Study on Economic Risks of Chinese Outward Foreign Direct Investment in Countries along the "Belt and Road"

Sukun Pan * and Huimin Zhang

School of Economics and Management, North China University of Technology, Beijing, China
Email: pansukun@163.com (S.K.P.); 3159127014@qq.com (H.M.Z.)
*Corresponding author

Abstract—With the promotion of the "Belt and Road" initiative, China's outward foreign direct investment in countries along the "Belt and Road" has kept on increasing. However, most countries along the "Belt and Road" are developing countries and transitional economies, Chinese enterprises investing in countries along the "Belt and Road" confront with economic risks. It is imperative to evaluate economic risks of OFDI effectively and take efficient measures to control the risk. This paper analyzes the influencing factors of economic risk of OFDI, and evaluates the economic risks of Chinese OFDI in countries along the "Belt and Road" with the method of entropy weight. According to the research results, Estonia, Singapore, and Indonesia emerge as countries with the lowest level of economic risk of OFDI for Chinese enterprises. Conversely, Saudi Arabia, Jordan, and Lebanon are countries with the highest level of economic risks of OFDI. In order to improve the quality of Chinese OFDI in countries along the "Belt and Road", our government should play an active role in providing comprehensive information on investment environment. Furthermore, Chinese enterprises should evaluate economic risks of OFDI in countries along the "Belt and Road" in advance, and reasonably select destination countries of OFDI.

Keywords—Belt and Road, Outward Foreign Direct Investment (OFDI), economic risks

I. INTRODUCTION

In 2013, General Secretary Xi Jinping proposed the "Belt and Road Initiative" (BRI), which aims to promote China and countries along the route to jointly cope with risks and challenges, and achieve mutual benefits and common development. The BRI follows the basic principles of "consultation, joint contribution, and shared benefits", which are in line with the trend of economic globalization. Therefore, it has the potential to become a new direction for global development. In April 2019, "high-quality joint construction" has been written into the joint communique in the Round table Summit of the Second "Belt and Road" Forum for International Cooperation. As China's economic growth shifts from quantity-driven expansion to quality-driven development, so does China's OFDI in countries along the "Belt and Road".

With the promotion of the BRI, the scale of China's Outward Foreign Direct Investment (OFDI) in countries along the route has been kept on increasing. From 2013 to 2022, the flow of Chinese OFDI to countries along the BRI increased from US$12.63 billion to US$20.97 billion, marking a remarkable increase of 66.03% during 9 years, with an average annual growth rate of 7.34%. However, most countries along the BRI are developing economies, their economic systems are not mature enough and their regulation of market environments are not standardized. Chinese enterprises face economic risks of OFDI and uncertainties of investment returns. Moreover, the relationship between China and different countries along the BRI is also various. Some countries have signed bilateral investment agreements with China, which grants Chinese investors some preferential policies and provides a more favorable market environment. It may increase Chinese investors' confidence and reduces economic risks of OFDI. Furthermore, the location and industry distribution of Chinese OFDI in countries along the BRI are highly concentrated, leading to a significant number of unfavorable investments. In order to strengthen development of the BRI and improve the quality of economic openness, it is necessary to explore economic risks of OFDI in countries along the BRI.

In order to effectively identify and evaluate economic risks of OFDI in countries along the BRI, 13 indicators will be constructed to establish a comprehensive index system of economic risks of OFDI. The entropy weight method will be employed to measure the economic risk level of Chinese OFDI in countries along the BRI. At last, recommendations will be put forward from both the government and corporate perspectives.

II. LITERATURE REVIEW

There are three main areas of literature related to this paper.

A. Relevant Studies on the Connotation of Economic Risks of OFDI

Nie (2016) pointed out that economic risk is the uncertainty of investment returns due to changes of economic environment, fluctuations of cycles, and adjustments of fiscal and monetary policies in the process of OFDI. According to Weng (2016), economic risk of OFDI refers to the project failure resulting from changes of economic system or policies, severe inflation, sudden deterioration of finance or debt situation, trade conditions or the implementation of stricter foreign exchange controls of host country According to Li and Wang (2018), economic risk refers to the possibility of reducing returns caused by changes of economic situation or adjustments of economic policies of the host country. Yang (2021) defined economic risk as the likelihood of losses faced by foreign investors due to changes of macroeconomic indicators of the host country. Hu and Liu (2023) argued that economic risks primarily refers to the possibility of economic losses of OFDI caused by uncertainty of economic development prospects.

