Contemporary Chinese Political Economy and Strategic Relations: An International Journal Vol. 6, No. 1, April/May 2020, pp. 321-370

Chinese Outward Foreign Direct Investment in Belt and Road Countries: Trends, Characteristics and Policies

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Abstract

Chinese outward foreign direct investment (OFDI) has attracted more attention in recent years, especially after the Chinese government proclaimed the Belt and Road Initiative (BRI) in 2013. The BRI countries play a key role in receiving Chinese OFDI. This paper analyzes the characteristics and trends of Chinese investment in BRI countries from the geographical and industrial perspectives by using both micro- and macro-level data. Meanwhile, it explores the Chinese government policy that promotes investment in BRI countries. This shows the way of Chinese investment strategy, especially in terms of country chosen and industry chosen. The analysis points out the reasons of Chinese investment, which is natural resource-seeking and market-seeking. Meanwhile, Chinese government policy affects the decision of Chinese enterprises by using economic incentive.

Keywords: *Chinese outward foreign direct investment, BRI, policy, characteristics, trends*

1. Introduction

As the largest developing country in the world, China has employed "go abroad" policy to encourage local enterprises doing investment in foreign countries since 2002. In the context of China's significantly enhanced economic strength, the scale of Chinese outward foreign direct investment begins to rise sharply. In 2017, China became the third largest source country/region for foreign direct investment (*World Investment Report 2018*). In the same year, China made investment in 6,326 overseas enterprises from 174 countries/regions (MOFCOM, 2017). China's outward foreign direct investment becomes the hotspot of research as Chinese capital outflows madly to the rest of the world, especially after Chinese president Xi Jinping proclaimed the "One Belt, One Road" (later renamed "Belt and Road Initiate") in 2013.

Compared with developed countries and even some other emerging economies, such as Brazil, Russia and South Africa, the accumulate amount of China's outward foreign direct investment (OFDI) is still small. But from the perspective of OFDI growth rate, especially in BRI countries, China is at the top of world OFDI. Even under the context of a slight slowdown in China's OFDI in recent years, the volume of Chinese investment in BRI countries still keep increasing. This makes it more important for the analysis of Chinese investment in BRI countries.

The purpose of this paper is to review characteristics and trends of China's outward investment, especially in BRI countries by using both macro- and micro-level data. Meanwhile, this analysis shows the geographical distribution and the industrial distribution of China's OFDI, especially in BRI countries. The Chinese government policies for prompting outward investment are analyzed to show the way of Chinese investment expansion in BRI countries.

This paper is organized as follows. Section 2 reviews Chinese outward FDI globally. Section 3 illustrates the Chinese outward FDI in BRI countries from the geography and industry perspective by using firm-level data, respectively. Section 4 is a discussion of Chinese policies for investment in BRI countries. Section 5 is the conclusion.

2. China's Outward Foreign Direct Investment

2.1. A Brief History and Background of China's OFDI

As of the main source of OFDI comes from state-owned and local government-owned enterprises, the investment is mainly driven by political rather than economic reasons. Since the establishing of People's Republic of China (PRC), the whole economic is controlled by government and no free market is allowed. Basing on rich experiences of dealing with foreign enterprises, foreign trade enterprises are the first allowed to invest in foreign countries. The significance of establishing branches abroad is recognized regarding to securing supplies of natural resources, acquiring advanced technology from developed countries, and facilitating exports and acquiring managerial skills through 'learning by doing'. China's OFDI experiences four stages (Buckley *et al.*, 2007; Wu and Chen, 2001; Yang, 2005; Zhang, 2003).

2.1.1. Cautious Internationalization Stage (1979-1985)

China's OFDI emerges after 1978 as of the launch of 'Open Door' policy. In August 1979, thirteen measures was implied to open the Chinese economy to the world, one was announced by State Council to set up Chinese enterprises overseas (*chuguo ban qiye*), but must all report to the State Council for examination and approval (Huan, 1986). Driven by this policy, some foreign trade companies and enterprises with foreign economic cooperation experiences engage in import and

export business for a long time. With their rich foreign related experiences and stable import and export channels, they go abroad to invest overseas and build overseas representative offices or overseas trading companies in foreign countries. In November 1979, Beijing friendship commercial service co., LTD and Tokyo Maruichi Co., Ltd. of Japan jointly set up JingHe co., LTD in Tokyo, which became the first joint venture in foreign countries after China's reform and opening-up policy. In 1980, China State Shipbuilding Corporation and Hong Kong International Shipping Company jointly set up the International Shipping Investment Corporation, which was the largest foreign investment project of China at that time.

Table 1 China's Outward FDI (1979-1984)

Year	Amount (US$, billion)	Enterprise Number	Amount (Stock, US$, billion)	Enterprise Number (Accumulated)
1979	0.001	4	0.001	4
1980	0.031	13	0.032	17
1981	0.002	13	0.034	30
1982	0.003	13	0.037	43
1983	0.009	33	0.046	76
1984	0.081	37	0.127	113

Source: *Almanac of China's Foreign Economic Relations and Trade* (1980-1985).

However, in the early stage of reform and opening up, the main target of 'Open Door' policy is expanding export and attracting foreign investment for development. In this stage, Chinese enterprises invest more than US $100 million to set up 113 non-trading enterprises in foreign countries (Table 1). The main foreign investors are the central foreign trade companies, local foreign trade companies, and provincial

international economic cooperation companies, such as China National Chemicals Import and Export Corporation (SINOCHEM) and China National Metals and Minerals Import and Export Corporation (CNMM). The investment areas mainly concentrate in the food and beverage, construction project, consultation service, and trade. The Investment location is also mainly distributed in Hong Kong, Macao and other developing countries near China.

2.1.2. The Initial Stage of Deregulation Stage (1985-1991)

Although, the government promulgated a policy to allow investment abroad, it was not until September 1992 that, the international operations by Chinese firms were officially incorporated into China's economic reform strategy (Zhang, 2003).

As the economy grew rapidly after Deng Xiaoping's 'South Tour' in 1992, Chinese investment in foreign countries became politically acceptable. In 1985, the central government issued regulations on procedures for the approval and management of non-trade joint ventures abroad and relaxed the restrictions on the scope of foreign investment and simplify the approval process of OFDI. According to this regulation, any firm in China, as long as it has the advantages of technology and management expertise, can apply for or establish joint venture overseas. The main aim of this policy is to acquire overseas advanced technology and equipment, obtain raw materials and products in short supply at home, increase China's foreign exchange income, and promote overseas labor cooperation and export.

Some large and powerful manufacturing enterprises, international trust and investment companies, and other non-trading enterprises begin to participate in outward foreign direct investment. General investment projects less than US$1 million may be approved directly by local government and ministries and commissions under the State Council.

Under the influence of favorable policies, in 1991, China added 895 non-trading enterprises for overseas investment, and the total amount of outward investment was US$1.2 million (Table 2). The investors included large and medium-sized production enterprises and financial enterprises, such as Capital Iron and Steel Company (CISC) and China International Trust and Investment Company (CITIC). and gradually extended to natural resources, manufacturing, processing, transportation, and other 20 industries (Salidjanova, 2011).

Table 2 China's Outward FDI (1985-1993)

Year	Amount (US$, billion)	Enterprise Number	Amount (Stock, US$, billion)	Enterprise Number (Accumulated)
1985	0.070	76	0.197	189
1986	0.033	88	0.230	277
1987	0.410	108	0.640	385
1988	0.075	141	0.715	526
1989	0.236	119	0.951	645
1990	0.107	156	1.058	801
1991	0.337	207	1.395	1,008

Source: *Almanac of China's Foreign Economic Relations and Trade* (1986-1992).

2.1.3. Steady Adjustment and Encouragement Stage (1992-1998)

Encouraged by Deng Xiaoping's 'South Tour' and with internationalization incorporated into the national economic development strategy, both central and local governments promoted the internationalization of enterprises. However, at the same time, some Chinese overseas investment enterprises that had suffered low profits and even sustain losses from poor development plans. Other companies

use the pretext of running a multinational operation to funnel out funds. Therefore, in 1993, the State Council issued regulation "Notice on Suspension of Acquisition of Overseas Enterprises and Further Strengthening of Overseas Investment Management" to clean up illegal outflows of capital from OFDI enterprises. The result was stricter approval of foreign direct investment by the state, and the reduced outflow of FDI.

However, with the 15th national congress of the Communist Party of China (CPC) encouraging OFDI and making better use of both domestic and foreign markets, China's OFDI starts to grow again (Table 3).

Table 3 China's Outward FDI (1992-1998)

Year	Amount (US$, billion)	Enterprise Number	Amount (Stock, US$, billion)	Enterprise Number (Accumulated)
1992	0.196	355	1.591	1,363
1993	0.096	294	1.687	1,657
1994	0.071	106	1.758	1,763
1995	0.100	119	1.858	1,882
1996	0.294	103	2.152	1,985
1997	0.173	145	2.325	2,130
1998	0.259	266	2.584	2,396

Source: *Almanac of China's Foreign Economic Relations and Trade* (1993-1999).

