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The economic sustainability of Chinese foreign direct investments

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Contents

Introduction

Rapid development of trade liberalization in recent years, regional trade agreements increase in quantity and qualitySince China's accession to the WTO in 2001, China has signed 16 free trade agreements (FTAs) since 2002, expanding the scope of investment from trade in goods to investment and intellectual property rights. With the deepening of global economic integration, the ties between countries are getting closer and the possibilities of economic cooperation between countries are increasing. China has always maintained a very supportive attitude and policy towards foreign direct investment and has proposed the economic strategy of "going out" and "one belt, one road". According to the "Bulletin of China's Outward Foreign Direct Investment in 2021" released by the National Bureau of Statistics and other authoritative departments, China's net outward foreign direct investment has ranked the second in the world and the third in the cumulative net investment. The scale of China's OFDI is gradually expanding.

This paper analyzes the outbound investment policies and data from the reform and opening up in 1979 to the present, and provides insight into the evolution of the policies, the diversification of the types of outbound investment enterprises, and the diversification of the types of investment with the increasing number of investment countries. It also provides an in-depth analysis of the data from the Statistical Bulletin on Outward Investment of the National Bureau of Statistics of China since 2003.

The opportunities and challenges of China's outbound investment are listed based on the analyzed data, as well as the rise of emerging sectors that help the sustainability of outbound investment. For example, China is now strongly supporting the new energy industry, the electronic communication industry and the digital economy represented by artificial intelligence, big data, cloud computing, etc. Factors such as worldwide inflationary pressures, the US-China trade war, the Russia-Ukraine conflict, and increased global investment protection are also cited to affect outbound investment.

Finally, based on the information and data in the previous chapters, we conclude with a list of factors influencing China's outbound FDI and recommendations for sustainability for both companies and countries

Chapter 1 Background of China's Overseas Investment

1.1 The Early Stage of China's Overseas Investment (1979-2001)

1.1.1 Overseas Investment Policy Background from 1979-2001

FDI has been a major driver of China's rise in the global economy. Although China had implemented an open-door policy as early as 1979, including the establishment of four special economic zones, it was not until 1992 that it began to encourage provinces and cities other than coastal areas to attract FDI. In contrast, China's opening up to the outside world reached a peak with the implementation of the Western Development Strategy beginning in 1998 and the opportunity to join the World Trade Organization in 2001. These changes had a direct impact on foreign investment, with total inflows into China doubling annually from 1991 to 1993 to $33 billion, a level that was maintained until 2001, when FDI once again achieved double-digit growth. One of the keys to China's reform approach was to gradually open up while still maintaining control. For foreign capital inflows and later outbound investments, this control was attributed to the investment direction guidelines issued, i.e., they were divided into "encouraged," "allowed," "restricted," and "prohibited" categories.[1]

Since the reform and opening-up policy in 1979, domestic enterprises have been investing in overseas enterprises, and in January 1979, Beijing Friendship Commercial Service Corporation and Megamoto Tokyo Maru~Shoji Co. This was the first overseas joint venture after the implementation of China's reform and opening-up policy.The main business scope of this enterprise is to introduce technology and equipment for the upgrading of food industry enterprises in Beijing, and to open Beijing-style restaurants and provide chef services in Japan. In March 1980, China State Shipbuilding Industry Corporation, China Chartering Corporation and Hong Kong Global Shipping Group jointly invested 50 million US dollars and established "International United Shipbuilding Investment Co. Ltd.", headquartered in Bermuda, and set up "International United Ship Agency" in Hong Kong to act as an agent for import and export of Chinese ships and marine equipment and to operate international

[1] 中国的全球投资战略 China's global investment strategy

PERRY WONG, JAKOB WILHELMUS,MICHAEL JARAND AND JOSIE LUI Milken istitute shipping business, with the Chinese side accounting for 45% of the investment. This was the largest overseas joint venture with Chinese investment at that time.

At this stage, other overseas enterprises invested by China included: Zhongzhi Xingye Finance Company Limited, an enterprise engaged in financial business in Hong Kong; YJEDA Company Limited, an enterprise engaged in economic and technical consulting services in Japan; YJEDA Company Limited, an enterprise engaged in contract engineering in Yemen. Ltd. in Yemen and Five Star Shipping Agency Ltd. in Australia.[2]

The period from 1986 to 1992 was a period of accelerated development. In this stage, China's overseas direct investment has a faster development, mainly in: the type of domestic enterprises involved in overseas investment increased, not only foreign economic and foreign trade warehouse industry but also industrial enterprises, trade and material enterprises, science and technology enterprises and financial and insurance enterprises also involved in overseas investment: the field of overseas investment further broadened, in the service industry, industrial and agricultural production and processing, resource development and several other major industries By the end of 1992, there were 1,360 overseas non-trade enterprises and 2,600 overseas trade enterprises, and the total amount of Chinese investment in overseas trade enterprises and non-trade enterprises reached more than 4 billion U.S. dollars; overseas enterprises were more widely distributed in different countries and regions, and by the end of 1992, Chinese enterprises had established overseas enterprises in more than 120 countries and regions in the world. By the end of 1992, Chinese enterprises had set up overseas enterprises in more than 120 countries and regions.

The second stage of adjustment and development was from 1993 to 1998. Due to the overheated economic development, unreasonable investment structure and rapid price rise in the whole national economic development, the state decided to implement economic restructuring and tighten the money to make a soft landing for the overheated economy from the middle of 1993. Accordingly, the overseas investment business also entered a period of clean-up and consolidation, with the state authorities implementing a policy of strictly controlling the approval of new overseas investments and re-registering overseas enterprises

[2] 中国对外直接投资：现状、趋势与政策　周升起东亚论文 第 75 期
China's Outward FDI: Status, Trends and Policies Zhou Shengqi East Asia Paper No. 75

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already established by various departments and localities, and the development of overseas investment began to slow down. During these six years, China's outward foreign direct investment was USD 1.27 billion and about 1,500 overseas enterprises were approved to be established. By summarizing the lessons learned from previous overseas investments and analyzing the realities of Chinese enterprises' international competitiveness, the Chinese government proposed a new strategic policy for the development of overseas investments in the latter part of this period: to encourage the development of outward investments that can bring into play China's comparative advantages and make better use of the two markets and two resources; to form cross-industry, cross-department and cross-region multinational operating groups to actively expand exports. At the same time, we should lead and support a number of state-owned enterprises with strengths and advantages to go abroad, mainly to Africa, the Middle East, Eastern Europe, South America and other places to invest and set up factories. The new strategic policy of overseas investment indicates that there will be a new round of rapid development of overseas investment.

Since 1999 for a new and faster development phase,. Starting from 1999, in order to promote the development of export trade, to accelerate the adjustment of industrial structure, and to transfer mature domestic technologies and industries overseas, the Chinese government proposed to encourage powerful domestic enterprises to invest overseas, to expand foreign trade by carrying out overseas processing and assembly, local production and local sales or sales to neighboring countries, and to drive the export of domestic equipment, technologies, materials and semi-finished products. The above new policy measures are systematically summarized as the "Go Global" strategy. In order to speed up the implementation of the "going out" strategy, the Ministry of Foreign Trade and Economic Cooperation has issued the "Overseas Processing Trade Enterprise Approval Certificate" to more than 100 enterprises. The overseas investment triggered by overseas processing trade will become a new growth point for China's overseas investment in the future, and the accelerated development of this type of overseas investment will also lead to new changes in the main body, mode and line of overseas investment and the structure of the world. In addition, after China's accession to the World Trade Organization, while foreign enterprises and products are entering the Chinese market in a big way, Chinese enterprises should also go abroad in a big way. Only by going abroad can we fully seize the opportunities and make full use of the power given to us by other parties after the accession. At present, overseas investment behavior is more rational, blind investment is reduced, and market-oriented, trade-oriented and efficiency-centered has gradually become the basic principle for Chinese enterprises to follow in their overseas investment.[3]

[3] 中国企业的国际竞争力与海外直接投资 姓名：卢进勇　　对外经贸大学
International Competitiveness of Chinese Enterprises and Overseas Direct Investment
Name: Lu Jinyong University of International Business and Economics

1.1.2 Analysis of Overseas Investment Data from 1979-2001

By the end of 2002, the number of overseas Chinese-invested enterprises approved or filed by the Ministry of Commerce of China (former Ministry of Foreign Trade and Economic Cooperation) had reached 6,960 (excluding financial overseas Chinese-invested enterprises), with a total agreed investment of US$13.78 billion from both sides, of which the total agreed investment from the Chinese side was US$9.34 billion. In addition, in overseas Chinese enterprises, overseas processing trade enterprises accounted for 420, the Chinese side agreed to invest a total of 1.12 billion U.S. dollars. This group of overseas enterprises both trade and non-trade, distributed in more than 160 countries and regions in the world. Among the larger ones, such as: China National Chemical Import & Export Corporation has set up nearly 30 subsidiaries and joint ventures in the world's major petrochemical markets; Beijing Trust Investment Company has established more than 10 overseas enterprises in Japan, the United States, Hong Kong and other places; Haier Group has set up more than 10 overseas enterprises.

More than 10 overseas enterprises; Haier Group has set up more than 40,000 sales outlets and 10 scientific and technological information networks in 106 countries. In addition, a large part of China's overseas investment belongs to the financial category.

China's top 500 companies in the world from 1995-2001

		1995	1996	1997	1998	1999	2000	2001
Mainland China	Number of enterprise	2	3	3	5	9	11	11
	Enterprise name and its ranking	Bank of China: 167 COFCO: 338"	Bank of China: 164 Sinochem: 204 COFCO: 370	Bank of China: 173 Sinochem: 213 COFCO: 309	Sinopec: 73 Industrial and Commercial Bank of China: 160 Bank of China: 171 Sinochem: 304 COFCO: 362	Sinopec: 58 State Power: 83 Industrial and Commercial Bank of China: 208 China Telecom: 236 Bank of China: 255 Sinochem: 307 Agricultural Bank of China: 351 China Construction Bank: 364 COFCO: 413	Sinopec: 66 State Power: 77 PetroChina: 83 Industrial and Commercial Bank of China: 213 China Telecom: 228 Bank of China: 251 Sinochem: 276 China Mobile: 336 China Construction Bank: 411 COFCO: 414 Agricultural Bank of China: 448	State Power: 60 China National Petroleum: 81 Sinopec: 86 China Telecom: 214 Industrial and Commercial Bank of China: 243 Bank of China: 277 China Mobile: 287 Sinochem: 311 China Construction Bank: 389 COFCO: 392 Agricultural Bank of China: 471
Hong Kong Special Administrative Region	Number of enterprise			1	1	1	1	
	Enterprise name and its ranking			Jardine Matheson Hong Kong Limited: 391	Jardine Matheson Hong Kong Limited: 402	Jardine Matheson Hong Kong Limited: 462	Jardine Matheson Hong Kong Limited: 494	
Taiwan Province	Number of enterprise			2	2	1		2
	Enterprise name and its ranking			Sinochem Oil: 422 Cathay Life Insurance: 470	Guotai Life Insurance：472 Sinochem Oil：485	Cathay Life Insurance: 489		Guotai Life Insurance：440 Sinochem Oil：67

Note：The number behind the company is the ranking of the year
*Material resource: Fortune, Relevant dates from 1996–2002

*China's top 500 companies in the world, 1995-2001[4]

From 1982 to 2001, China's OFDI went through two general phases:
1. 1982-1991, the initial stage of OFDI exploration. During this period, China's OFDI volume was very small, and the OFDI flow was less than USD 900 million except for 1991. During this period, China was in the exploratory stage of market-oriented reform of its economic system, and enterprises were small in scale, lacked capital, and had limited operational autonomy, so they basically did not have the enthusiasm and initiative to invest abroad, and most OFDI decisions were made by the government.

2. 1992-2001, the unstable development stage of OFDI. The amount of OFDI expanded rapidly during this period, but the growth of OFDI was characterized by "ups and downs". 1992 OFDI amounted to $4 billion, which was more than three times higher than that of 1991, and then dropped to $920 million in 2000, back to the level of 1991. In 2001, OFDI jumped more than six times to $6.89 billion. This rapid and unstable development characterized by "ups and downs" reflects the market-oriented economic reform that started in 1992 and the accelerated opening up of China to the outside world, which has given enterprises more autonomy in their operations. In order to expand their market space, they started to consciously carry out or expand OFDI. However, the OFDI behavior at this time was still not integrated into the long-term production and business development strategies of enterprises, and lacked clear investment objectives and strategic positioning, and the OFDI of enterprises was still driven by contingency factors and short-term interest goals.

From the perspective of assets, the total assets of the top 500 Chinese enterprises in 2001 were US$314,392,480,000, while the total assets of the top 500 world enterprises in 2001 were US$48,664,505.9 million: the average asset size of the top 500 Chinese enterprises in 2001 was US$628,785,000, which equivalent to 6.46% of the average asset size of the world's top 500 companies of US$97,329 million. The average asset size of the top 500 Chinese enterprises in 2001 was USD 628.78 million, equivalent to 6.46% of the average asset size of the top 500 world enterprises of USD 973.29 million. In 2001, Mizuho Holdings, the largest Japanese company in the world's top 500 companies, had assets of US$114,166,674,000,000. ICBC, which also belongs to the banking industry, has assets of US$524,032 million and

[4] Data from Fortune, 1996-2002

ranks among the top 500 Chinese companies in terms of asset size, but its total assets are only equivalent to 45.9% of those of Mizuho Holdings. From the perspective of operating income, the total operating income of China's top 500 enterprises in 2001 was US$737,376 million, while the total operating income of the world's top 500 enterprises was US$14,099,598 million. The average operating income of the top 500 Chinese enterprises is 122,109,400,000 Yuan, which is equivalent to 5.26% of the average operating income of the top 500 world enterprises. The former State Power Corporation's business income of 48,357 million U.S. dollars, the first in China's top 500 enterprises in business income, in the world's top 500 enterprises can only be ranked 60th, only equivalent to the top of the world's top 500 enterprises in the United States Wal-Mart Inc. business income of 219,812 million U.S. dollars 22%.

