China's Outward Foreign Direct Investment Along "Belt and Road Initiative"

Sedat AYBAR[1]
Meryem GÜREL[2]

Abstract
This article examines the motivations and determinants of China's Outward Foreign Direct Investment (OFDI) within the new lands called The Belt and Road Initiative (BRI) inspired by the ancient Silk Road. Although China's OFDI has always been important for academic interest, OFDI along the BRI is a distinctive economic policy for China at the global stage. The existing literature demonstrates that China's OFDI with its economic policy is based on its national modernization. As China's multivariate domestic economy requires different strategies with diversified outward investments along the BRI and non-BRI countries, it has positive return to the country. The investigation hereby indicates that China's OFDI has different motivations for natural resources, strategic assets, market and efficiency seeking. Its determinants are cost advantage, institutions, market size, national agglomeration, cultural proximity, free trade agreement (FTA) expanding trade relations and qualified labor in low-income and middle-income countries. The transfer of CO2 emissions requiring industrial selection is also a driver of China's OFDI aiming the reduction of air pollution for climate change. Besides the efforts of China, the state-owned enterprises need reforms to broaden ownership for further outward investments as an implication.

Keywords: *China, OFDI, Belt and Road Initiative, Chinese SOEs*

[1] Professor and the Head of Department of Economics and Finance and The Director of China Study Centre at İstanbul Aydın University
[2] Graduate Student in International Economy, Department of Economics and Finance, İstanbul Aydın University

INTRODUCTION

China has a remarkable 35 years of economic development marked by an achievement of becoming a middle-income country from a merely $190 to over $10,000 per capita income at the present. Inward foreign direct investment (IFDI) has a major role in China's economic growth accompanying a process of trade diversification and building up large USD reserve holdings. Despite such economic growth, unequal income distribution, particula,rly after the slump of the global economy in 2008, brought forward the discussion about the need for China's economic modernization. Not only unsustainable macroeconomic conditions, but also the discordance between government policy and market liberalization, poor institutions, corruption, manufacturing and export led economy were some of the challenges that needed to be reckoned in China.

China's transition from a market-based economy to a services-based economy required a set of new reforms to readjust country's IFDI aligned with China's outward foreign direct investment (OFDI) as "Going Out" strategy. President Xi Jinping unveiled a visionary policy called The Belt and Road Initiative (BRI) with outward investments in the lead to rebuild landlocked regions with regards to its national modernization as a part of "going out" strategy. Although the BRI is a new issue and has a vague data, China's OFDI has always been important for academic interest and its OFDI along the BRI is a unique and a distinctive economic policy for China at the global stage. Analyzing the existing literature of motivations and determinants of China's OFDI constitutes the aim of this article.

Drawing upon the existing literature, China's going out strategy is based on its national modernization. China's transition to services-trade economy is to rebalance the national income by readjusting FDI policy among domestic and cross-borders arenas. The main purpose of this study is to discover the motivations and determinants of China's OFDI along the BRI despite the BRI having no clear data. While China's FDI has always been in academic interest, China's OFDI along the BRI is a new issue for academic researches.

The rest of the article is structured as follows, the mega projects along the BRI is investigated in the next i.e. second section, patterns of Chinese Outward Foreign Direct Investment is studied in the third section. Fourth section focuses on the strategies of Chinese state-owned enterprises (SOEs) and the following section concludes.

MEGA PROJECTS ALONG THE BELT AND ROAD INITIATIVE

- **The Belt and Road Initiative**

China's visionary President Xi Jinping declared that China had a significant universe to integrate with the global economy in terms of Outward Foreign Direct Investment (OFDI) with a concrete strategy called The Belt and Road Initiative (BRI) that aims to build two routes, namely Silk Road Economic Belt (SREB) in 2013 and Maritime Silk Road (MSR) in 2014. The BRI covers 65 countries on three continents Asia, Europe and Africa aiming a win-win cooperation by advancing the priorities with five main purpose; policy coordination, infrastructure, reducing trade barriers, financial integration and people to people connectivity (Xinhuanet, 2015).

The Silk Road Economic Belt (SREB) connects from Xi'an in China passing through the inland region through Khorgas-Central Asia to Middle East, Turkey combining Asia to East Europe reaching to Rotterdam Holland. The Marietime Silk Road (MSR) starts from the east coast state Fujian in China opening to South China Sea passing through Malacca Strait to Indian Ocean reaching to Mediterranean Sea via Gulf of Aden and Red Sea from Athens-Greece ending in Venice-Italy with three prominent oil-transit straits (Tiezzi 2015). Mega projects were designed to build a multilayered geographical connectivity with diversified investments particularly infrastructure investments such as highways, roads, railways, ports, airports, construction, telecommunication, energy being financed by Asian Infrastructure and Investment Bank (AIIB) which 57 member countries signed multilateral agreement as the financial architect of BRI. Although there has been 1700 agreed BRI projects, the BRI data is not clear (Huang 2017).