B. Research on the Factors Affecting Economic Risk of OFDI

Solomon and Ruiz (2012) found that uncertainty of exchange rate of host countries reduces Chinese OFDI. Hu (2022) analyzed the financial issues and risks in countries along the BRI and provided corresponding strategies. Ran Dang (2022) found that debt repayment ability of host country has significant positive effects on Chinese OFDI, while exchange rate stability and the ratio of foreign debt to GDP have significant negative effects. Wang and Li (2015) analyzed the characteristics of failed projects of Chinese OFDI in countries along the BRI from the perspectives of regional distribution, industry structure, and ownership of enterprises. They found that investment risks in BRI countries are significantly higher than the average level. Wei and Sun (2018) choose economic growth rate, economic environment efficiency and inflation as influencing factors of economic risk of Chinese OFDI in countries along the BRI. Yang (2020) found that risks of Chinese OFDI are significantly positively correlated with the appreciation of Renminbi(RMB) and the degree of exchange rate volatility of RMB. Improving productivity can help to alleviate OFDI risks faced by Chinese enterprises due to exchange rate fluctuations of RMB. Liu and Cao (2021) found that risks of Chinese OFDI mainly come from financial and investment dispute risks taking five Central Asian countries as research sample. Hu and Fan (2021) found that Chinese OFDI in South Asia still confront with investment barriers, concentration of investment industries and susceptibility to interference by non-economic factors. In order to optimize Chinese OFDI in South Asia and avoid irrational investments, it is important to evaluate investment risks, and make up investments strategy according to host country's advantages. Wang et al. (2021) found that most investors would like to choose countries or regions with low risk and high return potential. However, Chinese OFDI in countries along the BRI has the paradox phenomenon. Some Chinese OFDI flows to countries with higher risks. Southeast Asia is one of the paradox destinations of Chinese OFDI.

C. Research on Economic Risk Rating of OFDI

Qinhua Xu and William Chung (2018) employed a data envelopment analysis (DEA) model to calculate composite indicators of each ESG dimension and country. They found that the environmental rating of Afghanistan is the lowest, so the OFDI risk of it is the highest. The social and governance rating of Syria is the lowest. Yemen had the lowest average rating, and Singapore had the highest one. Chen (2018) employed a fuzzy comprehensive evaluation method to estimate comprehensive risk of uncertainties faced by foreign investors. Yang and Ren (2019) evaluated the investment risks of countries along the BRI employing the fuzzy comprehensive evaluation method. Ren and Du (2018) proposed a risk assessment model for investment in marine foreign trade economic zone based on Support Vector Machine (SVM). Mao (2021) constructed the evaluation system of five external environmental indicators and two internal environmental indicators, which is utilized to build a comprehensive and continuous risk evaluation framework. Wu and Wang (2020) established a system of 32 risk indicators covering economic, resource, environmental and Chinese factors, and employed network hierarchy analysis to determine the weights. Hu and Liu (2023) constructed a two-layer evaluation model for calculating, ranking, and assessing country-specific investment risks. Through the identification of the safety factors of the project from power industry, a safety risk assessment index system containing 14 basic factors was constructed, and the AHP-Fuzzy method was employed for risk analysis (Yang and Li et al., 2019). Yuan and Li et al. (2019) constructed an evaluation index system from 8 dimensions with 39 indicators, in order to reasonably assess the investment risk of countries along the BRI. Meyer Daniel Francois and Lerato (2021) adopted an autoregressive distribution lag (ARDL) model for estimation. They found that there is long-term relationship between economic growth, risk rating index, foreign direct investment, exchange rate, gross fixed capital formation, and lending rates. Yiadom et al. (2022) applied the system Generalized Method of Moments (GMM) to accommodate the dynamic nature of the data set and addressed endogeneity and heteroscedasticity issues in the series. Li and Wang (2018) constructed a national risk assessment index system from four aspects: economic risk, political and social risk, legal risk and sovereign credit risk. Fang and Song (2019) employed factor analysis to evaluate economic, financial, and other risks in countries along the BRI from 2013 to 2017, and found that Chinese OFDI in countries along the BRI mainly flowed into medium risk countries and high risk ones. Sun et al. (2019) assessed the risks of China's OFDI in the BRI employing the SWOT analysis method, and put forward corresponding strategies according to credit ratings. Tang et al. (2020) developed the "VHSD-EM" model for risk assessment and calculated a comprehensive investment risk index in countries along the BRI. Ren and Qiu (2021) found that there are significant differences of the levels of investment risk among countries along the BRI. They believe that the complexity of the international situation further exacerbates instability of investment risks in different countries. Li and Zhu (2022) constructed a risk indicator concluding economic and financial risks for countries along the BRI. They utilized partial least squares path modeling and BP neural network technology to realize risk evaluation and forecasting.