The number of selected enterprises has been increasing year by year. If we include the 2 selected enterprises from Taiwan Province, there were 13 enterprises selected in 2001. In 2001, China's top companies were mainly in the banking industry, telecommunications, petrochemical industry, import and export trade industry and electric power industry.

After the 1990s, with the rapid expansion of China's foreign engineering contracting and labor cooperation business and the strengthening of contracting companies, the number of Chinese mainland companies selected in the list of the world's largest 225 contractors has increased year by year. 39 mainland companies were selected in 2001, accounting for about 17.3% of the total, which shows that Chinese mainland companies have become quite competitive internationally in this field. At the top of the list of Chinese companies selected is China State Construction Engineering Corporation, ranked 22nd, which had a foreign turnover of US$1,093.5 billion in 2001 Around 2000, Chinese companies not only achieved better performance in the construction contracting market, but also have started to enter the international engineering design field, which is technology and knowledge intensive. 1994 saw the first appearance of two Chinese companies They are China Metallurgical Construction Group Corporation and Sinopec Engineering and Construction Corporation, and 11 Chinese companies were selected as the world's largest 200 international engineering design companies in 2001 (see table), which indicates that the process of Chinese companies entering the high-level construction contracting market has begun, and Chinese companies do have certain advantages and international competitiveness in this area. In 2001, Chinese companies completed a turnover of US$62.83 million in foreign design and consulting, and signed new contracts worth US$87.58 million. The reason why Chinese design companies are increasingly selected to belong to the technology- and knowledge-intensive international engineering design field is that China has a considerable number of powerful international engineering contracting companies, which are the basis for the development and growth of design companies, and the projects they undertake abroad amount to more than 10 billion US dollars every year.[5]

China's ranking among the world's 200 largest international engineering design firms in 2001

Ranking	Company Name	Turnover in 2001 (million USD)	
		Foreign turnover	Percentage of total turnover (%)
64	Sinopec Engineering Construction Company	50.0	21
102	China Water Conservancy and Electric Power Foreign Corporation	20.4	75
112	China Machinery & Equipment (Group) Corporation	16.1	18
113	China Chemical Engineering Corporation	15.9	30
132	Beijing Urban Construction Group Co.	10.7	30
139	China Solid Ball Chemical Engineering Corporation	9.7	67
142	Chengdu Chemical Engineering Company	9.3	42
147	China Electric Power Construction Engineering Consulting Corporation	8.3	7
166	Shanghai Modern Architecture Design (Group) Co.	6.2	11
167	China Zhongyuan Foreign Engineering Corporation	6.0	100
195	China Metallurgical Construction Group Corporation	3.6	4

Data source：2002 ENR Top 200 International Design Firms, http://wwww.enr.com。

Around 2000, the electronics industry (mainly including household appliance manufacturing and telecommunications equipment manufacturing) is one of China's more internationally competitive industries at present, with not only a large number of export products, but also in recent years due to the exceptionally fierce competition in the domestic market, resulting in most enterprises having implemented a strategy of going global, investing in overseas factories and moving their plants and markets overseas. Moreover, the number of mainland Chinese banks selected has been increasing year by year, with 15 mainland banks entering the ranks of the world's 1000 largest banks in 2001. The increasing number of Chinese banks in the list and the upward trend of their ranking among the 1,000 largest banks indicate that the overall quality of China's banking industry is improving, the commercialization of each bank is healthy and stable after the reform of the banking system, and a promising situation of orderly competition has been formed in the banking field; moreover, it also indicates that China's banking industry is gradually in line with international standards, and its status and

[5] Data from 2002 ENR Top 200 International Design Firms

competitiveness in the international arena have been further enhanced. To a certain extent, this situation indicates that it is time for China's banking industry to further integrate into the international financial market and moderately expand its international space.

Number of Mainland Chinese Banks Included in the World's Largest 1000 Banks, 1989–2001			
Year	Number of selected banks	Year	Number of selected banks
1989	8	1996	6
1990	9	1997	6
1991	5	1998	7
1992	6	1999	9
1993	6	2000	14
1994	5	2001	15
1995	5		

Data source：The Banker, Relevant dates from 1990–2002

*Number of Mainland Chinese Banks Included in the World's Largest 1000 Banks, 1989-2001[6]

The above analysis shows that since the reform and opening up, especially after the 1990s, the international competitiveness of Chinese enterprises has been improving rapidly from a general point of view, and Chinese enterprises are moving towards the international market. The year-on-year increase in the number of selected enterprises indicates that Chinese enterprises have gained a certain degree of strength in the international arena. The improvement of the competitiveness of Chinese enterprises is incompatible with the booming domestic economy, the rapid increase of enterprises' production capacity, the fact that enterprises have started to pay attention to technological innovation, the implementation of the modern enterprise system and the government's encouragement policy for the development of large enterprises. Since the reform and opening up, with the expansion of enterprises' autonomy, the introduction and strengthening of market mechanism, the adjustment and optimization of industrial structure and product structure as well as the policy adjustment of governments at all levels, a series of reform measures have been implemented. The production capacity of Chinese enterprises has grown rapidly.

[6] Data from The Banker, 1990-2002

1.2 After China's accession to the WTO (2002-2012)

1.2.1 Background of the increase of OFDI after China's accession to WTO

China's successful accession to the WTO at the end of 2001 has created a more open and transparent international environment for domestic enterprises to make OFDI than before, and has the opportunity to carry out equal competition with enterprises from other countries in the world; the experience summaries of the previous OFDI practices, capital accumulation and knowledge of the world market have also increased the confidence of Chinese enterprises in OFDI; market opening, technological progress and The continuous improvement of market opening, technological progress and transportation efficiency promotes the deepening of international division of labor from "intra-industry" to "intra-product" division of labor, by allocating different stages of product and service production and supply chain to the most efficient countries or regions, so as to enhance the global resource allocation and utilization efficiency of enterprises. To form their own regional or global production supply chains, or to participate and become part of them, Chinese enterprises must achieve this through outward direct investment; the "going out" strategy implemented by China to accelerate regional and industrial restructuring, promote technological and product structural upgrading, and transfer outdated technology and equipment and excess production capacity is similar to the "going out" strategy. "In 2002, the Fifth Plenary Session of the 15th Central Committee of the People's Republic of China explicitly identified "going out" as one of the four major development strategies of China in the new era. The core element of the "Go Global" strategy is outward FDI. China is no longer the main recipient of foreign direct investment, but has gradually developed into the mother country of outward direct investment, and the main body of outward investment has gradually changed from the "national face" to the "hundred family names", and all kinds of small and medium-sized enterprises have developed rapidly in outward investment. During this period, China's OFDI has grown steadily and rapidly, and its scale has continued to expand, from US$2.52 billion in 2002 to US$87.8 billion in 2012, showing obvious characteristics of rapid and steady development. The factors contributing to the rapid and sustained growth of Chinese OFDI are summarized as follows: after more than 20 years of opening up, reform and development, especially after a certain period of market economy competition, a large number of enterprises (including state-owned, private, foreign-funded and joint-stock enterprises) have gradually developed, grown and matured, and the need to expand their production operations and competitive market space has made OFDI an increasingly active long-term strategy for more and more Chinese enterprises. The need to expand production operations and competitive market space has made OFDI an increasingly active and long-term strategic demand of many Chinese enterprises. For example, China International Trust and Investment Corporation (CITIC), Sinopec, Haier Group and Capital Iron and Steel Corporation are in a relatively advantageous position to compete in overseas markets.

Since 2003, China's foreign direct investment management system has gradually changed from approval system to approval system and filing system. 2003, the Ministry of Commerce issued the "Notice on Issues Related to the Pilot Work of Overseas Investment Approval" proposed to carry out the reform pilot of decentralizing the approval authority of overseas investment and simplifying the approval procedures, taking the lead in Beijing and other 12 provinces and cities, the local approval authority was raised from 1 million U.S. dollars to In July 2004, the State Council promulgated the Decision of the State Council on the Reform of the Investment System, which clarified that the management of overseas investment would be changed from approval system to approval system, and that the National Development and Reform Commission would be responsible for approving overseas investment projects.

In October 2004, the National Development and Reform Commission (NDRC) issued the "Overseas Investment Project Approval System", which is responsible for approving overseas investment projects and the Ministry of Commerce is responsible for approving the establishment of enterprises abroad. In October 2004, the State Development and Reform Commission issued the Interim Measures for the Approval of Overseas Investment Projects, which further decentralized the authority of overseas approval. In October 2004, the National Development and Reform Commission (NDRC) issued the "Interim Measures for the Approval of Overseas Investment Projects", which further decentralized the authority of overseas approval. In March 2009, the Ministry of Commerce issued the "Measures for the Administration of Overseas Investment", which proposed to Continue to promote and improve the facilitation of outbound investment, and delegate the approval authority for outbound investment of less than USD 100 million to provincial-level commerce departments. In March 2009, the Ministry of Commerce issued the Measures on Overseas Investment Management, which proposed to continue to promote and improve the facilitation of outbound investment, and to delegate the approval authority for overseas investment under USD 100 million to provincial-level commerce departments.[7]

The main keynote of China's industrial restructuring and upgrading during 2002-2012 is to take the new road of industrialization, and the main content and direction of industrial upgrading is to realize industrial integration, that is, to transform traditional industries on the basis of traditional industries by making full use of and developing high-tech industries, especially information industry technology, so that the profit model, market demand, product performance, production organization, and resource consumption of traditional industries will be fundamentally changed, The fundamental changes in the profit model, market demand, product performance, production organization, resource consumption, etc. of traditional industries will make their growth more in line with the requirements of internal development and sustainable development in terms of growth mode. Under the conditions of informationization, the trend of mutual integration among industries is increasing because information technology and network provide a common technical basis. In particular, the information technology industry, which is the mainstream of the information age, has not only seen extensive integration among various industries within it, but also the information technology industry is gradually integrating and penetrating into other industries with its great ripple effect and influence. The integration of information technology industry and other industries is accomplished through the following processes: first, information technology is first used in some enterprises of a certain industry, and the integration of information technology and traditional technologies of these enterprises leads to changes in the market characteristics of products and improvement of product competitiveness, so that this integration process spreads widely among other enterprises in the industry; finally, the production process of all enterprises in the industry is changed, thus completing the integration of information technology and other industries. The process of integration of information technology with the industry is completed by the change of the production process of all enterprises in the industry. The transmission mechanism that leads to the diffusion of the integration process of information technology and traditional technology originates from the role of human imitation behavior. Second, the diffusion of information technology among industries leads to the integration of other industries associated with

[7] 全球化 2016 年第 10 期 我国对外直接投资政策研究. 李 锋
Globalization 2016 No. 10 Study on China's Outward Foreign Direct Investment Policy. Li Feng

information technology with the information technology industry, which makes these industries generally get upgraded; the result of upgrading all industries associated with the information technology industry is the transformation and upgrading of the industrial structure of the whole country, and thus the ability of a country's economic growth is greatly enhanced. Since 2009, the Bureau of Foreign Exchange (BFE) firstly adjusted the approval authority of foreign exchange business, then sought opinions on overseas direct investment by domestic institutions, expanded the sources of foreign investment funds, simplified the approval procedures, loosened the foreign loans to domestic enterprises, and allowed domestic enterprises to use their own foreign exchange funds and RMB to purchase foreign exchange, etc. This series of measures also provided a policy guarantee for Chinese foreign direct investment enterprises to "go out". These measures also provide policy protection for Chinese OFDI enterprises to go global.

1.2.2 Analysis of China's outbound investment data after its accession to WTO

By the end of 2007, nearly 7,000 Chinese domestic investment entities had set up OFDI in 173 countries or regions around the world, with more than 10,000 investment enterprises and a total accumulated OFDI of US$117.9 billion. The global ranking of China's OFDI is far from the global ranking of China's total economic and trade volume. According to the Ministry of Commerce, in 2006, the flow and stock of China's OFDI accounted for only 2.72% and 0.85% of the world's and 0.85% of the world. But the situation is changing, as Chinese companies invested $26.51 billion in 2007, up 25.3% from the previous year, mainly in wholesale and retail trade, business services, transportation and warehousing, mining, manufacturing and finance. By 2009, China's outbound investment had reached $140 billion, and China's outbound investment has transitioned from the primary stage to the rapid development stage, and China's role in the world will change historically from that of a producer of products to that of an exporter of capital.[8]

China's outward foreign direct investment is now mainly concentrated in the fields of energy, raw materials and agricultural land, and the outward direct investment of Chinese enterprises reached US$16.1 billion in the first half of 2006. In 2007, China's net outward investment amounted to US$26.51 billion, an increase of 25.3% over 2006, of which US$24.84 billion was non-financial, up 40.9% year-on-year, accounting for 93%, and US$1.67 billion was financial, accounting for 6.3%. 2008, China's outward direct investment exceeded US$50 billion, reaching US$52.15 billion, of which US$40.65 billion was non-financial, accounting for 78%, and US$11.5 billion was financial, accounting for 78%. In 2008, China's outward direct investment exceeded US$52.15 billion, of which non-financial direct investment accounted for US$40.65 billion, or 78%: financial investment accounted for US$11.5 billion, or 22%.

