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**China's outward foreign direct investment: A comparative study between OBOR
countries and non-OBOR countries**

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China's Outward Foreign Direct Investment: A Comparative Study between OBOR Countries and Non-OBOR Countries

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ABSTRACT: The purpose of this study is to compare China's outward foreign direct investment (OFDI) between One Belt One Road (OBOR) countries and non-OBOR countries based on economic environments. Using multiple regression model to analyze host countries' economic environments and China's OFDI from 2012 to 2017, I find that China's OFDI is affected by economic environments of OBOR countries, but has no relationship with economic environment of non-OBOR countries. For OBOR countries, GDP and trade volume between China and host countries stimulate China's OFDI. However, China's OFDI is not sensitive to host countries' debt and signing of bilateral inventory treaty (BIT) in both OBOR and non-OBOR countries. In the end, this paper give some advice about China's OFDI. This paper is significant to China's potential OFDI, and filling the gap in current research.

Keywords: China's OFDI, OBOR, economic environments, GDP, trade volume.

I. INTRODUCTION

There is extensive research indicating that China's OFDI is influenced by multiple factors (e.g., Yeung and Liu, 2008; Cheung and Qian, 2008; Chang, 2014; Sutherland, 2009). In recent years, globalization has led to a rapid increase in the growth of foreign direct investment around many countries. The world's economy is becoming more and more integrated, and commercial boundaries are becoming more and more blurred. Transnational trade has become one of the best ways for enterprises to develop rapidly.. China, as the world's largest developing country, has become one of the largest foreign direct investment country and an important engine driving the growth of global OFDI. At the same time, China is rapidly integrating with the rest of the world, thus its OFDI has also been increasing sharply in recent years. According to Ministry of Commerce (<http://www.mofcom.gov.cn/>), by August of 2019, China's OFDI were more than 70 billion dollars and hit a record high. China's OFDI not only reduces host countries' economic pressures, promotes the development of its economy, but also builds solid relations of cooperation, and effectively uses domestic foreign exchange assets.

In 2013, Chinese President Xi Jinping first officially proposed the OBOR initiative during his visit to Central Asia and Southeast Asia countries, which caused the attention of the international community. The OBOR initiative is believed to be an upgrade from the earlier "Going out Strategy" with an aim to boost China and countries' economic cooperation relationship. OBOR initiative focusing on policy, infrastructure, trade, capital and people-to-people connectivity, which provides new ideas and solutions for the reform of the global governance system. It is the most ambitious development plan in the 21st century, covering more than 60 nations, accounting for 48% of the world's population; however, they only account for 18% of the world's GDP (Hou, 2016). Therefore, it is no exaggeration to say that if the OBOR can successfully bring these less developed countries to the world average, its importance to economic development can be compared with the industrial revolution (Hou, 2016). On December 25, 2015, the Asia Infrastructure Investment Bank (AIIB) was established, with 57 founding charter members and headquartered in Beijing, China. One of the primary directives of the AIIB is to promote financial and monetary cooperation in the region and among its members. According to the data from MOC, since OBOR initiative was launched, the net value of China's OFDI has increased from 107.84 billion dollars in 2013 to 129.83 billion dollars in 2018. Despite the obvious downturn trend of global economic, China's OFDI still rose by about 20.4 percent. In 2017, China invested 14.4 billion dollars to 71 nations along OBOR and the amount accounts for 12% of the total amount of 2017 China's OFDI. The countries along OBOR have become the investment priority of China's OFDI and China's "going out" strategy reaches a new height.

As president Xi pointed out in 2017, the construction of OBOR is based on the principle of extensive consultation, joint contribution and shared benefits. It will help release the potential of developing countries and realize mutual benefit and win-win results in economic cooperation. The joint construction of OBOR aims to promote economic factors to flow orderly and freely, resources to allocate efficiently and markets to integrate deeply. It is helpful for the international community to promote economic policy coordination and regional cooperation among countries along OBOR,

and build an economic cooperation architecture jointly, which is open, inclusive, balanced and benefits all. However, some OBOR countries have bad economic environments and the economic state is not good, their inflation is severe and the financial system is fragile. In the meantime, the inadequate environments assessment system and the weak awareness of prevention, leading Chinese enterprises failed to invest abroad repeatedly. As such, this paper evaluates the relationships between China's OFDI and host countries' economic environment along OBOR accurately. At the meantime, this study also considers whether the relationship will be affected due to the host country along OBOR or not.

