

CHALLENGES OF CHINA'S FOREIGN DIRECT INVESTMENT UNDER THE "BELT AND ROAD" INITIATIVE IN THE POST-PANDEMIC ERA

ВИКЛИКИ ПРЯМИХ ІНОЗЕМНИХ ІНВЕСТИЦІЙ КИТАЮ В РАМКАХ ІНІЦІАТИВИ «ОДИН ПОЯС, ОДИН ШЛЯХ» У ПОСТПАНДЕМІЧНИЙ ПЕРІОД

The evolution of China's foreign direct investment (FDI) in countries along the "Belt and Road" represents a cornerstone of this ambitious initiative, with far-reaching implications for global economic dynamics. A comprehensive analysis of this phenomenon is indispensable, not only for fostering China's economic expansion but also for elevating the "Belt and Road" initiative to unprecedented levels of success and influence. Our exhaustive research endeavor commences with a meticulous deconstruction of the multifaceted "Belt and Road" concept, delving deep into its historical roots, geopolitical significance, and economic ramifications. We then embark on a thorough exploration of the intricate challenges confronting China's FDI across the diverse tapestry of participating nations and regions, encompassing political, economic, cultural, and environmental dimensions. This nuanced understanding serves as the foundation for developing tailored solutions and strategic recommendations designed to address these complex issues with precision and foresight.

Our study aims to conduct an in-depth analysis and meticulous evaluation of the multifaceted risks associated with China's FDI under the "Belt and Road" Initiative in the post-pandemic landscape, while concurrently formulating robust and effective countermeasures. We endeavor to shed light on the profound and transformative ways in which the global economic terrain, irrevocably reshaped by the COVID-19 pandemic, molds and influences China's international investment strategies. This includes examining the pandemic's impact on supply chains, market demands, and geopolitical relationships, all of which have significant bearing on FDI decisions and outcomes. Furthermore, we present a comprehensive array of meticulously crafted recommendations, not only to safeguard China's economic interests but also to cultivate sustainable and mutually advantageous development in partner countries along the Belt and Road routes. These recommendations span various domains, including risk mitigation strategies, enhanced due diligence processes, and innovative financing models that align with post-pandemic realities.

To execute this study with unparalleled rigor and precision, we employ a diverse and sophisticated array of cutting-edge research methodologies. Our analytical framework incorporates a meticulous examination of extensive statistical data pertaining to FDI distribution, enabling us to identify overarching trends, discern subtle patterns, and pinpoint specific effects with remarkable accuracy. This includes analyzing historical FDI flows, sector-specific investments, and regional variations to provide a comprehensive picture of China's investment landscape. Furthermore, we leverage advanced econometric modeling techniques to conduct a granular and nuanced analysis of the impact exerted by a wide spectrum of risk factors on FDI performance. These models account for various economic indicators, political stability indices, and pandemic-related variables to provide a holistic view of the investment environment. This approach allows us to rigorously test and validate the efficacy of our proposed countermeasures, ensuring their practical applicability and potential for success. By adopting this multifaceted and interdisciplinary approach, we ensure a truly comprehensive and deeply nuanced understanding of the intricate and dynamic interplay of factors shaping China's FDI landscape under the "Belt and Road" Initiative. Our methodology also incorporates qualitative analyses, including case studies of successful and challenging FDI projects, interviews with key stakeholders, and comparative analyses with other global investment initiatives, further enriching our insights and recommendations.

Key words: "Belt and Road" initiative, foreign direct investment, Challenges, sustainable business models.

Розвиток прямих іноземних інвестицій (ПІІ) Китаю в країни уздовж «Поясу, одного шляху» є наріжним каменем цієї амбітної ініціативи, яка має далекосяжні наслідки для глобальної економічної динаміки. Всебічний аналіз цього явища необхідний не тільки для сприяння економічного розвитку Китаю, але й для піднесення ініціативи «Один пояс, один шлях» до безпрецедентного рівня успіху та впливу. Стаття починається з ретельного розбору багатогранної концепції «Поясу, одного шляху», глибокого заглиблення в її історичне коріння, геополітичне значення та економічні наслідки. Потім ми розпочинаємо ретельне дослідження складних проблем, з якими стикаються ПІІ Китаю в різноманітних країнах і регіонах-учасниках, охоплюючи політичні, економічні, культурні та екологічні аспекти. Це тонке розуміння служить основою для розробки індивідуальних рішень і стратегічних рекомендацій, призначених для вирішення цих складних проблем.