The outbreak of the world financial crisis in 2008 led to the devaluation of many foreign enterprises' assets, which provided an opportunity for the explosive growth of China's outward foreign direct investment. The investment region has become more extensive, with 15,300 Chinese investors setting up 25,400 OFDI enterprises in 184 countries and regions around the world, with non-state enterprises accounting for 44.8% of OFDI, and faster growth

[8] Data from Statistical Bulletin of China’ s Outward Foreign Direct Investment

in investment in Latin America, Oceania, Africa and Asia. Chinese OFDI has covered all industry categories of the national economy, with major concentrations in leasing and business services, finance, mining, wholesale and retail trade, and manufacturing. For the first time in 2009, China's outbound FDI surpassed that of attracted FDI. In recent years, China's outbound FDI has grown steadily, but the much-anticipated investment climax has not yet occurred. Since 2009, the number of Chinese OFDI projects has increased rapidly; by the end of 2009, the total amount of investment reached $140 billion, and in 2010, China's net OFDI amounted to $68.81 billion, up 21.7% from the previous year. By the end of 2010, there are more than 13,000 domestic investors in China had set up foreign direct investment enterprises (hereinafter referred to as overseas enterprises) in 178 countries and regions around the world.

In 2011, China's net outward FDI amounted to US$74.65 billion, an increase of 8.5% over the previous year. By the end of 2011, more than 13,500 Chinese domestic investors had set up 18,000 OFDI enterprises (hereinafter referred to as overseas enterprises) in 177 countries (regions) around the world, with a cumulative net OFDI volume (hereinafter referred to as stock) of $424.78 billion and total assets of overseas enterprises of nearly $2 trillion at the end of the year. In 2012, China's net outward foreign direct investment (hereinafter referred to as flow) was US$87.8 billion, up 17.6% from the previous year. By the end of 2012, 16,000 domestic investors in China had set up nearly 22,000 OFDI enterprises in 179 countries (regions) around the world, with total assets of over US$2.3 trillion at the end of the year. In 2002, China's outbound investment flow was only USD 2.7 billion, but it jumped to more than USD 87.8 billion in 2012, a 32-fold increase compared with ten years ago. China's outbound investment stock reached $531.94 billion, making it the 13th largest outbound investor in the world. The world's attention to China is gradually rising.

At the end of 2012, the stock of financial OFDI was US$96.45 billion, of which US$62.92 billion, or 65.2%, was in monetary and financial services; US$1.48 billion, or 1.5%, was in insurance; US$4.3 billion, or 4.5%, was in capital market services. The capital market services accounted for $4.3 billion, or 4.5%; other financial industry accounted for $27.75 billion, or 28.8%.

Chinese state-owned commercial banks have opened 66 branches and 36 subsidiaries in 35 countries and regions, including the United States, Japan and the United Kingdom, with a total of 37,000 employees, of which 36,000 are foreign employees. Non-financial foreign direct investment was US$77.73 billion, up 13.3% year-on-year; foreign enterprises achieved sales revenue of US$1,246.2 billion, up 19.3% over the previous year; domestic investors' import and export volume through foreign enterprises was US$373.3 billion, up 102.3% year-on-year, of which: the total value of imports was US$294.4 billion, up 134.2% year-on-year; the total value of exports was US$78.9 billion, up 34.2% year-on-year. The total value of exports was US$78.9 billion, an increase of 34.2% year-on-year. The stock of non-financial OFDI was US$435.49 billion, and the total assets of foreign enterprises were US$1.32 trillion. The total amount of taxes paid by foreign enterprises to the countries where they invested was US$22.16 billion, and the total number of employees of foreign enterprises at the end of the year was 1.493 million, of which 709,000 were foreign employees and 89,000 were employees from developed countries.

Chart 2 China's outward FDI flows and stock
Since the establishment of Outward FDI Statistics System

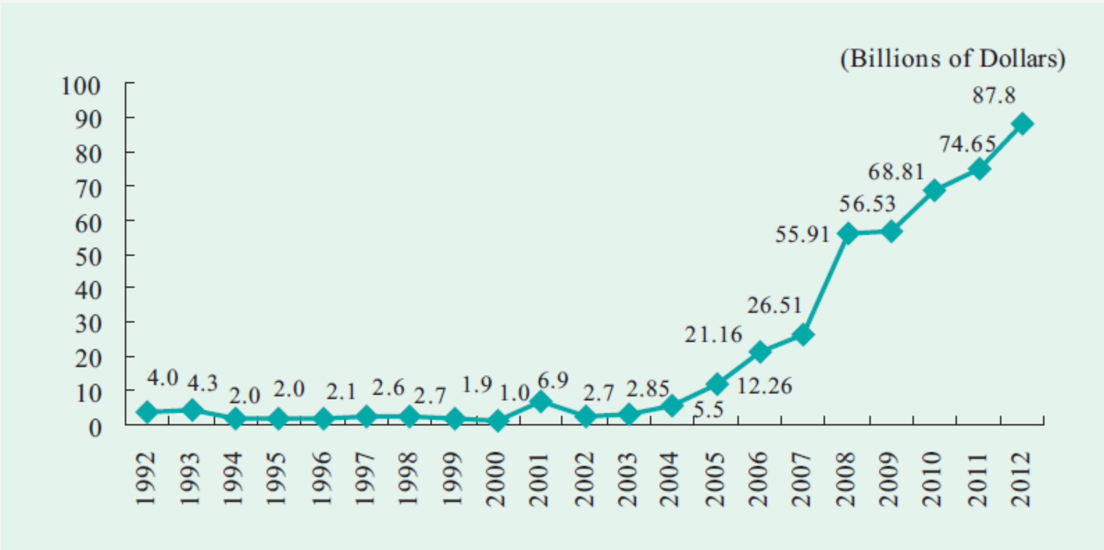
(Billions of Dollars)

Year	Flows		Stock
	Amount	Year-on-year Growth Rate(%)	
2002	2.70	—	29.90
2003	2.85	5.6	33.20
2004	5.50	93.0	44.80
2005	12.26	122.9	57.20
2006	21.16	43.8	90.63
2007	26.51	25.3	117.91
2008	55.91	110.9	183.97
2009	56.53	1.1	245.75
2010	68.81	21.7	317.21
2011	74.65	8.5	424.78
2012	87.80	17.6	531.94

Note: 1. Data for 2002-2006 include only non-financial outward FDI, and data for 2006-2012 include outward FDI of all industries.
2. Growth rate for 2006 is that of non-financial outward FDI.

Due to the spreading European debt crisis and increasing uncertainties in the world economic development, global FDI outflows dropped by 17% compared to the previous year. Against this backdrop, China's outbound FDI flows hit a record high of $87.8 billion, achieving a higher growth of 17.6% and becoming one of the world's top three outbound investors for the first time. Since the authoritative release of annual data by Chinese authorities in 2003, China's OFDI flows have grown for 10 consecutive years, with an average annual growth rate of 41.6% from 2002 to 2012.

Graph 3 Outward FDI Flows of China,1992-2012



Note: Data for 1991-2001 is from World Investment Report published by UNCTAD, and data for 2002-2012 is from MOFCOM statistics.

A total of 457 outbound investment and M&A projects were implemented by Chinese enterprises, with the actual transaction value of US$43.4 billion, both of which were the highest in history.

Among them, direct investment accounted for $27.6 billion, or 63.6%, while overseas financing accounted for $15.8 billion, or 36.4%. Mergers and acquisitions involved ten major areas such as mining, power production and supply, culture and entertainment, manufacturing, transportation, construction, and finance.

With the exception of mining, all other sectors experienced growth of varying magnitudes. There are 12 major categories of industries where China's OFDI flows exceeded $1 billion, up 3 from the previous year. From the distribution of major industries: $13.54 billion in mining, down 6.2% year-on-year, accounting for 15.4%, mainly in oil and gas mining, non-ferrous metal mining, coal mining and washing, and ferrous metal mining and selection. The mining industry is also the only industry to reduce the flow.

Scientific research and technical services accounted for $1.48 billion, up 109.2%, or 1.7%.

The construction industry accounted for 3.25 billion U.S. dollars, up 97% year-on-year, or 3.7%.

Agriculture, forestry, animal husbandry and fishery 1.46 billion U.S. dollars, an increase of 83.2% year-on-year, accounting for 1.7%.

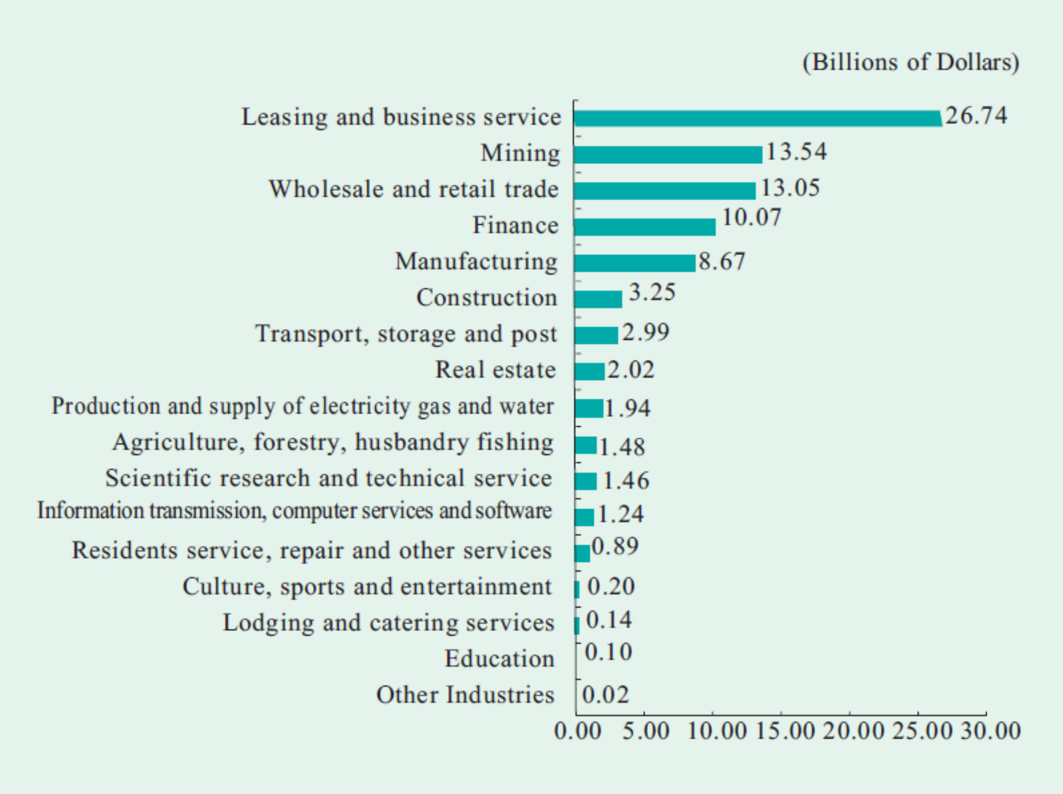
Investment flows to the financial sector exceeded $10 billion for the first time, reaching $10.07 billion, up 65.9% year-on-year and accounting for 11.5%.
Information transmission, software and information technology services accounted for $1.24 billion, up 59.7 percent year-on-year, or 1.4 percent.
Wholesale and retail trade accounted for $13.05 billion, up 26.4 percent year-on-year, or 14.8 percent.
Transportation, warehousing and postal services accounted for 2.99 billion U.S. dollars, up 16.5% year-on-year, or 3.4%, mainly in water transportation, loading and unloading, and other transportation services, air transportation.
Transport and other transport services, air transport and other investments.
Manufacturing 8.67 billion U.S. dollars, up 23.1% year-on-year, accounting for 9.9%, mainly in special equipment manufacturing, automobile manufacturing, electrical machinery and equipment manufacturing, food manufacturing.
The main industries are special equipment manufacturing, automobile manufacturing, electrical machinery and equipment manufacturing, food manufacturing, chemical materials and products manufacturing, non-ferrous metal smelting and rolling processing, pharmaceutical manufacturing, computer/communication and other computer / communication and other electronic equipment manufacturing, textile and garment / shoes / hat manufacturing, textile industry and other investments.
Leasing and business services 26.74 billion U.S. dollars, up 4.5% year-on-year, accounting for 30.4%.

Electricity, heat, gas and water production and supply industry 1.94 billion U.S. dollars, up 3.2% year-on-year, accounting for 2.2%.
The real estate industry accounted for US$2.02 billion, up 2.2% year-on-year, or 2.3%.
In addition, the emerging sectors of Chinese OFDI also performed well.
In 2012, $890 million went to residential services, repair and other services, up 170.9% year-on-year.
The culture, sports and entertainment sector accounted for $200 million, up 87% year-over-year.
The accommodation and catering sector was $140 million, up 16.8% year-on-year.
Investment in developed economies was basically unchanged from the previous year, with rapid growth in investment in the United States.

In 2012, China's investment in developed economies was $13.51 billion, basically unchanged from the previous year's $13.42 billion. Among them, investment in the United States increased a lot.

The U.S. became China's second largest direct investment destination after Hong Kong, China, with an increase of 123.5%.