2.1.4. Accelerated Development stage (since 1999)

The second plenary session of the fifteenth central committee of the CPC clearly pointed out that local enterprises should actively expand exports, and the central government should take the leadership to have

powerful state-owned enterprises to invest in Africa, Central Asia, Middle East, Central Europe, and South America. In 1999, the central government issued another policy to encourage enterprises in light industry, textile, household appliances, and other mechanical electronics, to carry out overseas processing and assembling business mainly in Africa, Central Asia, Middle East, Eastern Europe, and South America. The 16th national congress of the CPC further pointed out that China should encourage inflow and outflow of foreign direct investment to participate in international economic cooperation and competition by opening-up the market.

China became the 143rd member of the WTO in late 2001. With its accession to the WTO, China strengthened its legal system, liberalized its markets, and also makes certain reforms in terms of tariff reduction, foreign exchange regulation, export requirements and also opens nearly all industries to foreign investors. At the same time, President Jiang Zemin formally stated that China would adopt a 'Going Abroad' policy to encourage Chinese firms to invest in foreign countries in 2000. This policy was planned from 1995 and formally adopted in 2001 when the Chinese government passed China's 10th five-year plan (2001-2005). As the policy of 'Reform and Opening-up', Chinese enterprises with the comparative trade advantages were encouraged to invest abroad to promote export of goods and serves, inspire Chinese workers going abroad, and enhance the competition of Chinese enterprises globally. During the 10th five-year plan period, the average annual increase rate of OFDI flows is 53.36 per cent.

In 2004, the State Council issued the "Catalogue of Countries and Industries for Guiding Investment Overseas" to encourage Chinese firms to invest abroad. Those enterprises who follow the catalogue's guidance would enjoy preferential policies on capital, foreign exchange, taxation,and customs. In 2006, the Chinese government established

Overseas Economic and Trade Cooperation Zones (OETCZ), a new mode of overseas investment under the guidance of the government, to increase the employment, taxes income, and the export of the host country.

Table 4 China's Outward FDI (since 1999)

Year	Amount (US$, billion)	Enterprise Number	Amount (Stock, US$, billion)	Enterprise Number (Accumulated)
1999	0.591	220	3.174	2,616
2000	0.551	243	3.725	2,859
2001	0.780	232	4.333	3,091
2002	0.983	350	9.340	6,960
2003	2.855	-	33.222	-
2004	5.498	-	44.777	-
2005	12.261	-	57.206	-
2006	21.160	-	75.026	-
2007	26.506	-	117.911	-
2008	55.907	-	183.971	-
2009	56.529	-	245.755	-
2010	68.811	-	317.211	-
2011	74.650	-	424.781	-
2012	87.804	-	531.941	-
2013	107.844	-	660.478	-
2014	123.120	-	882.642	-
2015	145.667	-	1,097.865	-
2016	196.149		1,357.390	
2017	158.288		1,809.037	

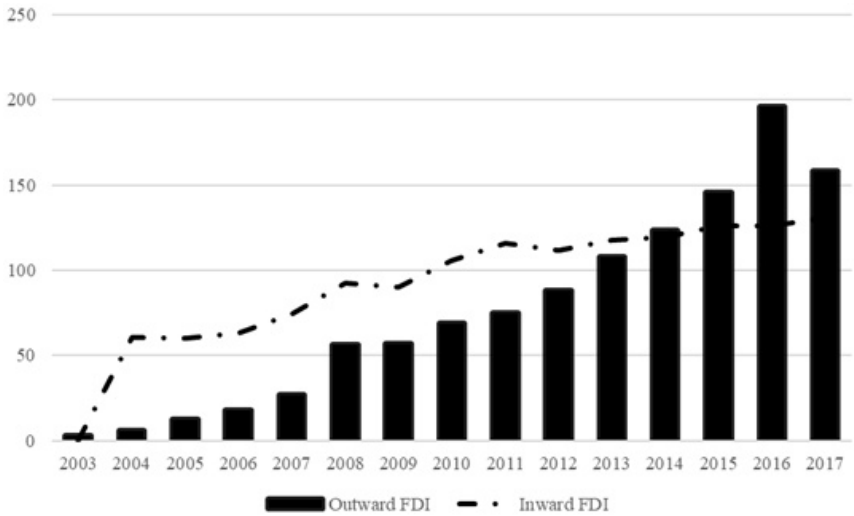
Notes: Since 2003, the data all come from Statistical Bulletin of China's Outward Foreign Direct Investment.

Source: *Almanac of China's Foreign Economic Relations and Trade* (2000-2003); *Statistical Bulletin of China's Outward Foreign Direct Investment* (2004-2017).

These measures effectively promoted Chinese OFDI, and China's international investment begin to enter a period of rapid growth. By the end of 2017, the flow of OFDI from China had increased from $0.591 billion to $158.288 billion, the stock of OFDI from China from $3.174 billion to $1,809.037 billion (Table 4). China had become the third largest OFDI country since 2012.

The fluctuations of China's OFDI are closely related to the evolution of China's policy. The development of Chinese OFDI is essentiality the outcome of government policy promotion. The related policy measures of home country are an important institutional factor which can significantly affect the decision of multinational operation.

Figure 1 China's Inward and Onward Foreign Direct Investment (US$, billion)



Source: UNCTAD, *World Investment Report* (2004-2018); NBSC, *China Statistical Yearbook* (2004-2018).

Table 5 China's Outward FDI Ranking in the World

Year	Global Ranking (Flows)	Global Ranking (Stock)
2002	26	25
2003	21	25
2004	20	27
2005	17	24
2006	13	23
2007	17	22
2008	12	18
2009	5	16
2010	5	17
2011	6	13
2012	3	13
2013	3	11
2014	3	8
2015	2	8
2016	2	6
2017	3	2

Source: *World Investment Report* (2003-2018).

2.2. Geographic Distribution and Characteristics of China's OFDI

China's fast economic growth has increased China's domestic demand for resources and high technology, as well as accumulated enormous foreign exchange reserves, all of which play a significant role in China's recent surge in overseas investments. Since 2003, the gap between inward and outward FDI flows began to close with the launch of the 'going abroad' policy (Figure 1). Despite the rapid growth in China's outbound investment flow, the stock volume is still lower than United States (Table 5).

In 2017, Chinese enterprises conducted 431 outward M&As in 56 countries, with an actual transaction amount of US$119.62 billion. US$33.47 billon was from enterprises and banking loans in China, which accounted for 21.1 per cent of China's total OFDI. Chinese enterprises' M&A s were carried out in 18 industrial categories, including mining, manufacturing, real estate, leasing and business service, information transmission, software and IT services, and wholesale and retail trade (Table 6).

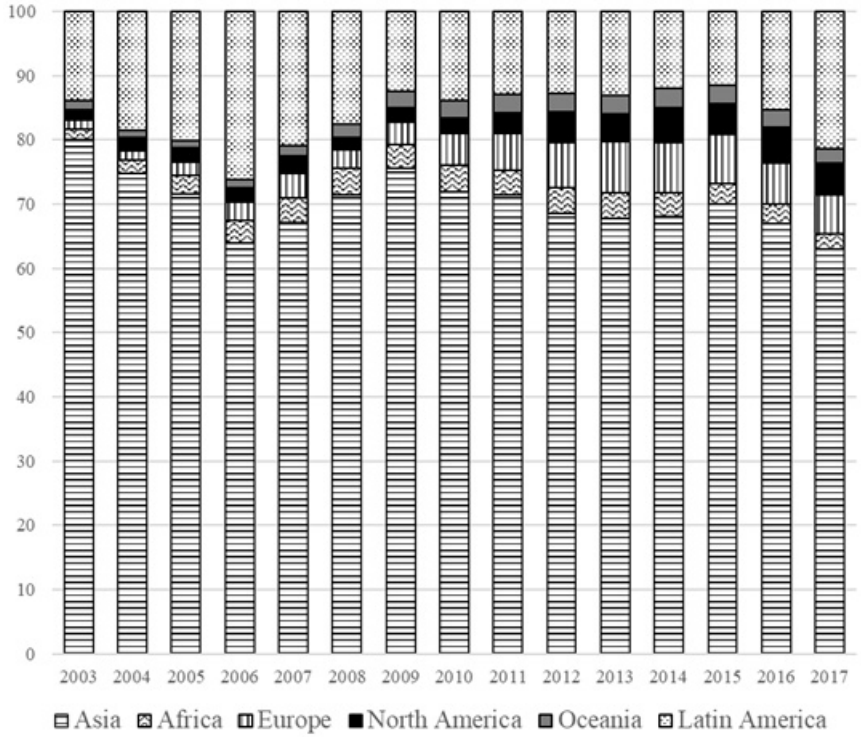
For the destination of capital flow, most of China's outward FDI flows into developing countries. Until 2017, the stock volume of China's OFDI into developing countries was 85.8 per cent of total OFDI. Meanwhile, 12.7 per cent flowed into developed countries and only 1.5 per cent was into transition countries. China's OFDI mainly flows into Asia countries and areas such as Hong Kong, Singapore, Indonesia, Laos, Macau, Kazakhstan, Viet Nam, United Arab Emirates, Pakistan, Myanmar, Thailand, South Korean, Israel, Mongolia, and Malaysia. All Asia countries account for 60 percent of China's total stock volume of OFDI (Figure 2). 20 per cent of total OFDI goes to Latin American counties such as Cayman Islands, British Virgin Islands, Brazil, Venezuela, Argentina, Ecuador, and Jamaica.