Nevertheless, most of the existing literature on Chinese enterprises' "going out" focus on the traditional theory of foreign investment, and investigate the impact of traditional factors such as capital, labor force and institutional environments of the host country on China's OFDI, while economic factors are often not considered. For example, Chang (2014) claimed that Chinese companies were preferred to invest in high-tech industries of developed countries, and those who has many global natural resources. However, China is a country with an imperfect economic system, and many Chinese enterprises have serious economic constraints. Then, does economic development have any impact on China's OFDI and how? Will the impact be affected due to the host country along OBOR or not? These are the questions to be answered in this paper. This paper aims to compare China's OFDI for OBOR countries and non-OBOR countries based on economic environments, which is important for Chinese enterprises and countries who are willing to receive China's investment. According to the data from MOC, from 2005 to 2014, the amount of failed projects was 56.02 billion dollars. With the continuous growth of outbound investment by China and the continuous expansion of investment fields, as well as the different industrial policy environments in different countries, it is necessary for China to grasp the business environment of relevant countries and regions in advance and further improve the timeliness and pertinence of outbound investment.

Based on a sample of 1750 economic indicators of 70 countries from 2012-2017, this paper find that China's OFDI is affected by economic environments of OBOR countries, but not relates to the economic environment of non-OBOR countries. For OBOR countries, GDP and bilateral trade volume between China and host countries stimulate China's OFDI. However, China's OFDI is not sensitive to host countries' external debt and signing of BIT in both OBOR and non-OBOR countries.

This study contributes to the literature in several ways. Most importantly, this is the first study to relate China's OFDI to OBOR countries and non-OBOR countries' economic environment. Other current research on the assessment of the environments of OBOR countries is mostly focused on national politics environments and national comprehensive environments. Furthermore, the findings are robust to China's potential OFDI and economic issues, advice is provide for both Chinese government and enterprises. Finally, this study contributes to the literature on determinants of China's OFDI by identifying economic environment as an important country-level determinant. The results show that OBOR countries with lower GDP and higher trade volume with China tend to get more direct investments from China.

The remainder of this paper is structured as follows. In the next section, I review the relevant literature briefly and develop hypotheses. In section 3, I describe the chosen sample and research methodology. In section 4, I explain the results. In section 5, I discuss results and give some advice. In section 6, I conclude the study.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The Determinant of China's OFDI

In order to stimulate the enthusiasm of foreign investment, the Chinese government issued several policies and protection measures, such as tax incentives and protection of investment. These policies increase the intensity of investment and provide a protection mechanism for investors with preferential policies to promote more business of foreign trade and foreign investment. However, China's OFDI is affected by many factors. Different scholars have studied the influencing factors of China's OFDI based on different perspectives and emphases of analysis. Nevertheless, they got different conclusions in the field of empirical research due to different selection of indicators.

The investment behavior of China's OFDI is significantly influenced by Chinese government policies. According to Yeung and Liu (2008), 82 percent of China's OFDI was conducted by State-Owned Enterprises (SOEs) in 2006. Of the thirty largest foreign direct investment (FDI) rankings, except for two, the rest are state-owned enterprises. Although most state-owned companies are listed on the stock exchange, the government retains most of its capital and appoints executives, and most of them are within the party (Morck et al., 2008).

In addition to China's internal factors, host countries' conditions also influence China's OFDI. Cheung and Qian (2008) used a fixed effect estimation of China's OFDI to 31 countries during 1991-2005, and proved that China's OFDI was attracted by host countries' natural resources and GDP, they also pointed out that low wages would attract Chinese FDI. Chang (2014) used an augmented gravity model and claimed that Chinese companies were more willing to invest in high-tech industries of developed countries, and also affected by the exploitation of global natural resources. The empirical findings showed that the host country's economic size had a significantly positive effect in terms of promoting Chinese OFDI, while China's currency appreciation strategy resulted in a slight decrease in China's OFDI.