Graph 5 Industrial Distribution of China's Outward FDI Flows,2012



1.3 China's "One Belt, One Road" Strategy, US-China Trade War (2013-2021)

1.3.1 Outbound Investment Policy Background 2013-2021

During this period, Chinese investment in Europe almost doubles from $10.7 billion to $18.5 billion due to the development of the Belt and Road strategy and a favorable economic environment. This is the first time since the Great Recession that Chinese investment in Europe has significantly exceeded Chinese investment in Latin America. This trend is mainly due to the weakness of the European economy and China's focus on using investment to acquire expertise.

The "Belt and Road" initiative has both economic and political implications. While Chinese investment in the Asian region as a whole has declined significantly, total acquisitions in the 68 Belt and Road related countries are relatively high by almost 10%.

However, China's foreign investment outflows and inflows have declined due to domestic and international economic development factors. Domestically, the Chinese government is concerned about sudden capital outflows, lack of financial prudence in corporate expansion, and the risk to the domestic financial system from highly leveraged overseas investments. Internationally, the difficulty is the growing perception that China is expanding its political influence through economic power and trying to outpace other countries in economic growth using "planned" means. This view has led to controversy over control of key maritime areas (such as the South China Sea) and the global trade deficit (especially for the United States).

Overall, it appears that while Beijing's guiding policies have discouraged outbound investment, the overall strategy of "going global" has not changed. Chinese companies will continue to expand, as this will not only contribute to the country's economic development, but also create political influence over the countries in which they invest through their economic power. However, poor decision making and large debt problems could put heavy financial pressure on China, adding to the imbalance between over-investment and foreign trade surpluses that the country faces domestically.

The U.S.-China trade war is particularly critical during this period. After years of Chinese trade surpluses with the U.S., many saw the reinvestment of Chinese investors and companies in the U.S. as a sure way to deepen economic ties. Many state and local governments have begun to attract Chinese investment. As of 2014, 29 U.S. states had established state trade and investment offices or representatives in China. Today, such optimism has mostly faded, and 2016 appears to have been a watershed year for Chinese investment in the United States. Since then, economic growth has slowed in both countries, creating great uncertainty about the political and economic tensions between the U.S. and China. Accompanying the uncertainty caused by trade frictions between the U.S. and China has been increased government scrutiny of investments and greater investment scrutiny. Chinese and U.S. government officials disagree on the extent to which China's economy and even investment is manipulated by the free market or dominated by the state, which is a source of trade friction. The mechanism established by the United States to review foreign direct investment for security reasons is the Committee on Foreign Investment in the United States (CFIUS). This is an interdepartmental committee designed to review the national security implications of covered transactions. CFIUS has been in existence for decades and was given the power to veto transactions in the 1980s due to concerns about Japanese investments in the United States. CFIUS has also played a significant role in U.S.-China investment transactions over the past several years.

The primary motivation for the Foreign Investment Risk Assessment Modernization Act (FIRRMA) [9]passed by the U.S. Congress in 2018 was to deal with concerns arising from increasing Chinese investment. This bill is significant because it expands the powers of CFIUS to review transactions that were previously outside of its authority. For example, the new review regime covers "non-passive investments in key industries or key technologies" and "transactions in which a foreign government holds a substantial direct or indirect interest," and also includes new provisions on data privacy and security.

Although the CFIUS review system is rarely used, its existence is sufficient to have a cooling effect on Chinese investment in the United States, particularly in high-tech industries such as

[9] James K. Jackson，《美国外国投资委员会（CFIUS）》(国会研究服务处，2019 年 8 月 6 日)
James K. Jackson, Committee on Foreign Investment in the United States (CFIUS) (Congressional Research Service, August 6, 2019)

semiconductors, pharmaceuticals, robotics and self-driving/electric vehicles, all of which are part of Made in China 2025. The Office of the U.S. Trade Representative has already made the decision to review investments in these industries. Even privately-led industries that fall within the scope of the Chinese government's plans are worthy of review. Even though the possibility of a successful transaction still exists, being subject to CFIUS review means delays in the transaction, higher costs for legal fees and regulatory filings, and increased uncertainty. The expanded scope of CFIUS' responsibilities is new, and investors are still learning how to adapt.

While CFIUS poses some resistance to Chinese investment, the broader trade war is another negative factor that brings uncertainty. The formal beginning of the U.S.-China trade friction was the launch of the U.S. Section 301 investigation into China's "acts, policies, and practices" related to technology transfer, intellectual property, and innovation in 2017.21 This investigative report and its recommended actions became known in 2018 in the form of tariff increases. This investigation report and its recommended actions became a reality in 2018 in the form of tariff hikes. Since then, the scale of tariff increases has continued to expand, and by the end of 2019 will extend to virtually all goods imported from China. On the premise that trade and foreign direct investment serve overseas markets and can be substituted, the U.S. side initially hoped that the tariffs would spur investment in the United States and would boost domestic production as a substitute for imports. However, modern investment decisions are not so simple. Most companies are located within complex global supply chains, so they have many options for choosing where and how to produce their products. As mentioned above, the preferred destination for Chinese investment is Asia: in the face of tariffs imposed as a result of trade wars, moving production to neighboring Asian countries to avoid the associated costs is the most likely approach. Some production, especially in industries with lower labor skill requirements, has been moving to places like Vietnam and Bangladesh long before the tariffs were imposed. Now, the tariff hike has accelerated that shift even more, and the tariff hike has now led to an accelerated shift in production. Indeed, trade frictions have already negatively impacted U.S.-China investment patterns. EY's 2018 study shows that most Chinese companies do not believe that trade frictions will affect their investment decisions (61% of respondents).And of those who said they would reduce their investments in the U.S. (27% of respondents), many said they would shift their investments to the EU. Available data confirm this investor sentiment: Chinese investment in the U.S. declined in 2018 compared to Chinese investment in the EU, but in previous years Chinese investment in the two regions was indistinguishable. The EY study also shows that the main external risks to overseas investment are weak global economic conditions (53%), foreign policy adjustments (market access barriers, investment reviews) (52%), and financial market instability (49%). [10]All of the aforementioned risks mentioned in this report are critical to private companies' investment decisions, and all of them have a negative impact. With China's "going out" strategy continuing to promote FDI, the global trend is going against the grain.

[10] Milken institute. China's global investment strategy PERRY WONG, JAKOB WILHELMUS, MICHAEL JARAND AND JOSIE LUI

1.3.2 Analysis of outbound investment data from 2013-2021

China's net OFDI in 2021 is US$178.82 billion, up 16.3% from the previous year. By the end of 2021, 28,600 domestic investors in China had set up 46,000 OFDI enterprises abroad, distributed in 190 countries (regions) around the world. The total assets of overseas enterprises at the end of the year were US$8.5 trillion. The cumulative net amount of outward foreign direct investment was US$278.55 billion.

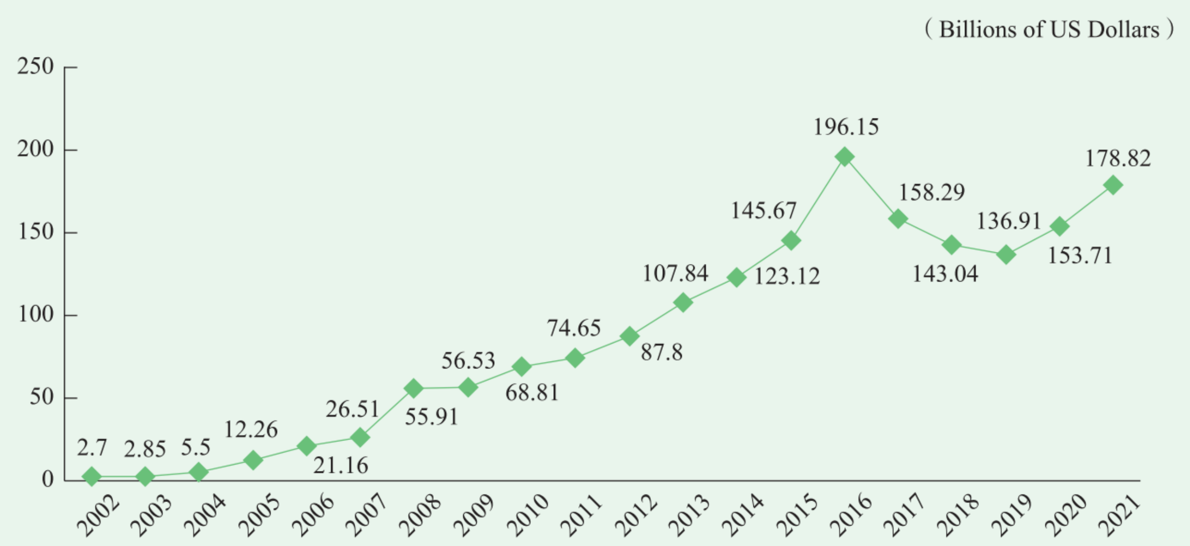


Figure 5 Outward FDI Flows of China, 2002−2021

In 2021, China's outward financial FDI flow will be US$26.8 billion, an increase of 36.3% over the previous year, of which US$9.8 billion, or 36.6%, will be in foreign monetary and financial services. The stock of outward financial FDI in China at the end of 2021 is USD 30.35 billion, of which USD 145.8 billion or 48.5% is in monetary and financial services; USD 8.7 billion or 2.9% is in insurance; USD 20.7 billion or 6.9% is in capital market services; and USD 125.15 billion or 41.7% is in other financial sectors. Chinese state-owned commercial banks. A total of 101 branches and 69 subsidiaries were opened in 31 countries (regions), including the United States, Japan and the United Kingdom, with a total of 51,000 employees, including 47,000 foreign employees, accounting for 92.2%. China's outward non-financial direct investment flow was US$152-21, up 13-4% from the previous year; outward investment drove goods exports of US$214.2 billion, up 23.3% from the previous year, accounting for 6.4% of China's total exports; outward investment drove goods imports of US$128 billion, up 44% from the previous year, accounting for 4.8% of China's total goods exports: overseas enterprises achieved sales receipts of US$303.77 billion, up 4.8% from the previous year. By the end of 2021, the stock of China's outbound non-financial direct investment was US$248.48 billion and the total assets of overseas enterprises were US$5.5 trillion. The total amount of taxes paid by foreign enterprises to the countries (regions) where they invested was US$55.5 billion, an increase of 24.7 percent, and the total number of employees of foreign enterprises at the end of the year was 3.95 million, including 2.394 million foreign employees, an increase of 206,000 or 60.6 percent.

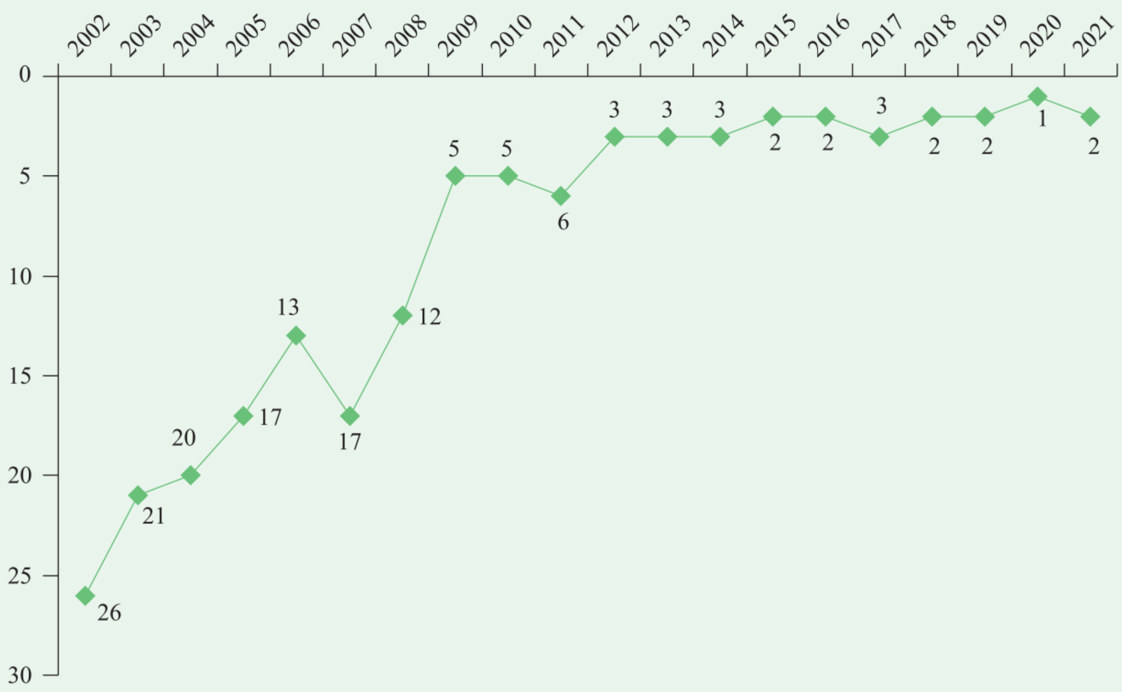


Figure 6 Global Rankings of China's Outward FDI Flows, 2002-2021

Since the release of annual OFDI statistics in 2003, China has ranked among the top three in global OFDI flows for ten consecutive years, and its contribution to the world economy has become increasingly prominent. 2021 flows are 66 times higher than those in 2002, with an average annual growth rate of 24.7%. Since the 18th Party Congress, China's cumulative OFDI has reached US$1.34 trillion, equivalent to 48.2% of the stock size, accounting for more than 10% of the global total for six consecutive years.

China's outbound investment has become more influential in the global FDI market as it has paid a total of US$368.2 billion in taxes in the countries where it has invested, and has created more than 2 million jobs annually.

