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Department of Sociology, Economic
Theory and International Processes
38.04.01 Economics
International Economics and Business

GRADUATION THESIS

on

Cross-border investment in the context of “One Belt and One Road”

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Institute of Economics and Administration
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Field of study 38.04.01 Economics,
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ASSIGNMENT
FOR THE GRADUATION THESIS OF

Master's degree student Yan Min, group 23ЭЭБам1, full-time mode of study

1 The topic of the graduation thesis: "Cross-border investment in the context of 'One Belt and One Road'"

was approved by the university order
dated « ____ » _____ 20__ no. _____

2 The deadline for the Master's degree student to complete the graduation thesis is 11.06.2025.

3 The input data for the graduation thesis is the regulatory and legal framework, scientific literature and reference books, and Internet data.

4 The list of issues to be studied includes research of background and theoretical basis, importance of cross-border investment, "One Belt and One Road" investment advice for Chinese companies.

5 The list of visuals contains tables and figures.

6 The date of setting the assignment is 7.09.2023.

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(signature) (full name)

Schedule for completing the graduation thesis

№ п/п	Content of the thesis	Deadline for completion	Due date, signature of the academic adviser
First year of study			
1	Substantiating of the research topic and methodology, subject and object of research	1.09.2023 – 31.10.2023	
2	Framing the scientific concept of research	1.11.2023 – 18.12.2023	
3	Collection of scientific literature for the thesis	19.12.2023 – 15.01.2024	
4	Substantiating the relevance, concept, and novelty of the research	16.01.2024 – 19.02.2024	
5	Framing of a detailed plan and layout of the research	20.02.2024 – 12.03.2024	
6	Studying new literature sources within the topic of the thesis	13.03.2024 – 26.03.2024	
7	Conducting theoretical research within the first chapter of the thesis	27.03.2024 – 30.04.2024	
8	Preparing the first chapter of the thesis	1.05.2024 – 30.06.2024	
Second year of study			
9	Conducting analytical research within the second chapter of the thesis	1.09.2024 – 22.10.2024	
10	Preparing the second chapter of the thesis	23.10.2024 – 24.12.2024	
11	Conducting analytical research within the third chapter of the thesis	25.12.2024 – 25.02.2025	
12	Preparing the third chapter of the thesis	26.02.2025 – 21.04.2025	
13	Preparing the introduction and conclusion	22.04.2025 – 12.05.2025	
14	Completing the graduation thesis	13.05.2025 – 26.05.2025	
15	Handing in the thesis for compliance control and antiplagiat	27.05.2025 – 9.06.2025	
16	Getting acquainted with the feedback and review	10.06.2025	
17	Presenting the written thesis	11.06.2025	

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The assignment was accepted by Master's degree student _____ / Yan Min /
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Summary

The graduation thesis comprises 90 pages, 3 chapters, 5 figures, 11 tables, 68 sources.

INVESTMENT, CROSS-BORDER INVESTMENT, ONE BELT AND ONE ROAD, ENTERPRISE, STRATEGY, CAPACITY.

The target of research is to analyze the risks and response strategies of cross-border investment and provide comprehensive investment advice for Chinese companies engaging in overseas investments under the OBOR strategy.

The goal of work is to study the characteristics and significance of the "Belt and Road Initiative", the importance of cross-border investment under the framework of the "Belt and Road Initiative".

The methodological framework of the paper is formed by the complex of theoretical and practical methods such as literature review, qualitative analysis, case studies.

The results of research include: the characteristics and significance of the "Belt and Road Initiative", the risks and response strategies that may be encountered in cross-border investment, and how Chinese enterprises with different absorption capabilities (strengths and weaknesses) can seize overseas investment opportunities under the background of the "Belt and Road Initiative".

The recommendations on disseminating and applying the results are as follows: multi-channel dissemination, policy alignment and enterprise cooperation, international exchanges and cooperation.

The theoretical relevance of the thesis is established by the theory of the "Belt and Road Initiative", the theory of cross-border investment, and the theory of enterprise heterogeneity.

The target of research can be further explored through in-depth case studies, big data analysis, interdisciplinary research, and international cooperative research.

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Introduction

With the deepening of the "Belt and Road" construction, the scale of Chinese enterprises' investment in the countries along the "Belt and Road" has expanded rapidly. The rapid growth of cross-border investment will bring more development opportunities for China, but also create risks and disputes. The existing international investment rules cannot meet the needs of risk prevention and dispute settlement for cross-border investment under the Belt and Road Initiative. China should prevent cross-border investment risks from both the national and enterprise levels, explore new cross-border investment dispute settlement mechanisms on the existing basis, optimize the international investment environment, and lay a solid institutional foundation for the sustainable and steady development of the Belt and Road Initiative.

The topic of this master's thesis is highly relevant in today's global economic landscape. The "One Belt and One Road" (OBOR) strategy, also known as the Belt and Road Initiative (BRI), has garnered significant attention worldwide. It aims to enhance regional economic cooperation, embrace a brighter shared future for all involved nations, and promote infrastructure development and trade links across a vast region stretching from Asia to Europe and Africa. In this context, cross - border investment has become a crucial element in realizing the potential of the OBOR strategy. As countries along the Belt and Road routes seek to develop their economies and improve their infrastructure, there is a growing need for investment from both domestic and foreign sources. Chinese companies, with their substantial financial resources, advanced technologies, and rich experience in various industries, are in a unique position to contribute to these investment opportunities. However, cross-border investment is not without its challenges and risks. Therefore, it is essential to study how Chinese companies can effectively engage in overseas investments under the OBOR framework, taking into account the specific characteristics and significance of the OBOR strategy as well as the inherent risks and appropriate response strategies in cross - border investment.

The goal of this study is to analyze cross-border investment in the context of "One Belt and One Road".

This goal is realized by solving the following objectives:

- analysis of overseas investment opportunities in the context of the OBOR initiative;
- studying specific risks Chinese companies with different absorptive capacities (strong and weak) may encounter in cross-border investments;
- revealing the response strategies of cross-border investment and provide comprehensive investment advice for Chinese companies engaging in overseas investments under the OBOR strategy;
- deriving practical and actionable investment advice tailored to Chinese companies with different absorptive capacities, enabling them to navigate the complexities of overseas investment and achieve sustainable growth and development in the context of the OBOR initiative.

The object of this study is the Belt and Road Initiative. This includes examining the characteristics and significance of the OBOR strategy itself, as these factors have a direct impact on the investment environment and opportunities available to enterprises. The object of study encompasses a wide range of factors that influence the investment decisions and performance of companies in the context of the OBOR initiative.

The subject of this study is cross-border investment activities of Chinese companies under the OBOR strategy. This involves analyzing various aspects such as the characteristics and significance of the OBOR strategy, the risks in cross-border investment, and the response strategies and policy recommendations. Additionally, the thesis focuses on the risks associated with cross-border investment and the response strategies that can be adopted to address these risks. It also investigates the different types of companies based on their absorptive capacities and how their investment approaches may vary accordingly.

To achieve the research objectives, a combination of research methods will be employed in this master's thesis. Firstly, a thorough literature review will be conducted to examine existing studies on the OBOR strategy, cross-border investment, and related topics. This will provide a solid theoretical foundation and an overview of the current research landscape. Secondly, qualitative analysis will be used to interpret the characteristics and significance of the OBOR strategy, as well as the risks and response

strategies in cross-border investment. This may involve analyzing official documents, policy statements, and expert opinions to gain a deep understanding of the underlying issues and factors. Thirdly, case studies of Chinese companies that have engaged in overseas investments under the OBOR framework will be conducted. These case studies will provide real - world examples and insights into the practical challenges and strategies adopted by different types of companies. Finally, comparative analysis may be used to compare the investment approaches and outcomes of companies with strong absorptive capacities versus those with weak absorptive capacities, highlighting the differences and similarities in their strategies and performance.

Research perspective innovation are the following. The study focuses on the differences in the characteristics of enterprises themselves. Enterprises are classified into two categories based on their absorption capacity: strong absorption capacity and weak absorption capacity. By analyzing the cross-border investment practices of different types of enterprises, it assesses from the micro level the promoting effect of the "Belt and Road" strategy on enterprises' overseas investment, as well as the risks and response strategies that enterprises face in practice. More accurately reveal the personalized demands and response strategies of enterprises in cross-border investment, and provide more targeted investment advice for different types of enterprises.

The research conducted in this master's thesis holds both theoretical and practical significance. From a theoretical perspective, it contributes to the existing body of knowledge on the OBOR strategy and cross-border investment. By analyzing the characteristics and significance of the OBOR strategy in the context of overseas investment, it enriches the understanding of how this global initiative influences international economic cooperation and investment patterns. Additionally, the study of risks and response strategies in cross - border investment provides valuable insights into the complexities and challenges faced by investors in a globalized economy. The comparative analysis of companies with different absorptive capacities also adds to the theoretical understanding of how firm specific factors impact investment decisions and performance.

From a practical standpoint, the research offers highly relevant and actionable investment advice for Chinese companies. It helps them to better understand the opportunities and risks associated with overseas investments under the OBOR strategy and provides guidance on how to develop effective investment strategies based on their absorptive capacities. This can ultimately lead to more successful investment projects, improved economic benefits for Chinese companies, and a more positive contribution to the development of countries along the Belt and Road routes. The policy recommendations derived from the research can also inform policymakers in China and other countries involved in the OBOR initiative, helping them to create a more favorable investment environment and support the sustainable development of cross-border investments.

Chapter 1 Research background and theoretical basis

1.1 Characteristics of “One Belt and One Road” strategy

The Belt and Road Initiative is a major international cooperation initiative proposed by China, which aims to achieve common development and prosperity by strengthening economic cooperation among countries along the route. Since its proposal, this initiative has attracted widespread attention from the international community with its unique ideas and methods. Looking at the process of proposing and promoting the Belt and Road Initiative, we can summarize the following significant characteristics.

The first is the openness and inclusiveness of policies.

The Belt and Road Initiative has demonstrated extremely strong openness in the field of cross-border investment. It is targeted at numerous countries and regions along the route. Whether they are developed countries, emerging economies or developing countries, as long as they comply with the principle of cooperation, they all have the opportunity to participate. This openness has broken the limitations of traditional regional economic cooperation and constructed a broad and diverse cross-border investment network. For instance, the investment cooperation between China and Southeast Asian countries in the field of infrastructure construction has not only attracted the active participation of neighboring countries, but also drawn capital and technological input from some European countries, forming a cross-regional collaborative investment model.

Its inclusiveness is reflected in the full respect for the economic systems, cultural backgrounds and industrial development levels of different countries. In the process of cross-border investment, policies fully take into account the actual situations of each country and allow each country to choose suitable investment fields and cooperation methods based on its own advantages. For some countries with relatively backward economic development but abundant resources, policies encourage them to attract investment in the fields of resource development and processing, while helping them enhance the level of infrastructure construction and improve the investment environment. For economically developed and technologically advanced countries, the focus is on

cooperative investment in high-end manufacturing, scientific and technological innovation and other fields to achieve complementary advantages. This inclusiveness enables cross-border investment under the Belt and Road Initiative to adapt to the development needs of different countries and promote the common economic development of all countries.

The second is the orientation of infrastructure construction.

Infrastructure construction is one of the core orientations of the cross-border investment policy of the Belt and Road Initiative. The policy vigorously promotes cross-border investment in infrastructure fields such as transportation, energy and communication. In terms of transportation, numerous railway, highway and port projects have been invested and constructed, such as the China-Laos Railway and the Mombasa-Nairobi Railway. These projects have not only improved the local transportation conditions, but also promoted trade exchanges and personnel flow between regions. The opening of the China-Laos Railway has transformed Laos from an inland country into a transportation hub connecting China and other Southeast Asian countries, greatly promoting cross-border investment and trade development along the line.

In the energy sector, cross-border investment mainly focuses on the construction of oil and gas pipelines and the development of renewable energy. The construction of oil and gas pipelines ensures the stable supply of energy and also drives the development of related industries. The development of renewable energy conforms to the global trend of green development and has attracted a large amount of capital investment. For instance, some of China's investments in solar and wind energy projects in Central Asia not only provide clean energy for the local area but also promote the development of the local new energy industry, driving cross-border investment in related equipment manufacturing, installation and maintenance industries.

The construction of communication infrastructure is also a key investment area. By investing in the construction of communication networks, the efficiency of information exchange among countries along the routes has been enhanced, providing fundamental support for the development of emerging business forms such as cross-border e-commerce and digital trade. This cross-border investment policy oriented towards infrastructure construction not only improves the investment environment but also creates favorable

conditions for subsequent industrial investment and trade development, forming a virtuous cycle of infrastructure construction and economic development.

The third is the complementarity of industrial synergy.

The cross-border investment policy of the Belt and Road Initiative emphasizes industrial synergy and complementarity, and encourages countries to carry out cooperative investment based on their own industrial advantages. In the manufacturing sector, some labor-intensive industries in China have been transferred to countries rich in labor resources through cross-border investment, and at the same time, cooperation has been carried out with developed countries in some technology-intensive industries. For instance, China has invested in building some production bases for labor-intensive industries such as clothing and toys in Southeast Asian countries, taking advantage of the local labor force to reduce production costs. Meanwhile, its cooperative investment with European countries in fields like high-end equipment manufacturing and aerospace has enhanced the technological level of related industries in China.

In the agricultural sector, cross-border investment also reflects the characteristics of industrial synergy and complementarity. Some countries rich in land resources have attracted agricultural investment from other countries for the development of modern agricultural planting and breeding. Meanwhile, investment in the fields of agricultural product processing and trade has also promoted the extension of the agricultural industrial chain. For instance, China has invested in building agricultural product processing enterprises in some Central Asian countries, processing local agricultural products into high value-added products and exporting them to other countries, achieving the coordinated development of the agricultural industry.

In the service industry, investment cooperation in areas such as cross-border tourism and financial services is also becoming increasingly frequent. By investing in the construction of tourism infrastructure and developing tourism products, tourism exchanges among countries along the routes have been promoted. Cross-border investment in the financial services sector provides financial support and risk management services for investment in other industries. This cross-border investment policy of industrial synergy and complementarity enables countries to achieve industrial upgrading and economic

diversification through cooperation on the basis of their own advantageous industries, thereby enhancing the economic competitiveness of the entire "Belt and Road" region.

The fourth is the completeness of the policy support and guarantee system.

The cross-border investment policy of the Belt and Road Initiative has a complete policy support and guarantee system. In terms of policy support, the Chinese government has introduced a series of preferential measures, including tax preferences, financial subsidies, and financial support. Tax preferential policies have reduced the cross-border investment costs of enterprises and increased the return on investment. Financial subsidies are mainly used to support investment projects in some infrastructure construction and social welfare fields, alleviating the financial pressure on enterprises. Financial support has provided sufficient financial guarantees for cross-border investment through measures such as setting up special funds and offering concessional loans.

In terms of the guarantee system, the policy provides security guarantees for cross-border investment by strengthening multilateral and bilateral cooperation mechanisms. At the multilateral level, mechanisms such as the Belt and Road Forum for International Cooperation have been established. Through high-level dialogue and consultation, problems arising in the process of cross-border investment have been resolved, and the smooth implementation of cooperation projects has been promoted. At the bilateral level, China has signed numerous bilateral investment agreements and free trade agreements with countries along the routes, providing legal guarantees for cross-border investment. Meanwhile, a cross-border investment risk early warning and prevention mechanism has also been established. By strengthening the monitoring and analysis of the international political and economic situation and releasing risk early warning information in a timely manner, it helps enterprises avoid investment risks.

In addition, the policy also emphasizes strengthening the construction of the service system for cross-border investment. By establishing a cross-border investment service platform, one-stop services such as investment information, project matching and legal consultation are provided for enterprises, which has improved the efficiency of cross-border investment. This well-developed policy support and guarantee system enables

cross-border investment under the Belt and Road Initiative to be carried out in a relatively stable and favorable environment, enhancing investors' confidence.

The fifth is the concept of sustainable development runs through the entire process.

The concept of sustainable development is an important feature of the cross-border investment policy of the Belt and Road Initiative. In terms of environmental sustainability, policies require that cross-border investment projects must comply with local environmental protection standards and encourage the adoption of environmentally friendly technologies and processes. In some resource development projects, investing enterprises need to formulate detailed environmental impact assessment reports and take effective ecological protection measures. For instance, in some mining investment projects in Africa, enterprises not only need to minimize environmental damage during the mining process, but also carry out ecological restoration after the project ends to ensure the sustainable development of the local ecological environment.

In terms of social sustainability, cross-border investment focuses on the coordinated development with the local society. Investment enterprises need to respect the local social and cultural customs, safeguard the legitimate rights and interests of local residents, and promote the improvement of local employment and social welfare. For instance, in some infrastructure construction projects, enterprises give priority to recruiting local employees and conducting skills training to enhance the employability and income level of local residents. Meanwhile, it also actively participates in local social public welfare activities, improves local social and livelihood conditions such as education and medical care, and promotes the sustainable development of the local society.

In terms of economic sustainability, cross-border investment policies encourage the long-term stable development of investment projects. By rationally planning investment projects, avoiding excessive investment and short-term behavior, it is ensured that the economic benefits of investment projects can be continuously released. Meanwhile, the policy also focuses on promoting industrial upgrading and innovation, enhancing the added value and competitiveness of investment projects, and achieving sustainable economic growth. This cross-border investment policy that integrates the concept of sustainable development throughout not only helps protect the global ecological

environment and social stability, but also enables long-term healthy economic development, bringing lasting benefits to the countries and regions along the Belt and Road.

The sixth is the exploratory nature of the innovative cooperation model.

The cross-border investment policy of the Belt and Road Initiative actively explores innovative cooperation models to adapt to diverse investment demands and the complex international economic environment. In terms of investment entities, in addition to the traditional investment models led by the government and enterprises, multiple entities are also encouraged to participate in cross-border investment. For instance, some private capital has participated in cross-border investment in areas such as infrastructure construction by setting up investment funds or taking part in PPP (Public-Private Partnership) projects. This multi-subject participation model has broadened the sources of funds for cross-border investment and improved investment efficiency.