Table 6 Industrial Distribution of China's OFDI (M&As in 2017)

Industry	Number of M&As	Amount (billion US Dollars)	Share (%)
Manufacturing	163	607.2	50.8
Information Transmission, Software and IT Services	42	61.2	5.1
Transportation, Storage and Postal Services	13	55.8	4.7
Production and Supply of Electricity, Heat, Gas and Water	30	101.9	8.5
Financial Services	4	34.2	2.9
Leasing and business services	38	63.1	5.3
Real Estate	9	25.2	2.1
Mining	22	114.1	9.5
Hotels and Catering services	1	65.0	5.4
Culture, Sports and Entertainment	5	5.8	0.5
Wholesale and Retail Trade	45	31.2	2.6
Scientific Research and Technical Services	28	11.2	0.9
Public Health and Social Work	5	11.7	1.0
Agriculture, Forestry, Animal Husbandry and Fishery	13	8.1	0.7
Education	3	0.1	--
Water Conservancy, Environment and Public Facility Management	3	0.3	--
Resident Services, Repair and Other Services	4	0.1	--
Construction	3	0.2	--
Total	**431**	**1196.2**	**100**

Source: *Statistical Bulletin of China's Outward Foreign Direct Investment* (2017).

Figure 2 China's OFDI Distribution in Different Area (per cent), 2003-2017



Source: Calculated by author with data from *Statistical Bulletin of China's Outward Foreign Direct Investment* (2003-2017).

European countries became a hot destination for Chinese OFDI, their share increased from 1.5 per cent in 2003 to 6.1 per cent in 2017. The Netherlands, United Kingdom, Russian, Luxembourg, Argentina, France, Sweden, Norway, Italy, and Spain have been the main destinations. African counties had become less important for China's

OFDI since 2008. However, China still needs considerable natural resource for its development, it is making investments mainly in South Africa, Congo, Zambia, Algeria, Nigeria, Ethiopia, Ghana, Zimbabwe, Angola, Tanzania. For North American countries, America's share increases faster than Canada's. In 2003, Canada's share was only a half of American's, but in 2017, Canada's share only account one sixth of American's. For Oceania, Australia accounts 86.62 per cent of the total share, followed by New Zealand and Papua New Guinea.

From an industry perspective, the leasing and business service industry accounts for 34.04 per cent of the total, nearly one third of the total share. Asia countries and areas such as Singapore and Hong Kong are the main destinations of OFDI in the leasing and business service industry. The OFDI in this sector is mainly aimed to assist the production and marketing of the enterprises in other industries. The activities in this sector are mainly influenced by market-seeking motivation (Wang and Shao, 2016). The wholesale and retail trade industry is 12.52 per cent, and the information transmission, computer services and software industry 12.10 per cent. Those industries are mainly concentrated in services and account for nearly 60 per cent of total Chinese OFDI stock.

The mining industry is still important for China's investment, although the share has declined from 19.75 per cent in 2006 to 8.72 per cent in 2017. The outward FDI stock in the mining industry has always remained in the top three. Since 2016, China's economic growth rate has been falling and OFDI activities more constrained. Indeed, OFDI flows in mining industry were negative for the first time in 2017. Although the leasing and business service industry attracts the most China's OFDI, the firm-level data show that part of the business service actually goes to mining industry (Wang and Huang, 2012).

Table 7 Top 50 Countries/Areas for China's Outward FDI, 2017

Ranking	Country/Area	Ranking	Country/Area
1	Hong Kong, China	**26**	France
2	Cayman Islands	**27**	Myanmar
3	Virgin Islands, British	**28**	Cambodia
4	United States	**29**	United Arab Emirates
5	Singapore	**30**	Thailand
6	Australia	**31**	Viet Nam
7	United Kingdom	**32**	Malaysia
8	Netherlands	**33**	India
9	Luxembourg	**34**	Israel
10	Russian Federation	**35**	Congo, DR
11	Germany	**36**	Iran
12	Canada	**37**	Mongolia
13	Indonesia	**38**	Venezuela
14	Macau, China	**39**	Brazil
15	Bermuda	**40**	Japan
16	Switzerland	**41**	Zambia
17	Kazakhstan	**42**	Nigeria
18	South Africa	**43**	New Zealand
19	Sweden	**44**	Angola
20	Lao PDR	**45**	Papua New Guinea
21	Korea, Rep.	**46**	Norway
22	Pakistan	**47**	Saudi Arabia
23	Ethiopia	**48**	Zimbabwe
24	Italy	**49**	Tajikistan
25	Algeria	**50**	Ghana

Source: Calculated by author with data from *Statistical Bulletin of China's Outward Foreign Direct Investment* (2017).

Table 8 Industrial Distribution of China's Outward FDI Stock, 2017

Industry	**Share**
Agriculture, Forestry, Animal Husbandry and Fishery	0.91%
Mining	8.72%
Manufacturing	7.76%
Production and Supply of Electricity, Gas And Water	1.38%
Construction	2.08%
Wholesale and Retail Trade	12.52%
Transport, Storage and Post	3.03%
Lodging and Catering Services	0.19%
Information Transmission, Computer Services and Software	12.10%
Banking	11.21%
Real Estate	2.97%
Leasing and Business Service	34.04%
Scientific Research and Technical Service	1.20%
Management of Water Conservancy, Environment and Public Facilities	0.13%
Residents Service, Repair and Other Service	1.05%
Education	0.18%
Health, Social Works	0.08%
Culture, Sports and Entertainment	0.45%

Source: Calculated by author with data from *Statistical Bulletin of China's Outward Foreign Direct Investment* (2017).

Those industries related to trade and manufacturing contribute to the China's economic growth in an important way. Little Chinese investment has gone to education, health, culture, sports and entertainment (Table 8).

Table 9 Top 5 Industries in Each Continent, 2017

Area	Industry	Volume (billions of US dollars)	Share (%)
Asia	Leasing and Business Service	510.3	44.8
	Wholesale and Retail Trade	153.4	13.5
	Financial Services	140.4	12.3
	Mining	79.5	7.0
	Manufacturing	73.3	6.4
Africa	Construction	12.9	29.8
	Mining	9.8	22.5
	Financial Services	6.1	14.0
	Manufacturing	5.7	13.2
	Leasing and Business Service	2.3	5.3
Europe	Manufacturing	34.1	30.8
	Mining	22.5	20.3
	Financial Services	17.7	16.0
	Leasing and Business Service	10.6	9.6
	Wholesale and Retail Trade	5.2	4.7
Latin	Information Transmission, Computer Services and Software	186.6	48.2
America	Leasing and Business Service	76.6	19.8
	Wholesale and Retail Trade	59.5	15.4
	Financial Services	25.1	6.5
	Mining	8.8	2.3
North	Manufacturing	19.5	22.4
American	Mining	14.7	16.9
	Leasing and Business Service	12.8	14.7
	Financial Services	10.6	12.2
	Information Transmission, Computer Services and Software	6.6	7.6
Oceania	Mining	22.4	53.6
	Real Estate	4.4	10.6
	Leasing and Business Service	3.1	7.5
	Financial Services	2.9	6.8
	Manufacturing	2.0	4.7

Source: *Statistical Bulletin of China's Outward Foreign Direct Investment* (2017).

For different geographical areas, the distribution of China's OFDI seems have different characteristics. China's resource-seeking OFDI are all around the world in Asia, Europe, Oceania, North American, Africa, and Latin American countries. For African countries, China helps to build infrastructure, while at the same time, China gets natural resources from those countries. The advantage of Chinese companies relative to other less-developed countries helps us to explain the multinationals from developing countries based on traditional FDI theory.

China allocates a substantial part of its investment in the manufacturing industry in Europe and North American countries in order to upgrade the industry by merger and acquisition. Chinese enterprises need high-tech to boost their competitiveness. Lacking R&D experience one of the efficient ways to acquire technological know-how it is by M&A. The investment in leasing and business service is mainly allocates in Asia and Latin America countries. Investment in the financial services industry is mainly focuses on developed area such as Europe, North American, and Oceania. Recently, the investment in real estate appears to show up in Oceania and Europe (Table 9).