Sutherland (2009) used national-level data and business group OFDI data to explore the sectors from which OFDI originates and destinations to which it is sent. He claimed that China's OFDI was closely related to China's expansion as a trading nation with a shortage of natural resources. Zhang and Daly (2011) used pooled ordinary least squares and pointed out that China's overseas investment is mainly directed to countries with large export scale, high per capita GDP, and rapid GDP growth. Also, open economic systems and resources-rich countries had promoted China's outward investment.

Huseynov (2016) used a Poisson pseudo maximum likelihood (PPML) technique to estimate all regression models. He found that governments with high deficits and strong institutions, as well as countries with large markets, had a strong influence on attracting infrastructure investment in China. In addition, he also found that geographic

distance was not important to China's OFDI in infrastructure.

Economic Indicators

The economic base index provides a long-term basis for a country's investment environment. A better economic base is the fundamental guarantee of the income level and safety of enterprises' overseas investment. Since there is no unified definition of economic risk, and different scholars have different standards, this article mainly referees to the index system established by the Institute of World Economics and Politics Chinese Academy of Social Sciences (2018). However, some indicators in the index system are redundant, such as GDP, per capita GDP and the GDP growth rate are all indicators of the economic development of a country. On this basis, this paper improves the risk assessment system of OBOR countries based on the availability of data and China's national conditions, as shown in Table 1.

TABLE 1
Economic Indicators

<u>Indicator</u>	<u>Explanation</u>	<u>Source</u>
LOFDI	China's outward foreign direct investment	MOC
LGDP	Gross Domestic Product (GDP) of the host country	CSMAR
LTRADE	Trade volume between China and the host country	WB
LDEBT	Total external debt stocks	CSMAR, WB
LBIT	Whether signed bilateral inventory treaty	MOC

MOC stands for the Ministry of Commerce of the People's Republic of China.

CSMAR stands for China Stock Market and Accounting Research Database.

WB stands for the World Bank.

OBOR Countries' Economic Environment

OBOR initiative is one of the major initiatives that about China's interconnected opening up and deepening reform to open up and seek common development. It aims to use the historical symbols of the ancient Silk Road, actively develop economic cooperation partnerships with countries along the routes, and jointly build a community of shared interests, common destiny, responsibilities featuring, political trust, economic integration and cultural inclusiveness (Xi, 2017). Foreign direct investment is an important bridge and link to promote the OBOR initiative.

Based on the theory of optimal currency area (OCA), Sun & Hou (2019) used the OCA index model to calculate and found that among the South East Asia region, Malaysia exhibits the highest compatibility and profit potential, followed by Thailand and Vietnam. In the East European area, Poland and Croatia show the best potential in monetary and economic cooperation, and the third one is the Czech Republic. According to the computation, currently, Central Asia and the Middle East do not possess the condition or potential for beneficial economic and monetary collaboration.

Previous empirical studies do not provide a systematic and up-to-date picture of China's OFDI for OBOR countries and non-OBOR countries based on host countries' economic environments. Their empirical framework puts more focus on institutional quality and natural resources. The data span of the existing literature is considered out of date. For example, Cheung and Qian (2008) used data from 1991 to 2005, Zhang and Daly (2011) used data from 2003 to 2009. These results might not give a full explanation of the new scenario of Chinese OFDI. In this article, a full sample panel database including 70 countries (35 OBOR countries and 35 non-OBOR countries) is set up, which compares China's OFDI between OBOR countries and non-OBOR countries based on host countries' economic environments. I expected the economic environments of OBOR countries to significantly affect China's OFDI while non-OBOR countries are not. Specifically, my hypothesis is that China is more willing to invest in OBOR countries with lower GDP, higher bilateral trade volume, lower debt and had signed BIT.

III. RESEARCH METHOD

Data Source and Sample Selection

The OBOR is an open and inclusive network of international and regional economic cooperation, which is not completely closed space. This paper selected 70 countries, including 35 OBOR countries and 35 non-OBOR countries, most of them are developing countries (Table 2). Because many data are missing, I choose the sample period from 2012 to 2017, which is a short period but also one that coincides with a sharp increase of China's OFDI. The data collected and used in this paper are from three sources: (1) Gross Domestic Product (GDP) and host countries' external debt, obtained from the China Stock Market and Accounting Research Data Base (CSMAR). (2) China's OFDI and the name list of countries signed BIT, obtained from Ministry of Commerce of the People's Republic of China (MOC). (3) Trade volume between China and the host country, and host countries' external debt, obtained from the World Bank (WB).