In terms of investment methods, the policy encourages the adoption of various innovative approaches. In addition to traditional greenfield investment and merger and acquisition investment, it is also actively exploring a model that combines cross-border investment with trade and technological cooperation. For instance, some enterprises, while conducting cross-border investment, establish trade cooperation relationships with local enterprises, and drive the raw material procurement and product sales of investment projects through trade. In terms of technological cooperation, by investing in the establishment of joint research and development centers or technology transfer centers, the cross-border flow and innovation of technologies can be promoted. The exploration of this innovative cooperation model enables cross-border investment under the Belt and Road Initiative to better adapt to the economic characteristics and development needs of different countries and regions, and enhance the success rate and efficiency of investment.

The seventh is the integration of cultural exchange and cooperation.

The cross-border investment policy of the Belt and Road Initiative integrates cultural exchange and cooperation, forming a unique characteristic of integration. In the process of cross-border investment, policies encourage enterprises to carry out cultural exchange activities to enhance mutual understanding and friendship among different

countries and regions. For instance, when some enterprises invest in the construction of industrial parks, they will build cultural exchange centers as supporting facilities to hold various cultural exhibitions, art performances and academic exchange activities. Through these activities, not only have the cultural lives of local residents been enriched, but also the exchanges and integration among different cultures have been promoted.

Meanwhile, the policy also focuses on promoting cultural exchanges through investment in the cultural industry [10]. In some countries along the routes, China has invested in the construction of cultural industry projects such as film and television production bases and cultural and creative industrial parks. These projects have not only driven the development of the local cultural industry, but also promoted the overseas dissemination of Chinese culture through the dissemination of film and television works and cultural and creative products. Furthermore, cultural exchanges have also created a favorable social environment for cross-border investment. Through cultural exchanges, trust and identity among people of various countries have been enhanced, investment obstacles caused by cultural differences have been reduced, and the smooth development of cross-border investment has been promoted [17, 25].

Finally, the openness of the "Belt and Road" initiative is also one of its important characteristics.

The "Belt and Road" initiative is not to unilaterally radiate and project China's strategy and national strength, but to connect with the development strategies of other countries and regions and match their development aspirations. This openness makes the Belt and Road Initiative widely inclusive and attractive, and countries with different systems, religions, and civilizations can participate together [25].

In summary, the Belt and Road Initiative, with its unique concept and approach, demonstrates China's international responsibility and spirit of cooperation. Its characteristics of "connectivity", "sharing", "security", "warmth" and openness have made the construction of the Belt and Road Initiative achieve remarkable results and laid a solid foundation for future cooperation.

1.2 Significance of “One Belt and One Road” strategy

With the deepening development of globalization, cross-border investment has become an important force in promoting economic growth and regional cooperation. Against this background, the "Belt and Road" initiative proposed by China, with its grand vision and far-reaching strategic significance, provides new opportunities and challenges for cross-border investment.

The "Belt and Road" initiative is an important strategy proposed by China to promote economic globalization and promote regional cooperation. It aims to use the historical symbol of the ancient Silk Road, hold high the banner of peaceful development, actively develop economic cooperation relations with partners, and jointly build a community of interests, a community of destiny and a community of responsibility with political mutual trust, economic integration and cultural tolerance [56].

Table 1.1 – Statistics of China's total outward direct Investment by all Industries from 2019 to 2024 [21]

Time	Outward direct investment of the entire industry		Non-financial direct investment			
	Amount/billion US dollars	Growth rate /%	Country	Overseas enterprises	Amount/billion US dollars	Growth rate /%
2019	1171.2	-9.8	167	6535	1106	-8.2
2020	1329.4	3.3	172	6790	1101.5	-0.4
2021	1451.9	9.2	166	6349	1136.4	3.2
2022	1465.3	0.92	163	7134	1168.1	2.79
2023	1478.5	0.9	155	7913	1301.3	11.4
2024	1627.8	10.1	151	9400	1438.5	10.5

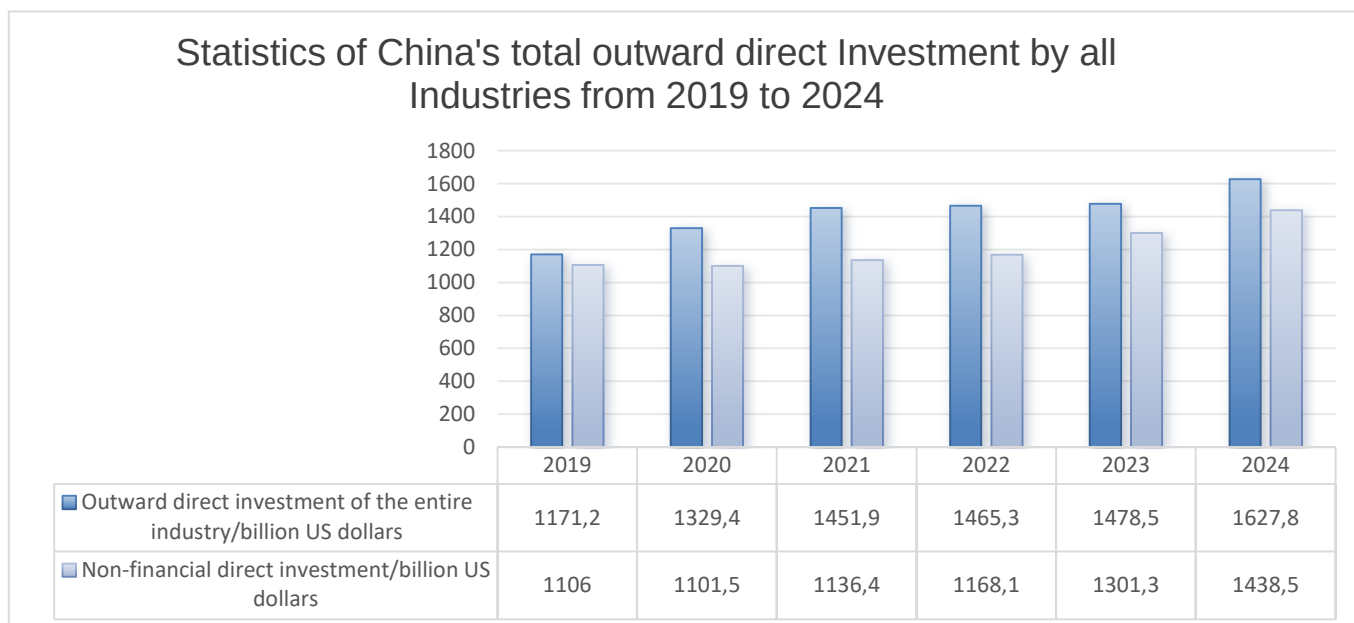


Figure 1.1 – Statistics of China's total outward direct Investment by all Industries from 2019 to 2024 [21]

After a decline in 2019, the outward direct investment of the entire industry began to increase gradually from 2020 and reached 162.78 billion US dollars in 2024, growing by 10.1%. Non-financial outward direct investment declined or slightly in 2019 and 2020, but began to grow from 2021 and reached 143.85 billion US dollars in 2024, an increase of 10.5%. The number of overseas enterprises fluctuated between 2019 and 2021, but began to increase significantly from 2022, reaching 9,400 by 2024. These data indicate that after a period of adjustment, China's outward direct investment has shown a stable growth trend in recent years, and the number of overseas enterprises has also been increasing, demonstrating that the internationalization pace of Chinese enterprises is accelerating.

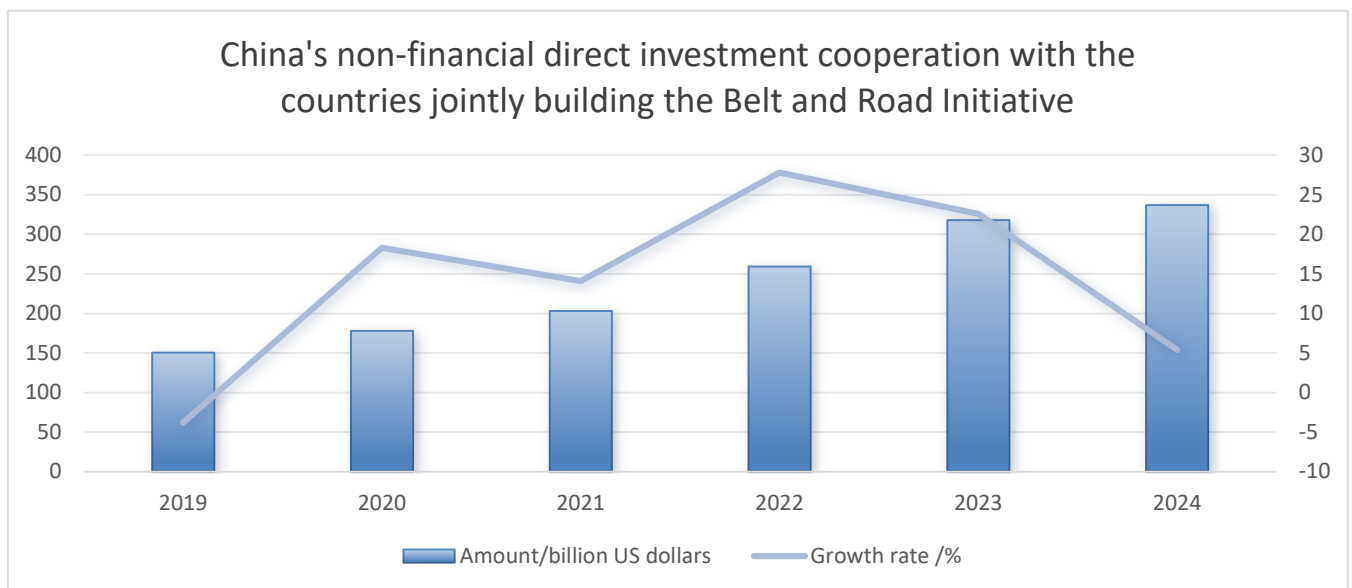


Figure 1.2 – China's non-financial direct investment cooperation with the countries jointly building the Belt and Road Initiative [21]

China's non-financial direct investment in the countries jointly building the Belt and Road Initiative has generally shown a rapid growth trend over the past six years, especially during the period from 2020 to 2023, when both the investment amount and the growth rate were quite significant. This not only reflects the increasingly close economic ties between China and the countries along the Belt and Road Initiative, but also demonstrates the positive trend of the two sides continuously deepening cooperation on the basis of mutual benefit and win-win results. Although the growth rate slowed down in 2024, the steady increase in the investment amount still demonstrated the resilience and potential of the cooperation between the two sides.

Since the initiative was proposed in 2013, the construction of the "Belt and Road" has achieved remarkable results. The trade volume between China and the co-construction countries has continued to grow, and the scale of two-way investment has continued to expand. At the same time, cooperation in areas such as infrastructure construction, unimpeded trade, and financial financing has also been continuously deepened, providing broad space and rich opportunities for cross-border investment.

For domestic economic development, the importance of the "Belt and Road" route is self-evident. First, it helps to expand China's market space, optimize resource allocation,

and improve the level of the industrial chain. Through economic and trade cooperation with countries and regions along the route, China can introduce more advanced technologies and management experience to promote industrial upgrading and innovative development [47].

Secondly, the "Belt and Road" route helps to promote the open development of China's western and inland areas. By participating in the Belt and Road Initiative, these regions can strengthen economic and trade ties with neighboring countries and regions, accelerate infrastructure construction, and improve the level of economic development [66].

In addition, the Belt and Road Initiative will also help enhance China's international influence. By participating in global governance and promoting regional economic integration, China can play a more active role on the international stage and contribute Chinese wisdom and solutions to maintaining world peace and development.

At the international level, the Belt and Road Initiative has a significant role in promoting international economic cooperation and development. First, it helps promote the process of regional economic integration. By strengthening economic and trade cooperation among countries and regions along the route and promoting infrastructure construction and interconnection, a closer regional economic connection can be formed and overall competitiveness can be enhanced [59].

Second, the Belt and Road Initiative will help narrow the development gap between the North and the South. By providing infrastructure construction, financial support and technical assistance to developing countries, these countries can be helped to accelerate their development and achieve comprehensive economic and social progress [60].

In addition, the Belt and Road Initiative will also help improve the global governance system. Faced with complex and changing international situations and global challenges, countries need to strengthen cooperation and jointly respond. By promoting the Belt and Road Initiative, China can actively participate in global governance and promote the development of the international order in a more just and reasonable direction.

For enterprises, the Belt and Road Initiative has brought a broad market space and abundant business opportunities. By participating in the Belt and Road Initiative,

enterprises can expand overseas markets, enhance brand influence, and obtain more high-quality resources. At the same time, enterprises can also use the Belt and Road Initiative platform to strengthen economic and trade cooperation with countries and regions along the route and achieve mutual benefit and win-win results [11].

However, opportunities and challenges coexist. Enterprises also face many challenges in participating in the Belt and Road Initiative, such as political risks, market risks, and cultural risks. Therefore, enterprises need to strengthen their own risk management capabilities and improve their international business level to better cope with challenges and seize opportunities.

For industries, the Belt and Road Initiative also brings development opportunities and challenges. Some industries with competitive advantages can expand overseas markets, improve their technology level, and promote industrial upgrading by participating in the Belt and Road Initiative. However, some traditional industries may face challenges such as intensified market competition and pressure for technological updates. Therefore, each industry needs to formulate appropriate strategic plans based on its own characteristics and development stage to better cope with the opportunities and challenges brought by the Belt and Road Initiative [22].

The Belt and Road Initiative has many implications for cross-border investment, including:

(1) Promoting large-scale infrastructure construction and driving overseas investment in related manufacturing industries

One of the core elements of the Belt and Road Initiative is to promote infrastructure construction in countries along the route. This initiative not only brings real development momentum to participating countries, but also provides Chinese companies with a broad space for overseas direct investment.

In the process of infrastructure construction, related engineering construction, steel industry, building materials industry, equipment manufacturing industry, transportation equipment manufacturing industry, etc. will gain strong growth drivers. With the gradual rollout of large-scale infrastructure construction, overseas direct investment in these related industries will gradually accelerate. Chinese companies can rely on their own

technological advantages and experience to participate in the construction of these projects, achieve overseas market expansion and production capacity cooperation [43].

At the same time, the improvement of infrastructure conditions will improve the overall investment environment of countries along the route, reduce transportation costs and improve transportation efficiency. For companies, this means that it is more convenient to directly invest in factories in the other country to engage in manufacturing and provide services. The improvement of the overall investment environment will enhance the economic growth potential of regions along the Belt and Road Initiative and further attract Chinese companies to go abroad and carry out cross-border investment.

(2) Strengthening industrial cooperation and promoting overseas direct investment of small and medium-sized enterprises

The Belt and Road Initiative not only focuses on large-scale infrastructure construction, but also focuses on industrial cooperation among countries along the route. This cooperation model will provide more opportunities and platforms for small and medium-sized enterprises.

As the overall investment environment in countries and regions along the route improves, Chinese small and medium-sized enterprises will create better conditions for overseas direct investment. They can participate in the local industrial chain with their own flexibility and innovation, and achieve mutual benefit and win-win results with local enterprises. At the same time, the strengthening of industrial cooperation among countries along the route will also reduce the obstacles for enterprises to invest overseas, and provide small and medium-sized enterprises with a broader market space and more cooperation opportunities [34].

(3) Promoting investment in the service industry and promoting economic structural adjustment and optimization

The Belt and Road Initiative not only focuses on the development of the manufacturing industry, but also focuses on cross-border investment and cooperation in the service industry. Large-scale infrastructure construction will drive overseas investment in related production services, such as engineering consulting and logistics services. In addition, the infrastructure construction process will promote the overseas business

expansion of Chinese financial institutions and provide financial support and guarantees for cross-border investment in the service industry.

For Chinese companies, cross-border investment in the service industry is a new growth point. By investing in the service industry, companies can expand new business areas, improve service quality and efficiency, and further enhance their competitiveness and market share. At the same time, the improvement of the overall investment environment will stimulate foreign direct investment in areas such as trade, transportation, and cross-border e-commerce, providing more opportunities for the development of the service industry [1].

(4) Create an upgraded version of the Chinese economy and achieve capacity cooperation and transfer

The Belt and Road Initiative helps Chinese companies go global and transfer effective capacity that is excess capacity for China but is needed for economic development in neighboring countries. In this process, Chinese companies can achieve capacity cooperation and transfer through cross-border investment, which not only solves their own overcapacity problem, but also promotes the economic development of countries along the route.

At the same time, the construction of the Belt and Road Initiative has also opened up new channels for the regionalization and internationalization of the RMB. This will further promote the opening up and internationalization of China's economy and enhance the competitiveness and influence of Chinese companies in the international market [6].

(5) Improve the surrounding security environment and enhance the security of cross-border investment

The Belt and Road Initiative is of great significance in terms of security. It helps to improve China's surrounding security environment by strengthening cooperation and exchanges among countries along the route. This is an important guarantee for cross-border investment. A stable and secure investment environment will attract more Chinese companies to go abroad and carry out cross-border investment activities.

At the same time, the Belt and Road Initiative also seeks a model of regional integration and mutual benefit, with the establishment of a community of interests and

destiny as the entry point. This will further deepen the economic ties and cooperation foundation between China and the countries along the route, and provide a broader market space and more cooperation opportunities for cross-border investment [27].

(6) Promoting the improvement of global governance and regional governance

The Belt and Road Initiative is an important manifestation of China's active participation in the top-level design of global governance and regional governance in the 21st century. It is committed to maintaining world peace and promoting common development, and is in line with the development direction of global governance.

In the global governance system, the Belt and Road Initiative provides a new cooperation model and development path. By strengthening cooperation and exchanges among countries along the route and promoting infrastructure connectivity and economic development cooperation, the Belt and Road Initiative will help build a more just and reasonable international economic order and governance system. This will provide more institutional guarantees and policy support for Chinese companies to carry out cross-border investment [38].