D. Literature Commentary

From the available studies, we can see that influencing factors of economic risk in countries along the BRI include exchange rate stability, debt repayment ability, foreign debt to GDP ratio, economic growth rate, economic environment efficiency, inflation rate and investment barriers of the host country and so on. The popular research method which was employed in order to evaluate economic risk of OFDI include principal component analysis, SWOT analysis, factor analysis, entropy weight method, fuzzy comprehensive evaluation method, analytic hierarchy method and so on. SWOT analysis, fuzzy comprehensive evaluation method and analytic hierarchy method are subjective rating methods, and entropy weight method, principal component analysis method and factor analysis method are objective rating methods.

Some studies haven't taken into account bilateral agreements, such as investment agreements and tax treaties

signed between host countries and China. Bilateral agreements may influence economic risks faced by Chinese enterprises in countries along the BRI. The bilateral agreements may affect potential diplomatic risks, which may have impact on economic and trade relations. Therefore, in order to assess economic risks of Chinese OFDI in countries along the BRI, it is essential to take account into the bilateral agreements. Some literatures only consider a few economic indicators. If economic risk factors taken into account are not enough, the assessment of economic risks of OFDI will be inaccurate, which may mislead investors and policy makers and lead to incorrect decisions. Therefore, comprehensive and systematic indicators should be established to evaluate economic risks of OFDI in countries along the BRI. Influencing factors of economic risks should be considered objectively and comprehensively. Assessment of economic risk of OFDI and quantification should be carried out scientifically and reasonably.

Although, there are some empirical studies on economic risks of OFDI in countries along the BRI, most studies employing objective methods, some literature relies solely on subjective approaches to evaluate economic risks of OFDI, which were influenced by personal subjectivity. Subjective methods will result in assessments which are lack of objectivity, as they are often lack of objective data support and quantitative analysis. It will lead to less accurate evaluation results. Therefore, in order to evaluate economic risk of OFDI in the countries along the BRI more accurately, a scientific economic risk assessment system needs to be established.

III. ANALYSIS OF INFLUENCING FACTORS OF ECONOMIC RISKS OF OFDI IN COUNTRIES ALONG THE BRI

As many countries along the BRI are emerging economies, the system of foreign direct investment rules is imperfect, which may lead to uncertainty of investment returns of OFDI. Therefore, Chinese OFDI in countries along the BRI are more susceptible to economic risks. The influencing factors of economic risks may cause return uncertainty and losses of OFDI. The influencing factors of economic risk of OFDI in countries along the BRI can be categorized into four types. They are economic development status, currency factors, foreign direct investment freedom of host country and the bilateral agreements between China and the host country.

A. Economic Development Status

1) Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is an important indicator of economic size of a country. With the continuous development of the BRI, China's investment and trade relations with countries along the BRI are deepening. The economic development along the BRI countries has a significant impact on the investment return of Chinese OFDI. If the GDP level of a host country is low, it indicates that the host country has a smaller market size and limited purchasing power, so there is lower investment returns and higher economic risks in this country.