3. China's Outward Foreign Direct Investment along BRI Countries

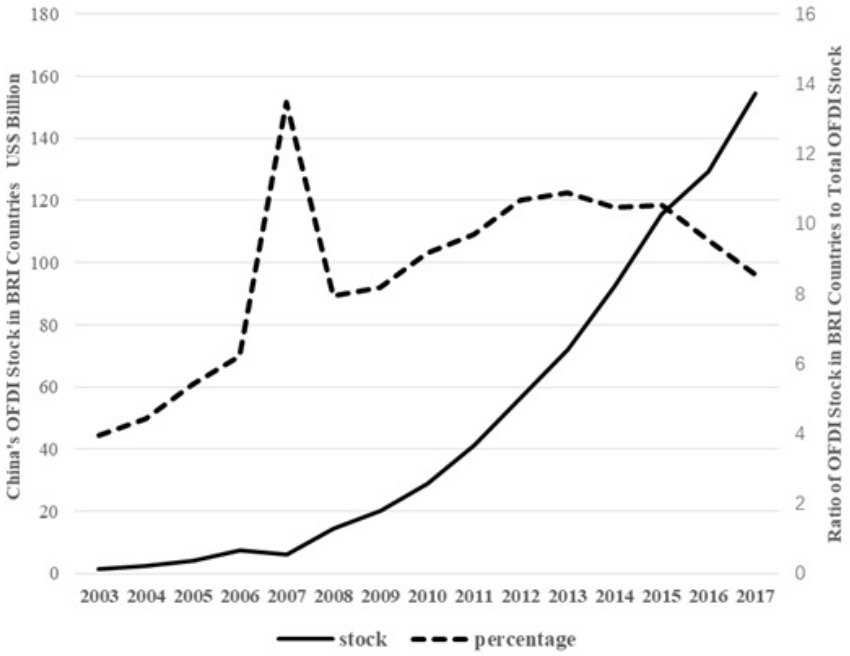
The Belt and Road Initiative (BRI) is a regional development strategy for the Silk Road Economic Belt and the 21st Century Maritime Silk Road. It involves 65 countries[1] from six different regions: Eastern Asia (China, Mongolia), Southeast Asia (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste, Vietnam,), South Asia (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri-Lanka), Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan), Europe (Albania,

Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine), Middle East & Northern Africa (Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Yemen). The "One Belt One Road" is partly based on the Silk Road Economic Belt which was proposed in September of 2013 when President Xi Jinping made a speech at Nazarbayev University. The Silk Road Economic Belt aims to build a land channel from the Pacific Ocean to the Baltic Sea by improving of cross-border infrastructure and flowing of international trade and capital. Another basement of BRI is the 21st Century Maritime Silk Road which was proposed in October of 2013 when President Xi Jinping made state visit to Indonesia and delivered speech at Indonesian Parliament. The 21st Century Maritime Silk Road not only connects the Association of Southeast Asian Nations (ASEAN) but also tries to link the countries together from South China Sea to Mediterranean Sea and South Pacific Ocean.

From China's perspective, the Belt and Road Initiative, a comprehensive trans-regional development policy combining investment and trade, is considered as a win-win strategy and will bring prosperity for both China and relevant countries. It is financed by the Chinese government and the Asian Infrastructure Investment Bank (AIIB). In fact, some scholars believe it is motivated by keeping high economic growth rate for Chinese economy and strengthening the political influence of China. The Belt and Road Initiative involves 65 countries which account for around 60 percent of the world's population and about 30 percent of world GDP (Huang, 2016). Countries along the BRI are endowed with abundant energy and natural resources, but their manufacturing industry is relative weak.

In this section, the trends and characteristics of China's investment along BRI countries are explained first, and then the motivations of China's OFDI along these countries are clarified deeply.

Figure 3 China's OFDI in BRI Countries (Stock and Percentage), 2003-2017



Source: Calculated by author with data from *Statistical Bulletin of China's Outward Foreign Direct Investment* (2003-2017).

3.1. The Trends and Characteristics of China's OFDI in BRI Countries

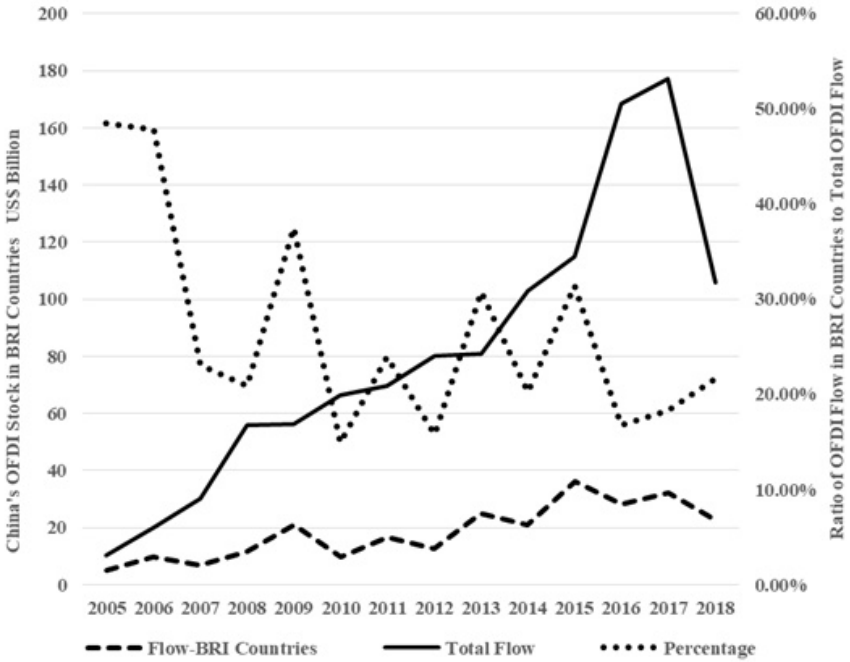
The distribution of Chinese OFDI along the BRI countries is an important sign to measure the performance and motivation of Chinese enterprises. The BRI countries saw a sharply increase in Chinese investment from US$1.311 billion to US$154.38 billion between 2003 and 2017 (Figure 3). The annual growth rate of China's OFDI into BRI countries was 40.58 per cent which was much above the 33.05 percent growth rate of Chinese global OFDI stock. The massive investment into BRI countries improves infrastructure and lowers transport costs of participating countries. Furthermore, with high-level government to government cooperation, the relative stable political environment encourages Chinese firms to invest more in BRI countries (Du and Zhang, 2018).

The habit of China's OFDI into BRI countries is more varied than many scholars believe. The Belt and Road initiative, believed to promote Chinese OFDI into BRI countries, has actually not increased the percentage of China's OFDI in BRI countries. As shown in Figure 3, the official data indicates a declining trend in the percentage of China's OFDI stock into BRI countries to China's total OFDI stock after 2013 when China unveiled the BRI initiative. This trend is also captured by the data from the American Enterprise Institute and Heritage Foundation, which recorded China's overseas investment valued at above US$100 million since 2005 (Figure 4).

After unveiling the BRI initiative, the Chinese government sharply increased the investment in BRI countries, reaching a peak in 2015, but then saw OFDI fall until 2018. China's Ministry of Commerce (MOFCOM) shows an on-going increasing trend which is different from that shown by the China Global Investment Tracker (CGIT). One reason for this difference between MOFCOM and CGIT is the later tracks the

final destination of capital flows. Another is that as the BRI was announced by Xi Jinping, the data was being modified by the grass-roots officials for political motivation to showcase the achievements of BRI (Reuters, 24 October 2017).

Figure 4 China's OFDI (Flow and Percentage), 2005-2018



Source: Calculated by author with data from American Enterprise Institute and Heritage Foundation.

Intensive concentration is one of the characteristics of China's investment in BRI countries. The top 10 recipient countries account for 73 per cent of totally investment in BRI countries and the top 20

recipients account for 92 per cent. Chinese capital mainly flows to Asian countries especially Southeast Asia countries. Of the top 10 host countries for Chinese OFDI, only the Russian Federation and United Arab Emirates are located out of Asia, while six out of ten countries are in Southeast Asia (Figure 5). Singapore receives nearly 30 per cent of total Chinese OFDI stock in BRI countries, mainly in logistics, energy, finance and real estate industries. Taking the advantages of cultural proximity to China, stable government, and being a professional service provider, Singapore as the launchpad into Association of Southeast Asian Nations (ASEAN) countries and attracts most of Chinese investment among BRI countries (*China Daily*, 30 April 2019).

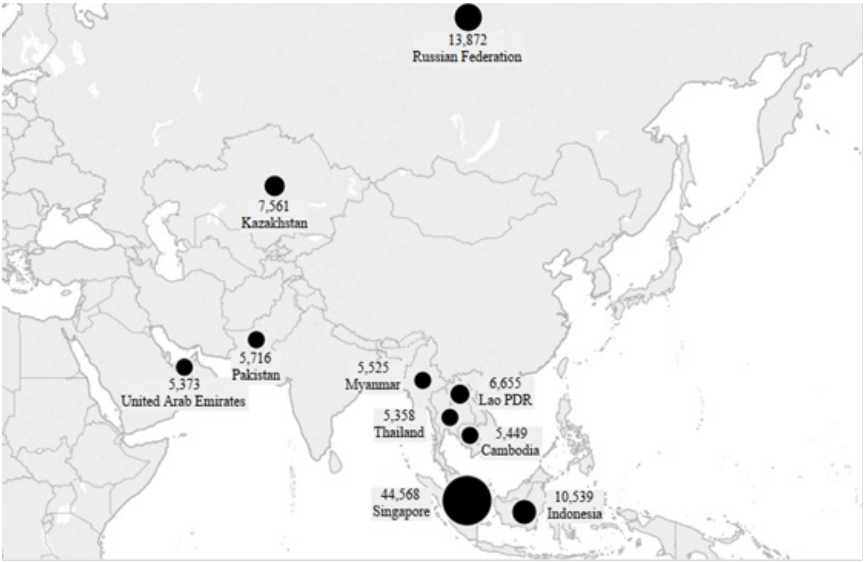
Intensive concentration of China's OFDI in BRI counties also can be seen from a geographical perspective. By the end of 2017, Southeast Asia countries accounted for about 58 percent of total Chinese OFDI in BRI countries. Middle East and North Africa countries accounted for nearly 12 per cent of that Chinese investment, which was approximately equal to the share of Europe countries. South Asia countries attracted a little more investment than Central Asia countries, with nearly 8 per cent. As Mongolia is the only Central Asia country along the BRI, it accounted for 2 per cent of total Chinese investment in BRI countries (Figure 6).