(7) Strengthening cultural exchanges and cultural heritage

In addition to its economic significance, the Belt and Road Initiative also focuses on strengthening cultural exchanges and cultural heritage. Such exchanges not only help to enhance friendship and understanding between peoples of all countries, but also create a good social environment and cultural atmosphere for cross-border investment.

Driven by cultural exchanges, people in countries along the route will have a better understanding of each other's culture, history and values. This will provide more cultural recognition and social support for enterprises to carry out cross-border investment. At the same time, the construction of the "Belt and Road" also focuses on inheriting and promoting the spirit of the Silk Road and promoting the development of cultural diversity. This will create a more open and inclusive international cooperation environment for enterprises.

The "Belt and Road" initiative has far-reaching significance for cross-border investment. It not only provides new development opportunities and market space for

Chinese companies, but also promotes economic cooperation and exchanges among countries along the route [49].

China's outward direct investment in 2023 mainly presents the following characteristics:

First, the investment scale continues to rank among the top in the world. According to the table1.2, in 2023, China's outward direct investment flow reached 177.29 billion US dollars, an increase of 8.7% over the previous year. It accounted for 11.4% of the global share, up by 0.5 percentage points from the previous year. China has ranked among the top three globally for 12 consecutive years and has held more than 10% of the global share for eight consecutive years. At the end of 2023, China's outstanding outbound direct investment stood at 2.96 trillion US dollars, ranking among the top three globally for seven consecutive years.

Table 1.2 – China's outward direct investment flow and stock [20]

Year	Flow			Stock	
	Amount/billion US dollars	Global ranking	Increase by /% compared with the previous year	Amount/billion US dollars	Global ranking
2013	1078.4	3	22.8	6604.8	11
2014	1231.2	3	14.2	8826.4	8
2015	1456.7	2	18.3	10978.6	8
2016	1961.5	2	34.7	13573.9	6
2017	1582.9	33	-19.3	18090.4	2
2018	1430.4	2	-9.6	19822.7	3
2019	1369.1	2	-4.3	21988.8	3
2020	1537.1	1	12.3	25806.6	3
2021	1788.2	2	16.3	27851.5	3
2022	1631.2	2	-8.8	27548.1	3
2023	1772.9	3	8.7	29554.0	3

Second, overseas enterprises cover more than 80% of the countries and regions around the world. By the end of 2023, Chinese domestic investors had established 48,000 overseas enterprises in 189 countries and regions around the world, among which 17,000

were set up in the countries jointly building the Belt and Road Initiative. In 2023, most overseas enterprises either made profits or remained flat.

Table 1.3 – The distribution of Chinese overseas enterprises in various continents at the end of 2023 [20]

Continent	Total number of countries (regions)	The number of countries (regions) covered by overseas enterprises	Coverage rate/%
Asia	48	45	95.7
Europe	49	43	87.8
Africa	60	51	85.0
North America	4	3	75.0
Latin America	49	33	67.3
Oceania	24	14	58.3
Total	234	189	80.8

Table 1.4 – The composition of Chinese overseas enterprises in various continents at the end of 2023 [20]

Continent	Number of overseas enterprises/units	Proportion /%
Asia	29396	608
North America	5713	118
Europe	4736	98
Latin America	4087	84
Africa	3266	68
Oceania	1167	24
Total	48365	100.0

By the end of 2023, Chinese domestic investors had established 48,000 foreign direct investment enterprises (referred to as overseas enterprises) in 189 countries (regions) around the world, an increase of over 1,000 compared with the previous year, covering more than 80% of the countries (regions) globally. The top 20 countries (regions) in terms of the number of overseas enterprises established by China are Hong Kong, China, the United States, Singapore, the British Virgin Islands, the Cayman Islands, Vietnam, Germany, Japan, the Russian Federation, Thailand, Australia, Indonesia, Malaysia, South Korea, the United Arab Emirates, Canada, the United Kingdom, Laos, India, and the

United Arab Emirates. The total is nearly 38,000, accounting for 77.6% of the total number of enterprises established by China overseas.

Third, the investment fields have continued to diversify, with nearly 80% being invested in four major areas. In 2023, China's outward direct investment covered 18 industry categories of the national economy. Among them, investment flowing to the four sectors of leasing and business services, wholesale and retail, manufacturing, and finance accounted for nearly 80% of the total for the year. Investment in the construction industry, information transmission/software and information technology services grew rapidly, with growth rates of 97.2% and 34.9% respectively.

Table 1.5 – The industry distribution of China's outward direct investment flows in 2023 [20]

Industry	Traffic/billion US dollars	Increased compared with the previous year/%	Proportion /%
Total	1772.9	87	100.0
Leasing and business services industry	541.7	24.6	30.6
Wholesale and retail trade	388.2	83.4	21.9
Manufacturing industry	273.4	0.7	15.4
Financial industry	182.2	-17.6	10.3
Mining industry	98.8	-34.6	5.6
Transportation, warehousing and postal services	84.4	-43.9	4.8
Scientific research and technical services industry	50.5	4.8	2.8
The production and supply industry of electricity, heat, gas and water	46.5	-14.7	2.6
Construction industry	28.6	97.2	1.6
Information transmission, software and information technology services	22.8	34.9.	1.3
Agriculture, forestry, animal husbandry and fishery	18.2	256.9	1.0
Real estate industry	14.2	-35.8	0.8
Resident services, repairs and other service industries	10.5	54.4	0.6
Accommodation and catering industry	9.5	9500.0	0.5
Water conservancy, environment and public facilities management industry	2.4	33.3	0.1
Health and social work	1.6	-44.8	0.1
Education	0.8	-66.7	–

Culture, sports and entertainment industry	-1.4	—	—
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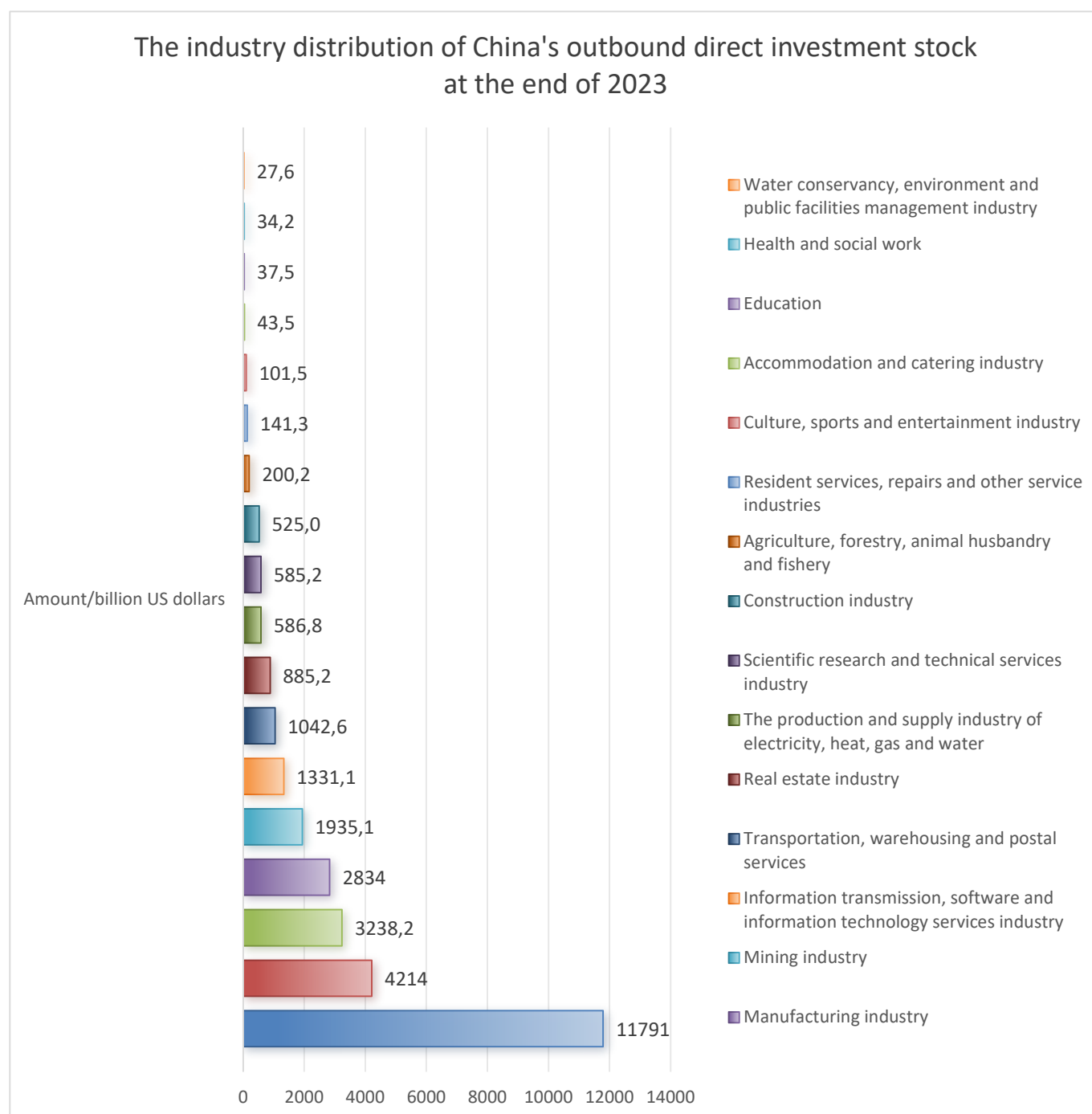


Figure 1.3 – The industry distribution of China's outbound direct investment stock at the end of 2023 [20]

According to Table 1.5, in 2023, China's outward direct investment flows were mainly concentrated in the leasing and business services, wholesale and retail trade, manufacturing, finance and mining industries. These industries together account for 83.8% of the total traffic. Among them, leasing and business services, wholesale and retail trade,

and manufacturing are the main industries of outward direct investment flows, accounting for 67.9% of the total flows in total. Although the financial industry and the mining industry account for a relatively small proportion, they are also important investment fields. Other industries such as transportation, warehousing and postal services, scientific research and technical services, etc., also have a certain amount of investment flow, but the proportion is relatively small. According to Figure 1.3, at the end of 2023, China's outbound direct investment stock was mainly concentrated in the leasing and business services, wholesale and retail trade, finance, manufacturing and mining industries. These industries together account for the majority of the total stock, demonstrating their dominant position in China's outward direct investment. Other industries such as information transmission, software and information technology services, transportation, warehousing and postal services also have a certain amount of stock, but it is relatively small. These data reflect the industrial structure and key investment areas of China's outward direct investment.

Fourth, investment in Asia and Africa has grown rapidly, and direct investment in the countries jointly building the Belt and Road Initiative has increased by 30%. In 2023, nearly 80% of China's outward direct investment flowed to Asia, an increase of 13.9% over the previous year. Among this, investment in ASEAN reached 25.12 billion US dollars, growing by 34.7%. Investment in Africa was 3.96 billion US dollars, which was 2.2 times that of the previous year. In 2023, direct investment in the countries jointly building the Belt and Road Initiative reached 40.71 billion US dollars, an increase of 31.5% compared with the previous year, accounting for 23% of the outbound direct investment flow that year.

Table 1.6 – The regional composition of China's outward direct investment flows in 2023 [20]

Continent	Amount/billion US dollars	Year-on-year /%	Proportion /%
Asia	1416.0	13.9	79.9
Latin America	134.8	-17.6	7.6
Europe	99.7	-3.6	5.6
North America	77.8	7.0	4.4

Africa	39.6	118.8	2.2
Oceania	5.1	-83.4	0.3
Combined calculation	1772.9	8.7	100.0

In 2023, investment flowing to Asia reached 141.60 billion US dollars, an increase of 13.9% over the previous year, accounting for 79.9% of the total outward direct investment flow that year, up by 3.7 percentage points from the previous year. Among them, the investment in Hong Kong, China was 108.77 billion US dollars, increasing by 11.5%, accounting for 76.8% of the investment in Asia. Investment in the 10 ASEAN countries reached 25.12 billion US dollars, increasing by 34.7% and accounting for 17.7% of investment in Asia.

Investment flowing to Latin America was 13.48 billion US dollars, a decrease of 17.6% compared with the previous year, accounting for 7.6% of the outward direct investment flow in that year. The investment mainly flows to countries (regions) such as the Cayman Islands, the British Virgin Islands, Mexico, Brazil, Chile, Colombia, Ecuador and Bolivia.

The investment flowing to Europe was 9.97 billion US dollars, a decrease of 3.6% compared with the previous year, accounting for 5.6% of the outward direct investment flow in that year. The investment mainly flows to countries such as Luxembourg, the United Kingdom, the Netherlands, Sweden, Germany, the Russian Federation, Serbia, Hungary, Switzerland, Ireland, Italy, the Czech Republic, and Georgia.

The investment flowing to North America was 7.78 billion US dollars, an increase of 7% compared with the previous year, accounting for 4.4% of the outbound direct investment flow in the same year. Among them, the investment in the United States was 6.91 billion US dollars, a decrease of 512%. An investment of 350 million US dollars was made in Canada, an increase of 141%.

The investment flowing to Africa was 3.96 billion US dollars, an increase of 118.8% compared with the previous year, accounting for 2.2% of the outward direct investment flow in that year. The investment mainly flows to countries such as Niger, South Africa, Angola, Morocco, the Republic of the Congo, Algeria, Egypt, Kenya, Zimbabwe, Nigeria, Mauritius, the Democratic Republic of the Congo, Eritrea and Feibia.

The investment flowing to Oceania was 510 million US dollars, a decrease of 83.4% compared with the previous year, accounting for 0.3% of the outward direct investment flow in that year. Investments are mainly directed towards countries such as Australia, New Zealand and the Solomon Islands.

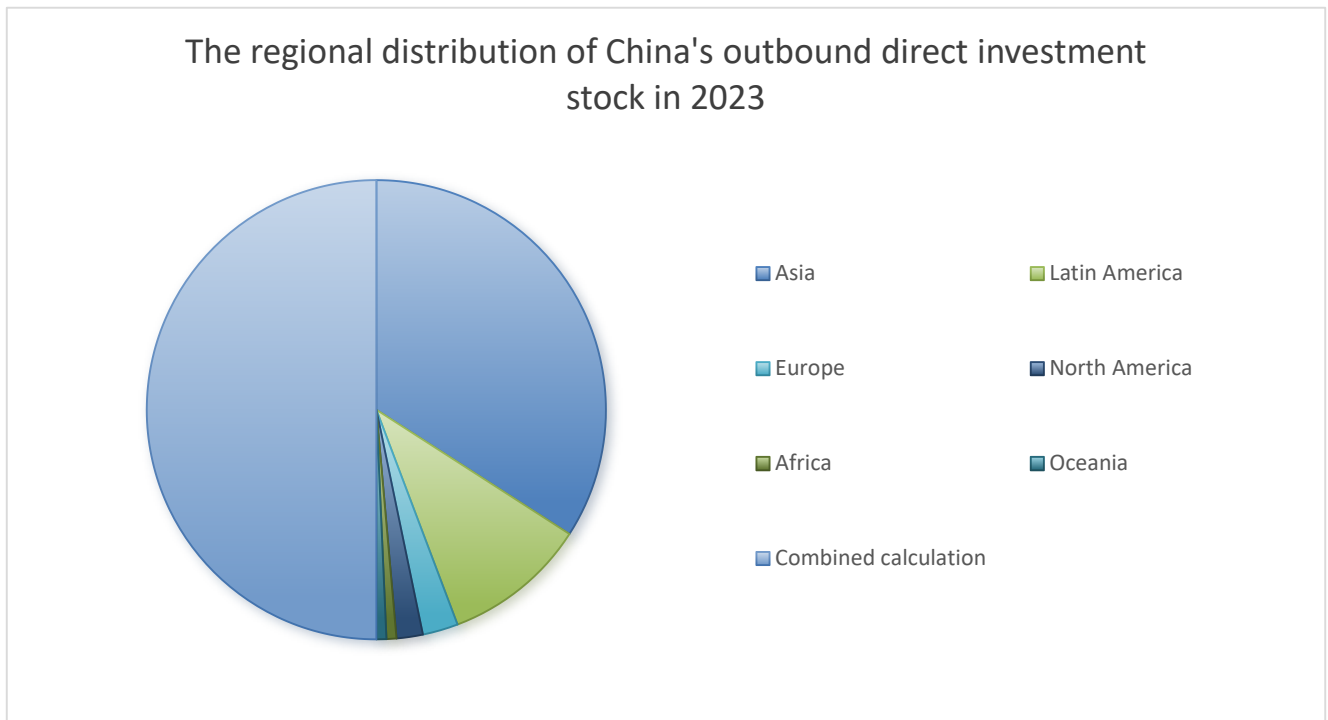


Figure 1.4 – The regional distribution of China's outbound direct investment stock in 2023
[20]

In 2023, China's outbound direct investment stock was mainly concentrated in Asia and Latin America, with these two regions accounting for 88.5% of the total stock together. Although Europe and North America have a relatively low proportion, they are also important investment regions. The investment stock in Africa and Oceania is relatively small. However, with the economic development and the release of market potential in these regions, they are expected to become new hotspots for China's outbound investment in the future.

In 2023, China's outward direct investment flows and stocks were mainly concentrated in Hong Kong, ASEAN, the European Union, the United States and Australia. These economies together account for 83.4% of the total flow and 72.7% of the total stock. This indicates that the regional distribution of China's outward direct investment is

relatively concentrated, mainly in regions closely linked to China's economy. With the advancement of the "Belt and Road Initiative" and the deepening of international cooperation, the regional distribution of China's outward direct investment may be further optimized in the future.