2) Economic growth rate

The economic growth rate reflects the economic development potential and stability of a country. Analyzing the economic growth rate of a host country can help to evaluate its economic conditions and development trends, so as to predict possible economic risks. A higher economic growth rate usually signifies better utilization of economic resources, more production activities, more profitability of enterprises, higher level of national income and so on. It also helps to reduce unemployment rate and increase government revenue, symbolizing overall prosperity and stability in the country's economic market. On the contrary, if a country's economic growth rate is low, it indicates that the country's market is saturated and its economy is in recession. Foreign investors only can receive lower investment returns. Therefore, the economic growth rate of the host country may have significant impacts on economic risks of Chinese OFDI.

3) Gross capital formation

Gross capital formation reflects economic development and scale of investment of a country. It may have important impacts on infrastructure and production capacity, technology level and innovation capacity of the host country. If Gross Capital Formation of the host country is low, its technological level and innovation capacity will be limited. There will be economic risks of OFDI because of immature market. On the contrary, higher gross capital formation will benefit OFDI in the host country. For example, Singapore's gross fixed capital formation reached US$24.075 billion in the fourth quarter of 2022[1] , which is at a high level, reducing economic risk of OFDI and ensuring the scale of foreign direct investment in Singapore.

4) External debt ratio

The external debt-to-GDP ratio of a host country helps to assess its economic stability and debt repayment capacity. A high external debt-to-GDP ratio indicates that there is a decline in host country's borrowing capacity. When the external debt-to-GDP ratio exceeds a certain threshold, the host country will face repayment burden of both capital and interest. The country may meet with default risks. For example, Tajikistan's total national debt amounted to $3.7 billion in 2021. It accounted for approximately 46.8% of GDP[2]. The heavy debt burden negatively affects its economy and increases economic risks of OFDI in Tajikistan.

B. Monetary Factors

1) Inflation rate

Inflation rate reflects changes of price level of a country. If inflation rate is high, it will lead to lower investment returns and high investment costs. Therefore, high inflation rate of the host country may increase economic risks of OFDI. So inflation rate is an important influencing factor of economic risks of OFDI in countries along the BRI. Most countries along the BRI have relatively high inflation rate. Armenia's annualized inflation rate reached 7.7% in December 2021; Inflation rate of Uzbekistan was 10% in 2021; Sri Lanka's inflation rate was 14.2% in January 2022, rising to 15.1% in February 2022[3] . High inflation rate may lead to political and social instability. Furthermore, it may exacerbate economic risks of OFDI and even affect investment return of OFDI.

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[1] Data sources:CEIC database.

[2] Data sources:Dongguan, China Government Portal.

[3] Data sources:Source: Belt and Road Energy Cooperation Network.

2) *Exchange rate fluctuations*

Countries along the BRI are mostly developing countries. Their exchange rate not only influence by internal factors, but also influence by external factors, such as international market volatility. As a result, exchange rate fluctuations of developing countries tend to be larger and more frequent. Exchange rate fluctuations of have a significant impact on external debt, international trade, and prices. Furthermore, exchange rate fluctuations can affect investment costs and returns of OFDI. In 2020, caused by the collapse of international oil prices, the Russian ruble depreciated by 16.7% against the US dollar[4], resulting in huge losses of OFDI in Russia.

C. *Freedom of Foreign Direct Investment*

1) *Degree of freedom of Trade and investment*

Development of the BRI relies on trade and investment liberalization among countries. On one hand, liberalization of trade and investment will reduce barriers of market access, so it is easier for foreign investors to enter the host country. It will also increase competition and encourage the government to put forward more favorable environment for foreign direct investment. On the other hand, higher degree of freedom of trade and investment can facilitate free flow of capital. Foreign investors can repatriate capital more easily, reducing economic risks of OFDI. For example, the free trade agreements signed between China and ASEAN have not only promoted trade growth but also stimulated investment and economic cooperation.

