

I. THE IMPACT OF DIGITAL ECONOMY DEVELOPMENT IN BRI COUNTRIES ON CHINA'S OFDI

YUE GUO, JUYONG ZHANG

Dalian Minzu University, College of Economics and Management, Dalian, China
13081009772@163.com, juyongzh@126.com

With the development of the digital economy, the country's production and operation have undergone earth-shaking changes. The digital economy is promoting the transformation of traditional manufacturing to digital and intelligent, giving birth to new industries and models, reducing production costs, improving efficiency in all aspects, and promoting the economic development of the country. In addition, with the implementation of the "Belt and Road" Initiative, the cooperation between China and the "Belt and Road" has become increasingly close, and the development degree of the digital economy has also been included in the consideration of OFDI. Therefore, the research on the development status of the digital economy in the "Belt and Road" and its impact on China's OFDI has important reference value for enterprises to formulate OFDI strategies and promote China's opening up reference value.

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1 Introduction

In September and October 2013, the Chinese president introduced the initiative to build the Silk Road Economic Belt and the 21st Century Maritime Silk Road (the Belt and Road). Based on the central cities and important ports along the Belt and Road, this initiative has established efficient transport corridors for international economic cooperation. It has promoted infrastructure investment and trade development, thereby fostering global economic growth (Deng, He, & Jiang, 2019).

However, due to varying levels of economic development among countries, China faces challenges in expanding its Outward Foreign Direct Investment (OFDI) to countries along the Belt and Road. This limitation hinders the scale of development. The Digital Silk Road integrates digital technology into the Belt and Road framework, enhancing enterprises' focus on the digital economy, forming new growth drivers, and creating favourable conditions for Chinese enterprises to invest overseas (Deng, Ma, & Wang, 2019).

In the current world, topics like the integration of the digital economy with various industries have become prominent concerns for Chinese scholars. Some researchers have analyzed the development of the digital economy in countries along the "Belt and Road," but few studies have delved into the internal relationship between this development and China's Outward Foreign Direct Investment (OFDI) (Xia & Dong, 2022). With the rapid development of the digital economy, if our country aims to enhance the quality and efficiency of overseas investments, it is essential to analyze the level of digitization in the host country. Therefore, this paper analyzes the internal mechanism of the digital economy development level of countries along the route to China's Outward Foreign Direct Investment (OFDI) by constructing an index system of the digital economy development level. From a theoretical perspective, this paper enhances the framework for understanding the influencing factors of China's Outward Foreign Direct Investment (OFDI) to some extent.

Today, digital technology has become a key factor in global economic integration. Many countries around the world are actively seizing the opportunity to drive the development of their own countries and regions through the digital economy. China's economic development is also inseparable from the support of digital technology. Therefore, Chinese enterprises should closely grasp this trend and adjust

their investment concepts accordingly. To optimize their investment model, individuals must accurately select their position to seize the initiative in global competition and align with the current development trends. Based on the rapid development of digital technology, this paper examines the current status of the digital economy in countries along the route. It aims to uncover the mechanism through which the digital economy impacts China's Outward Foreign Direct Investment (OFDI) and offers a scientific basis for the optimal allocation of OFDI for Chinese enterprises (Buckley, Clegg, & Cross, 2007). This study takes the digital economy as a new starting point for the outward foreign direct investment (OFDI) of Chinese enterprises. This approach is beneficial for enterprises in formulating OFDI strategies.

2 Analysis of factors affecting OFDI

2.1 Home-country perspective

From the perspective of a country's economic development, the higher the degree of economic development in a country, the more Outward Foreign Direct Investment (OFDI) it attracts (Dunning, 1988). There is a close relationship between OFDI, a country's GDP, and its growth rate. Secondly, by analyzing a country's Gross National Product (GNP) and its growth rate, we can observe that the level of economic development of a country significantly influences the promotion of Outward Foreign Direct Investment (OFDI). The higher the level of economic development of the home country, the more effectively it can facilitate Chinese enterprises in expanding globally and making overseas investments.