Table 1.7 – China's direct investment in the world's major economies in 2023 [20]

Name of the economy	Flow			Stock	
	Amount/bn US dollars	Compared with the previous year/%	Proportion /%	Amount/bn US dollars	Proportion /%
Hong Kong, China	1087.7	11.5	61.3	17525.2	59.3
ASEAN	251.2	34.7	14.2	1756.2	5.9
European Union	64.8	--6.1	3.7	1024.2	3.5
The United States	69.1	-5.2	3.9	836.9	2.8
Australia	5.5	-80.4	0.3	347.7	1.2
Total	1478.3	11.0	83.4	21490.2	72.7

Fifth, the effect of mutual benefit and win-win results has been remarkable, and the contribution to the world economy has become increasingly prominent. In 2023, China's outbound investment driven its goods imports and exports to reach 273.1 billion US dollars, an increase of 6.4%, accounting for 4.6% of the total value of China's goods imports and exports during the same period. Overseas enterprises achieved sales revenue of 3.5 trillion US dollars and paid 75.3 billion US dollars in taxes to the investment locations. By the end of the year, the total number of employees in overseas enterprises was nearly 4.3 million, among which 60% were foreign employees.

There are three cross-border investment opportunities under the Belt and Road Initiative:

(1) Opportunities in the field of infrastructure construction

Most of the countries along the Belt and Road Initiative are in the rising stage of economic development, and there is a strong demand for infrastructure construction. From railways and highways to ports and airports, and then to energy and communications, there is huge room for investment. Multinational companies can obtain long-term and stable returns by participating in the construction and operation of these projects.

(2) Opportunities brought by unimpeded trade

The Belt and Road Initiative is committed to promoting trade liberalization and facilitation, reducing tariffs and non-tariff barriers, and providing convenient conditions for multinational companies to expand their markets. At the same time, cultural exchanges and tourism cooperation among countries along the route have also brought more business opportunities to multinational companies.

(3) Opportunities in the field of financing

As the construction of the Belt and Road Initiative is further promoted, cooperation in the financial field is also constantly strengthening. Multinational companies can obtain more financial support, reduce financing costs, and promote the smooth implementation of projects by participating in the investment activities of financial institutions such as the Asian Infrastructure Investment Bank and the Silk Road Fund [30].

The following are successful cases in the construction of the Belt and Road Initiative and their positive impact on the strategic layout and management level of multinational companies:

(1) Construction of the China-Pakistan Economic Corridor

As an important pioneer under the "Belt and Road" initiative, the China-Pakistan Economic Corridor has not only promoted bilateral trade and investment by building infrastructure such as roads, railways, energy and communications, but also provided more business opportunities for multinational companies. As of January 2023, the China-Pakistan Economic Corridor has cumulatively brought 25.4 billion US dollars of direct investment to Pakistan. In the fiscal year 2023, Pakistan received 432.7 million US dollars of foreign direct investment from China, accounting for 30.09% of the total foreign direct investment in Pakistan. China remains the largest source of foreign direct investment in Pakistan. At the same time, the project has also promoted the development of the local economy and society and improved the living standards of residents.

Table 1.8 – The direct investment flow and stock of China in Pakistan [20]

Year	Traffic (in billions of US dollars)	Stock (in billions of US dollars)
2019	5.6216	47.9798

2020	9.4766	62.1894
2021	7.2739	74.8538
2022	5.6337	68.2251
2023	3.2467	63.0224
2024	0.62	63.6424

From 2019 to 2024, the flow and stock of China's direct investment in Pakistan generally showed a trend of rising first and then falling. Although the flow declined in 2024, the existing investment still remained at a relatively high level, demonstrating the stability and sustainability of the China-Pakistan Economic Corridor construction.

(2) Cambodia Phnom Penh Airport Expansion Project

The total investment of the Phnom Penh Duc Chong International Airport project is 1.5 billion US dollars, and the project is funded by a 1.1 billion US dollar loan provided by the China Development Bank. Cambodia Phnom Penh Airport Expansion Project undertaken by Chinese companies has not only improved local transportation capacity, but also provided convenient conditions for multinational companies to expand into the Southeast Asian market. The successful implementation of the project has enhanced the friendly and cooperative relations between China and Cambodia and created a good environment for multinational companies' investment activities in the region.

These successful cases show that the "Belt and Road" initiative provides multinational companies with broad business opportunities and development space. By actively participating in these projects, multinational companies can further enhance their strategic layout and management level and achieve sustainable development.

The Belt and Road Initiative is closely linked to globalization and regional economic integration, and together they are promoting the prosperity and development of the world economy.

By building infrastructure, promoting trade and financing, the Belt and Road Initiative has strengthened economic ties and cooperation among countries along the route and promoted the process of regional economic integration. At the same time, it has also promoted the development of globalization, strengthened exchanges and cooperation between different countries and regions, and provided a broader space and opportunities for cross-border investment [51].

Under the current international economic situation, the global economic landscape is undergoing profound changes. Protectionism and unilateralism are on the rise, international economic and trade rules are facing reshaping, and cross-border investment is facing many uncertainties. At the same time, the Belt and Road strategy, with its open, inclusive and cooperative spirit, provides new opportunities and ideas for cross-border investment.

By comparison, it can be found that the Belt and Road strategy emphasizes mutual benefit and win-win results, and promotes the common development of countries along the route, rather than zero-sum games or winner-takes-all. This concept helps to break the shackles of traditional geopolitics and promote the formation of a more open and inclusive international economic order. In addition, the Belt and Road Initiative focuses on infrastructure construction, providing a solid material foundation for cross-border investment; at the same time, through measures such as unimpeded trade and financing, the cost and risk of cross-border investment are reduced.

Therefore, under the current international economic situation, multinational companies should actively seize the opportunities brought by the Belt and Road Initiative and strengthen cooperation and exchanges with countries along the route. At the same time, they should also pay attention to changes in the international economic landscape and flexibly adjust investment strategies and risk management measures to cope with possible challenges [3].

Looking ahead to the next few years, the Belt and Road Initiative may undergo certain changes and adjustments based on changes in the international situation and the development needs of countries along the route. On the one hand, with the recovery of the global economy and the in-depth development of regional cooperation, the Belt and Road Initiative may further expand the scope and scope of cooperation and promote the formation of a closer regional economic integration pattern. On the other hand, in the face of possible geopolitical risks and international economic and trade frictions, the Belt and Road Initiative may pay more attention to risk management and compliance operations to ensure the stability and sustainability of investment activities.

In this process, multinational companies should pay close attention to the changes and adjustment trends of the Belt and Road Initiative and adjust their investment strategies and business management models in a timely manner. At the same time, they should also strengthen policy communication and coordination with countries along the route to jointly promote the in-depth development of the Belt and Road Initiative.

In summary, the Belt and Road Initiative is of great significance to cross-border investment. It not only provides multinational companies with broad business opportunities and development space, but also promotes regional economic integration and globalization. Under the current international economic situation, multinational companies should actively seize the opportunities brought by the Belt and Road Initiative, strengthen cooperation and exchanges with countries along the route, and achieve win-win development. At the same time, they should also pay attention to possible risks and challenges, formulate effective risk management strategies and strategic planning, and ensure the stability and sustainability of investment activities [24].

By actively promoting and implementing relevant policies and measures, and constantly improving and optimizing the investment environment, the Belt and Road Initiative will continue to play an important role in the future and provide more powerful support and guarantee for multinational investment. We look forward to seeing more multinational companies succeed in the construction of the Belt and Road Initiative and jointly promote the prosperity and development of the world economy.

Chapter 2 Importance of cross-border investment

2.1 Risk in cross-border investment

The "Belt and Road" spans a wide region, going through most countries in Asia, Europe and Africa, and contains a broad market and investment prospects. While we see the benefits they bring in economic development and other aspects, we also have to pay attention to a series of risks hidden behind it. Therefore, we are required to correctly identify and analyze various risks faced by China's direct investment in countries along the "Belt and Road". The correct identification of risk is the premise of quantitative risk assessment.

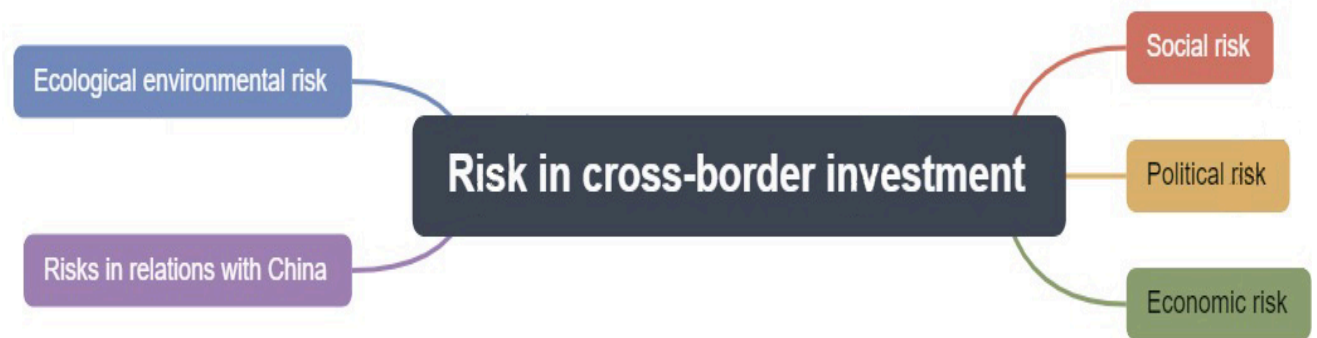


Figure 2.1 – Cross-border investment risk composition

2.1.1 Ecological environmental risk

The ecological environment risk mainly refers to the damage of the ecological environment and the loss of natural resources and other factors that lead to the loss of transnational investment enterprises in the host country. The damage risk of ecological environment mainly refers to a series of risks caused by some factors of ecological environment. The Belt and Road Initiative runs through the continents of Asia, Europe and Africa, and the ecological environment of the countries through which it passes is different, and the forest coverage rate, agricultural land and net loss of forest resources are also different. If the forest loss of a country is relatively high, then the project involving forest resources in the region will destroy the local forest resources and pose a threat to the

ecological environment of the host country. In 2017, China's Hong Kong Liwen Paper company invested in production in Vietnam, because of the existence of sewage pollution of water sources and the use of various chemicals and other damage to the local ecological environment, and was halted by local complaints. In addition, there are some poor and backward countries along the "Belt and Road", and in order to promote their national economy, these countries basically take the "pollution first, treatment later" economic development road, the existing ecological and environmental problems are more prominent, and there is no perfect environmental protection and supervision system. Then our country direct investment in this area will face a lot of environmental pollution risk. Some enterprises, after causing environmental pollution accidents, mishandled them, giving some ill-intentioned political forces a reason to attack China's "Belt and Road" initiative, such as "China pollution transfer theory" and "China threat theory". In the context of more and more serious global greenhouse effect, environmental problems are about human survival, national leaders and citizens are paying more and more attention to environmental problems, the pursuit of harmonious development of economy and environment, sustainable development, and even environmental problems have been placed in the first position, so the risk of ecological environmental damage is the first and most important risk faced in the process of foreign direct investment of our country, The slightest carelessness can easily rise to political problems, so Chinese enterprises should bear the ecological environmental responsibility in the process of foreign direct investment [19].

The risk of depletion of natural resources mainly refers to a series of risks caused by resource factors in the host country. Most of the countries along the Belt and Road are rich in resources. For example, the CIS region is rich in forest, natural gas and other resources, while West Asia and North Africa are rich in oil resources reserves, etc. Improper exploitation of natural resources will cause damage to the local ecological environment, and excessive exploitation will lead to the risk of depletion of natural resources. However, there are also some countries that are short of resources and rely on imports for the means of production needed for economic development, and the lack of natural resources will also bring a series of ecological and environmental risks. These countries will increase the

level of protection of domestic resources and formulate more stringent environmental protection systems and energy conservation and emission reduction systems. Therefore, when China makes direct investment in countries along the "Belt and Road", it should not only bear the responsibility of environmental protection, but also pay attention to the risk of resource loss.

In the context of more and more serious global greenhouse effect, environmental problems are about human survival, national leaders and citizens are paying more and more attention to the environmental problems, the pursuit of harmonious development and sustainable development of the economy and the environment, and even the environmental question has been placed in the first position, so the risk of ecological environmental destruction is the first and most important risk faced in the process of foreign direct investment of our country. Ecological and Environmental Risk mainly includes the risk of damage to the ecological environment and the risk of depletion of natural resources. The ecological environment damage risk mainly consists of five secondary indexes: agricultural land, forest area, net loss of forest resources, per capita CO₂ and particulate matter emission damage. The risk of natural resource loss is mainly composed of nine secondary indexes, including natural resource loss, total rent of natural resources, energy loss, energy consumption per unit of GDP, energy self-sufficiency, natural resource endowment, energy substitution, fossil fuel energy consumption and resource recycling [36].

(1) Ecological environment damage risk

The risk of ecological environment destruction mainly refers to the ecological environment factors caused by the host country. Air quality and land resources vary from country to country. In this paper, the proportion of per capita carbon dioxide emission and particulate matter emission damage to the gross national product (GNP) is selected as air factors. Per capita CO₂ reflects the air quality of a region. The land factor selects three indicators: forest area (percentage of land area), proportion of agricultural land in land area, and proportion of net loss of forest resources in gross national product. The larger the value of the first two indicators, the higher the proportion, the better the overall ecological environment, and the relatively small ecological environmental risk, while the latter is

contrary.

(2) Risk of depletion of natural resources

The risk of natural resource depletion mainly refers to the natural resource factors caused by the host country. Because much of the earth's resources are non-renewable, a country's abundance of natural resources attracts investment from resource-poor countries.

Depletion of natural resources. This index mainly reflects the depletion of natural resources in the host country due to economic development. This paper mainly uses the adjusted savings: Natural resource depletion (% of GNI) published by the World Bank's World Development Indicators (WDI) database to represent the host country natural resource depletion variable. The higher the value, the greater the risk of natural resource depletion in the host country, and the greater the investment risk faced by its enterprises.

Energy loss. This index mainly reflects the energy consumption of the host country due to economic development. This paper mainly uses the adjusted savings: Energy loss as a share of GNI published by the World Bank's World Development Indicators (WDI) database to represent the host country energy loss variable. The higher the value, the greater the risk of energy consumption in the host country, and the greater the investment risk faced by its enterprises.

Energy consumption per unit of GDP. This index mainly reflects the water level of energy used by the host country for economic development and the level of energy conservation and consumption reduction. This paper mainly uses the data of GDP unit energy consumption in WDI database. Generally speaking, the greater the value of the index, the greater the investment risk faced by the enterprise.

Energy self-sufficiency (Net energy import). The index mainly reflects the energy abundance of the host country and its ability to meet its own energy consumption. This paper mainly uses the data of net energy import as a percentage of energy use in the WDI database. The higher the value of this index, the more abundant the energy of the host country, the smaller the investment risk of its enterprises.

Total natural resources rent. This index mainly reflects the natural resource abundance of the host country. Natural resources belong to production resources, transnational investment enterprises use natural resources according to their own

production needs, and then pay rent. Generally speaking, the larger the amount, the higher the income of natural resources of the country, the richer the natural resources of the country, so the transnational investment enterprises can use more means of production. Total natural resource rents as a share of GDP in the WDI database were used. The higher the value, the more income the host country obtains from natural resources, the richer its resources, the more productive means available for our direct investment in the country, and the less investment risk we face.

Resource endowment. This index mainly reflects the abundance of various production elements in the host country. Supplementing domestic natural resource use is an important reason for TNCS to make outward direct investment. Mineral and metal exports as a share of commodity exports in the WDI database. The higher the value, the more abundant the country's resources, the less investment risk its companies face.

Fossil fuel energy consumption. The indicator mainly reflects the use of fossil fuels for development in host countries. The more fossil fuels a country uses, the more greenhouse gases it releases, and the more serious the environmental pollution will be, which will destroy the ecological environment. This paper mainly uses the World Bank's World Development Indicators (WDI) database to reveal the share of fossil fuel energy consumption in total. The greater the value of this index, the greater the investment risk faced by the enterprise.

Energy substitution. The index mainly reflects the amount of alternative energy and nuclear energy in the host country. In this paper, the percentage of alternative energy and nuclear energy in total energy use in WDI database is adopted. Resource regeneration. The index mainly reflects the level of renewable resources and waste reuse in the host country. The proportion of combustible renewable resources and waste to total energy in WDI database was adopted. The greater the value, the smaller the risk that Chinese companies face in direct investment in the country [48].

2.1.2 Risks in relations with China

The risks of relations with China are mainly caused by political relations, taxation, trade and investment, and cultural exchanges. When the countries along the "Belt and Road" have a close relationship with our country, it can promote the understanding of both

sides, and deal with relevant investment issues through communication and consultation when encountering problems, thus reducing the risks faced by Chinese enterprises operating in the host country; If a tax agreement or investment and trade agreement is signed with China, then the local direct investment of Chinese enterprises can be protected by the corresponding legal protection, and they can seek legal means to protect their investment rights and interests when the investment income is infringed. Therefore, a good attitude towards China in the "Belt and Road" countries will reduce the risk losses suffered by Chinese enterprises in the local area, its potential risks will also be reduced, and it will promote China to increase direct investment in the region; On the contrary, the risk faced by Chinese enterprises in the country's direct investment will become larger, and then reduce the direct investment in the region to reduce possible investment losses.

The quality of the relationship between the host country and our country directly affects the risk of our direct investment in the host country. Friendly bilateral political relations and relaxed bilateral investment policy environment can reduce the investment risks of multinational enterprises in host countries. Based on the research results of previous scholars, this paper selects six secondary indicators for the risk of relations with China, including political relations, tax relations, mutual visa exemption, investment relations, trade relations and free trade agreements [8].

Political Relation. This indicator mainly reflects the closeness of political relations between the host country and our country. The close bilateral political relationship can strive for more policy treatment for Chinese investors and reduce the risks faced by Chinese enterprises in direct investment in the host country. This paper mainly uses the time of the establishment of diplomatic relations between countries and China on the website of the Ministry of Foreign Affairs of China to calculate the duration of the establishment of diplomatic relations between the host country and China as a proxy variable of the political relations between China and the host country. Under normal circumstances, the earlier the establishment of diplomatic relations between two countries, the better the political relationship between the two countries, and the smaller the risk of direct investment in the host country.