Definition of Variables

The dependent and independent variables are defined below. The summary statistics of the empirical variables are reported in Table 3.

Dependent Variable

The dependent variable for the study is OFDI to the host countries from Chinese enterprises during the period of 2012-2017. To avoid heteroscedasticity, I use LROFDI, the natural logarithm of real OFDI to each recipient country expressed in millions of dollars. To understand the details of China's OFDI, I used annual country-level data from MOC. This official government data repository contains all the data of the Chinese government's OFDI since 2010, which is the most reliable source.

TABLE 2
List of Countries Used in the Study

OBOR Countries	Non-OBOR Countries
Mongolia, Russia, Singapore,	Argentina, Bolivia, Botswana, Brazil,
Indonesia, Malaysia, Thailand,	Cote d'Ivoire, Cameroon, Chile,
Philippines, Cambodia, Myanmar,	Colombia, Congo, Rep., Ethiopia,
Laos, India, Pakistan, Sri Lanka,	Gabon, Ghana, Guinea, Japan, Kenya,
Bangladesh, Nepal, Turkey, Yemen,	Rep, Madagascar, Malawi, Mali,
Egypt, Iran, Jordan, Syria, Afghanistan,	Mexico , Morocco, Mozambique,
Azerbaijan, Georgia, Armenia,	Namibia, Niger, Nigeria, Peru, Senegal,
Bulgaria, Serbia, Romania, Ukraine,	Sierra Leone, South Africa, Suriname,
Belarus, Kazakhstan, Kyrgyzstan,	Tanzania, Togo , Uganda, Uruguay,
Turkmenistan, Tajikistan, Uzbekistan	Zambia, Zimbabwe

Source: Belt and Road Portal (www.yidaiyilu.gov.cn)

Independent Variables

LGDP. LGDP is the natural logarithm of the host countries' GDP in a given year. GDP is often recognized as an important indicator of the country's economic situation, which reflects the host country's economic status and development level.

LTRADE. LTRADE is the natural logarithm of international trade volume between China and the countries along OBOR. As the countries of the world economy continue to deepen each other's dependence, trade between countries is becoming increasingly closer, and foreign trade has become an important step in the integration of countries into the world economy measures.

LDEBT. LDEBT is the natural logarithm of total external debt stocks of this year.

LBIT. A bilateral investment agreement between China and host countries. Bilateral investment agreements are used internationally, they can establish a safe barrier for investment between the two countries through political trust, environment prevention and control, and preferential policies. In other words, bilateral investment agreements can reduce the investment threshold and investment cost of investment enterprises entering the host country to a certain extent. It equals 1 if the host country had signed BIT and 0 if not.

Statistical Model

This paper uses a multiple regression model to measure the economic environments of China's OFDI, the formula is as follows:

$$LOFDI = \beta_0 + \beta_1 LGDP + \beta_2 LTRADE + \beta_3 LDEBT + \beta_4 LBIT + \varepsilon$$

In this model, the independent variable BIT is coded for 0 or 1 for not signed BIT and signed, respectively. The results are shown below. Some new findings have been disclosed through the regression, and I analyze the results thereafter.

TABLE 3
Summarize Statistics

	<u>Observation</u>	<u>Mean</u>	<u>Std. dev.</u>	<u>Min</u>	<u>Max</u>
Full Sample					
LOFDI	420	3.46	3.05	-7.27	8.00
LGDP	420	10.99	1.82	6.54	15.20
LTRADE	420	8.49	1.67	5.47	12.21
LDEBT	420	9.92	1.75	6.11	14.20
OBOR Countries					
LOFDI	210	3.65	3.40	-7.83	9.26
LGDP	210	11.23	1.82	5.05	14.75
LTRADE	210	8.95	1.60	5.82	11.71
LDEBT	210	10.30	1.60	6.00	13.41
Non-OBOR Countries					
LOFDI	210	3.26	2.70	-6.70	6.74
LGDP	210	10.74	1.81	8.03	15.64
LTRADE	210	8.03	1.73	5.11	12.71
LDEBT	210	9.53	1.89	6.22	14.99