65 Countries along The Belt and Road	
Region	**Countries**
East Asia	China, Mongolia
Southeast Asia	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Timor-Leste, Thailand, Vietnam
South Asia	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
Central Asia	Kazakhstan, Kyrgzstan, Tajikistan, Turkmenistan, Uzbekistan
Middle East & North Africa	Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syria, United Arab Emirates, Yemen,
Europe	Albania, Armenia, Azerbaijan, Belarus, Bosnia & Herzegovina, Bulgaria, Czech Republic, Croatia, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey, Ukraine

Source: (2016) The Belt and Road Initiative: 65 Countries and Beyond, Fung Business Intelligence Centre

The multilayered connectivity is designed through six economic corridors to achieve SREB and MSR, these are: i) The New Eurasia Land Bridge Economic Corridor starts in the province of Jiangsu-China going through inland region Xinjiang on Central Asia reaching to Germany-Europe over Russia. ii) The second one is the China-Mongolia-Russia Economic Corridor bridging Eurasia. iii) The third one is the China-Central Asia-West Asia Economic Corridor starting from Xinjiang through railways to Central Asia and West Asia reaching to Mediterranean coast and the Arabian Peninsula. iv) The fourth one is China and Indochina Peninsula Economic Corridor, which is a particular region on Southeast Asia

planned as a transportation network, industrial projects and fundraise for a sustainable socio-economic development. v) The fifth one is China-Pakistan Economic Corridor starting from Kashgar-Xinjiang going down to Gwadar coast in the city of Balochistan in Pakistan, which is an important transferring port for Chinese Shipping. Two countries cooperated to advance the Karakoram Highway which is an expressway at the east of the bay of Gwadar Port, a new international airport, an expressway from Karachi to Lahore, the Lahore rail transport orange line, the Haier-Ruba economic zone, and China-Pakistan cross-national optic fiber network. vi) The sixth one is the Bangladesh-China-India-Myanmar Economic Corridor aiming to expand investment and trade relations by building infrastructures (HKTDC 2017).

- **Investment Projects**

After Cold War and economic crisis in the new century, the trends of investments have required long term, high and risky-payments, transparency and accountability and a good financial management. The cross-border production characterized with zone, scale and know-how which meant strategic trade can no longer be operated by trial and learning or traditional management but professional management with western multinational enterprises (MNEs) (Moran, 1999). As a result of the rise of third world countries, trends of FDI has changed. China has impact on developing countries as new coming FDI policy in the new century as four types of FDI in extractive, infrastructure, manufacturing and assembly services based on research. Each of them has idiosyncratic challenges and opportunities as well as policies of its own (Moran, 2011a).

The rising production of export-based Chinese economy increased its supply-side i.e. need of oil, energy and raw materials. Today, China is the world's largest consumer and exporter of Rare-Earth Elements (REE) for innovative production and developing technologies (Moran, 2011b). China is one of the largest investors in Africa with US$ 36 billion capital investment and has 88 projects in 37 African countries in the fields of real estate, infrastructure, manufacturing, mining and energy to boost trade relations. Due to construction of highways, ports and airports, not only oil and energy demand is increasing but also heavy vehicles. China Petroleum

Pipeline is the leading company in terms of employment with two pipeline projects invested in Mozambique and South Africa in order to transport natural gas. The recovery of African economy accelerated the investments from China and led Chinese investors diversifying their interest to renewable energies rather than conventional sectors (Klasa, 2017).

China's severe air pollution, as a result of coal consumption, led China to diversified energy policies in renewables, natural gas and electricity. Following the reduction of emissions due to climate change targets set in the Paris Agreement, China became a key driver transferring CO2 emissions and determining industrial OFDI with country-specifics to overcome environmental issues. Solar PV, wind and electricity infrastructures with new technologies of renewable energy are expected to reduce the costs and increase the energy appliances of households due to increasing urbanization by 2040. As an increasing domestic demand and diversification of outward energy investments, China has become an oil importer and exporter as well as technologies (IEA 2017). China's aim for the reduction of CO2 emissions meets for climate action of Sustainable Development Goals (SDGs) as determinant of China's OFDI.