Taxation Relationship. This index mainly reflects the situation of double taxation

avoidance agreements signed between China and the host country. This paper mainly uses the List of Signing Agreements to Avoid Double Taxation published by the State Administration of Taxation as the proxy variable of tax relationship, with 1 being signed and effective, and 0 in other cases. Generally speaking, the earlier China and the host country sign the agreement to avoid double taxation, the more convenient the investment activities of the two countries, and the smaller the investment risk faced by our enterprises in the host country.

There is a mutual exemption of a visa. This index mainly reflects the cultural and people-to-people exchanges between the host country and our country, but also reflects the friendship of the host country to our country and the convenience of citizens of both countries. This paper mainly sets proxy variables according to the mutual visa exemption between China and other countries in the consular service network of the Chinese Ministry of Foreign Affairs, and the validity of mutual visa exemption is 1, and the other cases are 0. In general, if the two countries are visa-free, then the more people-to-people exchanges between the two countries, the more bilateral trade and investment activities, and the less investment risks their companies will face in the host country.

Investment Relationship. This index mainly reflects the bilateral investment between the host country and our country. This paper mainly sets the proxy variable of investment relations according to the BIT signed between China and other countries in the website of the Ministry of Commerce of China. The effectiveness of bilateral investment agreements signed between China and the host country is 1, and that of other cases is 0. Under normal circumstances, the bilateral investment agreement signed by the two countries can regulate the investment activities of the two sides, better solve the disputes arising from China's investment activities in the host country, so as to reduce the investment risk of China in the host country.

Trade Relationship. This index mainly reflects the close economic and trade relationship between the host country and our country. In general, close bilateral economic and trade ties can promote mutual understanding and trust, and reduce the investment risks faced by our country in the host country. According to the total volume of imports and exports of goods with "Belt and Road" countries in the Chinese Statistical yearbook over

the years and the GDP data of the host country in the WDI database, the proportion calculated represents the bilateral trade relationship.

Free Trade Agreement (FTA). This indicator mainly reflects the situation of the free trade agreement signed between China and the host country. Generally speaking, if the two countries have signed a free trade agreement, then the trade and investment between the two countries will be more comprehensive, and the investment income of investors can be guaranteed under certain circumstances. This paper mainly uses the data published by China Free Trade Zone Service Network as proxy variables. The free trade agreement signed and entered into force with the host country is 1, and in other cases 0 [9].

2.1.3 Social risk

Social risk mainly refers to the factors that cause the investment loss of enterprises due to the social unrest caused by the unemployment situation in the host country, strikes, criminal murders, and the large gap between the rich and the poor. Generally speaking, enterprises are most likely to ignore social risk factors in the process of outward direct investment. "The Belt and Road" across the region, some very poor and backward countries, food and clothing are problems, not to say education, so the quality of their labor force is low, easy to adapt to the business philosophy and mode of the host country, resulting in local employees cannot adapt to the enterprise's operation and management mode, and stimulate conflicts, and even violent conflicts; Moreover, along the "Belt and Road", there are highly developed countries, as well as poor and impoverished developing countries, which are prone to social group incidents due to the large gap between the rich and the poor and more social inequities. In some areas of the "Belt and Road", ethnic conflicts are serious and there are some armed conflicts. The resulting increase in the number of refugees will also affect social stability. In short, various factors that cause social unrest will bring certain investment losses to the operation activities of transnational investment enterprises.

The higher the degree of social security in the host country, the better the social order operation and the better the normal and orderly operation of enterprises can be guaranteed. Social Risk is mainly based on data from the World Development Indicators (WDI) database. It is mainly composed of eleven indicators: unemployment, social

security, social gap between the rich and the poor, social informatization, labor quality, legal indicators, labor participation rate, social stability, social pressure, food supply and Living Cost [50].

Unemployment risk. This indicator mainly reflects the unemployment situation in the host country. The high unemployment rate in the host country will cause social unrest, and the social risks faced by multinational enterprises investing in the country will also rise. This paper mainly uses the data of the proportion of total unemployment in the total labor force in the WDI database. The higher the value of this index, the more serious unemployment in the host country, the greater the investment risk faced by its enterprises.

Social Security. This index mainly reflects the social security of the host country and the degree of security of human body and property. This paper mainly uses the international murder rate data per 100,000 people from the WDI database. The higher the value of this index, the lower the level of security in the host country, the greater the risk faced by its investors.

There is a Social gap between rich and poor. The index mainly reflects the social wealth distribution in the host country. Generally speaking, if the gap between the rich and the poor in a country is too large, social stability will be affected and social risks will be caused. In this paper, the Gini coefficient in the World Development Indicators Database (WDI) of the World Bank is used to represent the variables of social wealth gap in the host country. The greater the value of this index, the greater the wealth gap in the host country, the greater the risk faced by Chinese enterprises in direct investment in the country.

Society informatization. This indicator mainly reflects the degree of social convenience in the host country. This paper mainly uses the number of secure Internet servers per million people in the World Development Indicators Database (WDI) of the World Bank to represent the social informatization variables of the host country. The higher the value, the higher the level of informatization in the host country, the smaller the investment risk faced by its enterprises.

Labor quality. This index mainly reflects the level of human capital in the host country. Generally speaking, the higher the quality of a country's labor force, the higher its social labor output, which is conducive to multinational enterprises to invest in

technology-intensive industries in the host country. In this paper, the enrollment rate of colleges and universities in the World Development Indicators Database (WDI) of the World Bank is used to represent the variable of labor quality in the host country. The higher the value, the higher the human capital level of the host country, the smaller the investment risk faced by its enterprises.

Index of legal Rights. This indicator mainly reflects the social legal system of the host country. Generally speaking, the higher the index of legal indicators of a country, the more complete the legal system of that country. This paper mainly uses the data of legal rights index in WDI data. The higher the value of this index, the smaller the risk of Chinese enterprises' direct investment in the country.

The Labor participation rate. The indicator mainly reflects the state of participation of the host country in economic activities. Generally speaking, more labor force entering the labor market prematurely will increase the labor supply in the market, increase the employment pressure of the host country, and destroy social stability. In this paper, the percentage of the total labor force in the total population over 15 years old in the WDI database is mainly used. The greater the value of this index, the greater the employment pressure of the host country, the greater the risk of social investment faced by its enterprises.

Social stability. The indicator mainly reflects the number of forcibly displaced persons in host countries. A large number of forcibly displaced persons in a country affects the socio-economic stability of that country. The main purpose of this paper is to use the number of refugees by country or region of origin in the WDI database. The greater the value of this index, the greater the social investment risk faced by the enterprise.

Social dependency ratio. This indicator mainly reflects the burden of the elderly population per working force in the host country. The consequences of population aging are explained from the perspective of economics. This paper mainly uses the simulated ILO estimates of the proportion of the elderly population to the working-age population in the World Bank's World Development Indicators Database (WDI) to represent the social dependency ratio variable of the host country. The higher the value, the greater the burden of the elderly population on the working population of the host country, the greater the risk

of social investment faced by its enterprises.

Food supply (Index number of food production). This indicator mainly reflects the food production situation of the host country, whether it is mainly produced domestically or dependent on imports. This paper mainly uses the food production index in WDI data. The higher the value of this index, the smaller the investment risk faced by the enterprise.

Living Cost. This indicator mainly reflects the cost of living of the population in the host society. The high cost of living will cause social unrest. This paper mainly uses the inflation rate expressed as the consumer price index in the WDI data. The greater the value of this index, the higher the cost of living required by people in the host country, and the greater the investment risk faced by Chinese enterprises in direct investment in the country [31].

2.1.4 Political risk

Political risk mainly refers to the risk that transnational direct investment enterprises suffer losses due to political turmoil, government corruption and low level of rule of law in the host country. Generally speaking, political risk is an important factor for multinational enterprises to choose the destination country for investment, and the political system, government stability and rule of law of the host country will directly affect whether the enterprises decide to invest there. The harm of political risk is very great. Once the host country has a regime change or violent conflict, the investment income of transnational enterprises will not be guaranteed, and even may be completely lost. The Belt and Road Initiative spans a wide range of regions, from economically developed countries to very poor and backward developing countries, some of which are experiencing social unrest. For example, the political situation in the Middle East and Central Asia is relatively volatile, the rule of law in some countries is not perfect, and the political corruption is relatively serious, all of which will directly affect the daily business activities of China's foreign direct investment enterprises. Although some countries have favorable policies on foreign direct investment, the late changes of policies will bring a certain loss to foreign direct investment enterprises in our country.

Such as Cambodia, Myanmar and other ASEAN countries, the risk of political situation change is relatively large; The basic power of Central Asian countries is

relatively weak, and it is very likely to be unable to improve the normal operation of national services due to domestic crises, so its domestic security risks are relatively high. In 2018, the Taliban in Afghanistan seized its northern territory, which had a gross domestic product of just \$7.2 billion that year, riots erupted in 2011 in Kazakhstan against the president's long rule, and demonstrations against changing the name of the capital took place in March 2019. At the same time, the five Central Asian countries are still in the center of geopolitics and are greatly affected by the surrounding situation. The political situation in Iraq, Iran and other countries in West Asia is also relatively volatile, and the problem of government corruption in Iraq is also relatively serious. In 2014, a Chinese oil company was investigated for suspending all its projects in Iraq because it did not conduct operations in the relevant oil sector, causing immeasurable losses to Chinese enterprises. In South Asia, the political situation in Bangladesh, Sri Lanka and other countries is not very stable. In 2014, the Chinese-invested Colombo port city in Sri Lanka was suspended after the new president took office. Therefore, Chinese enterprises have suffered huge losses. Ecological and environmental risks mainly refer to the losses caused by the direct investment of transnational investment enterprises in the host country due to the destruction of ecological environment and the depletion of natural resources [42].

The more stable the political environment in the host country, the less political risk the business will face. A stable political environment in a country is conducive to attracting foreign investors and conducting investment activities. Political Risk is mainly based on six secondary indicators in the World Governance Indicators Database (WGI), as shown below.

Corruption control. The index mainly reflects the host government's ability to combat and control corruption. The lack of corruption in the host country and the prevalence of corruption will increase the entry cost of Chinese enterprises' investment and make the political risk greater. The higher the value of this index, the higher the corruption governance capacity of the host country, the less corruption in the host country, and the smaller the risk faced by its investors.

Government efficiency. This index mainly reflects the work efficiency of the host government in the exercise of rights, public services and policy environment. The higher

the government efficiency of the host country, the better its business environment, the lower the entry and operation costs of investment enterprises, and the lower the political risk it faces. The higher the index, the more efficient the host government, the better the business environment, and the less risk its investors face.

Government stability and non-violence. This index mainly refers to the government power of the host country, social stability and citizens do not riot, the local government does not need to use force or violence to maintain local social order. Generally speaking, political instability in the host country will lead to the instability of the economic environment, and the instability of the regime indicates that there is a high possibility of regime change, which will affect the continuity of government policies and ultimately lead to the loss of transnational investment enterprise projects. The higher the index, the more stable the host country's government, the more consistent its policies, and the less risk its investors face.

Monitor quality. This index mainly refers to the effect of the host country's enactment of laws and regulations to maintain its own order. Generally speaking, the better the quality of supervision in a country, the stable and normal operation of its order, and the less investment losses faced by enterprises. The higher the value of this indicator, the better the quality of regulation in the host country and the less risk its investment will face.

Level of rule of law. This index mainly reflects the improvement of the legal system of the host country and the performance of social subjects. Generally speaking, the higher the level of rule of law in a country, the better the social order, the less social crime and violence, the better the contract enforcement ability and the protection of enterprise property. The higher the value of this index, the better the legal system of the host country, the better the performance of the contract, and the smaller the investment risk faced by its enterprises.

Right to speak and responsibility. This indicator mainly reflects the response of the host country to public demands. Generally speaking, the higher the voice and responsibility value of a country, it indicates that the country is more democratic, attaches importance to the demands of the people, and the demands of direct investment enterprises

in the country can get a good response, enhancing the confidence of enterprises in investment. The higher the value of this index, the better the response of the people in the host country, the competent government, and the lower the investment risk faced by its enterprises [13].

2.1.5 Economic risk

Economic risk mainly refers to the factors that cause OFDI enterprises to suffer losses due to changes in the host country's economic development. The direct investment of transnational enterprises in the host country is actually an economic behavior, if the economic development of the host country occurs, it will directly affect the investment income of transnational investment enterprises. Factors such as per capita GDP, economic growth rate, openness of trade and investment, and level of industrialization will all affect the economic and investment environment of the countries along the Belt and Road. The Belt and Road stretches across the continents of Asia, Europe and Africa, passing through many different countries along the route. Some have huge potential markets, some have rich resources, but their national development level and political system are different, economic development is not stable, low level of industrialization. Therefore, when making direct investment in countries along the "Belt and Road", we should not only pay attention to the operation and management of the enterprise itself, but also worry about the loss of enterprise assets caused by economic risks caused by changes in the host country's economic development.

Generally speaking, if the economic environment of the host country is good, then the risk of our direct investment in that country is less. The Economic Risk in this paper mainly refers to ten secondary indexes in the World Development Indicators (WDI) database, including market size, economic growth, labor resources, economic stability, terms of trade, trade openness, investment openness, urbanization level, current account balance, and industrialization level [28].

Market Size. Generally speaking, the broad market prospect of the host country is the driving factor for Chinese enterprises to make foreign direct investment. The larger the market size of a country, the more market development opportunities and better prospects, which is conducive to reducing costs and helping enterprises achieve economies of scale.

The market size is determined by the consumption capacity of residents in the host country, which is reflected in the per capita GDP of the host country. In this paper, per capita GDP data from WDI database is used. The larger the value, the larger the potential market of the host country, the more development opportunities, and the smaller the investment risk faced by its enterprises.

Economic Growth. This index mainly reflects the economic development trend of the host country and the future market expectations. Generally speaking, the higher the economic growth rate of a country, the greater its future economic growth potential, the broader the future market, the more investment opportunities for multinational enterprises, and the smaller the economic risks they face. This paper mainly uses the GDP growth rate in WDI database to represent the economic growth of the host country. The higher the value of this index, the stronger the economic development momentum of the host country, the smaller the risk of its enterprise investment.

Labor Resource (Labor Resource). This indicator reflects the cost of production in the host country. Generally speaking, the faster the population growth of a country, the more labor force it contains, the richer its labor resources, the lower the production cost of the enterprise and the higher its income. In recent years, China's production costs have risen, and domestic labor-intensive industries need to be transferred to foreign countries with low labor costs. This paper mainly uses the population growth rate in WDI database to represent the labor resources of host countries. The higher the value of this index, the more labor force in the host country, the less investment risk faced by its enterprises.

Economic Stability. The index mainly reflects the macroeconomic stability and price changes of the host country. Generally speaking, the higher the inflation rate of a country, the higher its price level, too high price level will affect the stability of the macro economy, and even lead to economic crisis. Too high an inflation rate would not only destabilize a country's economy, but also devalue its currency, which in turn would affect the relative value of multinational companies' investment returns. This paper mainly uses the inflation rate measured by the GDP deflator in the WDI database. The higher the value of this index, the more unstable the economic development of the host country, the greater the economic risk faced by its enterprises.

Terms of trade (Term of trade). This index mainly reflects the economic benefits of the host country when it conducts trade with other countries or regions. The better the terms of trade of the host country, the easier it is to attract enterprises to invest, and the less investment risk enterprises face. This paper mainly uses the export value index and import value index in the statistical period of WDI database, and calculates the ratio between them to represent the terms of trade of the host country. The higher the value of this index, the better the terms of trade of the host country, the smaller the investment risk faced by its enterprises.

Trade openness of host country. This indicator reflects the trade between the host country and other countries. If the "Belt and Road" countries are more open to trade, then Chinese companies will face fewer obstacles to direct investment in the country. This paper mainly adopts the data of total imports and exports of goods and services and GDP in WDI database, and calculates the percentage of total imports and exports of goods and services in GDP respectively, and takes their percentage average. The higher the value of this index, the higher the trade openness of the host country, the smaller the investment risk faced by its enterprises.

Investment openness of host country. This indicator mainly reflects the mutual investment between the host country and other countries or regions. Generally speaking, the more open a country is to investment, the easier it is for enterprises to make direct investment in that country. This paper mainly adopts the data of net outward FDI outflow, net FDI inflow and GDP in WDI database, calculates the percentage of net outward FDI outflow and net FDI inflow in GDP respectively, and takes their average percentage. The higher the value of this index, the higher the degree of investment openness to the host country, the smaller the investment risk faced by its enterprises.

Urbanization level. This index mainly reflects the degree of domestic population agglomeration in the host country. Generally speaking, the high urbanization level of the host country can provide convenient supporting facilities for the investment of our multinational enterprises. In this paper, the proportion of urban population to total population in WDI database is used as the proxy variable of urbanization level in host country. The higher the value of this index, the higher the urbanization level of the host

country, the smaller the investment risk faced by its enterprises.

Current account balance. This index mainly reflects the flow of assets between the host country and other countries or regions, and is also an important part of the host country's balance of payments. The ratio of the current account balance to gross domestic product also reflects a country's dependence on exports. This paper uses the current account balance as a percentage of GDP in the WDI data. The higher the value of this index, the smaller the investment risk faced by the enterprise.

The Industrialization level. This indicator mainly reflects the level of industrialization of the host country. Generally speaking, if the industrialization level of the host country is relatively high, it can provide a good industrial foundation for multinational enterprises to invest. The advancement of industrialization process can also promote the optimization and upgrading of industrial structure. In this paper, the percentage of industrial added value to GDP in WDI database is used to represent the variable of industrialization level. The higher the value of this index, the smaller the investment risk faced by the enterprise [45].

