and learn more about the Asian business culture. This would lead towards lower ethnic distance between the cultures and better acceptance of Chinese products and FDI. The countries should initiate more exchange programs for students in general and in particular with China. This would lead to better understanding of different cultures, including Chinese culture.

On the other hand, the two countries should work hard on reducing the current barriers to trade and investment, such as complicated bureaucracy and infrastructure. Furthermore, both countries are quite closed to FDI. Montenegro should meanwhile focus on similar improvements, as well as on reaching higher employment and better specialization of its workforce.

By attracting Chinese FDI, the chances of improving the trade positions with China are even higher, especially if Chinese investor companies start exporting products back. The Chinese market is significantly bigger even than the biggest CEE country, Poland. Therefore, the countries should acquire such knowledge of dealing with big markets and/or strengthen regional cooperation of CEE countries to be represented and to act together.

CONCLUSION

The purpose of my master's thesis was to analyze the importance of stereotypes, ethnic distance and attitudes towards business with China/the Chinese, and particularly attitudes towards Chinese FDI in the CEE region. Current data shows that there are big differences in trade with China between Eastern and Western Europe. Such differences also exist among individual CEECs. I conducted a survey in Poland, Slovenia and Montenegro in order to analyze several cultural factors that might influence business relations with China, as well as the potential role of ethnic distance and familiarity with the 16+1 pragmatic cooperation platform and the NSR project.

The key findings of my research show that the young generation in all three countries generally displays quite positive stereotypes about the Chinese and favorable attitudes towards stronger cooperation between China and the CEE region. Moreover, while ethnic distance differs – being the highest in Montenegro and lowest in Slovenia – the willingness to do business with the Chinese is almost uniform across all three countries. I believe this to be an important finding indicating that differences in ethnic distance do not directly translate into different attitudes towards welcoming Chinese FDI in a particular CEE country, nor into differences in the attitude that the Western Balkans/CEE (in the case of Poland) should cooperate more with China in terms of trade and FDI. As it seems, even in the case of greater ethnic distance among Montenegrins, the attitude towards Chinese FDI and stronger cooperation with China in terms of trade and investment remains similar to those in Poland and Slovenia, which exhibit much lower levels of ethnic distance.

The respondents from Poland, Slovenia and Montenegro also show differences among them according to Hofstede's cultural theory, which at the same time appear as differences or similarities with the Chinese culture. Montenegrins surprisingly show higher levels of

individualism and uncertainty avoidance, and thus differ from the Chinese, who are collectivistic. Poles confirmed the high level of power distance and similarity to the Chinese with respect to this dimension. The attitude towards foreign products is relatively friendlier in Poland and Slovenia, while in Montenegro a higher degree of ethnocentrism was recorded, but this did not reflect in the level of Chinese imports in the country.

The regression analysis of the selected data showed that in Poland consumer ethnocentrism negatively affects the welcoming of Chinese OFDI in the CEE region. Furthermore, the Polish respondents on average confirmed that an increasing level of individualism – with the Chinese being a collectivistic culture – negatively reflects in the belief that CEE should cooperate more with China. The Polish respondents also confirmed on average that increasing ethnic distance decreases the acceptance of China as a partner that should cooperate more with the region. The Slovenian respondents confirmed the hypothesis similarly to Poles, while in the case of Montenegro only the familiarity with the NSR (OBOR) project was significant, confirming that increased knowledge about the undergoing Chinese projects within the CEE region increases the acceptance of China as a bigger trade and FDI partner in the region.

Generally speaking, the young generation is moderately open to Chinese FDI, which is seen as an advancement opportunity. The increased role of China within the global economy should reflect as a bigger challenge filled with many opportunities for CEE-China economic cooperation in the future within the 16+1 platform and the NSR (OBOR) project, and create additional space for mutual economic benefit and cross-cultural dialogue to leverage the window of opportunity between China and CEE.

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APPENDICES

TABLE OF APPENDICES

Appendix A: Questionnaire

Survey on China-Western Balkans attitudes among the young generation

This survey looks at the role of attitudes, stereotypes, emotional intelligence and cross-cultural differences in China-Western Balkans cooperation. It's completely anonymous and will take only 7-10 minutes. The results will be used strictly for academic purposes.