2) *International liquidity risk*

With the increasing instability and uncertainty in the global economy, international liquidity risk has become an important challenge for China's OFDI along the BRI. The high international liquidity risk of the host country may restrict foreign currency settlement and foreign exchange transfer of multinational enterprises, which may aggravate economic risks of Chinese OFDI. For example, India's foreign exchange control is strict and cumbersome, bringing about economic risks to Chinese OFDI.

D. *Bilateral Agreement between China and the Host Country*

1) *Bilateral investment agreement*

Bilateral investment agreements serve as investor protection mechanisms, encompassing provisions related to investment entry conditions and taxation. Additionally, bilateral investment agreements often include provisions for investment dispute settlement mechanisms, reducing policy uncertainty and providing a stable investment environment, which is beneficial for alleviating economic risks of OFDI in countries along the BRI. For example, bilateral investment agreements signed between China and Kuwait, the United Arab Emirates, Thailand, and North Macedonia protect more favorable investment environment and safeguard the benefits of Chinese enterprises.

2) *Visa exemption agreement*

The policy of visa-free affects economic risks of OFDI along the BRI. Since Chinese enterprises investing in the

countries along the BRI often face uncertainty, visa-free agreement can reduce investment cost and promote exchanges and cooperation between countries, enhance investment confidence, so that reduce economic risks of OFDI. China has signed visa exemption agreements with some countries, such as Jordan, Vietnam, Turkmenistan, Brunei, and Iran etc.. The visa exemption agreements contribute to the reduction of economic risks of OFDI and facilitate OFDI between China and other countries.

3) *Tax treaties*

Bilateral tax treaties between China and the host country are beneficial for reducing economic risks of Chinese OFDI along the BRI. Tax treaties can help to promote tax fairness and effectiveness, avoiding double taxation of multinational income. It is important for enhancing international economic and trade exchanges between countries. Additionally, bilateral tax treaties can help investors to grasp tax information and reduce economic risks of OFDI.

IV. EVALUATING THE LEVEL OF ECONOMIC RISK OF CHINESE OFDI IN COUNTRIES ALONG THE BRI

According to the analysis of the influencing factors of economic risk of OFDI in countries along the BRI, we select 13 indicators to evaluate the economic risks of OFDI in 45 countries along the BRI during the period of 2017 to 2020. The entropy weight method is employed in the research. According to the empirical results, 45 countries along the BRI will be classified into three kinds: high risk countries, medium risk countries and low risk countries.

A. *Sample Selection and Data Sources*

Table 1 shows the evaluation indicators and data sources of the economic risks of Chinese OFDI in countries along the BRI. If the data of one indicator of a country is missing in a certain year, it is supplemented through linear interpolation; if all the data of one indicator of a country is missing, it is filled by the mean value of the region where the country is located. Among all the 13 indicators, external debt Ratio, inflation rate and international liquidity risk, are negative indicators, while the others are positive ones. That is, the higher the score is, the lower the level of economic risks of OFDI is.

Table 1. Evaluation indicators and data sources

First-level indicators	Secondary indicators	Description of Secondary indicators	Data source
Economic Development Status	Gross Domestic Product per capita	Production capacity per capita	WDI
	Gross Domestic Product	Market Size	
	Economic Growth Rate	Economic growth speed	
	Total Capital Formation	Capital formation as a percentage of GDP	
Currency Factors	External Debt Ratio	The ratio of External debt to GDP at the end of the year	ICRG Financial Risk Index
	Exchange Rate Fluctuations	Annual rate of change in exchange rates	
	Inflation Rate	Inflation as measured by the Consumer Price Index	WDI

Freedom of FDI	Freedom of Trade	Integrated trade policy environment, with scores based on two variables: trade-weighted average tariff rates and non-tariff barriers. The higher values, the greater freedom	Economic Freedom Index Report
	Freedom of Investment	Combining various investment regulatory restrictions, the higher the value, the higher the degree of freedom	
	International liquidity Risk	Host country restrictions on foreign currency settlement, exchange and transfer	ICRG Financial Risk Index
Bilateral Agreements	Investment Agreement	Signed investment agreement takes the value of 1, not signed then 0	Website of the Ministry of Commerce of the People's Republic of China
	visa exemption agreement	The value of 1 for the implementation of visa-free policy for China, 0 for the non-implementation	
	Tax Treaties	The value is 1 if the tax treaty is signed, and 0 if it is not signed	State Administration of Taxation

B. Measurement Method of OFDI Economic Risks of Chinese OFDI along the BRI

According to the available studies, most indicators of economic risk of OFDI are assigned with subjective methods. The subjective method has the advantage of determining the weight according to the meaning of the indicators. However, it is less objective and easily influenced by personal subjective judgment. In this paper, entropy weight method is utilized to assign weights to each index. It is an objective method.