IV. RESULTS

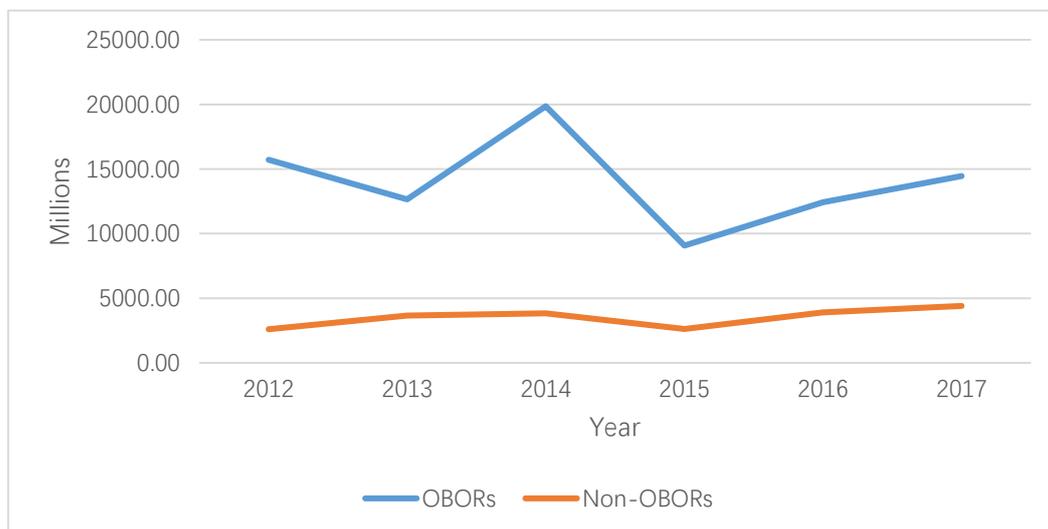
The regression results are presented in Table 4. There were capital withdrawals to several countries in different years, leading to negative OFDI and invalid natural logarithm. To solve this problem, I calculated the logarithm of the positive number firstly and then added the negative sign. LGDP coefficient shows significance at the 10 percent level, LTRADE coefficient shows significance at 1 percent level, while LDEBT and LBIT does not show any significance. The results prove that China's OFDI does have significant relationships with OBOR countries' economic environments, embodied in GDP and bilateral trade volume. However, for non-OBOR countries, China's OFDI seems to be indifferent to the host countries' economic environments. Figure 1 shows the trend of China's OFDI from 2012 to 2017, for OBOR countries and non-OBOR countries. The amount of China's OFDI for OBOR countries is much larger than non-OBOR countries.

TABLE 4
Multivariate Ordered Logistic Regression Analysis of Economic Indicators

	<u>Full Sample</u>	<u>OBORs</u>	<u>Non-OBORs</u>
	LOFDI	LOFDI	LOFDI
LGDP	-0.309* (0.129)	-0.325* (0.149)	0.067 (0.396)
LTRADE	0.650*** (0.138)	0.805*** (0.179)	0.330 (0.254)
LDEBT	0.200 (0.149)	0.271 (0.188)	0.009 (0.372)
LBIT	0.030 (0.344)	0.024 (1.02)	0.286 (0.385)
Number of countries	70	35	35
<i>p</i> value	8.152e-11	3.221e-07	0.002

Notes: Standard errors in parentheses; *, **, ***Denote two-tailed statistical significance at the 10 percent, 5 percent, and 1 percent levels, respectively

FIGURE 1
Trend of China's OFDI over Time



V. DISCUSSION

Results Analysis

China's OFDI Is Affected by Economic Environments of OBOR Countries rather Than Non-OBOR Countries

For the 35 selected OBOR countries, trade volume and GDP coefficient are found to show significance. However, for non-OBOR countries, none of the coefficients

shows significance. This suggests that for OBOR countries, China's OFDI does have significant relationships with host countries' economic environments, embodied in GDP and trade; for non-OBOR countries, China's OFDI may not be related to host countries' economic environments.

GDP Stimulates China's OFDI in OBOR Countries

In OBOR countries, host countries' economic status and development (LGDP) variable shows a statistically significant and negative result, which suggests that China's OFDI is more willing to invest in countries with lower levels of economic development. This is consistent with my hypothesis and previous study, which claimed that China's OFDI was attracted by host countries' GDP (Cheung & Qian, 2008). As for non-OBOR countries, GDP does not show significance, indicating that China's OFDI is not sensitive to GDP of non-OBOR countries.