1. Please indicate your level of experience/interaction with Chinese people over the last 3 years (either abroad, or in your home country).

1-no interaction	***2***	***3***	***4***	***5***	***6***	***7-frequent (at least a few times per year) and deep interaction***

2. Please put down 5 associations which first come to your mind when you think of Chinese people (e.g. Chinese people are… *always smiling*)

	Characteristic 1	**Characteristic 2**	**Characteristic 3**	**Characteristic 4**	**Characteristic 5**
Chinese people are…					

3. Please indicate on a 6-point scale the highest level of agreement with the following types of relationships with a Chinese person (you can only choose one answer among six):

I would be willing to… with a Chinese person /have a Chinese person as					
1-live in the same country	**2-live in the same city**	**3-have as a business colleague/co-worker**	**4-have as a neighbor**	**5-have as a friend**	**6-have as a family member/spouse**

4. Please rank order who you would like to do business most with in the future by assigning a number (rank): 1-would most like to do business with; 8-would least like to do business with (please assign each number from 1 to 8 only once!).

American	**Slovenian**	**Polish**	**Chinese**	**German**	**Indian**	**Russian**	**Japanese & Korean**

5. In which place do you think China ranks in 2015 in terms of its *economic competitiveness* among 144 countries in the world?

I think China ranks: _____ (write a number 1-144; 1-most competitive, 144-least competitive).

6. Please indicate your level of agreement with the following statements on a 7-point scale:

I think China has surpassed the USA as the world biggest economic superpower.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I think my country is more competitive than China (according to the WEF global competitiveness ranking).	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I am afraid of growing economic power of China in the world.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I think the EU should control foreign direct investment (FDI) of China in Europe.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I would welcome more Chinese foreign direct invests (FDI) in my country (e.g. creation of more jobs).	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I think Chinese investors are the same as other investors from Western countries (in terms of FDI).	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I think Western Balkans should cooperate more with China in trade and foreign direct investment.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree

7. Please indicate the level of agreement with the following statements on a 7-point scale:

I arrange events others enjoy.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I compliment others when they have done something well.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I help other people feel better when they are down.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
When I am faced with a challenge, I never give up because I know I will be successful.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I use good moods to help myself keep trying in the face of obstacles.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I know what other people are feeling just by looking at them.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I can tell how people are feeling by listening to the tone of their voice.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
When I am in a positive mood, solving problems is easy for me.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
When I am in a positive mood, I am able to come up with new ideas.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree

8. Please indicate the level of agreement with the following statements on a 7-point scale:

I easily conform to the wishes of someone in a higher position than mine.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
It is difficult for me to refuse a request if someone senior asks me.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I find it hard to disagree with authority figures.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I prefer a routine way of life to an unpredictable one full of Change.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I would not describe myself as a risk taker.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I do not like taking too many chances to avoid making a mistake.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I would rather depend on myself than others.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
My personal identity, independent of others, is important to me.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
I rely on myself most of the time, rarely on others.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree

9. Please indicate the level of agreement with the following statements on a 7-point scale:

We should not buy foreign products, because it hurts our economy.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
Only products unavailable in our country should be imported.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
Purchasing foreign products allows other countries to get rich off of us.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree
It may cost me in the long run, but I support my country's products.	1-strongly disagree	2	3	4-neutral	5	6	7-strongly agree

10. Are you familiar with any of the following two terms (indicate your answer):

a) The 16+1 platform: 1-No 2-Heard of it, but don't know it 3-Know about it

b) The New Silk Route: 1-No 2-Heard of it, but don't know it 3-Know about it

11. Have you ever travelled to mainland China? 1-No 2-Yes → indicate number of times: _____

12. Your gender: 1-male 2-female

13. Year of birth: 19_____

14. Area of study: 1-economics 2-business 3-int'l relations 4-sinology 5-other: _____

15. Have you ever spent more than 3 months abroad (e.g. study exchange)? 1-No 2-Yes

16. How likely would you go on an exchange to China? 1-not at all likely 2-neither/nor 3-likely

Appendix B: SPSS results for Cronbach's alpha (PDI)