In 2021, China's outbound FDI covered 18 industry categories in the national economy, with investments in leasing and business services, wholesale and retail, manufacturing, finance, and transportation/storage and postal services all exceeding $10 billion. Leasing and business services remained in first place, while wholesale and retail trade ranked second.

Investment flows to leasing and business services accounted for $49.36 billion, up 27.5% from the previous year, and 27.6% of total flows. Investments were mainly distributed in Hong Kong, China, Cayman Islands, British Virgin Islands, New Canada, Australia and other countries (regions).

Investment in the wholesale and retail sector was US$28.15 billion, up 22.4% over the previous year, accounting for 15.7% of the total volume. The main flow of investment Hong Kong, China, Singapore, the United States, China, Macau, Germany, by the Mish, the United Kingdom, the Netherlands, Australia and other countries (regions).

Investment in the manufacturing sector was 26.87 billion yuan, up 4% from the previous year, accounting for 15% of the total flow. Investment mainly flowed to the automobile manufacturing industry, computer / communication and other electronic equipment manufacturing, gold fart products industry, special equipment manufacturing, non-ferrous gold refining and rolling processing industry, chemical materials and chemical products industry, pharmaceutical manufacturing, other manufacturing, rubber and plastic products industry, electrical machinery and equipment manufacturing, textile industry, paper and paper products industry, general equipment manufacturing, non-gold fart mineral products industry, food Manufacturing, chemical fiber manufacturing, railroad / ship / aerospace and other transport equipment manufacturing, black gold refining and rolling processing industry, furniture manufacturing. In 2021, China's outbound FDI covered 18 major industry categories in the national economy, with investments in leasing and business services, wholesale and retail trade, manufacturing, finance, and transportation/storage and postal services all exceeding US$10 billion. Leasing and business services remained in first place, while wholesale and retail trade ranked second. Investment flows to leasing and business services accounted for $49.36 billion, up 27.5% from the previous year, and 27.6% of total flows. Investments were mainly distributed in Hong Kong, China, Cayman Islands, British Virgin Islands, Canada, Australia and other countries (regions). Investment in wholesale and retail trade was $28.15 billion, up 22.4% from the previous year, accounting for 15.7% of the total volume. The investment mainly went to Hong Kong, Singapore, the United States, China, Macau, Germany, the United Kingdom, the Netherlands, Australia and other countries (regions). Investment in the manufacturing industry 26.87 billion yuan, an increase of 4% over the previous year, accounting for 15% of the total flow of workers. Investment mainly flowed to the automobile manufacturing industry, computer / communication and other electronic equipment manufacturing, gold fart products industry, special equipment manufacturing, non-ferrous gold refining and rolling processing industry, chemical materials and chemical products industry, pharmaceutical manufacturing, other manufacturing, rubber and plastic products industry, electrical machinery and equipment manufacturing, textile industry, paper and paper products industry, general equipment manufacturing, non-gold fart mineral products industry, food Manufacturing, chemical fiber manufacturing, railroad / ship / aerospace and other transport equipment manufacturing, black gold refining and rolling processing industry, furniture manufacturing. Among them, the investment flow to the equipment manufacturing industry is $14.12 billion, an increase of 18.7%, accounting for 52.5% of the state manufacturing industry investment. Investment in the financial sector was $26.8 billion, up 36.3% from the previous year, accounting for 15% of the total flow. 2021, $25.57 billion, or 95.4%, of direct investment by domestic investors in China's financial sector was invested in offshore financial enterprises; $1.23 billion, or 4.6%, of investment by domestic investors in China's non-financial sector was invested in offshore financial enterprises. Investments in the transportation/storage and postal sector accounted for $12.23 billion, up 96.3% from the previous year, or 6.8% of total flows. Together, these five cities accounted for $143.41 billion, or 80.2% of total flows. In addition, $8.41 billion of investment flowed to the mining sector in 2021, up 37.2% from the previous year and accounting for 4.7% of total flows. Investment in information transmission/software and information technology services is $5.13 billion, down 41.2 percent from the previous year and accounting for 2.9 percent of total flows. Investment in scientific research and technology services accounted for $5.07 billion, up 35.9% from the previous year, or 2.8% of total flows. Investment in the construction industry was $4.62 billion, down 42.9% from the previous year and accounting for 2.6% of total flows. Investment in the electricity/heat/gas and water production and supply sector was $4.39 billion, down 23.9 percent from the previous year and accounting for 2.5 percent of total flows. Investment in the real estate sector was $4.1 billion, down 21 percent from the previous year and accounting for 2.3 percent of total flows. Investment in residential services/repair and other services was $1.81 billion, down 16.2% from the previous year and accounting for 1% of total flows. Investment in agriculture/forestry/pastoral fisheries was $930 million, down 13.9 percent from the previous year, and accounted for 0.5 percent of total flows. Investment in other sectors was $950 million, or 0.6 percent of total flows.

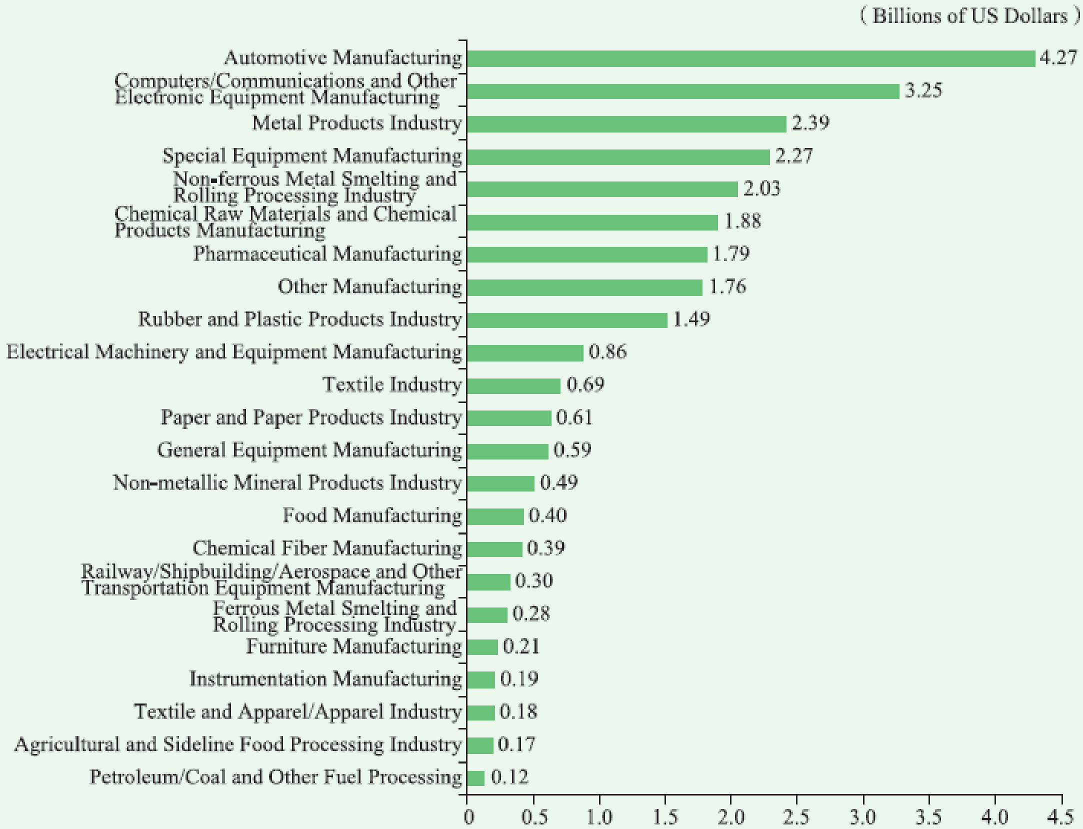


Figure 10 The Main Secondary Categories of China's Outward FDI Flows in Manufacturing, 2021

Chapter 2: Status of China's Overseas Investment

2.1 The opportunities for Overseas Investment

As of mid-February 2023, China has signed more than 200 cooperation documents with 151 countries and 32 international organizations to build the Belt and Road. The "Belt and Road" projects are spreading all over the world, covering an ever-expanding area, and many countries are aligning their development plans with the "Belt and Road". According to a World Bank study, if all the transportation infrastructure projects within the "Belt and Road" are implemented, they are expected to generate $1.6 trillion annually by 2030, accounting for 1.3 percent of global GDP, with 90% of the benefits shared by partner countries, with low-income and lower-middle-income countries benefiting the most. Low- and lower-middle-income countries will benefit the most.[11][12]

Among them, the new technological revolution to promote global industrial change, with a new generation of information technology, biotechnology, new energy technology, new materials technology, intelligent manufacturing technology as the representative of the rapid advancement of the new technological revolution. The rapid development and application of technology will promote industrial technology iteration and upgrade, and promote fundamental changes in industrial form, production methods, and international division of labor, reshaping the global industrial system. The rapid development and application of 5G, Internet, big data, artificial intelligence and other technologies are driving the digital transformation of global industries, and the interactive development of industrial digitalization and digital industrialization is jointly promoting the digitalization process of the global industrial system. The role of science and technology on industrial development, economic growth, and the improvement of comprehensive national power and global influence has become more obvious, and the competition among countries has gradually returned to the level of science and technology competition. The new technology revolution has created new opportunities and space for China's outbound investment and cooperation. Through outbound investment and cooperation, Chinese enterprises integrate overseas high-quality technology resources, conduct international technology exchanges, promote the

[11] China Outbound Investment Development Report
http://fec.mofcom.gov.cn/article/tzhzcj/tzhz/

[12] China Outbound Investment Cooperation Development Report
http://fec.mofcom.gov.cn/article/tzhzcj/tzhz/

introduction of technology and export of superior technology to the outside world, and contribute to the development of the world economy. The rapid rise of the digital economy, represented by big data, cloud computing, Internet of Things, industrial Internet, artificial intelligence, virtual reality, blockchain, etc., has promoted the emergence of a large number of new industries and new models.

Accelerate the development of the digital economy, promote the deep integration of the digital economy and the real economy, and build a digital industry cluster with international competitiveness. The development of the digital economy has brought about a continuously expanding digital consumer market, effectively expanding consumer demand and driving the growth of investment demand. The rapid development of the digital economy will have a profound impact on international investment patterns and international production organization, triggering the restructuring of global value chains and supply chains. The digital economy will bring more new opportunities for Chinese companies to enter overseas markets, especially in the "Belt and Road" cooperation, where the importance of digital infrastructure development for interconnection is increasing and the need for such development is becoming more prominent. Given China's experience in infrastructure development, the huge demand for digital infrastructure development, such as global information infrastructure, convergence infrastructure, and innovation infrastructure, will provide huge market opportunities for Chinese companies to go global.

In recent years, China has actively participated in global investment rule-making. The Regional Comprehensive Economic Partnership Agreement (RCEP) will enter into force on January 1, 2022. The entry into force of RCEP will greatly facilitate the expansion of economic and trade cooperation among members' business communities, and members will make high-quality commitments to non-services investments by adopting a negative list, with no new restrictions beyond the list. It is also conducive to the "going out" of Chinese enterprises. Since the agreement came into effect, it has significantly boosted the overall economic, trade and investment growth of the region, promoted the integration of regional industries and value chains, provided a strong impetus for regional economic integration, and positively promoted global trade and investment growth. As the implementation of RCEP progresses, the degree of investment liberalization and facilitation in the region will increase, which will create a huge attraction for global international direct investment and will bring rare development opportunities for China's outbound investment cooperation and industrial development. Through investment and cooperation with relevant countries in the region, Chinese enterprises can continuously improve their market competitiveness in the RCEP region and strengthen cooperation with ASEAN, Japan, South Korea and other RCEP member countries to jointly create a win-win and stable regional industrial chain supply chain cooperation system. At present, China is actively promoting its accession to the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) and the Digital Economy Partnership Agreement (DEPA), promoting the FTA negotiation process with Norway, South Korea, Singapore and other countries, and launching the China-ASEAN Free Trade Area 3.0 era, which will provide a broader development space and opportunities for China's outbound investment cooperation.

2.2 The Challenges of Overseas Investment

- World inflationary pressures intensify

Global inflation continues to rise in 2022, from less than 2% to more than 6%, the highest level since 2008. Inflation affects 90% of the world's economies, including almost all developed economies and most emerging market. Global inflationary pressures continue to intensify, mainly due to a prolonged period of accommodative monetary policies in developed economies, which has led to a flood of global liquidity. In addition, recurring epidemics have hampered the recovery process of global supply chains, and the outbreak of the Russia-Ukraine conflict has led to a spike in global commodity prices, further pushing up food and energy prices and sustaining the rise in global inflation levels. According to the International Monetary Fund (IMF) World Economic Outlook report released in January 2023, high global inflation is expected to ease this year, with the inflation rate expected to fall to 6.6% this year from 8.8% last year and further to 4.3% next year. However, global economic activity will still face pressure from central bank interest rate hikes in various economies and the crisis in Ukraine. The World Bank's Global Economic Prospects report, published in January 2023, revised downward the global economic growth forecast to 1.7% in 2023, a further downward revision due to what the World Bank sees as a sharp slowdown in global economic growth due to high inflation, rising interest rates, reduced investment, and the crisis in Ukraine.