Наше дослідження спрямоване на проведення поглибленого аналізу та ретельної оцінки багатогранних ризиків, пов'язаних з ПІІ Китаю в рамках ініціативи «Один пояс, один шлях» у постпандемічний ландшафт, одночасно формулюючи надійні та ефективні заходи для їх запобігання. Ми прагнемо пролити світло на глибокі та трансформаційні шляхи, якими глобальна економічна сфера, безповоротно змінена пандемією COVID-19, формує та впливає на міжнародні інвестиційні стратегії Китаю. Це включає вивчення впливу пандемії на ланцюги поставок, ринковий попит і геополітичні відносини, які мають значний вплив на рішення та результати ПІІ. Крім того, ми представляємо комплексний набір ретельно розроблених рекомендацій не лише для захисту економічних інтересів Китаю, але й для розвитку сталого та взаємовигідного розвитку в країнах-партнерах уздовж маршрутів «Один пояс, один шлях». Ці рекомендації охоплюють різні сфери, зокрема стратегії зменшення ризиків, вдосконалені процеси належної перевірки та інноваційні моделі фінансування, які відповідають реаліям після пандемії.

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Застосовуючи цей багатогранний та міждисциплінарний підхід, ми забезпечуємо справді всебічне та глибоко нюансоване розуміння складної та динамічної взаємодії факторів, що формують ландшафт ПІІ Китаю в рамках ініціативи «Один пояс, один шлях». Наш підхід включає якісний аналіз, включаючи тематичні дослідження успішних і складних проектів ПІІ, інтерв'ю з ключовими зацікавленими сторонами та порівняльний аналіз з іншими глобальними інвестиційними ініціативами, що це більше збагачує наші знання та рекомендації.

Ключові слова: ініціатива «Пояс і шлях», прями іноземні інвестиції, виклики, стійкі бізнес-моделі.

Research problem. In the post-pandemic era, China's foreign direct investment (FDI) under the Belt and Road Initiative (BRI) faces heightened and evolving risks due to global economic uncertainties, geopolitical tensions, and shifting market dynamics. The COVID-19 pandemic has exacerbated vulnerabilities in existing BRI projects and introduced new challenges, including supply chain disruptions, fluctuating demand, political instability in partner countries, and changing regulatory environments. Despite these challenges, China's FDI continues to play a crucial role in fostering international cooperation and economic development along the BRI routes. However, there is a lack of comprehensive understanding of how these risks impact China's FDI and what effective countermeasures can be implemented to safeguard investments and ensure sustainable development.

The core problem is to identify, analyze, and propose strategies to mitigate the risks associated with China's FDI under the BRI in the context of a post-pandemic global economy, ensuring that these investments remain resilient and beneficial for both China and its partner countries.

Since China proposed the "Belt and Road" concept for international cooperation in Asia, Africa, and Europe in 2013, the country's foreign direct investment in the countries along the "Belt and Road" has significantly progressed. In the context of the "Belt and Road", China's foreign direct investment not only drives infrastructure construction and economic development in these countries, but also benefits some domestic industries, fostering mutual growth. However, opportunities often come with challenges. There are still issues with China's foreign direct investment within the "Belt and Road" context that impede its further development.

Analysis of recent publications. In recent years, many domestic and foreign scientists have dealt with the issue of attracting foreign direct investment to the Chinese economy. A significant contribution to the research of this problem was made by: I. Ivashchuk, M. Ornat, L. Ukrainets, I. Blank, E. Boyko. It is also worth noting the works of foreign scientists, such as I. Alon, J. Anderson, and Z. Kh. Munim.

The impact of Chinese FDI is regularly covered in the media and analyzed by think tanks and consulting organizations. Governments, enterprises, workers and other social groups are also studying the growing effect of Chinese FDI. Despite the significant interest in this issue, a number of issues remain extremely relevant for the current stage of development of global economic relations, including at the EU level.

This is due to a significant list of threats and risks that foreign direct investment from China carries with it. These questions are especially acute in the context of China's ever-growing influence on the international economy and trade

The research task. The purpose of this article is to analyze and evaluate the risks associated with China's foreign direct investment (FDI) under the "Belt and Road" Initiative in the post-pandemic era and to propose effective countermeasures to mitigate these risks. The research aims to provide insights into how the global economic landscape, reshaped by the COVID-19 pandemic, affects China's international investment strategies and to offer recommendations for safeguarding China's economic interests while promoting sustainable development in partner countries along the Belt and Road routes.