Case Processing Summary

Country			N	%
POL	Cases	Valid	198	98,0
		Excluded[a]	4	2,0
		Total	202	100,0
SLO	Cases	Valid	236	98,3
		Excluded[a]	4	1,7
		Total	240	100,0
MNE	Cases	Valid	102	87,2
		Excluded[a]	15	12,8
		Total	117	100,0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Country	Cronbach's Alpha	N of Items
POL	,524	3
SLO	,537	3
MNE	,568	3

Appendix C: SPSS results for Cronbach's alpha (UAI)

Case Processing Summary

Country			N	%
POL	Cases	Valid	198	98,0
		Excluded[a]	4	2,0
		Total	202	100,0
SLO	Cases	Valid	236	98,3
		Excluded[a]	4	1,7
		Total	240	100,0
MNE	Cases	Valid	103	88,0
		Excluded[a]	14	12,0
		Total	117	100,0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Country	Cronbach's Alpha	N of Items
POL	,775	3
SLO	,768	3
MNE	,626	3

Appendix D: SPSS results for Cronbach's alpha (IDV)

Case Processing Summary

Country			N	%
POL	Cases	Valid	202	100,0
		Excluded[a]	0	,0
		Total	202	100,0
SLO	Cases	Valid	236	98,3
		Excluded[a]	4	1,7
		Total	240	100,0
MNE	Cases	Valid	106	90,6
		Excluded[a]	11	9,4
		Total	117	100,0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Country	Cronbach's Alpha	N of Items
POL	,804	3
SLO	,689	3
MNE	,885	3

Appendix E: SPSS results for Cronbach's alpha (Consumer ethnocentrism)

Case Processing Summary

Country			N	%
POL	Cases	Valid	202	100,0
		Excluded[a]	0	,0
		Total	202	100,0
SLO	Cases	Valid	234	97,5
		Excluded[a]	6	2,5
		Total	240	100,0
MNE	Cases	Valid	105	89,7
		Excluded[a]	12	10,3
		Total	117	100,0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Country	Cronbach's Alpha	N of Items
POL	,807	4
SLO	,715	4
MNE	,742	4

Appendix F: SPSS outputs (OLS regression results, First set of OLS country models)

Model Summary

Country	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
						R Square Change	F Change	df1	df2	Sig. F Change
POL	1	,260[a]	,068	,032	1,46131	,068	1,878	7	181	,075
SLO	1	,294[b]	,086	,056	1,48649	,086	2,872	7	213	,007
MNE	1	,306[c]	,094	,003	1,91627	,094	1,035	7	70	,415

a. Predictors: (Constant), Ethnic distance scale, IDV, PDI, Familiarity with 16+1, ETHNO, UAI, Familiarity with NSR

b. Predictors: (Constant), Ethnic distance scale, Familiarity with NSR, IDV, PDI, Familiarity with 16+1, ETHNO, UAI

c. Predictors: (Constant), Ethnic distance scale, Familiarity with 16+1, PDI, IDV, ETHNO, UAI, Familiarity with NSR

Coefficients[a]