China has signed bilateral agreements with visa liberalization to establish economic zones carrying low-skill and medium-skill production operations out of country. Medium-skill production operations like industrial machinery, electronics, automotive components, medical devices constitute the flow of fourteen times larger than the low-skilled labor intensive productions each year. Therefore, the export business of standardized goods matters for creating value added production influencing economic growth (Moran, 2011b). China's greenfield investment as entry mode by the establishment of trade and economic zones is in industry, manufacturing, pipelines, real estate, renewable energy and communication sectors along the BRI especially in the Central and Eastern Europe and Africa, Gwadar-Pakistan, Morocco and also Myanmar. Low cost with qualified labor and young population enable Chinese companies' job creation and provide trade relations in addition to increasing export. In 2017, China established 99 economic zones accounting for USD 30.7 billion with 4364 enterprises creating 258000 jobs.

To materialize the BRI, China pursued geographical connectivity (Aybar, 2018). Although infrastructure industry constitutes long-term high risky payments in developing countries, other related industries like technology, production, transportation, ICT, oil, energy and digitalization brought new opportunities in international business. That's why the cooperation along BRI requires high policy to improve the relations between governments. Some of important projects -railway construction for 485 km combining Mombasa and Nairobi in Kenya financed US$ 14 billion in 2013, Line D pipeline from China to Turkmenistan with a cost of US$ 6.7 billion, Pupin Bridge in Belgrade-Serbia over Danube River and financed US$ 260 million as the first greenfield investment, a railway project starting at Piraeus Port in Athens-Greece to Belgrade over Macedonia, construction of Kingdom Tower tall of 1 km in Jeddah Saudi Arabia, US$ 225 billion valued mega infrastructure projects for city developments and for water & security due to 2022 FIFA World Cup in Qatar- have deepened countries' financial and economic relations.

Although Middle East (ME) region have high security risks over the average of world security, China and Iran signed to increase trade volume from US$ 50 billion to US$ 600 billion in ten years. Although ME has oil and natural gas rich lands, China's leadership of Solar PV investments create opportunity for nations gaining electricity from sunshine against climate change. After withdrawal from western markets, Russia's Gazprom and CNPC signed for 3 million cubic meters oil agreement purchased for US$ 55 million. In the midst of 2015, China and India made an agreement for trade valued US$ 22 billion and for transportation infrastructure valued US$ 83,6 billion. For China-Pakistan Economic Corridor investments were made in the fields of economic zone, renewable energy, power plants and transportation developments financed US$ 45 billion. The Southeast Asian countries, known as ASEAN, are the most important key partners of BRI and have signed 130 infrastructure contracts with China undermined US$ 250 billion (EIU, 2016). In services sectors such as leasing, finance, banking, technology, R&D, electricity and communications, China's outward investments increased from USD 26 367 million to USD 31 281 million (UNCTAD, 2017).

PATTERN OF CHINA'S OUTWARD FOREIGN DIRECT INVESTMENT

Previous empirical studies investigated China's OFDI from the perspective of Dunning's theories as OLI and IDP, IPI related to domestic income level. Until 2010, outward investments were insufficient due to China's poor domestic conditions and unequal income distribution through coastal and inland regions. Connectivity of geography through transportation, insufficient technology, reforms of government institutions and readjustment of domestic investments are some of the found challenges to drive China's OFDI effectively (Kun; Kuada and Sorenson, 2000; Buckley, 2004; Liu et al. 2005; Buckley et al. 2007; Gu and Han, 2013). The cultural difference, good management and qualified employees are some of the other challenges (Wang, 2015). Although China's OFDI has already been in academic interest, the BRI investments is a new subject and data is vague. The outward investment behaviors of Chinese multinational enterprises, as the manifestation of the drivers and motivations, effect the global economy in consequence of its traditional trade and policy (Burger and Karreman, 2010).

The European Union (EU) is the most important destination of China's OFDI. More than 40% of China's outward investments in developed countries goes to the EU, followed by different strategies in the Western and Eastern Europe. The fundamental macroeconomic conditions; market size and bilateral trade were found as the main determinants of China's OFDI in European countries due to good trade relations.

China's OFDI stock increased yearly on the average of more than USD 1 billion over the years between 2005-2012. After the 2008 global crisis, the investments of Chinese enterprises accelerated, especially in the UK and Germany in the fields of infrastructure, research and development (R&D), automotive, industrial machine, electronics and consumer products. China's OFDI in trade, logistics and distribution, business-related services such as banking, finance, insurance, and R&D went to Western Europe due to its high income level. The competitive labor force with high quality, lower cost ratio and low-income countries of the CEE influenced greenfield investment (GI) and merger and acquisition (M&A) entry. 90% of China's OFDI in manufacturing went to Central and Eastern Europe (CEE) especially Poland, Hungary and Bulgaria.