Main material of article. Firstly, the regions where our country conducts foreign direct investment along the "Belt and Road" are relatively focused, particularly in Southeast Asian regions like Indonesia. According to statistics, by 2020, our country's direct investment in Indonesia reached 4 billion US dollars. However, in Central and Eastern Europe and other developed regions, the investment has been relatively small due to their geographical distance and complex political and economic environments [1].

Secondly, our foreign direct investment is primarily concentrated in labor-intensive industries along the route, with a smaller proportion in capital-intensive industries. This issue of a single investment industry is not beneficial to the effective transformation and upgrading of our enterprises. It doesn't fully leverage our comparative advantages. Additionally, infrastructure construction has a long construction period and high cost, leading to low returns on direct investment and higher risk (fig. 1) [2].

Countries along the "Belt and Road" include some with frequent political instability, armed conflicts, and terrorist attacks. This not only risks damaging the investment projects of our businesses but can also pose a direct threat to the safety of our staff working in these countries.

For instance, in Vietnam, extremist nationalist forces incite violence through social organizations, openly attacking and causing serious damage to our enterprises. Additionally, cultural differences in various countries carry a degree of risk to our businesses' foreign direct investment. Differences in culture can lead to varying consumer needs, trigger cultural conflicts, and cause misunderstandings during the investment process due to differing customs [3].

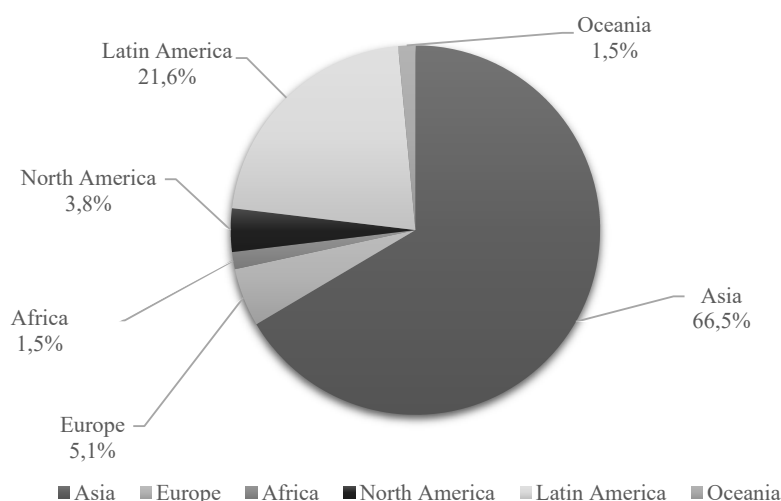


Fig. 1. Regional Distribution of China's Stock of Foreign Direct Investment in 2023

Source: [2]

According to a World Bank report, nearly 50 % of investment failures can be attributed to overlooking these cultural differences (table 1, table 2).

Most of our enterprise's foreign direct investment (FDI) projects in countries along the Belt and Road involve infrastructure construction. However, because many of these developing countries need

to improve their economic development and labor force levels, infrastructure projects are long-term commitments. It takes several years to recover costs and reap benefits [4].

Moreover, the complex political environment and imperfect economic systems in these countries mean we cannot guarantee the completion of infrastructure

Table 1

The top 10 countries with the lowest investment risks and their sub-rankings.

Country	Overall Ranking	Political Risk	Economic Risk	Financial Risk	Social Risk	Bilateral Relationship
Luxembourg	1	12	1	73	8	69
Singapore	2	14	2	115	2	25
New Zealand	3	1	8	28	1	113
Malta	4	13	11	88	6	59
Austria	5	11	6	135	10	71
Estonia	6	18	17	53	4	67
South Korea	7	32	9	12	9	52
Cyprus	8	15	16	126	13	38
Czech Republic	9	23	18	75	5	65
Slovakia	10	17	33	125	14	43

Source: [5]

Table 2

The top 10 countries with the highest investment risk and their sub-rankings.

Country	Overall Ranking	Political Risk	Economic Risk	Financial Risk	Social Risk	Bilateral Relations
1	2	3	4	5	6	7
Venezuela	149	144	149	146	148	91
Central African Republic	148	143	124	51	149	140
Somalia	147	149	54	71	144	132
Congo (Gold)	146	148	95	26	146	133
Syria	145	145	106	144	147	95
Libya	144	141	144	1	145	138
Chad	143	137	131	62	141	128

1	2	3	4	5	6	7
South Sudan	142	136	134	105	142	122
Guinea-Bissau	141	109	112	42	140	145
Yemen	140	146	127	124	127	86

Source: [5]

construction. These factors contribute to a relatively low return on investment (ROI) for our enterprises. Data indicates that the average ROI of our country's FDI is between 3%–5%, whereas the ROI for some developed countries' FDI ranges between 7%–10% [6].