- The crisis in Ukraine has escalated

The crisis in Ukraine has led to profound and complex changes in the international security situation, intensified the evolution of the game between major powers, and the world has entered a new period of turbulent changes. Especially since the outbreak of the crisis in Ukraine, global energy and food prices have risen, global inflationary pressure has increased sharply, and Western countries have taken continuous measures to impose economic sanctions on Russia. As a result, on the one hand, Chinese enterprises cannot continue their projects in Russia and Ukraine due to force majeure factors such as war or sanctions, and face not only economic losses due to the suspension of projects, but may even have to bear the liability for breach of contract and compensation for failure to fulfill the contract as scheduled; on the other hand, due to the increase in geopolitical and economic uncertainties caused by the Ukraine crisis, Chinese enterprises face many challenges in developing new projects in Russia and Ukraine and its surrounding areas, and the protection of rights and interests of existing investment projects is also facing certain risks

- Global investment protection has intensified

Since 2022, some countries have introduced protectionist policies to restrict foreign direct investment (FDI) and strengthened national security reviews for foreign investment out of national economic security concerns, which have affected global cross-border investment activities. The World Investment Report 2022 released by UNCTAD shows that developed countries continue to strengthen investment regulation and increase protection for strategic companies to avoid foreign takeovers of such companies. In September 2022, President Biden issued Executive Order 14083, directing the Committee on Foreign Investment in the United States (CFIUS) to strengthen its review of foreign investment and to focus on national security considerations in the investment review process. Semiconductors, artificial intelligence, and quantum computing have become key areas for review. In recent years, the number of EU member states with foreign investment review mechanisms continues to increase and the intensity of review continues to strengthen, and foreign companies will face greater scope and intensity of foreign investment review in the EU.

2.3 Summary of the current situation of foreign investment

Against the backdrop of the overlapping world changes and the epidemic of the century, the world economic recovery is facing more uncertainties and instabilities. Geopolitical tensions, accelerated restructuring of industrial supply chains, rising energy, food and financial risks, high global inflationary pressures and intensified pressure on economic growth. The United Nations World Economic Situation and Prospects 2023 forecasts that world economic growth will fall to 1.9% in 2023 from about 3% in 2022, one of the lowest growth rates in decades, and that many economies around the world will face a series of difficulties and problems, including increased pressure on economic growth, increased debt risks, deteriorating financing conditions, and low investor confidence. According to the "Global Investment Trends Monitor" released by UNCTAD in January 2013, the number of greenfield investment projects, international project finance transactions and cross-border M&A projects all started to decline after the first quarter of 2022, which means that global cross-border direct investment will face more challenges in the coming period, and the prospects for recovery are complicated and uncertain.

- high-tech and green fields have become the new trend of cross-border direct investment

At present, the new round of global technological revolution and industrial change is accelerating, and many countries are accelerating the pace of system innovation and technological innovation to promote the transformation and upgrading of industry and energy structure. At the same time, in the face of global resource and environmental pressure, global green industries have accelerated development, and more and more countries have introduced policies and measures related to green investment to support the development of green industries. In this context, global multinational corporations have increased their investment in high-tech industries and green fields. According to UNCTAD's Global Investment Trends Monitoring Report, 3 of the top 10 global greenfield investment projects in 2022 involve the chip industry, which reflects that against the background of the accelerated advancement of the new round of technological revolution and in response to the global chip shortage, multinational companies are accelerating the layout of chip and other high-tech industries. In addition, 6 projects involve renewable energy industry, which also indicates that in the global response to climate change and resource shortage, multinational companies are gradually increasing their investment in green and low-carbon fields, in order to achieve sustainable development.

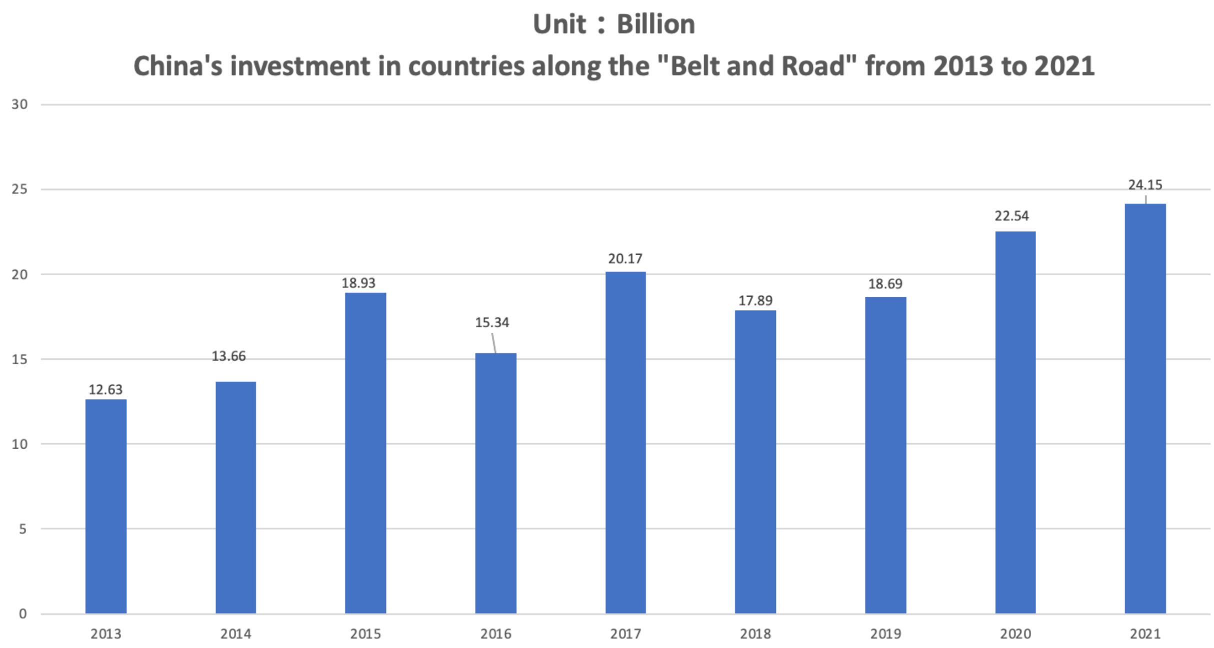
- Outward FDI in a wide range of sectors

In 2021, China's outbound FDI will cover a wide range of sectors, covering all industry categories of the national economy, and the industry structure will be further optimized. The traditional sectors of leasing and business services, wholesale and retail, manufacturing, finance, transportation/warehousing and postal services remained the main areas of China's outward FDI, with a total of $143.41 billion invested in these five sectors, accounting for 80.1% of outward FDI in the year. Among them, outward FDI in the manufacturing sector was US$26.87 billion, up 4% year-on-year, accounting for 15% of the year. Among them, the outward investment to the equipment manufacturing industry was $14.12 billion, up 18.7%, accounting for 52.5% of the outward investment in the manufacturing industry. The outward investment in information, construction, electricity, real estate, agriculture, health and other industries was affected by the changes in the international investment environment and declined to different degrees.

- Foreign direct investment in a wide range of regions, 70% of the flow to the Asian region

In terms of regional distribution, except for investments in Europe, which decreased compared with the previous year, investments in other regions grew to varying degrees. Among them, Asia remains the main destination of China's outbound FDI, with FDI flows to Asia reaching USD 128.1 billion in 2021, up 14% year-on-year. Among them, China's FDI flows to ASEAN amounted to US$19.73 billion, up 22.8% year-on-year, demonstrating the strong momentum and huge potential of China and ASEAN countries in deepening economic and trade cooperation. FDI flows to Latin America reached $26.16 billion, up 57% year-on-year, making it the fastest growing region for China's outbound FDI. Direct investment flows to Europe and North America reached $10.87 billion and $6.58 billion respectively, down 14.4% and up 3.8% year-on-year. FDI flows to Africa reached US$4.99 billion, up 18% year-on-year.

Conclusion, from 2013 to 2021, China's cumulative direct investment in countries along the Belt and Road will be US$164 billion. Chinese enterprises have been actively promoting infrastructure construction in countries along the "Belt and Road", expanding international transportation routes, improving logistics networks, and promoting the orderly flow and optimal allocation of resource factors across regions. The entire China-Laos railroad line has been completed and opened to traffic, and positive progress has been made in key projects such as the Piraeus Port in Greece, the Yavan high-speed railway, and the Hungarian-Serbian railroad, etc. The total investment in overseas economic and trade cooperation zones built in countries along the "Belt and Road" is USD 43.1 billion. At present, the countries and regions along the "Belt and Road" have become the main growth points of China's outbound direct investment, and China's investment cooperation with them is gradually developing from traditional areas to new economic areas such as high-end service industries with high technology content and high added value, intelligent industries and cross-border e-commerce.



*Data resource: Ministry of Commerce of China

Overseas economic and trade cooperation zones are an important way to accelerate the implementation of the "going out" strategy. Since the implementation of "One Belt, One Road", the construction of overseas economic and trade cooperation zones has achieved remarkable results. According to the statistics of the Ministry of Commerce of China, by the end of 2021, the overseas economic and trade cooperation zones were located in 46 countries, with a cumulative investment of USD 50.7 billion, paying USD 6.6 billion in taxes and fees to the host countries and creating 392,000 jobs for the local communities, which has effectively promoted mutual benefits and win-win development with the host countries.

The Chinese government recognizes the importance of FDI not only in the process of supply-side structural reform, but also as an important channel to increase China's international influence as a global player. Faced with domestic problems of overcapacity, rapidly rising production costs and a growing shortage of general labor, China's private sector must rely more heavily on international markets for sourcing and production. As China makes progress in regulating shadow bank financing and improving the management of overseas investment projects, it remains to be seen whether China's private sector（the most dynamic part of the national economy）will really be able to tap into its strengths and grow with its investment destinations. While domestic competition is fierce and costs are rising rapidly, it is still too early to say that international investment and production is the inevitable way forward for private companies. The ongoing trade dispute has dampened Chinese investment in the U.S., but Europe remains a popular destination for Chinese outbound investment.

The Chinese government is actively promoting the Belt and Road Initiative in Europe, demonstrating the vision and expectation of Chinese companies to participate in the European private sector. One of the main advantages of Europe is its accessibility, with land links facilitating smooth transportation from China to most European countries. Asia has been a major destination for Chinese outbound investment for the past 10 years and will remain so in the future. If the U.S.-China trade war continues and geopolitical conflicts intensify, Asia will continue to be a safe destination for Chinese outbound investment. In his keynote address at the 2019 Asia Security Summit, Singapore Prime Minister Lee Hsien Loong said that member countries should not be forced to "choose sides" between the United States and China. The acceptance of Huawei and its technology by Association of Southeast Asian Nations members may indicate that economic cooperation between countries continues despite geopolitical tensions. While Chinese SOEs may continue to participate in the large infrastructure projects promised by political leaders, the task of diversifying China's foreign direct investment and attracting other countries to participate in China's economic ecosystem and supply chains will also depend on private companies. Given the current trade tensions between the U.S. and China and the urgency of supply-side structural reforms, China must consolidate and expand its FDI in response to the global turmoil and domestic economic downturn. As we have seen, private companies have always been responsive to government reforms and policy implementation. As a result, a new round of reforms, such as the internationalization of the RMB, is likely to usher in greater growth in Chinese FDI when it is close at hand.

Chapter 3: The Sustainability of China's Overseas Investment in the Context of "the Belt and Road Initiatives"

I: Factors influencing China's overseas direct investment

II: Recommendations for enterprises and China’s Government respectively on overseas sustainability

3.1: Factors influencing China's overseas FDI

Analysis of Factors Affecting Chinese OFDI

The factors affecting Chinese OFDI are complex and numerous, and are influenced by both internal factors within China and factors in the host country and the international environment. In particular, the international political and economic environment has become more and more complex due to the rise of unilateralism and protectionism, and Chinese OFDI is affected by multiple factors such as political, economic and social factors in the investing countries and host countries[13]. Combined with the analysis of the current situation of Chinese OFDI data, the factors influencing Chinese OFDI have been filtered out as follows:

[13] 陈运娟,卢晓勇,李红、利用外资方式变化与国家经济安全[J]：江西社会科学,2007(02):135-139.

Chen Yunjuan,Lu Xiaoyong,Li Hong,Changes in the way of using foreign capital and national economic security [J]: Jiangxi Social Science,2007(02):135-139.

3.1.1. Political factors

Combining specific data on Chinese OFDI in 2021 and existing literature on Chinese OFDI, three main political factors affecting national OFDI have been sorted, namely political stability of the host country, political stability of the investing country and legal similarity.

- Political stability of the host country

The political stability of the host country is the most sensitive factor in international investment, which not only refers to the policy attitude of a country, but also includes the political stability and social stability of the country, and these factors are constantly changing and influencing each other within a certain period of time. In the context of the current situation of Chinese OFDI, it can be seen that China prefers to invest in countries with a relatively stable political environment.[14]

The host country's own policies affect the value of direct investment in the host country, and some host countries use harsh issues as a reason to reject investment applications in order to protect their own enterprises, making the investment plans of the investor unsuccessful.[15] The host country's policy on taxation also affects the outbound direct investment behaviour of the investor country, and heavy taxes can increase the cost of production and export of products in the investing country, reducing the competitiveness of its products and discouraging direct investment in the investing country.

In the current international situation, maintaining domestic political stability and good international political and economic relations is also crucial for the investment climate in host countries. Whether the host country will be invaded by others for a certain period of time, border conflicts, regional conflicts and other deteriorating political environment is directly

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[14] 王金波.双边政治关系、东道国制度质量与中国对外直接投资的区位选择——基于 2005～2017 年中国企业对外直接投资的定量研究[J]当代亚太,2019,(03):4-28+157.

Wang Jinbo. Bilateral political relations, host country institutional quality and location choice of Chinese outward FDI - A quantitative study based on Chinese enterprises' outward FDI from 2005 to 2017[J]. Contemporary Asia-Pacific, 2019,(03):4-28+157.