The entropy weight method (EM) is based on the concept of entropy information theory. In order to calculate the weights of the indicators, it measures the differences between indicators through utilizing information entropy and allocates information entropy of the indicator data set to each indicator. The basic steps of the entropy weighting method are as follows:

At first, if the data is standardized, the formula of the positive indicators is shown by Eq. (1):

$$X* = \frac{x - \min(x)}{\max(x) - \min(x)} \tag{1}$$

For the negative indicators, the formula is shown by Eq. (2):

$$X* = \frac{\max(x) - x}{\max(x) - \min(x)} \tag{2}$$

Second, calculation of P-value. Based on the dimensionless processing of the basic indicators, for the indicator i, bigger is the variation degree of P_{ij}, more useful information of the measured object was contributed by indicator i. The calculation formula is shown by Eq. (3):

$$P_{ij} = \frac{X_{ij}*}{\sum_{i=1}^{n} X_{ij}*} \tag{3}$$

where, P_{ij} denotes the characteristic weight of indicator j for object i. Therefore, the value of EM of indicator j is calculated and is denoted as E_j.

Third, calculating the e entropy through Eq. (4):

$$e_j = -\frac{\sum_{i=1}^{n}(p_{ij}* \ln p_{ij})}{\ln(45*4)} \tag{4}$$

The coefficient of variation of the index is dj. It is shown by Eq. (5):

$$d_j = 1 - e_j \tag{5}$$

Larger is the value of d_j, more information is contained by indicator j. Therefore, a higher weight should be assigned to it, indicating more important is this indicator in the measurement system. Therefore, the EM weights of each basic indicator can be determined through Eq. (6), which is shown as follows:

$$w_m = \sum_{j=1}^{n}(w_j * X_{ij}*) \tag{6}$$

Among them, w_j is shown by Eq. (7), which is shown as follows:

$$w_j = \frac{d_j}{\sum_{j=1}^{n} d_j} \tag{7}$$

C. The Evaluating Results of the Economic Risk of Chinese OFDI along the BRI

Table 2 shows the average of the economic risk scores of Chinese OFDI in 45 countries along the BRI from 2017 to 2020. The higher the score is, the lower the economic risk of OFDI is. From Table 2, we can see that 3 countries with the lowest economic risks of OFDI are Estonia, Singapore and Indonesia. However, 3 countries with the highest economic risks of OFDI are Lebanon, Jordan and Maldives.

Furthermore, we classify the research sample into three kinds, including high-risk, medium-risk and low-risk countries. If the score of economic risks of OFDI is between 0 and 0.55, the country belongs to high-risk countries. If it is between 0.55 and 0.6, the country belongs to medium-risk countries. If it is between 0.6 and 1, the country belongs to low-risk countries. Table 3 shows the classifications of the research sample according to economic risks of OFDI. Form Table 3, we can see that most ASEAN and Central and Eastern Europe countries are classified into medium and low risk ones, while Russia and CIS and South Asia countries are mainly classified into medium-high risk ones.