China's investments gradually created a developed investment climate for R&D, telecommunication technologies, clean energy and technological production in the CEE. Hungary, Italy, Greece, Portugal were found to be some of the Eastern European countries where China follows country specific strategy. Also, China's wealthy individuals invested their capital into real estate in Greece, Hungary, Latvia, Spain and especially Portugal. China's OFDI with the motivations of market seeking all over the EU, efficiency seeking in the Central and Eastern Europe, and strategic asset seeking such as brand management, know-how and technology, capital markets, R&D in Western Europe, is expected to create new business and trade, market and brands through bilateral agreements and flow of capital (Ying, 2014; Dreger et al., 2017).

Due to its diversified trade and production, China's OFDI is also motivated by natural resource seeking to supply its raw materials. Shanghai Baoshan Iron and Steel Corporation signed for Joint Ventures (JVs) in Australia, Brazil and South America. A distinguished article of Huseynov (2016) has empirically investigated the drivers of China's OFDI in infrastructure industry between the years 2005 to 2013, before the BRI. High deficit, strong institutions, large market size, national agglomeration, cultural proximity and free trade agreement were the strongest determinants, on the other hand geographical distance and macroeconomic stability were found the weak determinants of China's OFDI in host countries (Huseynov, 2016).

Another distinguished article is an empirical study explaining the impact of FDI on CO_2 emissions effect on China's going out strategy. The input-output of China's manufacturing has been increasing the carbon emission that is known as air pollution. It was defined by "carbon leakage" in The Kyoto Protocol in terms of the allowance of increase of emission in host country by taking over the production process from home country for the reduction of CO_2 emission in other words carbon trading system. Carbon constraint countries more likely intended to import from the nations with low environmental standards, in other words, providing advantage to non-constraint countries. Within the 34 host countries over the years 2000-2011, China's OFDI effected the industry selection related to the host country's technology level, energy structure in terms of coal, natural gas, oil, and production process. Hence, OFDI growth would lead to increases in CO2

emissions in the host countries. Mining and manufacturing industries are the drivers of China's OFDI due to air pollution (Ding et al., 2017).

The natural resources in Africa attracted China's capital through outward investments. Africa is an oil and extractive resource continent providing 1/3 of China's oil-supply and 40% of China's minerals and elements. China's OFDI with yearly increase of 46% over last decade improved trade relations and macroeconomic conditions pulling more Chinese OFDI into Africa. Also, China's exports impacting China's OFDI was related to market seeking motivations affected by GDP and GDP growth of host countries (Simon, 2015). Establishing Special Economic Zones (SEZs) in Africa was an important case, moving Chinese trade relations and export business forward. African policy and China's OFDI met export sectors. As a result of localization of Chinese production in Africa, China created the host nation's Rule of Origin (ROO), and China's OFDI was characterized by small and medium enterprises (SMEs) (Clarke, 2013).

The rising of Africa's working-age population in the opposite direction of China's aging population is complementarity and rapidly becomes the world's labor force (Dollar, 2016). Along the BRI Asia, the study on ASEAN region within the period of 2003-2014, natural resources and institutions were the profound determinants of China's OFDI for China's supply of raw materials for domestic production. Especially ASEAN and China FTA after Asia Financial Crisis further with an expansion through RCEP and cultural proximity have boosted China's OFDI. China's OFDI was also affected by the market size of host countries as GDP, GDP Per Capita and openness to trade (Anh and Hung, 2016). Also, there was a positive long-term impact of China's OFDI on its domestic investments. This is explained through country-specific effects in the multivariate analysis. In the meantime, investments from developing countries differ from the investments of developed countries because they face severe financial constraints (Ameer et al., 2017).

STRATEGIES OF CHINESE STATE-OWNED ENTERPRISES

The evolutionary transition of China's economy has been based on its historical governance and philosophy defining state-owned enterprises (SOEs) as the heartbeat of Chinese business system. The top-down dynamic governance forming complexity makes business environment vague,

requiring further reforms and regulations of SOEs. The membership of WTO became the milestone of China for further reforms. The reforms of SOEs was meant not only rebuilding the organization but also the changes in logistics and distribution network (Child, 2003).

Agricultural modernization, increasing domestic consumption, industrial incentives, energy efficiency and environmental conservation, supply of human resources and technological innovation are some of the targeted 300 reforms in 25 fields adjusted by The National Development and Reform Commission (NDRC). Poverty alleviation, anti-corruption and ecological civilization for climate action constitute the main goals that are to be realized by 2035.