15 闫付美,温雅然新常态下中国对外直接投资区位选择研究[J],商场现代化,2019(21):59-61.
Yan Fumei, Wen Yaran, "Study on the location choice of Chinese outward direct investment under the new normal", Mall Modernization, 2019(21):59-61.

related to the security of international investment capital, and even the personal safety of the investment. Countries with serious war conflicts such as Syria and Iraq, for example, also pose great challenges for companies in the investing countries.

- Policy regimes in the investing country

In general, mergers and acquisitions of overseas enterprises and the establishment of factories overseas are the main ways and means for enterprises to make international direct investment, and production, operation and sales all involve a large flow of capital. Investment countries are very strict in the approval system for enterprises to make outward direct investment, which can affect the outward investment behaviour of some enterprises to the host country.

Since 1999, the Chinese government and the China Council for the Promotion of International Trade (CCPIT) have developed a series of policies to support outbound direct investment by Chinese companies, with the aim of developing both the Chinese and international markets. The current status of Chinese OFDI shows that the growth of the financial sector in the total size of Chinese OFDI remains strong and cannot be achieved without strong support from Chinese government.

Therefore, the policy regime of the investing country is considered as one of the influencing factors in measuring the outward FDI of the investing country.

Direct investment in the host country must comply with the laws and regulations of the host country and also with the laws and regulations of the country in which the investment is made. There are two types of countries, namely socialist and capitalist, and the differences in the nature of the countries make the legislation of each country different, and there are certain differences between the relevant legal systems in China and the capitalist countries today.These differences can then affect the design of plan for Chinese enterprises when making direct investments in capitalist host countries. If one of these countries has an inadequate legal system or a non-transparent judicial system, this may have a negative impact on the outward FDI of the investing country.

To a certain extent, a high degree of legal similarity can reduce the frictions arising from differences in the legal systems of the investing and host countries. The regional distribution of flows in the current situation of Chinese OFDI shows that the smaller the differences in laws and regulations between countries, the larger the proportion of Chinese OFDI flows.

3.1.2. Economic factors

Combining specific data on Chinese OFDI in 2021 and existing literature studies on Chinese OFDI, the economic factors affecting national OFDI are sorted out, namely the GDP of the investing country, the GDP of the host country, the export value of the investing country, the wage level of the host country, the exchange rate of the host country, the stock of OFDI from the investing country to the host country (OFDI), the ratio of energy to GDP of the host country These are the seven influencing factors.

- GDP of the investing country

Gross Domestic Product (GDP) is one of the most important indicators of a country's level of economic development, which is positively correlated with its GDP. [16]This is based on the stage of development theory of international direct investment,[17][18][19][20] which means that the size of a country's OFDI is determined by what stage of economic development that country is at. The internal, locational and ownership advantages of a country's multinationals when investing abroad are greatly influenced by its GDP, and the increasing level of economic development will increase the need for structural optimisation of the industry, which in turn will allow the country's companies to increase their position in OFDI.

In 2022, China's GDP will reach 121 trillion yuan, a new step after surpassing 100 trillion yuan and 110 trillion yuan in 2020 and 2021 respectively. Translated at the average annual exchange rate, China's economy totals US$18 trillion, placing it firmly in second place in the world. GDP per capita was $85,698, or $12,741 at the average annual exchange rate, continuing to remain above $12,000.

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[16] 卢晓勇．利用外资战略与维护国家经济安全[M]。北京科学出版社，2007.
Lu Xiaoyong. Strategy of using foreign investment and maintaining national economic security [M]. Beijing Science Press, 2007.

[17] 戴冠.中国对外直接投资区位选择的影响因素分析[J] (经济研究导刊,2019(15):67-70.
Dai Guan. Analysis of factors influencing the location choice of Chinese OFDI[J] (Journal of Economic Research,2019(15):67-70.

[18] 昊传琦,张宗斌,对外直接投资及其对母国城镇就业效应研究[D]——基于行业因子提取的实证分析门商业经济,2020,(03):86-90+109.
Hao Chuanqi,Zhang Zongbin,A study on outward direct investment and its effect on urban employment in home countries[D]-An empirical analysis based on industry factor extractionMen's Business Economics,2020,(03):86-90+109.

[19] 韩升苒．中国对外直接投资区位选择的影响因崇分析[D]山东大学,2019.
Han Shengla. Analysis of the influence of location choice of Chinese outward direct investment [D] Shandong University,2019.

[20] 昝丙艳．中国对外直接投资的政策与制度研究[D]对外经济贸易大学,2019.
Zan Bingyan． Policy and Institutional Research on China's Outward Foreign Direct Investment [D] University of International Business and Economics, 2019.

- Host country GDP

Generally speaking, the size of a country's market is largely a reflection of the country's market activity, and the ability to attract more and more countries to invest in it depends on the size of the country's market, which is measured by the level of economic development of the country. A country with a low level of economic development can expose the investing country to trade barriers and more severe trade backlash, which in turn can affect the investing country's FDI behaviour.

The GDP of the host country is an important indicator of the overall economic development of the host country, and some scholars have found through empirical research that the GDP of the host country is positively related to the attraction of direct investment from other countries to the country. Therefore, in this paper, the GDP of the host country is used as an influential factor to measure outward FDI.

- Export value of investing countries

In the process of economic globalisation, the trade situation between countries has further improved, China's comprehensive national power has further increased, and China's international trade and outward foreign direct investment has grown rapidly.There are two different views on the relationship between international trade and OFDI. One is the "substitution theory" put forward by Robert Mundell, while the other is the "complementarity theory" put forward by Japanese scholar Kiyoshi Kojima.The "substitution theory" suggests that international trade and OFDI are negatively correlated, and that the two are substitutable, meaning that if a country exports a product in which it has a comparative advantage, and if there are trade barriers between countries that affect its exports, then the country needs to relocate that industry, and OFDI is a Outward FDI is a way of replacing exports as a last resort.The 'complementarity theory' argues that OFDI and international trade are positively correlated and complementary, with a country gaining access to advanced production technology and sufficient resources from abroad, which improves the competitiveness of the investor's products and thus boosts its exports. By understanding the 'substitution' and 'complementarity' theories, and taking into account the specific situation of China's exports, we find that the amount of exports of the investing country affects Chinese OFDI.

- Wage levels in the host country

The rate of return on investment is a factor to be considered in the OFDI process and wages, as the cost of labour, are one of the main factors in a firm's investment costs. Neoclassical trade theory suggests that OFDI flows are affected by different rates of return on investment, as capital from the investing country flows continuously to the host country until the rate of return on investment or cost of production tends to be equal between the two countries, while labour and capital are assumed to be mutually substitutable and the higher the cost of labour, the higher the capital used, and under this interaction, the rate of return on capital can only be equal if the wage levels in both countries are equal Under this interaction, the rate of return to capital can only be equal when the wage levels in both countries are equal. Zhang Wei and Li Shuxia have also demonstrated the existence of a long-run equilibrium relationship between China's wage level and China's overseas direct investment through an impulse impact function from the perspective of macro-level influencing factors. However, OFDI does not always flow from countries with high wage levels to countries with low wage levels. Krugman's scholars abroad have argued that under the influence of certain external economies of scale, industries will concentrate in specific regions. As a result, the wage level in the host country affects outward FDI.

- Renminbi exchange rate

The exchange rate has always been an important reference indicator for a country's external economy and has played a very important role in international investment and national trade, especially in the current world economic context, where the exchange rates of many national currencies have experienced significant fluctuations and many new features have emerged in international investment and capital flows. With the gradual marketisation of the RMB exchange rate, its importance in influencing China's OFDI is gradually increasing, making the exchange rate an important policy tool to guide China's outward investment.

Regarding the relationship between the exchange rate and OFDI, some scholars argue that an appreciating Chinese currency will promote Chinese OFDI to countries with depreciating currencies, a finding derived from relative wealth theory and relative production cost theory, and also that in the short term, the more volatile the real effective exchange rate, the less OFDI outflows; and in the long term, the opposite. Thus the RMB exchange rate is one of the factors affecting OFDI.

- OFDI stock from investing countries to host countries

Foreign direct investment stock (FDIstock) is the cumulative amount of outward direct investment up to a given point in time (usually several years) and is used to illustrate the assumed phenomenon of a country creating a good business regulatory regime for foreign investors, such as stability, less regulation, tax care, and other economic factors that affect business.

It is a favourable condition for firms in a country to make direct investments in a host country when they have a large market for development and the scale of investment in that country, which is the economic basis for the firm to invest as the next stage of direct investment. The higher the accumulated stock of direct investment in the host country at the end of the year, this indicates a significant contribution of enterprises to tax and employment in the host country, a significant win-win effect of outward investment, close trade cooperation between the two countries and an expanding influence in global direct investment. One of the influencing factors of OFDI is thus the stock of outward FDI from the investing country to the host country.

- Host country energy to GDP ratio

Before investing in a host country, enterprises in the investing country will generally conduct a thorough investigation of the host country's energy wealth, natural resources and geographic location, etc.

If the host country is rich in natural resources and energy and the country's transportation conditions are well developed, it will often make direct investment in the region very attractive to enterprises in the investing country, and therefore become the first choice of foreign enterprises. The energy-to-GDP ratio of a host country is a good indicator of a country's resource abundance and location advantages, so the energy-to-GDP ratio of the host country is also set as one of the influencing factors for OFDI.

3.1.3. Social factors

Social factors mainly refer to the factors of the investment environment constituted by social and human factors, as OFDI enterprises manage in the social environment of the host country, it is inevitable that they will affect the way in which the enterprises of the investing country invest directly in the host country. Combining the specific data of Chinese OFDI in 2021 and the existing literature research on Chinese OFDI, it is sorted out that the social factors affecting the country's OFDI mainly involve two aspects, namely the infrastructure situation in the host country and the total number of labour force in the host country.

- Infrastructure in the host country

The scale of investment by investing countries in host countries varies greatly, with significant imbalances between different regions, of which infrastructure development is an important factor. For host countries, better infrastructure development is conducive to becoming a key investment city for foreign enterprises. Improved infrastructure development in the host country can promote its economic development, attract more opportunities for international economic cooperation, create a large number of jobs and improve the economic and trade level, labour productivity and consumption level of the host country. In this way, a good investment environment will reduce the risks and costs of investment for foreign investors and will be more conducive to facilitating the entry of enterprises from the investing country.

The level of infrastructure development in a country has a significant impact on the outward FDI of the investing country. The improvement of the infrastructure level will multiply the FDI of the investing country's enterprises, especially in the economic infrastructure such as energy and communication. The host country secure internet server directly reflects a country's level of infrastructure development in energy and communications, so the host country secure internet server can be used to measure a country's infrastructure development.

- Total labour force in the host country

The labour force population of the host country has a constraining influence on the choice of investment industries as well as the fields of investment, and the scale and structure of investment in the investing country. Chinese OFDI is still mainly in labour-intensive industries, which requires sufficient labour force in the host country for production, and if the labour force in the host country is insufficient or even an aging population, it will greatly increase the labour cost of the investing country.

To sum up, this paper combines domestic and international research on Chinese OFDI today and related theories as the basis of research, combined with the current situation of Chinese OFDI as the background, from three aspects of political factors, economic factors, social factors through the literature review method, based on the analysis of relevant data on Chinese OFDI today, 12 influencing factors were selected.

From the perspective of political factors, three factors were selected to influence the political system of the investing country, the political stability of the host country and the degree of legal similarity: from the perspective of economic factors, seven factors were selected to influence the GDP of the investing country, the GDP of the host country, the export value of the investing country, the wage level of the host country, the exchange rate of RMB, the stock of foreign direct investment of the investing country to the host country and the ratio of energy to GDP of the host country； From the perspective of social factors, two influencing factors were selected, namely the infrastructure of the host country and the total labour force of the host country.

3.2 : Development proposals

3.2.1: National-level recommendations

- Building a legal system for overseas investment

Guided by the principles of sustainable development, the continued success of China's overseas investment practices under ”the Belt and Road Initiative“ demonstrates that the prospects for sustainable overseas investment are bright. However, although China's overseas investment policy documents reflect specific principles such as the principle of green development, publicity, education and sustainable investment training, they lack a standardised and structured approach to the principle of sustainable development and its specific principles, and cannot truly realise the sustainable development of overseas investment. Therefore, in view of the fact that China's overseas investment policies play a great role in the sustainable development of overseas investment, but there is the problem of insufficient standardisation and systematisation, therefore, it is recommended to construct a legal system for overseas investment.