2.2 Response strategies and policy recommendations under “One Belt and One Road”

2.2.1 Overall prevention of direct investment risks in countries along the "Belt and Road"

As the global economic landscape is facing profound adjustments and the economic situation is complex and volatile, further promoting the Belt and Road Initiative can not only seek new development impetus, but also build a new platform for cooperation among countries. China's investment in countries along the "Belt and Road" has both opportunities and risks. We should seize the opportunities and correctly identify and prevent risks.

(1) In general, to prevent and defuse China's investment risks in countries along the "Belt and Road", the most important thing is to play an important role of the Chinese government. The government should formulate and improve laws and regulations on

foreign direct investment, set up special information service departments for Chinese enterprises' foreign direct investment, and formulate and improve the overseas investment security system of Chinese enterprises. Escort the investment of Chinese enterprises in the "Belt and Road"; Secondly, give full play to the auxiliary role of enterprises. Enterprises should strengthen their own risk management and prevention capabilities, strengthen their own internal operational risk control and response to external risks, and improve their own risk identification and prevention capabilities [46].

(2) According to the risk identification analysis above, it can be seen that China's direct investment along the "Belt and Road" will mainly face ecological environment, relations with China, social, political and economic risk factors. Ecological environment risk is a prominent risk in the "Belt and Road", mainly because the global greenhouse effect is becoming more and more serious in the background. Environmental problems are related to human survival, national leaders and citizens are more concerned about the environmental problems, the pursuit of harmonious development and sustainable development of the economy and the environment, and even the environmental problems have been placed in the first place, so the risk of ecological environmental destruction is the first and most important risk faced in the process of foreign direct investment of our country. Therefore, in the process of foreign direct investment, Chinese enterprises should bear the responsibility of ecological environment and implement the concept of sustainable development [67].

2.2.2 Suggestions on prevention of ecological and environmental risks

According to the above ecological and environmental risk assessment analysis, most countries along the "Belt and Road" have suffered certain damage to the ecological environment due to the exploitation of resources, and their resources are limited, so they are facing great pressure of sustainable development. Therefore, Chinese transnational investment enterprises should focus on the ecological and environmental risks of the host country when making direct investment abroad. This is especially true in countries like Syria, where ecological risks are high.

(1) Take the initiative to assume ecological and environmental responsibilities, and implement the concept of sustainable development of overseas investment

Enterprises should take responsibility for the ecological environment of the host country and implement the concept of sustainable development overseas. When multinational investment enterprises make direct investment in countries along the Belt and Road, they should not only pay attention to their own investment returns, but also take into account the environmental protection of the host country. In the context of more and more serious global greenhouse effect, environmental problems are about human survival, national leaders and citizens are paying more and more attention to the environmental problems, the pursuit of harmonious development of economy and environment, sustainable development, and even the environmental problems have been placed in the first position, so the risk of ecological environmental destruction is the first and most important risk faced in the process of foreign direct investment of our country, It is easy to rise to political problems, so Chinese enterprises should bear the ecological environmental responsibility in the process of foreign direct investment and implement the concept of sustainable development [58].

(2) Establish and improve a green credit system for overseas investment

The Chinese government can promote China's investment in environmental protection projects along the Belt and Road by establishing a green credit system for foreign direct investment, providing loans for overseas green industry projects, stopping loans for highly polluting and energy-consuming industrial projects, and promoting China's investment in environmental protection projects along the Belt and Road. The investment green credit system can not only reduce the ecological and environmental risks faced by China in the countries along the "Belt and Road", but also optimize the industrial structure and investment mode of China's investment in the countries along the "Belt and Road". While expanding the scale of China's investment in the regions along the "Belt and Road", the quality of China's direct investment in the "Belt and Road" will be improved. To establish and improve the green credit system, we must first establish and improve the approval process of green environmental protection project loans, and guide enterprises to carry out green project loans. Secondly, it is necessary to build a green industry project information consultation and sharing platform to consult enterprises on green project loan information and disclose overseas investment violations of environmental protection.

Finally, it is necessary to improve the incentive and supervision system for overseas industrial project loans, reward projects and enterprises with good implementation of green loans, punish projects that violate green credit behaviors and damage the environment, and supervise the implementation of overseas green credit projects of enterprises with the help of public opinion to create a good environment for green credit development [14].

2.2.3 Suggestions on risk prevention in relations with China

According to the above analysis of China relations, the host country's good attitude toward China will reduce the risk losses of Chinese enterprises in the local area, its potential risks will also be reduced, and will promote China to increase the direct investment in the region; On the contrary, the risk will become greater. When making direct investment in the Belt and Road Initiative, China should pay special attention to countries such as Bhutan, correctly identify and analyze the risks of relations with China, and take comprehensive measures to avoid or prevent them.

On the one hand, we should give full play to the role of our government and actively promote the negotiation and signing of cooperation agreements with countries along the "Belt and Road". For example, we encourage Afghanistan, Iraq, Montenegro, Jordan and other countries that have not signed a BIT to sign agreements with our country. At present, our country has only signed free trade agreements with ten ASEAN countries, and few countries have signed FTAs with other countries along the "Belt and Road", so we should also speed up the signing of FTAs with other countries along the line. We will encourage Bhutan, Maldives, Turkmenistan, Yemen, Cambodia and other countries that have not signed double taxation agreements to sign agreements with China. The Chinese government should actively discuss the establishment of diplomatic relations with Bhutan and promote bilateral economic and trade cooperation and political mutual trust. Because a stable cooperative relationship with the host country can promote the sustainability of the host country's policies. In particular, it can supplement the countries with imperfect institutional environment along the "Belt and Road" and reduce the investment risks faced by China in the host country. On the other hand, it is necessary to promote visa exemption between China and more countries along the "Belt and Road", promote the cultural

exchanges and cultural exchanges between the host country and our country, and also reflect the friendship of our country to the countries along the "Belt and Road" [32].

2.2.4 Suggestions for social risk prevention

According to the above social risk assessment analysis, some regions along the "Belt and Road" along the social instability, the neighboring countries are also affected by the activities of these countries, therefore, when making direct investment in these countries, we must pay attention to the correct identification and analysis of social risks, and take effective preventive measures. Especially in Syria and other countries with high social risks, China should pay more attention to the correct identification of social risks and take comprehensive preventive measures when making direct investment in these countries.

(1) Strengthen exchanges and integrate into the host country's social governance system

First of all, the Chinese government should introduce the relevant social environment and governance system of the host country to help enterprises get familiar with the social environment of the host country, and have corresponding emergency response and treatment mechanisms when enterprises encounter problems. Moreover, enterprises should actively integrate into the governance environment of the host country. Due to the differences in historical conditions, geographical environment and natural conditions, countries along the "Belt and Road" have formed different social structures and social governance systems. Before making direct investment, enterprises must have a detailed understanding of local national and social conditions, including labor-capital relations, labor rights and interests, people's beliefs and customs, etc., so as to predict the possible social and cultural risks. Early warning and response mechanisms. Ensure compliance with local laws and regulations in the process of direct investment and business operations, carry out investment and production activities under the framework of the agreement, and actively respond to the call of the host government. In this process, on the one hand, the Chinese government can issue relevant consulting reports or policy interpretation texts to help enterprises understand the general situation of the host country. On the other hand, when encountering relevant problems, the government should have

corresponding suggestions and handling mechanisms to provide guidance and assistance to enterprises. At the same time, enterprises must strengthen their own management, improve the internal control mechanism, and form a comprehensive and perfect risk early warning and management system [41].

(2) Cooperate with the host country and take the initiative to assume social responsibilities

The active performance of social responsibility by multinational enterprises is not only a measure to ensure investment security, but also an important force to promote the Belt and Road Initiative. In the framework of strategic cooperation designated by our country and the "Belt and Road" agreement countries, fulfilling social responsibilities to improve the living standards of the host country is an important mechanism to mitigate conflicts of interest, and while protecting the interests of investors, it is also necessary to consider the livelihood of the host country. In the process of direct investment, enterprises should bear social responsibility, but at the same time, they should pay attention to the protection of their own interests. In addition, domestic investors should also strengthen cultural exchanges with the local, cultivate their own localization genes, and seek recognition from the local people. On the other hand, enterprises should take the initiative to assume social responsibility. While ensuring its own return on investment, it also ensures the well-being of the people in the host country. By fulfilling local social responsibilities, transnational investment enterprises can win the recognition of the local people and reduce the social risks faced in the host country [62].

2.2.5 Suggestions for political risk prevention

According to the above political risk assessment analysis, the high political risk of the host country will cause economic turmoil, which will be reflected in economic activities. If we cannot correctly identify and prevent or avoid, there will be huge losses on enterprise investment. Therefore, we should correctly identify, evaluate and prevent the political risk of the host country. Try to avoid or strengthen the prevention of political risks in Afghanistan and other countries in advance, and invest more in countries with low political risks such as Singapore, so as to reduce the investment risks of Chinese enterprises in countries along the "Belt and Road" and improve overseas earnings.

(1) Strengthen government communication and cooperation and improve protection mechanisms

Strengthening the prevention of political risks in countries along the "Belt and Road" mainly focuses on cooperation and communication between governments, constantly deepening cooperation between China and countries along the "Belt and Road", and improving relevant protection mechanisms. On the one hand, in the process of OFDI, when there is a conflict of interests with the host country, we should handle the conflict of interests through coordination and communication, strengthen multilateral cooperation with countries along the "Belt and Road", advocate more countries to join the "Belt and Road" initiative, and reduce the adverse impact of state intervention on overseas investment of Chinese enterprises. On the other hand, it is necessary to continuously strengthen the communication and cooperation with the governments of countries along the "Belt and Road", deepen the policy docking of the two national governments, and create a good environment for enterprises' outbound direct investment [33].

(2) Formulate and improve the overseas investment guarantee system for enterprises

The government can continuously improve the relevant laws and regulations on overseas investment of enterprises, set up an overseas investment information consultation platform for enterprises, and provide guarantee and convenience for China's direct investment in countries along the "Belt and Road". Provide insurance for the political risks faced by enterprises in direct investment in countries along the "Belt and Road" and reduce the losses caused by the political risks of the host country. The overseas investment guarantee system not only reduces the losses faced by Chinese enterprises in the "Belt and Road" investment due to different political risks in the host country, but also enables Chinese enterprises to invest in the rights and interests of the host country, promotes the confidence of Chinese investors in the investment along the "Belt and Road", promotes the regional investment facilitation of Chinese enterprises along the "Belt and Road", and provides legal protection for investment rights and interests [54].

2.2.6 Suggestions for preventing economic risks

According to the previous economic risk assessment analysis, "Belt and Road" by many countries, the development stage and situation of each country are also different,

most of the developing countries with poor economic environment, especially Syria and other countries with high economic risk, China's enterprise investment projects are prone to losses, so our country should pay attention to prevent economic risks along the "Belt and Road" countries.

(1) Strengthen communication and cooperation, formulate and improve regional economic cooperation rules

China should constantly strengthen the economic communication and cooperation with countries along the "Belt and Road". When it comes to the economic risks faced by the investment in countries along the "Belt and Road", it should strengthen the communication and cooperation with the host country for the interests of both sides, and make continuous efforts for the common interests of both sides. For countries and regions along the "Belt and Road" countries that have relatively limited foreign investment rules, the Chinese government will strengthen consultation and communication with local governments, formulate relevant regional economic cooperation rules, reduce the restrictions on local direct investment in China, promote the facilitation of local investment by investors, and reduce the economic risks faced by local investment in China [67].

(2) Be familiar with the investment risks of the host country and weigh the risks and returns

"One Belt and One Road" through many countries, each country's development stage and situation are also different, so before investing in countries along the "One Belt and One Road", we must do a good job in the host country's investment environment and economic conditions comprehensive research, and fully analyze their own risk tolerance. To reduce the investment income loss caused by economic risks in countries along the "Belt and Road". On the other hand, enterprises in the host country can be acquired to avoid risks. Mergers and acquisitions of host country enterprises can enhance the risk prevention ability of enterprises [2].

Chapter 3 “One Belt and One Road” investment advice for Chinese companies

Absorptive capacity refers to the ability of an enterprise to identify, digest and use external resources. This capability is a by-product of the previous innovation and problem-solving process of the enterprise, and depends on the absorptive capacity of the enterprise members and the communication mechanism within the organization, with the characteristics of path dependence. Absorptive capacity was first proposed by Cohen & Levinthal (1990), which refers to the ability of enterprises to recognize, digest and utilize external knowledge. Zahra & George (2002) further divided it into Potential Absorptive Capacity (PAC) and Realized Absorptive Capacity (RAC). Potential absorption capacity: including knowledge Acquisition and knowledge Assimilation, that is, the ability of an enterprise to identify and absorb external knowledge. Realistic absorption capacity: includes knowledge Transformation and knowledge Exploitation, that is, the ability of enterprises to transform external knowledge into innovative results and apply them to business practices. For enterprises investing abroad, strong absorption capacity means that they can better learn and adapt to the external resources such as technology, management and culture of the target market, so as to enhance the international competitiveness of enterprises.

The role of absorptive capacity in the selection of outbound investment path: (1) Improve resource integration ability: Strong absorptive capacity enables enterprises to better integrate and use the resources of the target market, including technology, talent, market, etc., so as to enhance the international competitiveness of enterprises. (2) Reduce investment risks: Through in-depth learning and understanding of the culture, law, policy and other environment of the target market, enterprises can better avoid investment risks and ensure the smooth implementation of investment projects. (3) Promote technological innovation: Enterprises with strong absorption capacity can better learn and draw on the advanced technology and management experience of the target market, and promote the technological innovation and management innovation of enterprises [57].

3.1 Overseas investment by enterprises with strong absorptive capacity

In the context of global economic integration, foreign investment has become an important strategy for enterprises to expand markets, obtain resources and enhance competitiveness. Enterprises with strong absorption capacity (that is, enterprises with strong technical learning, knowledge integration and innovation capabilities) have significant advantages when investing abroad. Based on the theory of absorptive capacity, this chapter discusses the outbound investment path selection of enterprises with strong absorptive capacity, analyzes its influencing factors, investment models and optimization strategies, and makes an in-depth analysis based on typical cases, in order to provide reference for relevant enterprises in decision-making.

Foreign direct investment (FDI) is an important way of enterprises' international management, and Absorptive Capacity determines whether firms can effectively acquire, digest and utilize external knowledge resources. Companies with strong absorption capacity usually have a stronger ability to learn technology, adapt to the market and change organizations, so they can integrate resources more efficiently, reduce risks and achieve long-term growth in outbound investment.

Enterprises with strong absorption capacity usually have the following characteristics: (1) strong knowledge base: Such enterprises usually have rich internal knowledge reserves and research and development capabilities, and can quickly understand and absorb external new technologies and market information. (2) Efficient learning mechanism: It has a sound organizational learning process, and can transform external knowledge into internal ability through training, cooperation and other means. (3) Flexible adaptability: able to adjust strategies according to changes in the external environment and quickly adapt to new market and technology trends. (4) Open innovation culture: Encourage employees to explore new knowledge, maintain close cooperation with external institutions, and form an open innovation network. These characteristics make enterprises with strong absorption capacity have more advantages in foreign investment, and can integrate global resources more effectively to achieve international development [39].

Enterprises with strong absorption capacity have the following advantages in outbound investment: (1) Reduce information asymmetry: They can assess the technology, policy and competitive environment of the target market more accurately. (2) Improve the efficiency of resource integration: In cross-border mergers and acquisitions or joint ventures, it can absorb the technology and management experience of the target enterprise faster. (3) Enhance innovation ability: Acquire advanced technology through foreign investment, and combine their own research and development capabilities to achieve secondary innovation.

Enterprises with strong absorptive capacity usually face multiple path choices when investing abroad. It mainly includes Greenfield Investment, Cross-border M&A, Joint ventures and Strategic alliances. The suitability of different paths depends on the strategic objectives of the firm, the characteristics of the industry and the environment of the host country [64].

3.1.1 Greenfield Investment

Greenfield investment refers to the way companies invest in new factories, research and development centers or other physical facilities in the host country. This model suits companies that want full control of their overseas operations.

Advantages of greenfield investment: (1) Full control: enterprises can plan overseas business according to their own strategies and avoid cultural conflicts in joint ventures or mergers and acquisitions. (2) Strong technical confidentiality: conducive to the protection of core technology and intellectual property rights. (3) High long-term earnings: Once built, it can bring stable earnings to the enterprise.

Disadvantages of greenfield investment: (1) Long investment cycle: it takes a long time from construction to production, and it is difficult to achieve results in the short term. (2) High risk: I am not familiar with the policies and market environment of the host country and may face greater uncertainty.

Application scenario: (1) The company has unique technology or brand advantages and hopes to operate overseas markets independently. (2) The host country has great market potential, but lacks suitable M&A targets.

Case: In 2018, Ningde Times set up a battery factory in Germany to be close to the European new energy vehicle market. Before 2018, CATL mainly supplied goods to the

European market through exports. After the commissioning of its German factory in 2023, it achieved local production and supply to European customers. After the factory construction began in 2019, the import of electrical equipment from China by Thuringia increased sharply. After the German factory was put into operation in 2023, the volume of container goods exported by CATL to Europe decreased by one third to one half year-on-year. Before 2018, CATL faced competition from Japanese and South Korean battery enterprises such as LG Chem, Panasonic and Samsung SDI in the European market. After the factory went into operation in 2023, CATL established closer cooperative relationships with European automakers such as BMW, Volkswagen and Daimler [5].

3.1.2 Cross-border M&A

Transnational merger and acquisition refer to the way that an enterprise enters the overseas market by acquiring or merging the existing enterprises in the host country. This is a common means of rapid expansion for enterprises with strong absorption capacity.