Country	Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
			B	Std. Error	Beta			Tolerance	VIF
POL	1	(Constant)	3,535	1,046		3,379	,001		
		PDI	-,046	,108	-,032	-,426	,670	,939	1,065
		UAI	,037	,085	,033	,432	,666	,908	1,101
		IDV	,066	,098	,049	,666	,506	,956	1,046
		ETHNO	-,168	,084	-,150	-1,999	,047	,909	1,100
		Familiarity with 16+1	,179	,289	,047	,620	,536	,900	1,112
		Familiarity with NSR	,283	,234	,091	1,210	,228	,908	1,101
		Ethnic distance scale	,114	,075	,112	1,516	,131	,939	1,065
SLO	1	(Constant)	2,145	,952		2,252	,025		
		PDI	,028	,094	,021	,294	,769	,843	1,186
		UAI	-,045	,083	-,038	-,539	,590	,856	1,168
		IDV	,230	,103	,147	2,235	,026	,991	1,009
		ETHNO	-,071	,086	-,058	-,824	,411	,863	1,159
		Familiarity with 16+1	,095	,276	,024	,346	,730	,905	1,105
		Familiarity with NSR	,245	,217	,078	1,131	,259	,894	1,119
		Ethnic distance scale	,253	,084	,211	3,027	,003	,879	1,138
MNE	1	(Constant)	1,799	1,597		1,127	,264		
		PDI	,223	,190	,154	1,176	,244	,754	1,326
		UAI	-,162	,160	-,127	-1,012	,315	,816	1,225
		IDV	,046	,155	,036	,296	,768	,898	1,114
		ETHNO	,187	,160	,146	1,173	,245	,838	1,194
		Familiarity with 16+1	,444	,601	,103	,738	,463	,663	1,509
		Familiarity with NSR	-,079	,580	-,019	-,135	,893	,629	1,591
		Ethnic distance scale	,200	,157	,157	1,276	,206	,859	1,164

a. Dependent Variable: Welcome Chinese FDI

Bootstrap for Coefficients

Country	Model		B	Bootstrap[a]				
				Bias	Std. Error	Sig. (2-tailed)	95% Confidence Interval	
							Lower	Upper
POL	1	(Constant)	3,535	,006	1,210	,006	1,069	5,815
		PDI	-,046	-,001	,116	,685	-,271	,187
		UAI	,037	,002	,094	,691	-,146	,223
		IDV	,066	,000	,107	,546	-,152	,267
		ETHNO	-,168	-,002	,096	,076	-,356	,017
		Familiarity with 16+1	,179	,008	,285	,545	-,357	,730
		Familiarity with NSR	,283	-,003	,247	,251	-,205	,768
		Ethnic distance scale	,114	-,002	,080	,150	-,040	,273
SLO	1	(Constant)	2,145	,069	1,139	,066	-,008	4,488
		PDI	,028	-,004	,109	,814	-,185	,240
		UAI	-,045	-,004	,091	,617	-,232	,123
		IDV	,230	,002	,119	,050	-,003	,457
		ETHNO	-,071	-,003	,087	,428	-,244	,096
		Familiarity with 16+1	,095	-,001	,270	,721	-,423	,633
		Familiarity with NSR	,245	-,012	,215	,267	-,175	,646
		Ethnic distance scale	,253	-,002	,087	,006	,076	,418
MNE	1	(Constant)	1,799	,043	1,722	,301	-1,659	5,152
		PDI	,223	,014	,204	,273	-,139	,665
		UAI	-,162	,003	,189	,397	-,556	,187
		IDV	,046	-,007	,163	,782	-,282	,356
		ETHNO	,187	-,017	,176	,288	-,199	,483
		Familiarity with 16+1	,444	,008	,580	,446	-,698	1,631
		Familiarity with NSR	-,079	,000	,576	,895	-1,240	1,041
		Ethnic distance scale	,200	,000	,163	,218	-,120	,529

a. Unless otherwise noted, bootstrap results are based on 2000 bootstrap samples

Appendix G: SPSS outputs (OLS regression results, Second set of OLS country models)

Model Summary

Country	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
						R Square Change	F Change	df1	df2	Sig. F Change
POL	1	,360[a]	,130	,096	1,32841	,130	3,849	7	181	,001
SLO	1	,370[b]	,137	,108	1,32078	,137	4,822	7	213	,000
MNE	1	,287[c]	,082	-,008	1,79704	,082	,912	7	71	,502

a. Predictors: (Constant), Ethnic distance scale, IDV, PDI, Familiarity with 16+1, ETHNO, UAI, Familiarity with NSR

b. Predictors: (Constant), Ethnic distance scale, Familiarity with NSR, IDV, PDI, Familiarity with 16+1, ETHNO, UAI

c. Predictors: (Constant), Ethnic distance scale, Familiarity with 16+1, PDI, IDV, ETHNO, UAI, Familiarity with NSR