Outward investments of Chinese SOEs are managed by the government institution called SASAC, The State-Owned Assets Supervision and Administration Commission of the State Council carrying out the responsibility of ownership for investors as a shareholder. SASAC directs 110 non-financial central SOEs as corporate groups with their own extensive network of subsidiary companies. As of the end of 2014, there are 38 000 legal entities affiliated with the 110 central SOEs profiting USD 210 billion. The sectors are petroleum and petrochemical, metallurgical, machinery, mining, electronics, military, electricity, chemical, building materials, construction, geological exploration, communications and transportation, warehousing, telecommunications and trade (OECD, 2016). While MNEs run for 1% of the global economy, SOEs have major role dominating 10% of the global economy. SOEs have dominated Chinese economy and have been continuing to dominate its OFDI accounted for 84% with policy backed strategies in the new century (Goldsmith and Wagner, 2010).

According to the list of Forbes (2017) global 2000 companies, the top prior companies were heavily dominated by the Chinese SOEs in finance sector as ICBC with US$ 3,473 billion foreign assets, China Construction Bank with US$ 3,016.6 billion foreign assets, Agricultural Bank of China with US$ 2,816 billion foreign assets, Bank of China with US$ 2,611.5 billion foreign assets, Ping An Insurance Company with US$ 801 billion foreign assets, China Petroleum and Chemical with US$ 216.7 billion foreign assets, Bank of Communications with US$ 1,209.2 billion foreign assets, China Merchants Bank with US$ 855.1 billion foreign assets, China

Life Insurance with US$ 388.7 billion foreign assets, Postal Savings Bank of China with US$ 1,189.4 billion foreign assets, Industrial Bank with US$ 872.1 billion foreign assets, Shanghai Pudong Development with US$ 842.8 billion foreign assets, China State Construction Engineering with US$ 201.4 billion foreign assets, China Minsheng Banking with US$ 848.7 billion foreign assets, China CITIC Bank with US$ 853.5 billion foreign assets, Petro China with US$ 344.9 billion foreign assets (Forbes 2017), China National Offshore Oil Corporation with US$ 66 673 million foreign assets, China COSCO Shipping with US$ 43 076 million foreign assets, China Minmetals Corp. with US$ 35 156 million foreign assets, China State Construction Engineering Corp. with US$ 25 472 million foreign assets (UNCTAD, 2017).

Chinese firms with different entry mode of outward engagement to internationalize are explained below;

- **Joint Ventures (JVs)**

As the pioneering Chinese brand, Huawei has signed for JVs to make 3G handsets with NEC a Japanese IT enterprise and also cooperate with Microsoft to make networks for voice, data and video. Huawei has established R&D centers in India where happens to be a competitive market of ICT businesses and equipment competing with Cisco System (Wang, 2015). In 2016, USD 11.5 trillion digital economy for 15.5 % of global GDP is expected to increase to 24.3 % of GDP constituting USD 23 trillion of digitalized global economy by 2025. While digitalization impacts e-commerce, logistics, manufacturing, services trade and other ICT businesses, the average return of 1 USD investment to GDP will be 6.7 times higher for digital investments rather than non-digital investments. The Global Connectivity Index (GCI) evaluating the countries' engagement into digital economy shows the value of technology on a broader economic scale such as China's ranking 23 in 50 countries (Huawei, 2017). Huawei has 22% market share of mobile networks in the EU, Middle East and Africa.

- **The Wholly Owned Subsidiary**

China's OFDI going with subsidiaries is undertaken by establishing new entities in a foreign market. It aims to gain international brand awareness and management to enlarge overseas markets as ownership advantage. As the fourth largest white goods manufacturer, the Haier Group is one of the examples of implementing brand management strategy through trade, R&D and design centers for innovation. It has established 30 factories in different countries with a market share in the EU and US (Wang, 2015).

- **The Merger and Acquisitions (M&As)**

After Chinese firms started to internationalize with overseas investments to restructure their organizations through Initial Public Offering (IPO) in New York and Hong Kong Stock Exchanges with national companies as Petro China and Unicom, PICC, Air China, Bank of Communications, China Construction Bank, Shenhua Group, ICBC (OECD 2017), China's OFDI increased 44% from US$ 127 560 billion in 2015 to US$ 183 100 billion in 2016 due to M&A purchases of Chinese companies becoming the second largest investors (UNCTAD, 2017). In the new century, the top Chinese SOEs constituted in the fields of natural resources, oil and energy, transportation, construction, ICT and chemical metallurgy such as China National Petroleum Corp., China Petrochemical Corp., China National Offshore Oil Corp., CITIC group, Sinochem Corp., China Ocean Shipping Group, Aluminium Corporation of China, China Minmetals Corporation, China Poly Group, and privately held Zhejiang Geely Holding (Cui et al., 2016).