Comparing the data with 2012, after unveiling the BRI, China's investment is more concern on Southeast Asia countries, from 50 per cent in 2012 to 58 percent in 2017. The share of Middle East and North Africa countries only increased 1 per cent. Europe and South Asia countries keep the same proportions as before. East Asia and South Asia countries both decreased their share in China's total OFDI in BRI countries by 3 per cent and 6 per cent, respectively.

The geographical distribution of Chinese investment in BRI countries suggests that market size is one of the factors affecting the

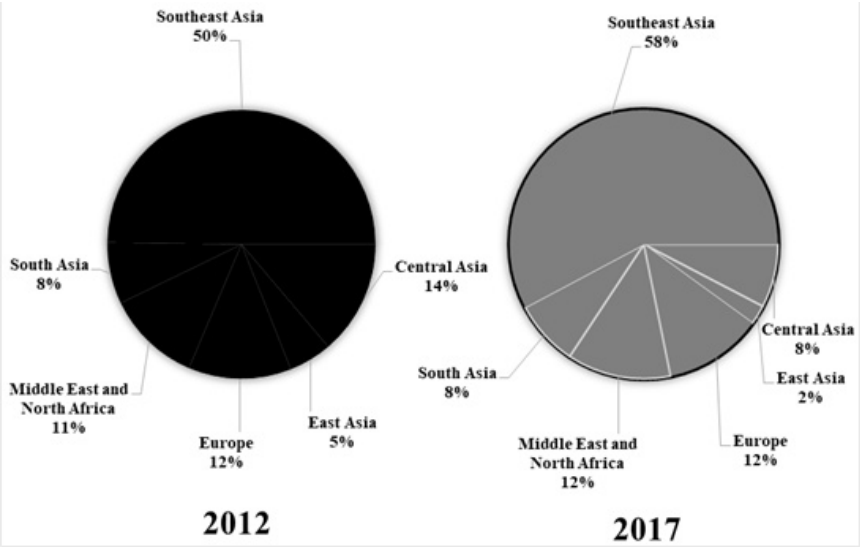
decision-making of Chinese firms. For the top 20 recipient countries of Chinese investment, 13 out of them are in top 20 GDP BRI countries. In other words, Chinese firms prefer to choose large market countries as the destinations of outward investment. MNEs enlarge their production in host countries in order to penetrate the growing local market (Agarwal, 1980; Benito, 1997; Faeth, 2009; Vukanović, 2016). The positive relationship between foreign direct investment and GDP has been supported by other empirical work (Arregle *et al.*, 2013; Ethier, 1986; Harvey, 1990; Iamsiraroj and Doucouliagos, 2015; Lall *et al.*, 2003; Tsai, 1991; Wang and Swain, 1995; Yang *et al.*, 2000).

Figure 5 Top 10 Recipients of China's OFDI in BRI Countries, 2003-2017 (US$ million)



Source: Calculated and mapped by author with data from *Statistical Bulletin of China's Outward Foreign Direct Investment* (2017).

Figure 6 Regional Distribution of China's OFDI Stock in BRI Countries, 2012 and 2017



Source: Calculated and mapped by author with data from *Statistical Bulletin of China's Outward Foreign Direct Investment* (2017).

3.2. The Sectoral Distribution of OFDI in BRI Countries

As industry sector data are not available from MOFCOM, CGIT data are used instead. Foreign direct investment from China mainly targets the energy, metals, and transport industry which account for 68.56 per cent of total industry distribution in BRI countries (Table 10). The top three industries are same as with the distribution of China's OFDI in the world. Investment in the energy sector is mostly in the form of mergers and acquisitions (M&A) FDI, while the others are greenfield FDI.

Table 10 Industry Distribution of China's OFDI in BRI Countries (US$ million)

Sector	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Agriculture	0	0	0	200	0	1,440	100	0	2,040	1,560	440	1,940	280	510	**8,510**
Chemicals	0	0	0	0	0	190	1,920	0	110	0	0	0	0	500	**2,720**
Energy	4,690	6,280	2,010	9,060	18,460	4,590	8,790	4,860	15,430	12,260	20,310	11,380	6,610	5,730	**130,460**
Entertainment	0	0	0	0	0	0	0	240	0	0	0	5,160	1,050	0	**6,450**
Finance	0	0	0	0	530	170	100	1,000	200	320	1,700	1,100	230	690	**6,040**
Health	0	0	0	0	0	0	0	0	240	0	0	0	1,080	100	**1,420**
Logistics	0	0	150	0	0	0	810	0	0	800	290	190	10,090	0	**12,330**
Metals	0	940	4,320	2,160	480	2,140	2,740	2,280	1,920	1,190	2,700	410	470	5,830	**27,580**
Other	0	120	0	0	0	400	0	230	410	530	1,530	1,240	4,060	4,190	**12,710**
Real Estate	0	1,300	0	0	600	500	1,690	1,670	3,390	1,640	1,620	1,740	3,890	140	**18,180**
Technology	0	0	460	0	500	300	0	1,500	110	1,600	3,280	250	410	1,120	**9,530**
Tourism	0	0	0	0	0	0	0	0	450	0	0	1,860	0	0	**2,310**
Transport	0	970	0	330	470	150	550	870	610	930	3,500	2,840	4,180	3,340	**18,740**
Utilities	0	0	0	0	0	0	0	0	0	0	730	140	0	0	**870**
Total	**4,690**	**9,610**	**6,940**	**11,750**	**21,040**	**9,880**	**16,700**	**12,650**	**24,910**	**20,830**	**36,100**	**28,250**	**32,350**	**22,150**	**257,850**

Source: Calculated by author with data from American Enterprise Institute and Heritage Foundation.

Energy subindustries such as oil, coal, gas and hydro are the core driver for BRI which helps China to access reliable and efficient energy network (Len, 2015). Except the demand for traditional energy consumption, China is looking for environment-friendly energy such as gas from Russian Federation and Kazakhstan, as the environmental pollution are being paid more attention in China's the economic development.

Investment in the metals industry is mainly in the steel, copper and aluminum subsectors. Indonesia, Bangladesh, Mongolia and India are the main destinations of Chinese steel sector FDI. Afghanistan, Myanmar and Serbia are the core recipients of Chinese investment in the copper sector. Malaysia, Indonesia, Saudi Arabia and Egypt are the main destinations of Chinese investment in the aluminum sector. Reliable metals supply fulfills the demand of both domestic and foreign consumption, and keeps the status of China as the world's factory (Fessehaie and Morris, 2013; Tan, 2013; Yao *et al.*, 2010).

Table 11 Industry Distribution of China's OFDI in BRI Countries (in number of projects)

Country	2005-2008		2009-2013		2014-2018	
Afghanistan	Metals	1	Energy	1		
Bangladesh					Energy	4
					Finance	1
					Metals	1
					Other	1
Belarus			Transport	1	Logistics	1
Bulgaria			Transport	1		
Bosnia					Energy	1
Brunei					Energy	1
Cambodia	Energy	3	Energy	4		
			Entertainment	1		
			Finance	1	Transport	2
			Metals	1	Agriculture	1
			Real estate	1	Real estate	1
Croatia					Energy	1
Czech Republic					Finance	3
					Real estate	1
Egypt	Logistics	1	Energy	1		
	Metals	1	Real estate	2		
			Other	1	Other	2
Georgia			Finance	1		
			Other	1		
			Real estate	1		
Hungary			Chemicals	3		
			Technology	1	Technology	1
India					Agriculture	3
			Energy	1	Energy	6
					Entertainment	1
					Health	1
	Metals	2			Metals	2
					Other	6
					Real estate	3
					Technology	6
					Tourism	1
			Transport	1	Transport	2
Indonesia	Energy	2	Energy	4	Energy	6
			Metals	5	Metals	6
			Real estate	3	Real estate	4
			Transport	1	Transport	4
					Other	1

Iran	Energy	1	Energy	1	Energy	2
					Metals	1
Iraq			Agriculture	1	Agriculture	2
Israel			Energy	3	Entertainment	1
			Health	1	Health	1
					Other	1
					Technology	2
Jordan					Chemicals	1
					Energy	1
					Other	1
Kazakhstan	Energy	3	Energy	4	Energy	4
			Metals	1	Finance	1
			Transport	1	Other	1
					Real estate	1
Kuwait					Energy	1
Kyrgyzstan					Energy	2
					Metals	1
Laos			Energy	2	Energy	4
					Metals	1
			Other	1	Other	3
			Real estate	1	Real estate	2
					Transport	1
Malaysia					Agriculture	1
			Energy	1	Energy	5
					Finance	1
			Metals	4	Metals	1
			Other	1	Other	1
			Real estate	3	Real estate	5
					Technology	2
					Tourism	1
			Transport	3	Transport	3
Maldives					Transport	1
Mongolia	Energy	1	Energy	3	Energy	2
	Metals	1			Metals	1
Myanmar			Energy	1	Energy	1
	Metals	1	Metals	2		
Nepal			Energy	1	Real estate	2
Oman					Other	1
Pakistan			Energy	4	Energy	7
					Finance	1
					Other	2
	Technology	2	Technology	1	Technology	2
					Transport	1