Coefficients[a]

Country	Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
			B	Std. Error	Beta			Tolerance	VIF
POL	1	(Constant)	4,218	,951		4,436	,000		
		PDI	,061	,099	,044	,618	,537	,939	1,065
		UAI	-,113	,077	-,107	-1,472	,143	,908	1,101
		IDV	,164	,090	,130	1,831	,069	,956	1,046
		ETHNO	-,190	,076	-,181	-2,493	,014	,909	1,100
		Familiarity with 16+1	-,228	,262	-,064	-,871	,385	,900	1,112
		Familiarity with NSR	-,131	,213	-,045	-,618	,538	,908	1,101
		Ethnic distance scale	,221	,068	,232	3,241	,001	,939	1,065
SLO	1	(Constant)	2,336	,846		2,761	,006		
		PDI	,082	,083	,068	,986	,325	,843	1,186
		UAI	-,023	,074	-,021	-,310	,757	,856	1,168
		IDV	,296	,092	,206	3,229	,001	,991	1,009
		ETHNO	-,162	,077	-,145	-2,115	,036	,863	1,159
		Familiarity with 16+1	-,025	,245	-,007	-,103	,918	,905	1,105
		Familiarity with NSR	,144	,193	,050	,748	,455	,894	1,119
		Ethnic distance scale	,247	,074	,226	3,329	,001	,879	1,138
MNE	1	(Constant)	2,569	1,497		1,716	,091		
		PDI	,015	,178	,011	,086	,932	,755	1,324
		UAI	,090	,149	,076	,602	,549	,816	1,225
		IDV	,064	,146	,053	,438	,663	,890	1,124
		ETHNO	,066	,149	,056	,444	,658	,824	1,213
		Familiarity with 16+1	-,391	,561	-,099	-,697	,488	,646	1,547
		Familiarity with NSR	1,166	,544	,311	2,146	,035	,615	1,627
		Ethnic distance scale	,015	,145	,013	,104	,918	,860	1,163

a. Dependent Variable: Welcome more cooperation with China in trade & investment

Bootstrap for Coefficients

Country	Model		B	Bootstrap[a]				
				Bias	Std. Error	Sig. (2-tailed)	95% Confidence Interval	
							Lower	Upper
POL	1	(Constant)	4,218	,016	,998	,000	2,327	6,246
		PDI	,061	-,006	,090	,493	-,131	,229
		UAI	-,113	,000	,082	,163	-,272	,049
		IDV	,164	,001	,100	,099	-,044	,353
		ETHNO	-,190	,001	,091	,039	-,361	-,010
		Familiarity with 16+1	-,228	,002	,256	,369	-,743	,276
		Familiarity with NSR	-,131	,005	,214	,540	-,534	,304
		Ethnic distance scale	,221	-,002	,079	,007	,059	,371
SLO	1	(Constant)	2,336	,014	,973	,019	,379	4,225
		PDI	,082	-,002	,097	,392	-,111	,267
		UAI	-,023	,000	,077	,783	-,173	,127
		IDV	,296	-,002	,098	,005	,092	,477
		ETHNO	-,162	,001	,082	,049	-,320	,000
		Familiarity with 16+1	-,025	-,005	,220	,901	-,462	,393
		Familiarity with NSR	,144	,003	,173	,412	-,182	,502
		Ethnic distance scale	,247	,001	,091	,006	,068	,425
MNE	1	(Constant)	2,569	,002	1,584	,117	-,675	5,630
		PDI	,015	,001	,181	,928	-,332	,381
		UAI	,090	-,003	,167	,595	-,255	,402
		IDV	,064	,008	,168	,695	-,251	,414
		ETHNO	,066	-,004	,156	,655	-,244	,368
		Familiarity with 16+1	-,391	-,010	,575	,503	-1,576	,727
		Familiarity with NSR	1,166	,006	,525	,034	,092	2,173
		Ethnic distance scale	,015	-,005	,151	,929	-,286	,310

a. Unless otherwise noted, bootstrap results are based on 2000 bootstrap samples