Chinese M&A provided entry for advanced technology, R&D and brand reputation to gain competitive assets such as Huawei, Lenovo Group and Nanjing Automobile. The main challenge to success is the management process in a foreign market regarding cultural differences and lack of qualified staff (Wang, 2015). In 2016, Shanghai Electric Power bought K-Electric for USD 1.8 billion through acquisition of a power generation and distribution company in Pakistan. China's largest electric company State Grid Corporation bought the largest Brazilian electric company CPFL Energia for USD 5.7 billion. China's oil company Sinopec purchased 33 % of US based Devon Energy in 2012 for USD 2.2 billion. China's petroleum company, CNPC, purchased 8% of Kaz Munai Gas National in 2013 for

USD 5.3 billion from Kazakhstan, which is an important destination for China and also Petroleos de Venezuela for USD 1.5 billion. The removal of sanctions in Saudi Arabia and Iran creates an investment climate for the benefit of China's OFDI along the BRI-Middle East region where Iraq grabs the attention of Chinese oil companies (EIU, China Going Global Investment Index, 2017).

Regarding the renewable energy sector, China has a competitive advantage as the driver of global relations for the cost advantage. China Three Gorges Corporation have the control of ten hydropower plants in Brazil. China Civil Engineering announced plans to build a hydropower plant in Nigeria. There are some other big projects in 2016-2017 like solar and wind power moving forward China's outward investments. China-Yingli company entered into Thailand with solar power manufacturing plant in 2016. Hydro China International invested to build a wind farm in Kazakhstan, and solar plants and four wind farms in Pakistan. In addition to energy issues, China is an investor of Nuclear Power and Reactors. In 2015, China General Nuclear declared to finance, construct and operate the Hinkley Paint C Nuclear Power Project in the UK. In 2017, China finished the construction of its fourth construction of nuclear power in Pakistan, and others continue in Turkey, Argentina and Romania.

Also, China expanded its M&A in the field of healthcare competing among the global market share with cost advantage in developing countries. China's Creat purchased a German blood plasma products maker, Biotest in 2017 for USD 1.5 billion, and Shanghai Fosun Pharmaceutical purchased a majority stake in an Indian drug company, Gland Pharma. Humanwell Healthcare purchased drug manufacturing in Ethiopia in the year of 2016 for USD 80 million. Artesun drug developed for Malaria in Africa was produced by the Chinese Fosun Pharma. In 2017, the biggest deal came from ChemChina SOE purchasing Syngenta, a Swiss chemical company for USD 43 billion. On the edge of developing finance technologies (fintech), Alibaba's Ali Pay and Tencent's WeChat Pay expand its mobile payment technologies in the Southeast Asia and EU, but not significant entry in overseas markets. Alibaba also generates e-commerce business through investments in the Southeast Asia and India (EIU, China Going Global Investment Index, 2017).

- **The Greenfield Investments (GIs)**

The first Chinese greenfield project of the BRI was Pupin Bridge in Belgrade-Serbia over Danube River and was financed US$ 260 million. China's share of greenfield projects in the EU increased five folds from 2.9% to 15.4% through Chinese SOEs in 2016. Respectively France, UK, Finland, Greece, Germany, Poland and Netherlands were the destinations for China's greenfield investments in the sectors of real estate, renewable energy, electronics, automotive components, software and IT, financial services (European Political Strategy Centre, 2017).

China's total investment along the BRI valued USD 60 billion since 2013 while its outward investments totaled to USD 183 billion in 2017. According to MOFCOM Department of Outward Investments, 56 economic and trade zones has been established with a total investment of USD 18.55 billion. With a value of USD 50.69 billion, 1082 enterprises provided 177000 jobs with a tax payment to host countries USD 1.07 billion in 2016. An increase was observed from 12.1% to 18.3% in manufacturing with USD 31.06 billion, from 4.9% to 12% in software, and with USD 20.36 billion in information and technology in 2016. Haier Group cooperation with GE company was the most prominent one, driving China into global value chain. In 2017, China signed new agreements with 61 BRI countries worth USD 144.32 billion with an 14.5% increase to 54.4% and with a 30% turnover increase valued USD 85.53 billion. Leasing and commercial services, wholesale and retail industry, manufacturing and information transfer, software and IT totally were 74.4% rising fields of Chinese outward investments. A total of 341 M&A businesses in 49 countries in 2017 undertook 78% of outward investments valued USD 75 billion. Remarkably, 99 economic and trade zones accounting for USD 30.7 billion with 4364 enterprises in 44 host countries provided jobs for 258000 employees (MOFCOM 2017, 2018).

CONCLUSION

China's national modernization changed its economic policy by increasing wages and domestic demand, based on three main strategies: i) asymmetric investments to build its national security, ii) transition to services-trade economy, iii) FDI policies rebalancing the economy and reducing the currency reserve pressure on Yuan. China's Belt and Road Initiative, as a new phase for globalization, aims to build cooperation and connectivity

among different geographies within 65 countries pursuing a diversified investment policy. Building a new geographical connectivity with SREB and MSR allows China to shorten the period of shipping through transportation and logistics with an expansion of new trade relations getting into global value chain.