Countermeasures and Suggestions to Enhance China's Foreign Direct Investment under the "Belt and Road" Initiative:

1. Construction of sustainable development projects. To achieve sustainable development, our country needs to uphold the green and sustainable concept when promoting foreign direct investment projects. The government should enhance pre-investment investigations and feasibility analyses of these projects. Selecting projects that align with sustainable development is crucial. We should guide enterprises towards creating green, sustainable investment projects. By improving the service platforms for overseas enterprise investments and regulating their activities, we can work towards building sustainable development investment projects [7].

2. Cultivate enterprises' environmental protection and ecological awareness. To avoid accusations from local governments and residents regarding environmental protection, and to improve international recognition, our government should issue policies and guidelines. These will encourage enterprises to fulfill their environmental responsibilities.

Our government should mandate the inclusion of environmental protection clauses in contracts. This will prevent enterprises from being rejected by host governments and residents for prioritizing their interests over the environment.

Additionally, the government should guard against environmental protectionism to prevent host countries from using green trade barriers or other excuses to enforce protective policies [7].

3. Establish a risk assessment system and information query system. Many of our businesses face information asymmetry issues during foreign direct investment, which can increase both investment and financial risk. To mitigate this, the government should establish a specialized information query system. This system would offer consultation services to help businesses understand the economic situation and investment feasibility in their host countries prior to investing, which could prevent uninformed investment and reduce risk. Additionally, the government should set up a dedicated risk assessment system to improve businesses' understanding of project risks,

determine investment feasibility, and further minimize investment risk.

4. Vigorously cultivate and introduce foreign talents. China's foreign direct investment in various countries under the "Belt and Road" initiative requires excellent international talents. Thus, investing enterprises should increase efforts in talent development and recruitment to support our country's foreign direct investment growth.

Companies should adopt unconventional methods to hire top talents globally, offering attractive benefits and salaries. Furthermore, they should tap into local resources and effectively identify local talents in host countries. This dual approach not only brings high-quality talent into the enterprises but also helps them adapt to local customs and cultural habits [7].

By doing so, our enterprises can better integrate into the local society of the host country. This improves local residents' acceptance, reduces resistance, and in turn, enhances the effectiveness of foreign direct investment activities.

5. Expand foreign direct investment methods. Under the "Belt and Road" initiative, our country primarily uses investment and cross-border mergers and acquisitions for foreign direct investment in various countries. However, these methods might be rejected or restricted by host governments and local residents, increasing investment pressure. Therefore, our enterprises should consider expanding their foreign direct investment strategies to include approaches such as joint ventures and strategic alliances. These strategies can diversify investment methods and reduce risk.

Joint ventures and strategic alliances can help our enterprises integrate better into the host country's local society and economy. It allows them to learn from the advanced experiences and technologies of foreign enterprises, improving their business level and competitiveness. Simultaneously, these collaborative strategies can reduce our enterprises' investment risk and effectively prevent investment failures.

6. Strengthen cultural exchange and understanding. In the context of foreign direct investment, our businesses should focus on cultural exchange and understanding, respect the host country's local customs and habits, and aim to assimilate into the local society. Businesses can organize regular cultural exchange events to learn about the host country's culture, customs, and habits. This promotes mutual understanding and camaraderie between our employees and local residents, helping to reduce cultural conflicts and misunderstandings [8].

Conclusion. Under the “Belt and Road” initiative, country’s foreign direct investment in various countries along the route is greatly significant for our economic development and the initiative’s implementation. However, challenges persist in the process of foreign direct investment. Both the government and businesses should adopt effective strategies to enhance our foreign direct investment capability and standards, fostering mutual growth between our country and those along the route.

China is actively restructuring its investment strategies to mitigate financial and reputational risks, especially in response to debt challenges in partner countries. The integration of environmental, social, and governance (ESG) standards in BRI projects indicates a shift towards more sustainable and socially responsible investments.

China’s ongoing adjustments reflect its efforts to ensure the viability and resilience of its investments in a changing global economic environment. These findings suggest that China’s approach to FDI under the BRI is evolving to address the complex challenges of the post-pandemic era, balancing economic ambitions with a growing emphasis on risk management and sustainability.

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