Trade Volume Determines China's OFDI in OBOR Countries

The results show that trade volume (LTRADE) is positive and statistically significant for 35 selected OBOR countries. This suggests that the bilateral trade volume between China and host country is conducive to the expansion of China's OFDI, and this finding reinforces the view that bilateral trade variable is a significant determinant of China's OFDI (Huseynov, 2016). However, for non-OBOR countries, trade volume does not gain significance, which means the relationship between China's OFDI and non-OBOR countries' trade volume is not very obvious.

China's OFDI Is Not Sensitive to Debt in Both OBOR and Non-OBOR Countries

No matter in OBOR countries or non-OBOR countries, host countries' debt (LDEBT) variable shows a statistically insignificant result, which is not in line with the previous hypothesis and study. According to Zhong (2016), in host countries with high external debt, the uncertainty of the ability of foreign debt to repay debt affected economic growth, which would definitely affect the choice of transnational direct investment by enterprises. However, research by Lan and Liu (2016) pointed out that the sovereign credit of the developing country had no significant impact on China's direct investment. Since 68 of the 70 selected countries are developing countries, and external debt is one of the indicators to measure sovereign credit, Lan and Liu's research may be a possible explanation.

China's OFDI Seems to Be Indifferent to BIT In Both OBOR and Non-OBOR Countries

The BIT coefficient shows a statistically insignificant result with a positive sign, which contradicts my hypothesis and the view that the signing of BIT is conducive to China's OFDI (Song & Li, 2019). A possible explanation is that BIT is not a continuous variable, it may have a significant impact only in the year of signing. However, the selected countries had signed BIT before 2012, so there are no significant relationships between BIT and China's OFDI.

The amount of China's OFDI to OBOR Countries is much larger than Non-OBOR Countries

Shown in Figure 1, among the 70 selected countries, OBOR countries receive more investment than non-OBOR countries, which is the result of China's high attention to the OBOR Initiative. Since 2013, OBOR initiative not only promotes the increase of the size of the national foreign investment but also boosts the development of our country's economy. According to the data from MOC, by September of 2018, the amount of Chinese enterprises' OFDI to 55 OBOR countries was 10.78 billion dollars, up 12.3% from a year earlier, accounting for 13.1% of the total amount at this period.

Limitations

There are several limitations of this paper. First, the countries selected are not enough. There are more than 60 countries along OBOR, but this paper chose only 35 countries for OBOR and 35 for non-OBOR, because many data were unable to find. Second, there should be more indicators to reflect the economic environments of the host countries and a longer time period. However, due to the lack of data, this paper selected GDP, trade, debt and BIT as indicators and focused on the time period from 2012 to 2017. Third, China withdrew capital for several countries in several years, causing a negative and invalid natural logarithm of OFDI. To solve this problem, I calculated the natural logarithm of positive OFDI first and then converted it to negative, which might slightly influence the results.

Reliability and Validity

All data used in this paper are from three sources: (1) the Ministry of Commerce of the People's Republic of China (MOC); (2) China Stock Market and Accounting Research Data Base (CSMAR); (3) World Bank (WB). All three are authoritative institutions or databases, so the results of this research are reliable. As for validity, I calculated the Variance Inflation Factor (VIF) to measure multicollinearity (Table 5). The VIF of all these four indicators is less than 10, which means the results of this research are valid. This paper follows the methodology in "*The Determinants of Chinese Outward FDI in Countries Along 'One Belt One Road'*" (Liu et al., 2017). The results of this paper are similar to Cheung and Qian's paper (2008) and Huseynov's paper (2016), which means the results of this paper are reliable.

TABLE 5
VIF of Indicators

GDP	Trade	Debt	BIT
2.748798	2.840244	3.551979	1.204881

Theoretical Contribution

The current research on the assessment of the environments of OBOR countries is mostly focused on national politics environments and national comprehensive

environments. This paper is targeted all the way to host countries' economic environments and compare China's OFDI to OBOR countries and non-OBOR countries. The national environment assessment in this paper provides basic data for the environment's prevention and control of China's current and future foreign investment and trade support.