Poland			Transport	1	Energy	2
					Other	2
					Utilities	1
Philippines	Energy	1				
Qatar			Energy	1		
Russian Federation			Agriculture	1	Agriculture	1
	Energy	2	Energy	9	Energy	9
			Finance	4		
			Metals	5	Metals	1
	Other	1	Other	1		
	Real estate	1	Real estate	1	Real estate	1
			Technology	1	Technology	2
			Transport	1	Transport	2
Saudi Arabia	Metals	1	Energy	1		
Serbia					Energy	2
					Metals	3
					Other	1
					Transport	1
Singapore	Agriculture	1	Chemicals	1	Agriculture	1
	Energy	1	Energy	2	Energy	1
					Entertainment	1
					Finance	2
			Logistics	1	Logistics	6
					Other	3
			Real estate	4	Real estate	8
					Technology	1
	Transport	2			Transport	3
					Utilities	1
Slovenia					Entertainment	1
					Other	1
Sri Lanka			Logistics	1	Logistics	1
			Real estate	1	Real estate	1
			Transport	1	Transport	1
Syria	Energy	2	Energy	1		
Tajikistan			Real estate	1		
Thailand			Agriculture	1	Energy	1
			Finance	1	Other	2
			Real estate	1	Technology	1
			Transport	2	Transport	1
Turkey	Energy	1	Energy	3	Energy	1
					Finance	2
					Technology	1
			Transport	1	Transport	1
Turkmenistan					Energy	1

UAE			Tourism	1	Energy	6
					Other	1
					Transport	1
Ukraine					Energy	1
Uzbekistan			Metals	1	Energy	1
			Other	1	Real estate	2
Vietnam			Energy	1	Energy	5
			Other	1	Other	1
			Technology	1		
			Transport	2	Transport	2
Yemen	Energy	1				

Source: Calculated by author with data from American Enterprise Institute and Heritage Foundation.

As for Chinese investment in the transport industry autos, shipping, and rail are the main targets. To enlarge the production and marketing networks of Chinese auto MNEs, Indonesia, Serbia, Russian Federation and Singapore are targeted as the core investment recipients to serve the host country or to be production bases for other countries in this region, mainly through greenfield investment. China's shipping investment flows largely from state-owned enterprises (SOEs) to Pakistan, Sri Lanka and Turkey acquire orts to guarantee these strategic assets and in line with the China's diplomatic strategy (Lee *et al.*, 2018). Railway investment in BRI countries promotes the connectivity of infrastructure by taking advantages of the high technology of Chinese SOEs and low cost in railway construction (De Soyres *et al.*, 2018).

Since 2014, China's investment in entertainment, finance, health, logistics, technology, tourism, transport and utilities have becoming more attractive relative to other sectors. In other words, China has decreased its investment in natural resources from 77.14 per cent in 2013 to 51.78 per cent in 2018.

4. Chinese Policies for Encouraging OFDI in BRI Countries

SOEs have been the mainly drivers of Chinese OFDI in energy, metals, transportation, logistics, technology and finance industries. What affects the decision-making of SOEs in making OFDI?

The Chinese government, as the direct controller of SOEs and indirect controller of private enterprises, supports both the greenfield investment and M&A investment in BRI countries through its release of the Outbound Foreign Investment Catalogue (OFIC) and Guide for Outbound Investment and Cooperation (GOIC). The Chinese central government vigorously promotes Chinese Overseas Cooperation Zones (COCZs) to boost overseas investment and cooperation with the host country.

4.1. Outbound Foreign Investment Catalogue (OFIC)

The Ministry of Commerce (MOFCOM)'s Ministry of Foreign Affairs (MOFA)'s and National Development and Reform Commission (NDRC)'s OFIC released to guide Chinese enterprises to make investment decisions in different sectors and countries. Since 2004, Chinese government has issued three catalogues covering 130 countries. The aim of OFIC is to encourage Chinese enterprises that have the competitive advantages to engage the high-level international competition, and promote the growth of goods, service trade and technology. Those enterprises that follow the guide to invest abroad can get the support of government preferential policies on capital, foreign exchange, taxation and customs.

For BRI countries, 51 out of 64 countries are covered by the catalogues. The first catalogue was published in 2004 and covered 30 BRI countries. The Southeast Asia countries are the only regional countries that all are covered in the first catalogue. Meanwhile, until

now, the top 10 countries that receive most of the Chinese investment are all included in the first catalogue. OFIC can be regarded as one of most important government policies that reflect the real strategy of Chinese government to engage in international business. The preferential policies from government have changed the direction of capital flows of Chinese enterprises.

From a sectoral distribution perspective, the catalogue includes natural resources (agriculture, forestry, and fishing industry, and mining, quarrying, and oil and gas extraction industry) manufacturing sector, service sector and others. Chinese OFDI is seeking natural resources such as forestry, fishing, aquaculture and mining in 40 out of 51 BRI countries except Singapore, Turkey, Hungary, Nepal, Jordan, Israel, Bulgaria, Estonia, Lithuania, Slovenia and Slovakia. Forestry is the most attractive sector in agriculture, forestry, and fishing, covering 9 countries such as Thailand, Laos, Myanmar, Cambodia, Malaysia, Indonesia, Czech Republic, Russia and Croatia. Fishing is the second most attractive sector with 8 countries included - Myanmar, Philippines, Indonesia, Brunei, Timor-Leste, Pakistan, Sri Lanka and Oman.

The oil and gas extraction industry is in 18 countries – Myanmar, Indonesia, Brunei, Timor-Leste, Iran, United Arab Emirates, Saudi Arabia, Egypt, Russia, Kazakhstan, Uzbekistan, Azerbaijan, Yemen, Syria, Turkmenistan, Kuwait, Qatar, and Oman. The Chinese government has chosen those countries with abundant oil reserves, and some of them are in top ranking of proven oil reserve countries, such as Saudi Arabia, Iran, Kuwait, United Arab Emirates, Russia, Kazakhstan and Qatar (Table 12). For mining industry, the subsector mainly focuses on coal mining (Malaysia, Kyrgyzstan, Vietnam, Russia, Mongolia, Bangladesh, India, Pakistan and Ukraine), copper mining (Russia, Mongolia, Pakistan, Afghanistan, Poland, Armenia, Kazakhstan, Philippines, Iran, Myanmar) and iron ore mining (Vietnam, Russia,

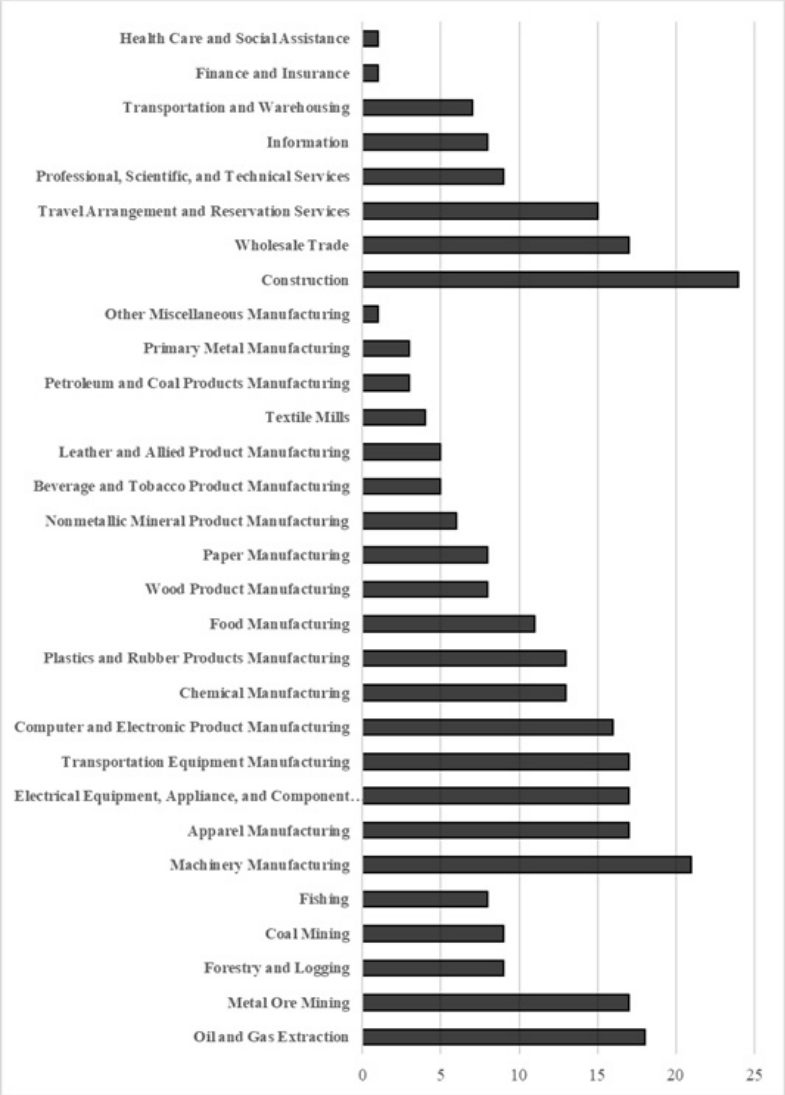
Mongolia, India, Ukraine, Afghanistan, Kazakhstan). According to above analysis, it is clear to see the government policy to encourage natural resources-seeking FDI in BRI countries.