Table 3.1 – China's outward direct investment and mergers and acquisitions situation from 2013 to 2023 [20]

Year	Merger and acquisition amount/billion US dollars	Year-on-year /%	Proportion /%
2013	529.0	21.9	31.3
2014	569.0	7.6	26.4
2015	544.4	-4.3	25.6
2016	1353.3	148.6	44.1
2017	1196.2	-11.6	21.1
2018	742.3	-37.9	21.7
2019	342.8	-53.8	12.6
2020	282.0	-17.7	10.7
2021	318.3	12.9	11.4
2022	200.6	-37.0	9.3
2023	205.7	2.5	9.5

In 2023, the world economy's recovery was lackluster, geopolitical conflicts intensified, and protectionism and unilateralism rose. Affected by multiple factors, global

cross-border merger and acquisition transactions declined by 15%, and the transaction scale dropped to the lowest point in a decade. In 2023, Chinese enterprises carried out 383 merger and acquisition projects in 53 countries (regions), with a total investment and merger and acquisition transaction value of 20.57 billion US dollars, an increase of 2.5% compared with the previous year. However, the scale remained the second lowest since 2010. From the perspective of the sources of funds for mergers and acquisitions, Chinese enterprises contributed 16.78 billion US dollars domestically, accounting for 81.6% of the total amount of mergers and acquisitions. Overseas financing reached 379 billion US dollars, accounting for 18.4% of the total amount of mergers and acquisitions. In 2023, Chinese enterprises' outbound investment and mergers and acquisitions were distributed in 53 countries (regions) around the world. Chinese enterprises carried out 111 merger and acquisition projects in the countries jointly building the Belt and Road Initiative, with a total acquisition amount of 12.13 billion US dollars, accounting for 59% of the total acquisition amount. Among them, the scale of investment and mergers and acquisitions attracted by Chinese enterprises in countries such as Singapore, Indonesia, Poland, South Korea and Laos all exceeded 500 million US dollars.

Advantages of cross-border M&A: (1) Rapid market entry: Through M&A, the market share, channels and customer resources of the host country can be quickly obtained. (2) Access to complementary resources: it can integrate the technology, talent and brand advantages of the acquired enterprise. (3) Reduce barriers to entry: avoid the policy restrictions or industry barriers of the host country.

Disadvantages of cross-border M&A: (1) It is difficult to integrate: cultural differences and management style conflicts may lead to low efficiency after M&A. (2) Valuation risk: there may be deviation in the value assessment of the target enterprise, resulting in a premium acquisition. (3) Regulatory obstacles: Some countries have strict scrutiny of foreign mergers and acquisitions and may face political resistance.

Application scenarios: (1) Enterprises need to quickly enter new markets or obtain specific resources. (2) The target enterprise has complementary advantages and reasonable valuation.

Case: Geely's acquisition of Volvo: Geely quickly acquired high-end car

manufacturing technology and brand resources through the acquisition of Volvo. Despite the huge cultural integration challenge, Geely has successfully integrated Volvo's technology and management experience into its own system with strong absorption capacity, and achieved the internationalization of the brand. After the acquisition, Volvo's global sales in 2022 were approximately 698,700 units, with operating revenue reaching 330.1 billion Swedish kronor and an operating profit of 22.3 billion Swedish kronor, representing a profit margin of 6.8%. In 2023, 708,700 vehicles were sold globally, with revenue increasing by 21% year-on-year to 399.3 billion Swedish kronor. Geely's cumulative sales volume reached 1.32 million units in 2020. In 2023, Geely Automobile achieved a revenue of 179.2 billion yuan, representing a year-on-year growth of 21%, and realized a net profit attributable to shareholders of 5.308 billion yuan. Compared with the net profit attributable to shareholders of 3.511 billion yuan in 2022, excluding the gains from one-off negotiated acquisitions, it rose by 51% year-on-year. Through the acquisition of Volvo, Geely has embarked on a substantial transformation, not only enabling Geely to gain a firm foothold in the Chinese market but also accelerating its pace of globalization, achieving a leap from a local small factory to an international large factory. After Geely's acquisition, Volvo turned losses into profits, with continuous growth in sales and revenue, and further enhanced brand value and technological content [26].

3.1.3 Strategic Alliance

Strategic alliance refers to the formation of loose cooperative relations between enterprises and host country enterprises or other international enterprises through cooperation agreements to jointly develop markets or technologies.

Advantages of strategic alliance: (1) Resource complementarity: It can combine the advantages of all parties to reduce the cost of research and development and market development. (2) High flexibility: diverse forms of cooperation, can adjust the depth of cooperation according to needs. (3) Risk sharing: diversification of investment risk, especially in emerging markets with high uncertainty.

Disadvantages of strategic alliance: (1) Weak control: enterprises have limited influence on alliance decision-making and resource allocation. (2) Poor cooperation stability: inconsistent interests of all parties may lead to the breakdown. (3) Risk of

knowledge leakage: the cooperation may face the problem of leakage of core technologies.

Application scenario: (1) Enterprises need to cooperate with local enterprises to adapt to the local market. (2) The technology or market development cost is too high, and it is suitable to share the risk through the alliance.

Case: Huawei establishes 5G alliance with global telecom operators to jointly promote the development of technical standards. In 2024, Huawei achieved global sales revenue of 862.1 billion yuan, representing a year-on-year growth of 22.4%, setting the second-highest revenue record since 2020. Global telecommunications industry revenue increased by 4.3% to 1.1 trillion US dollars in 2023. By establishing 5G alliances with global telecom operators, Huawei has not only consolidated its leading position in the 5G technology field, but also further expanded its international market, enhancing its brand influence and market share. Despite the blockade and interference from the United States and its Allies, Huawei has still achieved continuous business growth by virtue of its technological advantages and market competitiveness. The cooperation between global telecom operators and Huawei enables them to rapidly deploy 5G networks, enhancing network performance and service quality. For instance, Huawei collaborated with British Telecom (BT) to achieve the first field demonstration of 5G uplink and downlink decoupling technology, and completed the first call and dual connection test of a 5G commercial system with Vodafone. These cooperative projects not only promoted the commercialization process of 5G technology but also brought new business growth points to operators [52].

3.1.4 Joint Venture

A joint venture refers to the establishment of a new entity jointly funded by an enterprise and a host country enterprise or other international enterprise to jointly operate overseas business.

Advantages of joint ventures: (1) Local support: the joint venture partner is usually familiar with the local market and can help the enterprise adapt quickly. (2) Resource sharing: It can integrate the capital, technology and channel resources of all parties. (3) Policy convenience: In certain industries that restrict foreign investment, joint venture forms are more easily approved.

Disadvantages of joint ventures: (1) Conflict of interest: parties to the joint venture

may have different strategic objectives. (2) Management complexity: the management requirements of different shareholders need to be coordinated, and the efficiency of decision-making may be reduced. (3) Exit difficulties: Once the joint venture is established, the exit mechanism may be limited.

Application scenario: (1) The host country has restrictions on the proportion of foreign equity and must adopt the form of joint venture. (2) Enterprises need to rely on local partners for channel or policy resources.

Case: SAIC Motor and General Motors jointly develop new energy vehicles in the Chinese market. In 2024, SAIC-GM's combined sales of new energy vehicles reached 104,905 units, representing a year-on-year growth of 56%. It ranks among the top in terms of the penetration rate of new energy vehicles among mainstream joint venture automakers. In 2024, SAIC-GM delivered 103,800 new energy vehicles, representing a year-on-year growth of 54.23%. In 2024, SAIC Motor's retail sales of new energy vehicles reached 1.368 million units, increasing by nearly 30% year-on-year and setting a new historical record. Through its cooperation with General Motors, SAIC Motor has made remarkable progress in the field of new energy vehicles. The sales of new energy vehicles have continued to grow, and its market share has been expanding, further consolidating its leading position in the Chinese automotive market. General Motors' sales of new energy vehicles in the Chinese market have grown rapidly. Despite facing some challenges, through cooperation with SAIC Motor, it is gradually adjusting and optimizing its business structure to adapt to the development trend of the new energy vehicle market in China [12].

Based on the characteristics of the above paths, enterprises with strong absorptive capacity can adopt the following strategies when choosing foreign investment paths:

(1) Choose the path according to the strategic goal

- Market-seeking: If the company's main goal is to expand overseas markets, cross-border mergers or joint ventures can achieve this goal more quickly.
- Technology-seeking: If an enterprise wants to acquire advanced technology, strategic alliances or mergers and acquisitions of R&D intensive companies are more appropriate.
- Resource-seeking: Greenfield investments or joint ventures may be more

effective when natural resources or supply chain advantages are needed.

(2) Evaluate their own absorption capacity

- If the company's knowledge integration ability is strong, it can choose mergers and acquisitions or greenfield investment to maximize control.

- If the company is unfamiliar with the host country environment, joint ventures or strategic alliances can reduce the risk.

(3) Consider the host country environment

- Mergers and acquisitions and greenfield investment are more feasible in countries with a sound institutional environment and high market transparency.

- Joint ventures or alliances are more secure in regions with higher policy risks or large cultural differences.

(4) Promoting internationalization in stages

- Initially, the market can be tested through strategic alliances or small-scale mergers and acquisitions.

- As the understanding of the host country deepens, then gradually increase investment, and even switch to greenfield investment [63].

Optimization strategy of foreign investment of enterprises with strong absorption capacity:

(1) Investment path optimization based on technology acquisition

- High-innovation industries (such as semiconductors, biomedicine): multinational mergers and acquisitions or strategic alliances are preferred to quickly acquire core technologies.

- Mature manufacturing (such as automobiles, home appliances): greenfield investment or joint venture models can be adopted to gradually achieve localized production.

(2) Investment path optimization based on market expansion

- Emerging markets (e.g. Southeast Asia, Africa): Joint ventures or greenfield investments are more secure and reduce policy risks.

- Developed markets (such as Europe and the United States): mergers and acquisitions or strategic alliances are more efficient, and fast access to mature markets.

(3) Investment path optimization based on organizational capability

- Enterprises with strong management and integration ability (such as Huawei and Haier): suitable for cross-border mergers and acquisitions, and can efficiently absorb the resources of target enterprises.

- Enterprises with weak cultural adaptability: it is recommended to choose greenfield investment or strategic alliance to reduce the difficulty of integration.

Enterprises with strong absorptive capacity have significant advantages in foreign investment, but they need to choose the appropriate investment path according to industry characteristics, market environment and their own strategies [55].

Main recommendations:

(1) Strengthen knowledge management capabilities: establish an efficient knowledge absorption mechanism to ensure technology integration after mergers and acquisitions or alliances.

(2) Dynamic adjustment of investment strategies: flexibly adjust the entry mode according to changes in the host country's policies and competitive environment.

(3) Focus on cultural integration: Strengthen cross-cultural management in cross-border mergers and acquisitions to reduce integration risks.

In the future, with the restructuring of the global industrial chain and the intensification of technological competition, the absorption capacity will continue to be a key factor for the success of enterprises' internationalization [26].

3.2 Overseas investment by enterprises with weak absorptive capacity

In the context of global economic integration, enterprise outbound investment (OFDI) has become an important strategy to expand market, obtain resources and enhance competitiveness. However, not all organizations have strong Absorptive Capacity. Enterprises with weak absorptive capacity face higher risks of information asymmetry, technology digestion difficulties and management integration in the process of foreign investment. Based on the theory of absorptive capacity, this section discusses the outbound investment path selection of enterprises with weak absorptive capacity, analyzes the challenges they face, feasible investment models and optimization strategies, and makes

an in-depth analysis based on typical cases, in order to provide reference for relevant enterprises in decision-making.

Foreign direct investment (FDI) is an important way for enterprises to internationalize, but there are significant differences in the absorptive capacity of different enterprises. Absorptive Capacity refers to a firm's ability to identify, digest, and utilize external knowledge (Cohen & Levinthal, 1990). The enterprises with weak absorption ability are usually manifested as: insufficient technology learning ability, difficult to effectively absorb advanced technology; The organization and management ability is limited, and the transnational operation faces higher risk of cultural conflict and integration; Market adaptability is poor, and it is difficult to respond quickly to changes in host country policies and competitive environment; Due to its weak anti-risk ability and high financing cost, its investment scale is limited. If such enterprises choose improper entry mode when investing abroad, it may lead to investment failure, resource waste and even withdrawal from the market. Therefore, it is of great theoretical and practical significance to study the foreign investment path selection of enterprises with weak absorptive capacity. Based on the theory of absorptive capacity, this section analyzes the outbound investment challenges of enterprises with weak absorptive capacity, discusses their feasible investment paths (such as joint ventures, franchising, progressive investment, etc.), and proposes optimization strategies based on typical cases to help such enterprises reduce risks and improve the success rate of internationalization [35].

Enterprises with weak absorption capacity should preferentially choose entry modes with lower risk, less integration difficulty and reliance on local partners when investing abroad. The main paths include:

3.2.1 Joint Venture (JV)

A joint venture is the establishment of a new company jointly funded by a host country enterprise and shares the right of control.

Applicability: The host country policy restricts sole foreign ownership (such as India, Vietnam, etc.); Companies lack local market experience and need to rely on partners.

Advantages: reduce policy risks, improve the possibility of market access; Leveraging local partners' channels, brands and customer resources; Share investment costs and reduce financial pressure.

Disadvantages: Limited control, low decision-making efficiency; May face cooperation conflicts, such as uneven distribution of benefits; There is a risk of knowledge spillover and core technologies may be acquired by partners.

Case study: Chinese auto companies enter Southeast Asian market: Many Chinese auto companies (such as Geely, Great Wall) choose joint ventures with local companies to reduce policy risks and accelerate market penetration. After Geely and Proton formed a joint venture, Proton's market share in the Malaysian automotive market is close to 20%, and its sales volume is second only to the domestic car Perodua. The two occupy 60% of the Malaysian automotive market. From January to June 2024, Great Wall Motor sold a total of 559,700 vehicles, representing a year-on-year growth of 7.79%. Among them, overseas sales reached 201,500 units, increasing by 62.59% year-on-year. Overseas market sales accounted for approximately 36% of the total sales. In 2024, the market share of Chinese auto brands in Southeast Asia continued to rise, especially in the field of electric vehicles, where Chinese automakers held a significant lead in market share. Take Thailand as an example. Chinese electric vehicles account for 80% of the local market sales, while Japanese brands account for less than 1% [44].

3.2.2 Franchising

Franchising is when a company grants a host country operator the right to use its brand, technology and business model and collects royalties.

Applicability: Service industry (e.g. catering, retail, hotel); Companies want to expand quickly but are reluctant to take high investment risks.

Advantages: low cost and fast access to the international market; Local operators bear the operational risk; Brand influence can be gradually improved.

Disadvantages: High requirements for quality control and difficult management; Franchisees may violate brand standards and damage the reputation of the business.

Example: KFC and McDonald's franchise model in the Chinese market: rapid expansion through local partners, while reducing direct investment risk. As of June 2023,

KFC has a total of 9,562 restaurants in China, and McDonald's has over 5,400 restaurants in the country. Through the franchise model, KFC has achieved rapid expansion in the Chinese market, with a significant increase in the number of its stores, especially in its more extensive layout in the lower-tier markets. This model not only reduces KFC's own direct investment risk, but also accelerates market penetration by leveraging the local resources and funds of franchisees. After introducing the franchise model, McDonald's expansion speed has also accelerated, the number of stores has gradually increased, and its layout in the lower-tier markets has also been continuously advanced. Through cooperation with local partners, McDonald's has better adapted to the demands of the Chinese market and reduced policy risks [18].

3.2.3 Gradual Internationalization

Progressive investment means that enterprises enter the international market in stages, first testing the water through export, licensing and other ways, and then gradually increasing investment.

Applicability: Lack of international experience; The market uncertainty of the host country is high.

Advantages: reduce one-time investment risk; Gradually accumulate market knowledge and adjust strategy.

Disadvantages: market entry speed is slow, may miss the opportunity; Low returns in the early testing phase could affect investor confidence.

Case: Haier Group entered the US market early: first through export test water, then establish a research and development center, and finally localized production. Haier first entered the US market with small refrigerators for students and offices, and eventually captured 50% of the market share, initially establishing Haier's popularity among local young people. Haier has developed innovative products that meet the personalized demands of American users. For instance, in response to the demand of American families for centralized laundry and antibacterial disinfection on weekends, Haier has collaborated to develop and innovate the industry's first ultra-fresh large drum washing machine. In 1999, Haier established its first production base in the United States in South Carolina. Since then, Haier Smart Home has acquired the home appliance business of GE and

obtained the production base located in Louisville, Kentucky in 2016. In 2018, Haier COSMOPlat Connected Factory was established in Tennessee. In 2024, Haier Smart Home's overseas sales accounted for 53% of its total sales, with "overseas production + overseas sales" making up 60% [4].

3.2.4 Strategic Alliance

Strategic alliance is the establishment of non-equity cooperative relations with enterprises in the host country, such as technology cooperation and market sharing.

Applicability: Enterprises want to acquire specific resources (such as technology, channels), but do not want to take the risk of mergers and acquisitions; Industry technology update fast, need flexible cooperation model.

Advantages: high flexibility, can quickly adjust the cooperation strategy; Reduce investment risks and avoid long-term binding.

Disadvantages: Cooperation stability is low, may be terminated due to conflict of interest; Knowledge protection is difficult, and core advantages may be imitated.

Case: BYD and Toyota to develop electric vehicles: through the technology alliance to obtain Toyota's hybrid technology, while reducing the risk of independent research and development [61].

Optimization strategy of foreign investment of enterprises with weak absorptive capacity:

(1) Select low-risk entry mode

- Priority is given to joint venture, franchise and other cooperation models to reduce the risk of independent operation.
- Avoid large-scale cross-border mergers and acquisitions unless you have strong integration capabilities.

(2) Make up for their own shortcomings with external resources

- Cooperate with host country enterprises, government and industry associations to obtain market information and support.
- Introduce a management team with rich international experience to enhance the ability of transnational operation.

(3) Adopt a progressive internationalization strategy

- Export first, invest later: test the waters through trade, then gradually build up local institutions.

- Start with small scale investment: if you first set up a representative office, then upgrade to a subsidiary.