Table 2. Score of economic risks of OFDI in countries along the BRI

Country	Overall Score	Ranking	Country	Overall Score	Ranking
Estonia	0.672	1	Bulgaria	0.586	24
Singapore	0.655	2	Oman	0.586	25
Indonesia	0.652	3	Bangladesh	0.586	26
Vietnam	0.643	4	Thailand	0.586	27
Iran	0.640	5	UAE	0.585	28
Hungary	0.636	6	Azerbaijan	0.585	29
Lithuania	0.629	7	Malaysia	0.578	30
Slovakia	0.626	8	Kuwait	0.576	31
Slovenia	0.621	9	Moldova	0.568	32
Mongolia	0.617	10	Qatar	0.564	33
Romania	0.616	11	Cambodia	0.559	34
Israel	0.608	12	Kazakhstan	0.554	35
Egypt	0.605	13	Ukraine	0.546	36
Czech Republic	0.604	14	Myanmar	0.545	37
Turkey	0.603	15	Russian Federation	0.545	38
Armenia	0.603	16	Latvia	0.529	39
Pakistan	0.601	17	India	0.511	40
Philippines	0.599	18	Serbia	0.503	41
Albania	0.597	19	Saudi Arabia	0.484	42
Sri Lanka	0.593	20	Maldives	0.440	43
Belarus	0.592	21	Jordan	0.412	44
Croatia	0.590	22	Lebanon	0.319	45
Brunei	0.588	23			

Table 3. Classifications of the research sample according to economic risks of OFDI

Risk Type	Low risk countries (17)	Medium risk countries (18)	High risk countries (10)
ASEAN	Singapore, Indonesia, Vietnam	Philippines, Brunei, Thailand, Malaysia, Cambodia	Myanmar
Russia and the CIS	Armenia	Belarus, Azerbaijan, Moldova	Ukraine, Russian Federation
Western Asia	Iran, Israel, Egypt, Turkey	Oman, UAE, Kuwait, Qatar	Saudi Arabia, Jordan, Lebanon
South Asia	Pakistan	Sri Lanka, Bangladesh	India, Maldives
Central and Eastern Europe	Estonia, Hungary, Lithuania, Slovakia, Slovenia, Romania, Czech Republic	Albania, Croatia, Bulgaria	Latvia, Serbia
East and Central Asia	Mongolia	Kazakhstan	/

V. Suggestions for the Prevention of Economic Risks of OFDI in Countries along the BRI

Based on the analysis of influencing factors of economic risks of OFDI in countries along the BRI and the empirical results obtained above, the following suggestions are proposed for both the Chinese government and enterprises.

A. Suggestions for Chinese Government

On one hand, Chinese government should provide information of foreign direct investment policies of host countries, such as investment freedom and exchange rate fluctuations, in order to reduce of economic risks of OFDI due to incomplete information. Chinese enterprises face greater challenges in acquiring information, due to geographical distance and cultural differences. If the Chinese government assists Chinese enterprises in obtaining investment environment and market information of various countries, it will help reduce investment risks in Chinese enterprises' OFDI. The website of China's Ministry of Commerce has provided country-specific investment guidelines, which should be further enriched and promoted in terms of timeliness.

On the other hand, Chinese government ought to engage in effective communication and cooperation with countries along the BRI. At first, in order to reduce investment cost and economic risks of OFDI, Chinese government should try to sign more investment agreements and tax treaties. The OFDI systems of some countries along the BRI are not systematic and imperfect. Therefore, Chinese government should strengthen investment and trade cooperation with countries along the BRI to reduce the economic risks for Chinese enterprises.

B. Suggestions for Chinese Enterprises

On one hand, in order to reduce economic risks, Chinese enterprises should choose appropriate investment targets. The level of economic development of countries along the BRI is uneven, their economic risk level of OFDI is also different. For example, Ukraine, Russia, OFDI is vulnerable to exchange rate fluctuations and inflation which may cause economic losses to OFDI. So Chinese enterprises should conduct comprehensive assessments of economic risks of OFDI before investing along the BRI countries. They should choose countries with lower economic risks, such as Estonia, Singapore, Indonesia, as their destinations of OFDI.

On the other hand, Chinese enterprises should strengthen communication and collaboration with local government and institutions to understand host policies in order to enhance their risk prevention capabilities. Chinese enterprises have limited understanding of investment environment of host countries. Differences in economic systems, accounting standards, etc. may bring challenges to Chinese enterprises. Moreover, there is also financial risks caused by price fluctuations and tax uncertainties. So Chinese enterprises should strengthen communication and exchanges with local institutions and industry organizations, promote international cooperation between host country and China, so as to develop better in an unfamiliar economic environment.

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