For the manufacturing sector, it covers food manufacturing (Armenia, Vietnam, Belarus, Kazakhstan, Bulgaria, Malaysia, Turkmenistan, Tajikistan, Laos, Kyrgyzstan and Vietnam), beverage and tobacco product manufacturing (Russia, Cambodia, Vietnam, Kazakhstan and Kyrgyzstan), textile mills (Thailand, Azerbaijan, Egypt and Uzbekistan), apparel manufacturing (Jordan, Bangladesh, Cambodia, Pakistan, Sri Lanka, Mongolia, United Arab Emirates, Turkey, Poland, Czech Republic, Romania, Russia, Syria, Tajikistan, Turkmenistan, Estonia and Lithuania), leather and allied product manufacturing (Turkey, Mongolia, Lithuania, Belarus and Yemen), wood product manufacturing (Romania, Belarus, Estonia, Slovenia, Croatia, Indonesia, Myanmar and Russia), paper manufacturing (Thailand, Vietnam, Myanmar, Kyrgyzstan, Ukraine, Laos, Malaysia and Russia), petroleum and coal products manufacturing (United Arab Emirates, Oman and Singapore), chemical manufacturing (Kuwait, Thailand, Myanmar, Malaysia, Syria, Indonesia, Saudi Arabia, Egypt, Uzbekistan, India, Pakistan, Tajikistan and Ukraine), plastics and rubber products manufacturing (Kyrgyzstan, India, Iran, Saudi Arabia, Egypt, Romania, Russia, Kazakhstan, Sri Lanka, Albania, Qatar, Thailand and Malaysia), nonmetallic mineral product manufacturing (Vietnam, Kuwait, Mongolia, Nepal, Yemen and Armenia), primary metal manufacturing (Malaysia, Ukraine and Qatar), machinery manufacturing (Laos, Vietnam, Philippines, United Arab Emirates, Hungary, Saudi Arabia, Albania, Oman, Thailand, Pakistan, Bangladesh, Malaysia, Myanmar, Slovakia, Qatar, India, Syria, Sri Lanka, Estonia, Czech Republic and Turkey), computer and electronic product manufacturing (Singapore, Russia, Poland, Romania, Belarus, Armenia, Slovenia,

Bulgaria, Pakistan, Indonesia, Philippines, India, Turkey, Yemen, Jordan and Slovakia), electrical equipment, appliance, and component manufacturing (Czech Republic, Egypt, Indonesia, Iran, Kazakhstan, Uzbekistan, Poland, Myanmar, Malaysia, Bangladesh, Turkmenistan, Indonesia, Hungary, Romania, Vietnam, Jordan and Laos), transportation equipment manufacturing (Czech Republic, Russia, Ukraine, Bulgaria, Cambodia, Bangladesh, Nepal, Laos, Indonesia, Kazakhstan, Myanmar, Iran, Vietnam, Philippines, Pakistan, Egypt and Romania) and other miscellaneous manufacturing (India). Among those 51 countries, Russia, Malaysia, Egypt, Vietnam, Thailand, Myanmar, India, Pakistan, Romania, Laos, Philippines, Indonesia and Czech Republic are the most popular destinations for Chinese government policy to encourage to invest in manufacturing industry.

For the service sector, it is mostly in the construction industry (Russia, Thailand, Iran, Turkmenistan, Indonesia, Jordan, Cambodia, United Arab Emirates, Ukraine, Syria, Myanmar, Turkey, Mongolia, Vietnam, Pakistan, Egypt, Bulgaria, Kazakhstan, Malaysia, Philippines, Qatar, India, Albania and Singapore), wholesale trade (Turkmenistan, India, Belarus, Turkey, Egypt, Kazakhstan, Vietnam, Jordan, Thailand, Hungary, Romania, Singapore, United Arab Emirates, Russia, Ukraine, Malaysia and Pakistan), travel and hospitality (Slovenia, Slovakia, Hungary, Sri Lanka, Egypt, Malaysia, Indonesia, Thailand, Vietnam, India, Cambodia, Nepal, Russia, Estonia and Croatia), professional, scientific, and technical services (Poland, Czech Republic, Estonia, Russia, Belarus, Kyrgyzstan, Oman, Israel and Singapore),information (Romania, Croatia, Russia, Iran, Kyrgyzstan, Kazakhstan, India and Israel) and transportation and warehousing (United Arab Emirates, Indonesia, Philippines, India, Russia, Singapore and Kazakhstan). The finance and insurance industry and health care and social assistance industry have less interest.

Figure 7 Sector Distribution of the Outbound Foreign Investment Catalogue (account in numbers)



Source: Calculated by author with data from MOFCOM.

Table 12 Ranking of Crude Oil Proved Reserves (2018)

Country	Ranking
Saudi Arabia	2
Iran	3
Kuwait	6
United Arab Emirates	7
Russia	8
Kazakhstan	12
Qatar	14
Azerbaijan	21
Oman	22
Turkmenistan	25
Egypt	27
Indonesia	28
Yemen	29
Syria	30
Brunei	40
Uzbekistan	45
Myanmar	63
Timor-Leste	--

Source: *International Energy Statistics*.

China's investment in manufacturing industry and service industry can be explained as promoting trade-substituting and avoiding tariff barriers in order to keep existing host country market share. As Chinese companies have relative advantage in manufacturing textile, television set and electrical machinery as well as in construction industry, it is facing increasing pressure from host country policy to reduce trade deficit. One of the ways to avoid tariff and non-tariff barriers is to

transfer its production from China to other countries. The investment in wholesale trade industry can be seen a way to seek new markets. The market seeking FDI motivation can be proved according to relative industry investment encouragement. Meanwhile, the Chinese government encourages Chinese enterprises to compete with MNEs from advanced economies and even acquire high technology by M&As. Those industries include biological pharmacy, computer science, finance and electronics.

The catalogue reflects the motivation of Chinese government to promote overseas investment. The Chinese government chooses the country that has a good relationship and be an important trade partner with China. The selected host country should also be a member of a regional economic organization, and its economy can be complementary with the Chinese economy. For the selection of sectors, it mainly encourages the enterprises that with excess capacity or have the relative advantages with the host country going abroad. Meanwhile, based on the characteristics of the host country, the Chinese government encourages investors to focus on the high technology industry in order to upgrade the Chinese economy.

4.2. Guide for Outbound Investment and Cooperation (GOIC)

In 2009, the MOFCOM published the GOIC that covered 162 countries and areas. This guide is updates year by year and now has included 172 countries and areas, in which all BRI countries are covered except Bhutan, Montenegro and Palestine. The main objective of issuing and updating the guide is to offer comprehensive and authoritative information about the host country for Chinese MNEs to operate production activities overseas. Meanwhile, this guide aims to avoid and underestimation of risks by Chinese overseas investors.

Table 13 Number of Attractive Sectors of China's OFDI in BRI Countries (in numbers of projects)

Country	Agriculture, Forestry, and Fishing	Mining	Manufacturing	Service	Others	Total
			First Catalogue			
Thailand	2	1	6	3	0	12
Singapore	0	0	3	6	0	9
Laos	2	1	5	0	1	9
Myanmar	3	3	6	1	0	13
Vietnam	2	1	7	3	2	15
Cambodia	2	0	4	2	0	8
Philippines	2	1	5	2	1	11
Malaysia	1	1	8	4	0	14
Indonesia	2	1	5	3	1	12
Brunei	2	1	0	0	0	3
India	1	1	6	6	1	15
Pakistan	1	1	6	2	1	11
Bangladesh	1	1	4	0	0	6
Afghanistan	0	1	0	0	0	1
Timor-Leste	1	1	0	0	0	2
Mongolia	0	1	3	2	0	6
Iran	0	2	4	2	0	8
United Arab Emirates	0	1	4	4	0	9
Saudi Arabia	0	1	4	0	0	5
Turkey	0	0	4	2	0	6
Egypt	1	1	7	3	0	12
Poland	0	1	4	2	0	7
Czech Republic	1	0	5	1	0	7
Hungary	0	0	4	2	0	6
Romania	0	0	6	3	0	9
Russia	2	2	9	7	0	20
Kyrgyzstan	0	1	4	2	0	7
Kazakhstan	0	2	5	4	0	11
Uzbekistan	0	1	3	1	0	5
Azerbaijan	0	1	1	0	0	2
Subtotal	26	29	132	67	7	261

Second Catalogue						
Sri Lanka	1	1	3	1	0	6
Nepal	0	0	3	1	1	5
Yemen	0	1	3	0	0	4
Syria	0	1	3	1	0	5
Jordan	0	0	3	2	0	5
Israel	0	0	2	2	0	4
Belarus	2	1	4	2	0	9
Tajikistan	1	1	3	1	1	7
Turkmenistan	1	1	3	3	0	8
Ukraine	1	1	4	2	0	8
Bulgaria	0	0	3	1	0	4
Albania	1	0	3	2	1	7
Subtotal	7	7	37	18	3	42
Third Catalogue						
Kuwait	0	1	2	0	0	3
Qatar	0	1	3	1	0	5
Oman	1	1	2	1	0	5
Estonia	0	0	3	2	0	5
Armenia	0	1	3	0	0	4
Lithuania	0	0	3	0	0	3
Slovenia	0	0	2	2	0	4
Slovakia	0	0	2	2	0	4
Croatia	1	0	2	2	0	5
Subtotal	2	4	22	10	0	38
Total	37	42	193	97	12	381

Source: Calculated by author with data from MOFCOM.