In recent years,Our inability to take full advantage of the dispute settlement mechanisms involved in BITs, MIGA and ICSID, and the fact that BITs do not take into account the nuances of developing countries, have had little effect in promoting the role of overseas investment in the economic development of host countries, depriving host governments of the ability to adjust their trade and investment policies to achieve desired development goals. Furthermore, the lack of strong investor-state commitments in BITs may prevent developing countries from reaping the benefits of FDI inflows to their countries and is also detrimental to the sustainable development of overseas investment. For example, BITs usually do not include provisions requiring foreign investors to employ local labour, and as a result, foreign investors often hire trained foreign personnel. As a result, such FDI inflows do not generate the potential benefits associated with increased FDI, such as job creation and increased incomes and improved local labour skills[21]. Similarly, BITs do not usually facilitate or require the transfer of technology from foreign investors to the developing countries in which they

[21] BOONE J.How developing countries can adapt current bilateral investment treaties to provide benefits to their domestic economies[J].Global Business Law Review，2011，1（2）:191-192.

invest. As a result, investors are able to develop technology in their home country and ship that technology to subsidiaries they establish in their own country, yet there is no guarantee that the host country will benefit from the new technology or reap the benefits of a higher-skilled workforce. Given that many developing countries are already showing signs of dissatisfaction with the existing BIT regime, [22]there is no better time to change this international investment regime, and therefore the establishment of China's overseas investment legal regime under the Belt and Road Initiative is the perfect time to contribute Chinese solutions to global investment governance.[23]

- Establishing basic principles of sustainable development to promote quality investment

China's overseas investment legislation should clarify the status and legal effect of the principle of sustainable development, and specify the specific content of the principles of quality investment, green development, administrative rationalisation, publicity and education and training in the objective of achieving sustainable development, with a view to striking an appropriate balance between the interests of overseas investors and those of investment recipient countries in future investment practices; and strengthen policy coordination and speak of quality investment; A system of regular consultation and information sharing between relevant government, financial and fiscal sectors should also be established and improved. The relationship between foreign investment and sustainable development does not escape a certain paradox, namely that in most countries, sustainable development requires strong investment, which can only come from abroad. Yet investors entering the country usually seek ways to make their investments profitable, which is precisely what undermines sustainable development. The key to solving the problem is to make the principle of sustainable development a necessary prerequisite for investment. Therefore, China's overseas investment process under "the Belt and Road Initiative" must clarify the specific content of the sustainable development objectives of each investment enterprise, promote quality investment, contribute to the realisation of the socio-economic interests of the host country, and ultimately promote the sustainable development of China's overseas investment.

[22] 孔庆江.从国际法视角看签署待生效的中国—加拿大双边投资协定[J].国际经济法学刊，2014（2）:58-59
Kong Qingjiang. The signing of the pending China-Canada bilateral investment agreement from the perspective of international law[J]. Journal of International Economic Law, 2014(2):58-59

[23] FOX G.A future for international investment:Modifying bits to drive economic development[J].Georgetown Journal of International Law，2014，46（1）:229-260.

- Promote sustainability and crisis communication for overseas investments

Under the framework of the "Community of Human Destiny", China is bound to strengthen its economic assistance to countries and regions along the "Belt and Road", but the "Belt and Road" investment has been labelled as "China's environmental threat" by some foreign media. However, the “Belt and Road ” investment has been labelled as a "Chinese environmental threat" by some foreign media, and the public is easily influenced by media propaganda, internalising the induced views in the media propaganda into their own views and opinions. [24]For example, the business and regulatory behaviour of China's overseas enterprises is often misrepresented as the behaviour of the Chinese government, and calls for environmental protection gradually turn into a "national security view" based on "honourable beliefs" of the host country, leading to actions by the host country and the public to resist foreign investment.[25] As a result, China's overseas investments are facing a series of impacts such as environmental protection concerns, nationalisation policies of host governments and conflicts in the countries and regions along the “Belt and Road” , which make it important to have a good crisis management plan. Therefore, in view of the above misunderstandings and untrue public opinion, the promotion of sustainability and crisis communication for overseas investment is a key concern for Chinese enterprises when investing abroad. Only in this way can our overseas investment enterprises truly develop in a stable and sustainable manner.

- New paths for sustainable poverty reduction in host countries

In the process of overseas investment under the "Belt and Road" initiative, attention should be paid to new paths for exploring investment in poverty reduction in host countries with relatively backward economies. China's poverty eradication adheres to the comprehensive and multidimensional criteria of sustainable development, adheres to the strategy of inclusive and sustainable development, focuses on the realization of the right to survival and development of the poor, and realizes the endogenous power of sustainable development in poverty

[24] 翟慧霞.澳大利亚民众对华认知分析——基于“澳大利亚与全球”年度调查报告（2007—2012）的实证研究[J].当代亚太，2012（5）:121-137.
Zhai Huixia. An analysis of Australian people's perceptions of China: An empirical study based on the annual survey report "Australia and the World" (2007-2012)[J]. Contemporary Asia-Pacific, 2012(5):121-137.

[25] LI X.National security review in foreign investments: A comparative and critical assessment on China and U.S.laws and practices[J].Berkeley Business Law Journal，2016，13（1）:255-311.

eradication, which is an important manifestation of sustainable development in poverty reduction and eradication. The successful experience of this sustainable development strategy for poverty eradication is exported through overseas investment, which can help the host country break the development bottleneck, narrow the development gap, and create a development community where people share the hardship and fate. Therefore, incorporating China's successful experience in sustainable anti-poverty strategy decision-making into overseas investment insurance legislation can help poor host countries achieve the poverty eradication and poverty reduction goals set out in the 《United Nations 2030 Agenda for Sustainable Development》 and realise the sustainable development benefits of China's overseas investments.

3.2.2: Suggestions for Enterprise development

- Suggestions for countermeasures based on the political level

  - Enterprises establish investment rules that are in line with home country policies

Political factors are the primary issue that enterprises will encounter when making OFDI, and the political system of the country of investment is the first threshold that enterprises making OFDI will face. Therefore, the political system of the home country is the primary consideration for Chinese companies making OFDI.

As China continues to provide policy incentives for companies to engage in international trade abroad, the scale of outward foreign direct investment by Chinese companies has grown, and as a result, only by understanding domestic and international trade policies can they formulate effective investment policies and take the initiative in the international market. Chinese companies making OFDI should take full advantage of their own policies to establish and improve OFDI rules and reduce political friction in China.

  - Clarifying the political relationship between the investing country and the host country

As the second threshold to be faced by enterprises making OFDI, multinational enterprises are not only constrained by the Chinese political system, but are also tested by uncertainty from the stability of the host society. Therefore, Chinese companies undertaking OFDI should also be aware of the political stability of the host country. Compared to China's relatively stable internal social environment, the uncertainty of the impact of the host country's political environment makes outbound direct investment by Chinese enterprises an additional hidden risk. Chinese enterprises must do a detailed background investigation in advance before making outward direct investment, carefully collect information and conduct a detailed analysis of the political environment of the host country, clarify whether the two countries have signed relevant trade protection agreements and the political relationship between the two countries, and be prepared to avoid economic losses and serious consequences caused by the host country's policy blockade and even trade barriers.

  - Ensuring the legality of enterprises' own behaviour

As different national conditions inevitably lead to differences between the systems of China and the host country, Chinese OFDI enterprises should raise their legal awareness in the process of OFDI while fully cognising and complying with relevant domestic and foreign systems, regulations and guidelines, sign relevant legal contract documents in a timely manner and actively use legal weapons to protect themselves. However, they should not take any chances and ensure the legality of their own business management. They should not take any chances and think that investing in the host country will exempt them from the laws of the host country, nor should they take any chances and think that as a foreign invested enterprise, they will not be regulated by the host country system.

- Suggestions for countermeasures based on the economic dimension

  - ➢ Promoting a rational allocation of resources

In the industrial structure of China's OFDI, labour-intensive industries account for the largest share, while the share of the output of science and technology service industries is not so large. Balancing the industrial structure of China's OFDI is conducive to the country's industrial upgrading within its own country through OFDI. China should of course spare no effort in promoting the export of industries with excess domestic production capacity, but it should also spare no effort in promoting the export of manufacturing industries in which China currently has certain technological advantages. At the same time, it should also vigorously support new service industries and other new industries to optimise the industrial structure of China's outward foreign direct investment.

  - ➢ Making full use of the industrial advantages of different countries

Adopt different investment strategies in response to the different characteristics of host countries to achieve a greater shift of OFDI to finance-based industries. Actively give full play to product and technology advantages, make use of China's advanced technology, increase investment in technology-intensive and culture-intensive industries, and appropriately develop investment in resource-intensive industries to alleviate domestic resource shortages. Adjusting the location of investment, implementing reasonable distribution, taking developing countries and regions, mainly in Asia, as the key regions for China's outward investment, and seizing the opportunity to expand direct investment in Eastern Europe and CIS countries, actively developing direct investment in developed countries and regions such as the US, Europe and Japan, and choosing investment regions and industry sectors in a market-oriented manner.

- Establishing a multi-currency settlement system

The RMB exchange rate has a more important impact on the construction management costs of multinational enterprises, and fluctuations in the RMB exchange rate will have a greater impact on the construction management costs of Chinese multinational enterprises. Before making foreign direct investment, enterprises should understand foreign exchange risks, strengthen exchange rate risk management, fully understand the host country's economic situation and wage levels, always pay attention to changes in exchange rates, adjust their settlement methods and currencies in a timely manner, and make good cost estimates, which are conducive to more overall cost control. The exchange rate, as an economic exchange volume that changes every moment, up or down has a certain cost impact on OFDI enterprises. Chinese OFDI enterprises should seek measures to avoid and prevent exchange rate risks, establish a multi-currency settlement system as far as possible, and improve the flexibility of enterprise investment allocation in order to mitigate the damage caused by exchange rate changes.

- Suggestions for countermeasures based on the social level

- Use of information exchange platform

Since OFDI enterprises are managed in the social environment of the host country, it inevitably affects the way in which the investing country enterprises invest directly in the host country. One of the big variables of Chinese OFDI in the host country is the misjudgment of the host country's social development level due to the information flow problem, and the unsound social infrastructure construction also brings a great riskiness to Chinese OFDI. Using the information exchange platform between China and foreign countries, Chinese enterprises can fully understand the social development level of the host country in advance, which is conducive to better foreign direct investment by Chinese enterprises and shorten the information distance between the two countries.

- Cultivating new types of talents

At present, there are lot of investors engaged in OFDI in China, but there is a scarcity of highly skilled talents engaged in OFDI. Both a country and an enterprise need highly skilled OFDI technical talents to support the rapid development and high efficiency of its OFDI. On the basis of China's relevant policies, cultivating a new team of highly skilled and qualified OFDI talents will qualitatively improve the efficiency of OFDI for multinational enterprises and save costs for companies. At the same time, it can also alleviate the constraints of China due to the lack of labor force in the host country. Therefore, Chinese multinational enterprises should pay attention to the training and exploration of new talents and provide regular training opportunities for professional technicians.

To sum up, from the political level, enterprises should establish investment rules in line with the policies of the home country to take the first step of foreign direct investment; clarify the political relationship between the investment country and the host country to avoid certain political risks; ensure the legitimacy of their own behavior and not to use luck to avoid the responsibility they should bear. At the economic level, enterprises should promote the rational allocation of national resources and actively use their own OFDI.To contribute to the rational allocation of China's resources: enterprises should make full use of the industrial advantages of different countries and make specific analysis of specific problems: enterprises should establish a multi-currency settlement system to reasonably avoid the risks caused by exchange rate fluctuations.

From the social level, enterprises should make full use of the information exchange platform to actively understand the relevant information of the host country: they should actively cultivate new talents to reduce the limitation of effective labor force in the host country.

Conclusion:

In recent years, the investment subjects of Chinese FDI have been diversified, among which non-state enterprises are extremely important investment subjects of Chinese FDI. The net and cumulative net outward foreign direct investment by Chinese enterprises shows that Asia is the key investment region for Chinese outward direct investment. The investment sectors of Chinese FDI are mainly concentrated in business services, finance, wholesale and retail trade, and transportation and other service industries.

With the deepening of reform and opening-up, the Chinese government gradually introduced various encouraging and supporting policies, and Chinese FDI started to explore, and after the "going out" strategy was proposed, Chinese FDI entered a stage of rapid development. During the process, the Chinese government decentralized the approval authority of outbound investment, simplified the approval procedures, relaxed China's foreign exchange management system, introduced a series of encouraging policies, and gradually improved the macro management system and mechanism of foreign engineering contracting and foreign labor service cooperation. Comprehensive services have been strengthened, such as creating a variety of reporting systems, creating opportunities for outbound investment, building ties of exchange abroad, building service platforms, and improving daily supervision.

In the process of continuing to deepen reform and opening up and accelerating the implementation of "going out" strategy, China has joined the new strategy of Belt and Road. However, some policies of Chinese FDI are still lagging behind, and some problems in FDI activities still affect the process of Chinese FDI, including unsound policies and legal management, management system to be optimized, and imperfect service system.

Based on the above-mentioned problems in China's FDI activities, we will propose practical countermeasures to promote Chinese FDI enterprises to "going out" and "One Belt, One Road" strategy faster and better. Firstly, to further improve supervision and management, the government should establish and improve the overall protection framework for China's overseas investment and improve the laws and regulations for Chinese enterprises' outbound investment. Many European and American countries have a complete protection system for their enterprises' overseas investment, but China's overseas investment interest protection system is still relatively fragmented. The Chinese government should unite various government departments, foreign agencies and industry associations to form a systematic overseas interest protection framework. Secondly, we should strive to make the statistical data open and detailed. Thirdly, to create a favorable external environment for "going out", do a good job of researching the investment countries and pay attention to the political and economic stability of the countries they invest in. The tendency of Chinese enterprises to invest in developed countries is not only closely related to the above-mentioned strategic resource-seeking investments, but also because of low risks and stable returns. However, after the financial crisis, the global economy continues to be in the doldrums, populist calls increase, developed countries usually tighten their access and review policies for foreign enterprises, and investment protectionism rises significantly, and Chinese enterprises face various explicit investment barriers in their outbound investments; on the other hand, the world has entered a period of high geopolitical conflicts and terrorist incidents in recent years, and the current negative impact of the spread of extremist religious forces and terrorism around the world has become increasingly prominent. Externalities are also becoming more and more prominent. For some developing countries, especially in West Asia and South Asia, special attention should be paid to the study of economic and trade policies and political stability of the target countries.

Biography

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