As economies along OBOR continue to develop and thus present more opportunities for generating profits than before. According to MOC, by August of 2019, China had signed cooperation documents with more than 130 countries, and the foreign direct investments were more than 70 billion dollars. However, the countries along OBOR are mostly developing countries, their political system, level of economic development are all different. According to the data from MOC, from 2005 to 2014, the amount of failed projects was 56.02 billion dollars, accounting for 23.7% of failed investments' total amount. Therefore, it is necessary to examine the relationships between China's OFDI and host countries' economic environment along OBOR. In the meantime, we should also consider whether the relationships would be affected due to the host country along OBOR or not. Based on the evaluation results of this paper, China's OFDI does have relationships with OBOR countries' economic environments, and Chinese enterprises prefer to invest those countries with lower GDP and higher trade volume.

Based on the above conclusions, this paper proposes the following countermeasures advice:

1. Government: establish countries risk rating system.

The results show that OBOR countries' economic environment does affect China's OFDI, especially those with lower GDP and higher trade volume. Hence, the Chinese government should build a public information service platform and regularly issue investing guidance for both OBOR and non-OBOR countries. The investing guidance should be pertinently, practicably, and timely, which is helpful to reduce the risk of asymmetric information brings to the enterprise and improve the ability to handle emergencies, prevent systemic risk.

2. Enterprises: raise risk awareness.

In this paper, the research results show that Chinese enterprises were more willing to invest in OBOR countries with lower GDP and higher bilateral trade volume. While investing abroad, Chinese enterprises are facing economic risk, political risk and social risk, etc. If these enterprises are careless, it may bring immeasurable loss. Therefore, it is important for Chinese enterprises to improve risk consciousness while investing abroad. Chinese enterprises should be familiar with the target countries of investment, better explore the market, and achieve steady and sound development of outbound investment cooperation.

In many cases, risks and opportunities are dialectical and unified. For countries with worse economic environments, such as lower trade volume, it is still possible to invest. Based on adequate risk estimation and prevention, the dynamic balance between risks and benefits should be pursued as far as possible to achieve a win-win situation for national and corporate interests.

VI. CONCLUSION

Motivated by China's position and role in global foreign direct investment are becoming increasingly prominent, and the OBOR initiative has become more and more popular, but insufficient evidence of, whether host countries' economic environments affect China's OFDI. I investigate this issue by (1) examining the impact of host countries' economic environments on China's OFDI and (2) comparing China's OFDI between OBOR countries and non-OBOR countries based on economic environments. Based on a sample of 1750 economic indicators of 35 countries from 2012-2017, I document several findings. First, China's OFDI is affected by economic environments of OBOR countries but has no relationship with the economic environment of non-OBOR countries. Second, GDP stimulates China's OFDI in OBOR countries. Third, China's OFDI is not sensitive to the debt coefficient in both OBOR and non-OBOR countries. Fourth, China's OFDI seems to be indifferent to BIT in both OBOR and non-OBOR countries. A possible explanation is that BIT is not a continuous variable, so it may only have a significant impact in the year of signing. However, the selected countries had already signed BIT before 2012. Finally yet importantly, the amount of China's OFDI to OBOR Countries is much larger than non-OBOR Countries, reflecting the importance of the OBOR initiative.

Based on the conclusion, this paper gives some advice for the Chinese's government and enterprises: (1) Chinese government should establish a country-risk rating system, and (2) Chinese enterprises should raise the risk awareness of OFDI. This paper also points out that risks and opportunities are dialectical and unified; it is possible to achieve a win-win situation for national and corporate interests based on adequate risk estimation and prevention.

This study contributes to Chinese enterprises' potential OFDI and economic issues, but I should acknowledge that there are several limitations. First, the countries selected are not enough. There are more than 60 countries along OBOR, but this paper chose only 35 countries for OBOR and 35 for non-OBOR, because many data were unable to find. Second, there should be more indicators to reflect the economic environments of the host countries and a longer time period. However, due to the lack of data, this paper selected GDP, trade, debt and BIT as indicators and focused on the time period from 2012 to 2017. Third, China withdrew capital for several countries in several years, causing a negative and invalid natural logarithm of OFDI. To solve this problem, I calculated the natural logarithm of positive OFDI first and then converted it to negative, which might slightly influence the results.

The determinants of China's OFDI are various, and this paper focuses on the economic aspect. Further research is needed to investigate the relationship between political, social and other factors of the host countries and China's OFDI.

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