(4) Strengthen knowledge management and learning ability

- Establish knowledge absorption mechanism: such as regular training, technical exchange, etc.

- Cooperate with universities and research institutions to improve technology digestion ability [7].

Enterprises with weak absorption capacity face higher risks when investing abroad, but can still successfully internationalize by choosing the right entry mode (e.g. joint venture, franchise, progressive investment, etc.).

Main suggestions: (1) Avoid blind mergers and acquisitions, and preferentially choose cooperation models with lower risks. (2) Use local partners to make up for the lack of market knowledge and operational capabilities. (3) Adopt a progressive strategy to gradually accumulate international experience.

In the future, with the intensification of competition in the global market, enterprises with weak absorption capacity need to choose investment paths more carefully, while strengthening their own learning ability to improve the success rate of internationalization.

In view of this phenomenon, it is necessary to improve the system of foreign direct investment, so as to promote the communication and development among countries along the "Belt and Road":

First, strengthen the guidance of enterprises' direct investment and improve the efficiency of direct investment. Through the empirical analysis of location choice, it is found that energy-concentrated enterprises should be more guided by government, and the government should make correct decisions and provide accurate information and data for enterprises to choose investment direction. China mainly focuses on Southeast Asia and other surrounding regions for investment, the global investment strategy is of little significance. At the same time recently the development of some domestic industries has faced overcapacity problems, which requires government leaders to invest abroad to

digest overcapacity. On the contrary, the concentration of investment in neighboring countries such as Southeast Asia and Russia will intensify the competition of investment enterprises. Chinese enterprises should pay attention to other countries with good investment opportunities along the "Belt and Road" to open up new markets, and inter-industry cooperation should be strengthened to increase industry correlation, mutual support and common development.

Second, on the premise of fully understanding the investment needs of the host country, break the shackles of traditional geographical distance and spatial thinking. Taking into account the host country's investment demand for China, countries with a high degree of economic openness can be preferentially selected for investment to meet their early high demand and reduce negotiation costs; Developing countries with a low level of economic development and high demand for foreign investment may also be selected for investment cooperation. In addition, pay close attention to the development of OFDI in the host country and its industrial policy trend, fully consider the connection between the host country's supporting projects and the industrial chain, and improve the localization ability of investment projects. From the quantitative point of view, the host country's economy, opening to the outside world and technical level are used as the reference basis to measure its investment demand potential, and the bilateral trade volume and trade dependence are used to examine its capital strength to adapt to its long-term growing and changing investment market scale [65].

Third, establish a policy risk assessment system. In addition to official statistics, investment reports and country guidelines, China has no complete host country evaluation system, which is far behind Europe and the United States and other countries. This is not conducive to China's scientific evaluation of transnational investment risks, and to a certain extent, prevent Chinese enterprises from FDI. For example, in addition to the mineral industry and other industries, China has more foreign investment in the five Central Asian countries, but less involved in other fields. Under normal circumstances, it is difficult for Chinese enterprises to obtain investment information of the host country through the development of the home country, which easily leads to the increase of local investment risks of Chinese enterprises. After consulting the literature on Chinese

enterprises' investment in Central Asia, the research results are not abundant. If the state does not establish a policy risk assessment system, the existing research results and evaluation methods can hardly provide guidance for Chinese enterprises' transnational investment. At the same time, it is worth noting that in order to protect the local risks that enterprises may face in the process of cross-border investment, developed countries have formulated investment protection plans. Therefore, in order to protect the transnational investment of Chinese enterprises in Central Asia, the Chinese government should give good legal protection to Chinese enterprises and standardize and establish a policy risk assessment system [37].

Fourth, we will improve the overseas investment insurance system. Overseas investment insurance refers to the insurance provided by domestic investors in the host country to reduce the possible losses caused by the political risks of the host country to the enterprises in the home country. With the development of the Silk Road Economic Belt, Chinese enterprises have gradually realized the importance of overseas investment insurance. As can be seen from the above analysis, countries along the Belt and Road still face certain terrorist and religious threats, and their economic environment is relatively volatile compared with other countries in the world. In the open economic and trade environment, many Chinese enterprises have turned their attention to unilateral and bilateral investment insurance systems to avoid risks brought by the volatile investment environment of the host country. Before investing, it is best to sign an investment agreement with the local government to understand what its investment restrictions and preferential policies are. Finally, pay attention to the purchase of investment insurance for the public assets of the host country to reduce the loss of assets.

Fifth, the proposed investment industry and location analysis. As can be seen from the distribution table of investment industries in the countries along the Belt and Road, although the cooperation industries in China and the regions along the "Belt and Road" are widely distributed, the cooperation industries have a certain focus, and the corresponding investment is more in energy-rich countries. The market share and advantages of other countries are relatively weak, which shows that China's investment in countries along the "Belt and Road" still has potential. Therefore, when choosing industry and location,

Chinese enterprises should make appropriate investment in combination with the above characteristics, for the country where Chinese enterprises have a certain foundation for local industrial development. In addition, in order to tap the future potential of Chinese enterprises in the "Belt and Road" region, on the one hand, China should further expand investment in traditional investment advantages of enterprises, such as agriculture, infrastructure and so on; On the other hand, on the basis of the existing investment location distribution, the investment focus will be partially shifted to other countries. On the basis of expanding the market share of other Central Asian Belt and Road countries, China should focus on the efficiency of the national government and determine the direction of investment in combination with the host industry objectives and location choices [16].

Sixth, respect and accommodate the cultural practices of the host country. In the long-term historical accumulation, cultural customs play an important role. Good communication with the people is not only the source of political mutual trust between China and Central Asian countries, but also the most important foundation for economic cooperation. When Chinese enterprises invest directly in the countries and regions along the route, they must inevitably communicate with the local people, and should gradually strengthen the cultural exchanges with the host country, and avoid the contradictions and disputes between the local Chinese workers and the local residents in Central Asia described in Chapter 4. In addition, we can further promote the cultural exchanges between China and the countries along the route by encouraging academic exchanges in colleges and universities, folk tourism and other measures, and establish a good image of Chinese people and enterprises in the host country.

Seventh, Chinese enterprises should strengthen communication with government departments of host countries. On the one hand, Chinese enterprises should pay attention to and fully understand the local preferential investment policies when investing, including the policies for foreign-funded enterprises, general preferential policies, investment industry preferential policies and investment location preferential policies. On the other hand, Chinese enterprises should pay attention to the economic cooperation agreements signed between the countries along the Route and China, as well as the policy priorities

and directions of China's investment in the countries along the route. This will help multinational enterprises reduce the cost of investment in host countries. In addition, due to certain political turmoil in the countries along the route, Chinese enterprises must strengthen communication with the host government departments, and make full use of the credit risk insurance and personal and property security services provided by the government departments to avoid risks. Although China's policy risk assessment system and transnational insurance guarantee system are still improving, some large enterprises, such as China Credit Insurance and China Development Bank, are still effective guarantees for the development of Chinese enterprises in the host country [40].

Important investment opportunities in countries along the Belt and Road:

(1) High potential area

A. South-East Asia (Indonesia, Malaysia, Viet Nam, Thailand). Key areas: ports, highways, digital economy, manufacturing. For example: Indonesia's Jakarta-Bandung high-speed rail - a \$6 billion project invested by China Railway Group.

B. Central Asia (Kazakhstan, Uzbekistan, Pakistan). Key areas: Oil and gas pipelines, railways (China-Pakistan Economic Corridor). Example: Gwadar Port (Pakistan) - a strategic deep-sea port under the China-Pakistan Economic Corridor.

C. Africa (Kenya, Ethiopia, Nigeria, Egypt). Areas of focus: Infrastructure (railways, ports), energy, agriculture. For example: Mombasa-Nairobi Railway (Kenya) - built by China Road and Bridge Corporation.

D. Europe (Greece, Italy, Hungary, Serbia). Key areas: logistics hub, 5G network, industrial park. For example: Piraeus Port in Greece - acquired by COSCO Shipping.

E. Latin America (Brazil, Argentina, Peru). Main industries: Mining, energy, agriculture. For example: Belém-Brasília Railway (Brazil) - a \$3.5 billion railway project.

(2) High-Growth Sectors for Chinese Investors

Table 3.2 – High-growth sectors for Chinese investors [20]

Sector	Opportunities	Key Players
Infrastructure	Roads, railways, ports, airports	CRCC, China Communications Construction
Energy	Oil, gas, renewables (solar, hydro)	PowerChina, Sinopec, LONGi Solar
Digital Economy	5G, e-commerce, fintech	Huawei, Alibaba, Tencent
Manufacturing	Industrial parks, auto, electronics	BYD, Foxconn, Haier
Agriculture	Food security, agri-tech	COFCO, New Hope Group

Strategic Considerations for Chinese Investors:

(1) Align with BRI's Five Key Cooperation Priorities: Policy Coordination – Work with host governments. Infrastructure Connectivity – Focus on transport & energy. Unimpeded Trade – Leverage free trade agreements (FTAs). Financial Integration – Use RMB settlements. People-to-People Bonds – Invest in education & cultural exchanges.

(2) Choose the Right Entry Strategy: Joint Ventures (JVs) – Partner with local firms to reduce risks. Public-Private Partnerships (PPPs) – Collaborate with governments. Mergers & Acquisitions (M&As) – Acquire existing businesses.

(3) Leverage China's Policy & Financial Support: Silk Road Fund (\$40 billion for BRI projects). China Development Bank (CDB) & Exim Bank (low-interest loans). Tax Incentives – Reduced corporate taxes for BRI investments [29].

Risk Assessment & Mitigation Strategies:

(1) Major Risks in BRI Investments

Table 3.3 – Major risks in BRI investments [20]

Risk Type	Examples	Mitigation Strategies
Political Risk	Regime changes, sanctions	Diversify across stable countries
Financial Risk	Debt defaults, currency risks	Use RMB settlements, hedging
Operational Risk	Labor disputes, corruption	Strong due diligence, local partnerships
Geopolitical Risk	US-China tensions, BRI backlash	Avoid sensitive sectors (e.g., defense)

(2) Case Study: Sri Lanka's Hambantota Port Debt Trap

Issue: Sri Lanka couldn't repay Chinese loans, leading to a 99-year lease to China.

Lesson: Avoid debt-heavy models; focus on sustainable financing.

Government & Financial Support Mechanisms:

(1) Key Chinese Institutions Supporting BRI: Asian Infrastructure Investment Bank (AIIB) – Provides project financing. New Development Bank (NDB) – BRICS-backed infrastructure loans. China International Contractors Association (CHINCA) – Industry support.

(2) How to Access BRI Funding: Apply for loans from CDB/Exim Bank. Seek equity investments from Silk Road Fund. Use RMB internationalization to reduce forex risks [68]

Case Studies of Successful & Failed BRI Projects:

(1) Success: Ethiopia-Djibouti Railway

Investment: \$4 billion by China Railway Group.

Outcome: Boosted trade, reduced transport costs.

(2) Failure: Malaysia's East Coast Rail Link (ECRL)

Issue: Cost overruns led to renegotiation.

Lesson: Ensure transparent contracts and local support.

Future Trends & Long-Term Outlook:

(1) Emerging Trends

Green BRI: More renewable energy projects (solar, wind). Digital Silk Road: Expansion of 5G, AI, and e-commerce. Health Silk Road: Post-pandemic medical collaborations.

(2) Challenges Ahead

Debt sustainability concerns (e.g., Zambia, Pakistan). Geopolitical resistance (US, EU pushing back against BRI).

Conclusion & Actionable Recommendations:

(1) Key Takeaways

Focus on high-growth BRI regions (Southeast Asia, Africa). Leverage Chinese government support (loans, tax breaks). Mitigate risks through partnerships & due diligence.

(2) Final Advice for Chinese Companies

Start small – Pilot projects before large-scale investments. Engage local stakeholders – Governments, communities, NGOs. Monitor geopolitical shifts – Adapt to changing policies.

At the same time, in order to broaden the import and export trade channels of agricultural products, we should seize the opportunity of e-commerce development, actively explore the field of e-commerce of agricultural products and broaden the cross-border sales channels of agricultural products. According to the analysis of the current situation, the innovation and development of domestic agricultural products are still influenced and restricted by the traditional trade model, such as the problems that market demand and market supply cannot be symmetrical, the capital turnover speed is slow and the operating cost is high, which seriously restricts the development of domestic agricultural products, while e-commerce technology can effectively solve the above problems and realize cross-border transactions of agricultural products. In a sense, e-commerce technology can significantly improve the efficiency of information transmission, ensure the integrity and authenticity of information, speed up the capital turnover of agricultural products production enterprises, make the transaction process of agricultural products simpler and more convenient, effectively reduce the international transaction cost of agricultural products, and improve the international transaction opportunities of agricultural products, and finally provide a solid technical foundation and financial support for agricultural products producers to expand their scale. Not only that, e-commerce technology has the characteristics of fast and extensive, and it also promotes agricultural products production enterprises to further expand production and sales channels. The development of economic globalization is highly compatible with the field of e-commerce, which brings new opportunities for the development of cross-border e-commerce. The foreign trade of agricultural products should seize this development opportunity and break through the barriers of traditional sales channels [53].

Conclusion

The "One Belt and One Road" (OBOR) strategy, also known as the Belt and Road Initiative (BRI), has emerged as a transformative force in the global economic landscape. This master's thesis has endeavored to provide a comprehensive analysis of the OBOR strategy, the importance of cross - border investment, and specific investment advice for Chinese companies. By examining the characteristics and significance of the OBOR strategy, the risks inherent in cross - border investment, and the response strategies and policy recommendations, this thesis aims to offer valuable insights and practical guidance for Chinese enterprises seeking to expand their overseas investments.

The OBOR strategy, as detailed in Chapter 1, is characterized by its ambitious vision of fostering economic cooperation and connectivity across a vast region spanning Asia, Europe, and Africa. It emphasizes infrastructure development, trade facilitation, and cultural exchange as key drivers of regional growth and prosperity. The significance of the OBOR strategy lies in its potential to create new economic opportunities, enhance regional stability, and promote sustainable development. By connecting countries through improved infrastructure and trade links, the OBOR strategy seeks to unlock the economic potential of regions that have long been underserved and underdeveloped.

Chapter 2 highlighted the critical role of cross - border investment in realizing the goals of the OBOR strategy. Investment from Chinese companies can provide much - needed capital and expertise for infrastructure projects, industrial development, and technological advancements in countries along the Belt and Road routes. However, cross - border investment is not without its challenges. The risks associated with such investments include political instability, ecological environment risk, risks in relations with China, social risk and economic uncertainties. These risks can significantly impact the success and profitability of investment projects.

In response to these risks, the thesis proposed a range of strategies and policy recommendations. These include the important role of the government and the auxiliary role of enterprises, providing various suggestions based on different risks. By implementing these strategies, Chinese companies can better navigate the complexities of

cross - border investment and mitigate potential risks, thereby enhancing the likelihood of successful investment outcomes.

Chapter 3 focused on providing specific investment advice for Chinese companies based on their absorptive capacities. Companies with strong absorptive capacities, characterized by advanced technologies, robust financial resources, and extensive international experience, are well - positioned to take advantage of the opportunities presented by the OBOR strategy. These companies can pursue large - scale infrastructure projects, high - tech investments, and strategic partnerships with local and international firms. Their strong capabilities enable them to manage risks more effectively and contribute to the development of high - value - added industries along the Belt and Road routes.

On the other hand, companies with weak absorptive capacities face unique challenges. These companies may lack the necessary technological expertise, financial resources, or international experience to engage in large - scale overseas investments. However, they can still play a vital role in the OBOR strategy by focusing on niche markets, leveraging local knowledge and networks, and forming strategic alliances with more capable firms. By adopting a cautious and targeted approach, these companies can gradually build their capabilities and contribute to the overall development of the regions they invest in.

This thesis has made several theoretical and practical contributions to the understanding of the OBOR strategy and cross - border investment. Theoretically, it has provided a comprehensive analysis of the characteristics and significance of the OBOR strategy, highlighting its potential to reshape global economic dynamics. The study of risks and response strategies in cross - border investment has enriched the existing literature on international investment and risk management. Additionally, the comparative analysis of companies with different absorptive capacities has offered new insights into the role of firm - specific factors in investment decisions and performance.

From a practical standpoint, the investment advice provided in this thesis offers valuable guidance for Chinese companies seeking to expand their overseas investments. By understanding the opportunities and risks associated with the OBOR strategy,

companies can develop more informed and strategic investment plans. The policy recommendations derived from the research can also inform policymakers in China and other countries involved in the OBOR initiative. These recommendations can help create a more conducive investment environment, support sustainable development, and promote regional economic cooperation.

While this thesis has provided a comprehensive analysis of the OBOR strategy and cross - border investment, there are several areas that warrant further research. One potential direction is to conduct more in - depth case studies of specific investment projects under the OBOR framework. This would provide a deeper understanding of the practical challenges and successes encountered by Chinese companies in different regions and industries. Additionally, further research could focus on the long - term impacts of OBOR investments on local economies, social development, and environmental sustainability. This would help assess the overall effectiveness of the OBOR strategy in achieving its stated goals of promoting regional prosperity and sustainable development.

Another area for future research is the role of non - Chinese companies and investors in the OBOR strategy. While this thesis has primarily focused on Chinese companies, it is important to recognize that the OBOR initiative is a global effort that involves multiple stakeholders. Understanding the perspectives and contributions of companies from other countries can provide a more comprehensive view of the initiative's potential and challenges.

In conclusion, the OBOR strategy presents a unique and transformative opportunity for global economic cooperation and development. Chinese companies, with their diverse capabilities and resources, have a crucial role to play in realizing the potential of this initiative. By understanding the characteristics and significance of the OBOR strategy, the risks and response strategies in cross - border investment, and the specific investment advice tailored to their absorptive capacities, Chinese companies can make informed and strategic investment decisions. This thesis has provided a comprehensive analysis and practical guidance to support these efforts. As the OBOR strategy continues to evolve and expand, further research and collaboration will be essential to ensure its success and sustainability.

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