Although the BRI data is not clear, the existing literature demonstrates that outward investments along the BRI are developing projects in infrastructure industry as economic zones, ports, bridges, railways, highways, airports through greenfield and M&A entry. Building a new geographical connectivity allows China to shorten the period of transportation and logistics on SREB and MSR with an expansion of new trade relations getting into global value chain and replace the domestic production with the transfer of technology and knowledge. China's multidimensional investment approach covers different needs of China's domestic economy. Therefore, China's OFDI pursue much more country specific rather than firm specific advantage with different motivations for natural resources, market seeking, efficiency seeking and strategic asset seeking in different continents. By the extension of these motivations, low-income and middle-income nations, cost advantage, market, national agglomeration, cultural proximity and free trade agreement to build trade relations are important determinants. Reducing carbon emission to contribute in the global climate change is also a new kind of determinant for China's OFDI. Real estate, construction, R&D, brand awareness, market share come forefront in high income and developed countries as the determinants of China's OFDI.

Even though natural resource companies still keep their importance, Chinese top SOEs are the main players in financial sector's access to RMB as fiat currency in international business. They aim to clench AIIB financing infrastructure investments and other BRI projects. Building economic zones with bilateral agreements shape Chinese manufacturing and cover new human resources. China's changing economic policy forms new mutual relations increasing interdependence. Consequently, China's multivariate and diversified investments along the BRI and non-BRI countries demonstrate that there will be long term impacts for home and host countries. Changing dimensions and reform policies of China will still be researched as long term issues in academic interest.

REFERENCES

[1] Ameer, W., Xu, H., & Alotaish, M. S. (2017). Outward Foreign Direct Investment and Domestic Investment: Evidence from China, *Economic Research, Taylor and Francis Online*.

[2] Anh, N. T., & Hung, D. Q. (2016). Chinese Outward Foreign Direct Investment: Is ASEAN A new Destination? *World Trade Institute*.

[3] Aybar S, (2018), Introduction, in Aybar (2018) et. al (Eds.), *China and the United States*, Cambridge Scholars Publishing, ISBN. 1-5275-0628-2.

[4] Buckley, P. J. (2004). The Role of China In the Global Strategy of Multinational Enterprises. *Journal of Chinese Economic and Business Studies, Taylor and Francis Online*.

[5] Buckley, P. j., Clegg, J., R.Cross, A., Liu, X., Voss, H., & Zheng, P. (2007). The Determinants of Chinese Outward Foreign Direct Investment. *Journal of International Business Studies, JSTOR*.

[6] Burger, M. J., & Karreman, B. (2010). Foreign Direct Investment, China and The World Economy. *Regional Studies, Taylor and Francis Online*.

[7] Child, J. (2003). China and International Business. In A. M. Rugman, & T. L. Brewer, *The Oxford Handbook of International Business* (pp. 681-715). NY: Oxford University Press.

[8] Clarke, N. (2013). Go Out and Manufacture: Policy Support for Chinese FDI in Africa. *Columbia FDI Perspective*.

[9] Cui, X., Shi, P., & Wang, W. (2016). *The Top 20 Chinese Multinationals: Changes and Continued Growth of Foreign Investment.* NY: Columbia Center on Sustainable Investment, Columbia University.

[10] Ding, T., Ning, Y., & Zhang, Y. (2017). The Contribution of China's Outward Foreign Direct Investment to The Reduction of Global CO2 Emissions, *Sustainability*.

[11] Dollar, D. (2016). *China's Engagement with Africa From Natural Resources to Human Resources.* The Brookings Institute.

[12] Dreger, C., Schüler-Zhou, Y., & Schüller, M. (2017). Determinants of Chinese Direct Investments In The European Union, *Applied Economics, Routledge, Taylor and Francis Online*.

[13] EIU. (2017). *China Going global Investment Index.* The Economist Intelligence Unit.

[14] EIU. (2016). *One Belt One Road: An Economic Roadmap.* The Economist Intelligence Unit.

[15] *European Political Strategy Centre Issue 1: Greenfield Investment Monitor in Focus: China's Expansion in the EU.* (2017, May). Retrieved Fabruary 12, 2018, from European Commission: https://ec.europa.eu/epsc/sites/epsc/files/greenfield-investment-monitor-1.pdf

[16] FORBES. (2017). *GLOBAL 2000: The World's Biggest Public Companies.* www.forbes.com/global2000/list.