The characteristics of the GOIC are the pertinence and authority. The pertinence refers to the guide introducing the basic information of the host country about investment corporation and shows the issues Chinese enterprises may confront, and then gives suggestions to those enterprises. The authority indicates all the information are from the Economic and Commercial Counselor's Office of the Embassy of the People's Republic of China in those counties, official data of the host

country departments, and relevant international organizations and institutions.

The guide contains seven sectors. The first sector shows what the host country is. The host country's history, geographical conditions, political conditions and cultural conditions are explored in this sector. The attractiveness of the host country to foreign direct investment sector two. It considers the advantages of the host country for attracting FDI such as domestic market size, consumption capacity, natural resources, technology levels, industry structure, government concerned industry, labor costs, government stability, infrastructure, and trade and investment relationship with China and other countries. The Chinese enterprises can make decision on investment in host country according to this analysis.

Sector three explains the host country's government regulations and policies on foreign trade and attracting FDI. As the branches production in foreign country not only meets the demands of host country but also fulfill the needs of Chinese market or other countries, Chinese enterprises should know the host country's regulations on import and export. For Chinese enterprises, they also should know the host country's local government policies and regulations on tax collection, labor employment, land usage, environmental protection, foreign investment protection, Intellectual property right protection, privilege for foreign enterprises, and anti-commercial bribery. Those factors also affect the decision in making overseas investment of Chinese MNEs. Meanwhile, the Chinese enterprises should have the knowledge of contracting with local project, investing in cultural market, and finance and stock market, and ways of handing disputes.

Handling the relevant procedures of investment in host country are explained in sector four. For new company registration, the requirement for ratio of shares and the minimum registered capital should be known.

This sector gives the suggestions for Chinese enterprises to contract the project, apply for employment visa, file the tax, apply for patent, and register trademark. Also, the list of institutions is given for Chinese MNEs to consult the business about investment.

Sector five tells what Chinese enterprises should pay attention to when they have investment and cooperation with the host country. Chinese investment in the BRI country should not only consider the strategy of business but also take into account the economic benefits. This sector also lists the things that Chinese enterprises should pay attention to on international trade, contracting projects, labor service corporation, and risk prevention.

Sector six and seven give the advice for Chinese enterprise to build a harmonious relationship with the host country and to deal with potential challenges. A good relationship with the country's government and people is a key element for Chinese MNEs to do business. In addition, the Chinese MNEs should also obey the local cultural custom, implement corporate social responsibility, and where feasible to spread Chinese culture. If the Chinese MNEs are facing troubles, it is better to use the law and search help from local government and the Chinese Embassy in host country.

The GOIC can be seen as the government's suggestions for Chinese MNEs. From an investment motivation perspective, it gives the information about markets and natural resources. Besides, the potential investment opportunity such as how to choose industry entry is explained for each host country. Based on the above information, Chinese MNEs can make the first investment decision to choose which country and which sector to enter. Although, the final decision may differ from the government's suggestions, it gives the basic information on the host country and tips for investment.

4.3. Chinese Overseas Cooperation Zones (COCZs)

Established by the Ministry of Commerce, the COCZs refer to industrial parks that receive investment from Chinese-owned enterprises registered in the People's Republic of China (excluding Hong Kong, Macao and Taiwan) with independent legal entities. Equipped with complete infrastructure, clear industrial development strategy, and excellent public service, COCZs play the role of industrial agglomeration centres that promote industrial development.

With Chinese government propeling the going abroad policy, Chinese overseas cooperation zones (COCZs) as a new platform for facilitating investment experience a fast development. Until now, there are totally 113 COCZs, 54 of them located in BRI countries. Among BRI countries, Indonesia, Russia and Cambodia are the most attractive destinations, and a total of 24 COCZs have been built theret. As a corporate platform proposed by the central government, Chinese enterprises that successfully operate in the industrial park and pass the evaluation of the Ministry of Commerce can get the financial support amounting to as much as 0.2 billion RMB. Until now, a total of 30 COCZs has been reviewed and confirmed by the Ministry of Commerce, of which 21 are located in BRI countries. In addition to support from the Ministry of Commerce, the China Development Bank (CDB) also encourages the development of COCZs. COCZs can get financing support in the form of balance transfer loans and syndicated loans.

Because BRI countries are structurally different, leading industries are diverse in each COCZs. From a host country perspective, each country and market has its own relative advantages in specific industry, an example being the Cambodia - China Tropical Agriculture Demonstration Area, with Cambodia having the advantage of cheap land and labour, and good natural environment to attract Chinese enterprises to cooperate in agriculture industry. From China’s home country

perspective, China has its need in forest, agricultural planting, and mineral resources, that Cambodia has. In 2019, China imported bananas from the Cambodia - China Tropical Agriculture Demonstration Area for the first time. It means that the COCZs is a win-win way for corporation from both sides.

The Chinese central government proposes to enhance the development of COCZs in official documents such as 'Vision for Maritime Cooperation under the Belt and Road Initiative' and 'Guidelines of the State Council on Promoting International Cooperation in Production Capacity and Equipment Manufacturing'. COCZs should be taken as the instrument for agglomerating different industries along the supply chain and increasing competitive capability, while promoting capacity cooperation and industrial upgrading. As economic growth rate is slowing down, China faces the problem of excess production in steel, cement, electrolytic aluminium, and machinery manufacturing industry. To sustain economic growth, the Chinese government proposes the supply-side reform to reduce the production capacity. Meanwhile, industrial transformation and upgrading is another aim for 'Made in China 2025' strategy which aims to transform China from a low-end manufacturer to a high-end one. COCZs in BRI countries, as the industrial parks that represent part of production capacity of Chinese enterprises and the tool of serving the aim the Chinese government, play the role of both absorbing excess production capacity and industrial upgrading.

5. Conclusions

BRI countries play an important role in receiving China's OFDI. Before the Chinese government propound the belt and road intuitive, the central government had issued policy to encourage outward investment in some

BRI countries. Chinese enterprises choose the countries that have a good relationship with China as a first priority. From the industry distribution perspective, Chinese government proposes policy to guide the OFDI disruption in BRI countries. Those policies include the outbound foreign investment catalogue, guide for outbound investment and cooperation, and Chinese overseas cooperation zones. The motivation behind the investment is not only economic but also political. The political reasons are important for both SOEs and private enterprises. The SOEs as the executor of central government policy, choose the sectors that guarantee the economic growth and national security. The private enterprises to get the finial support from the government, will also choose the sectors that are specified by the central government.

China seeks investment opportunities in BRI countries is not only because of the host country's relative advantages in land, labour, and natural resource, but also because of China's motivation to transfer its excess production capacity and labour-intensive industries. The labour-intensive industries help the host countries to enlarge their employment and increase their GDP. Meanwhile, those industries give rise to environmental pollution, such as with the textile industry. For the BRI countries, they not only need the economic development as the flow of investment from China, but also the updating of technology.

For the BRI countries, the local and central governments should also formulate coherent policies to encourage FDI in sectors that will benefit the host country. Meanwhile, Chinese policy should consider the potential effects of Chinese investment in BRI countries, such as mass merger and acquisition activities, in order to avoid the rising hostile from BRI countries.

For Chinese outward investment, there is still a long way to go before catching up with the investment from the developed countries in BRI countries. As for the conflicts ween China and United States, BRI

counties are a new frontier for Chinese enterprises that see limited competition with US interests. Finally, it will stimulus the growth of both China and BRI countries.

Notes

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Acknowledgement: The first author would like to thank his Ph.D. research supervisors including Dr Kok-Kheng Yeoh (楊國慶, Associate Professor at the Department of Administrative Studies and Politics, Faculty of Economics and Administration, University of Malaya; principal investigator of the HIR grant project "The China Model: Implications of the Contemporary Rise of China") who has retired. Dr Yeoh, till his retirement in January 2020, was the supervisor of the first author's Master's thesis and Ph.D. dissertation.

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1. The Chinese government declare that there will be no specific country list for BRI. While there are now more and more countries joining this initiative, the official data about China's ODFI in BRI counties only involve 65 countries. Please refer to *<https://www.yidaiyilu.gov.cn/info/iList.jsp?tm_id=513>*, *<https://www.imsilkroad.com/news/p/76186.html>*.

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Postscript