[17] Fung Business Intelligence (2016). The Belt and Road Initiative: 65 Countries and Beyond

[18] Goldsmith, S., & Wagner, D. (2010, 12 10). *Think Tank: The Rise of China as An Outward Investor*. Retrieved July 1, 2016, from FDI Intelligence: www.fdiintelligence.com

[19] Gu, X., & Han, L. Y. (2013). Empirical Research On The Rapid Growth of China's ODI: Based On Multinational Panel Data . *Applied Mechanics and Materials, Trans Tech Publications, Switzerland*.

[20] HKTDC. (2017, September 13). *The Belt and Road Initiative*. Retrieved November 20, 2017, from HKTDC Research: www.hktdc.com

[21] Huang, Y. (2017, July). *Why China Invests More in Europe Than In The US*. Retrieved January 20, 2018, from Financial Times: https://www.ft.com/content/a7641d16-6c66-11e7-b9c7-15af748b60d0

[22] Huang, Z. (2017, May 15). *Your Guide to Understand OBOR, China's New Silk Road Plan*. Retrieved January 20, 2018, from Quartz: https://qz.com/983460/obor-an-extremely-simple-guide-to-understanding-chinas-one-belt-one-road-forum-for-its-new-silk-road/

[23] Huawei. (2017). *Digital Spillover report.* Huawei Technologies.

[24] Huseynov, I. (2016). What Drives China's Outward Foreign Direct Investment in Infrastructure? *Victoria University of Wellington*.

[25] IEA. (2017). *World Energy Outlook, Executive Summary,* IEA Publications.

[26] Klasa, A. (2017). *The Africa Investment Report.* The Financial Times.

[27] Kuada, J., & Sorenson, O. J. (2000). Internationalization of Companies From Developing Countries. *Binghampton: International Business Press*.

[28] Kun, M. (n.d.). An Empirical Analysis on Chinese Outward FDI Development Path Based on IDP and IPI Models. *M&D Forum*.

[29] Liu, X., Buck, T., & Shu, C. (2005). Chinese Economic Development, The Next stage: Outward FDI? *International Business Review, 14*.

[30] MOFCOM. (2017, January 18). *Comments on China's Outward Foreign Direct Investment and Cooperation in 2016*. Retrieved January 30, 2018, from Ministry of Commerce People's Republic of China: http://english.mofcom.gov.cn/ article/newsrelease/policyreleasing/201701/20170102503092.shtml

[31] MOFCOM. (2018, January 18). *Comments on China's Outward Foreign Direct Investment in 2017*. Retrieved February 3, 2018, from Ministry of Commerce People's Republic of China: http://english.mofcom.gov.cn/article/newsrelease/policyreleasing/201801/20180102706193.shtml

[32] Moran, T. (2011b). Foreign Direct Investment and Development: Launching A Second Generation of Policy Research. Peterson Institute for International Economics.

[33] Moran, T. (2011a). *Foreign Direct Investment and Development: Launching a Second Generation of Policy Research, Avoiding the Mistakes of The First, and Reevaluating Policies for Developed and Developing Countries.* Washington DC: Peterson Institute for International Economics.

[34] Moran, T. (1999). *Foreign Direct Investment and Development: The New Policy Agenda for Developing Countries and Economies in Transition.* Washington DC: Peterson Institute for International Economics.

[35] OECD. (2017). *Economic Survey China.* OECD.

[36] OECD. (2016). *State-Owned Enterprises in Asia: National Practices for Performance Evaluation and Management.*

[37] Pioch, M. (2016). *BRICS In World Trade, Working Paper.* Retrieved January 9, 2017, from PRIMO, Power&Region In A Multipolar Order: http://www.primo-itn.eu/PRIMO/wp-content/uploads/2015/07/PIOCH-Working-Paper-3.pdf

[38] Simon, K. B. (2015). Key Determinants of China's Outward FDI to Africa. *Journal of Economics and Sustainable Development*.

[39] Tiezzi, S. (2015, May 9). *China's New Silk Road Vision Revealed*. Retrieved February 5, 2016, from The Diplomat: www.thediplomat.com

[40] UNCTAD. (2017). *World Investment Report.* www.unctad.org.

[41] Wang, Y. (2015). Outward Foreign Direct Investment of Chinese Enterprises: Review and Analysis. *Industrial Engineering and Management*.

[42] Xinhuanet. (2015). *Vision and Actions on Jointly Building Belt and Road*. Retrieved May 12, 2015, from Xinhuanet: http://news.xinhuanet.com/english/china/2015-03/28/c_134105858_2.htm

[43] Ying, F. (2014). An Analysis of China's Outward Foreign Direct Investment to the EU: Features and Problems. *International Journal of Management and Economics*.