From the perspective of institutional factors, the macro-adjustment ability and government intervention of the home country have a direct impact on the outward foreign direct investment (OFDI) of the company, and the company should leverage the institutional advantages of the home country (Du et al., 2023). Meanwhile, from the perspective of enterprises and industries, the smaller the institutional distance between the home country and the host country, the more encouraged enterprises will be to change their traditional investment mode and accelerate the process of OFDI.

From the perspective of bilateral relations, fostering a robust relationship between the host country and the home country can effectively mitigate risks, safeguard investments, and boost Foreign Direct Investment (FDI) in developing countries (Desbordes & Vicard, 2009). Secondly, through data analysis at the company level, we have found that effective bilateral cooperation can increase the company's overseas investment scale, diversify its investment strategies, and consequently enhance the success rate of its investments (Neumayer & Spess, 2005).

2.2 Host-country perspective

In terms of market size, larger markets are more likely to generate economies of scale and aggregation, thus reducing investment costs and promoting overseas investments by enterprises (Lewis, 2013). Secondly, the host country of Chinese overseas investment has a large market, and companies are more willing to invest overseas.

In terms of resource endowment, China still has a significant gap in resources. To acquire more resources, we must explore the foreign market. Additionally, based on China's international investment data from 2002 to 2011, countries with abundant resources are more likely to attract higher levels of foreign direct investment (Yang, Liu, & Zhang, 2016).

In terms of the institutional environment, a favourable host country system can establish a stable setting for companies to invest overseas. This can effectively mitigate investment risks stemming from political instability and fluctuations in the business environment, thereby reducing risks associated with conducting business abroad (Cheng & Ruan, 2004). Secondly, the government should formulate preferential policies to reduce or eliminate tariffs and lower market access standards. This will help reduce the investment costs of enterprises and increase their enthusiasm to invest in China. In addition, some relevant studies have also conducted empirical research on the overseas investment behaviour of Chinese enterprises within the institutional environment of 47 countries along the "Belt and Road". The results indicate that Chinese enterprises tend to favour countries with good governance, particularly those with robust regulatory frameworks and political stability (Zhao et al., 2020).

3 Digital economy concept and development research

3.1 Conceptualization of the digital economy

Within the scope of the digital economy, some scholars refer to the concept of digital economy as e-commerce. Some believe that the digital economy encompasses not only digital products created through digital technology but also the services it enables. This includes three levels: the outermost layer and the middle layer, which involve economic activities and business models operating with digital technology, while the core layer is associated with information and communication-related industries (Kolk & Pinkse, 2017). The China Communications Academy has proposed that the digital economy can be categorized into two types. The first is digital industrialization, which pertains to information and communication industries and other related sectors that are distinct from traditional industries. The second type aims to enhance the output of traditional industries through digital technology (Qiu & Wang, 2008).

3.2 The impact of the development of digital economy on economic change

The changes brought about by the digital economy involve not only the transformation of traditional industries but also the advancement of new industries and further technological innovation. From the perspective of the digital economy driving the development of emerging industries, the China Academy of Information and Communications Technology proposed a new industrial development model based on the digital economy (Qiu & Wang, 2008). This model can not only promote the development of traditional industries but also lead to the creation of new products and services, resulting in additional economic benefits. In addition, some scholars believe that the digital economy is not restricted by distance, which can lead to economies of scale and the development of new industries.

From the perspective of promoting technological innovation through the digital economy, utilizing Internet-based mass innovation platforms can significantly reduce the cycle and cost of technological innovation (Lin, Chen, & Qin, 2012). This, in turn, can facilitate the further development of technology by enterprises. Some scholars believe that the development of the digital economy plays a crucial

coordinating role in the process of enterprise innovation. It enhances the degree of innovation coordination, facilitates enterprises in better digesting and absorbing technology, and ultimately boosts enterprises' innovation ability (Dunning, 1988).

4 Current status of China's investment in countries along the Belt and Road

4.1 Investment profile

As depicted in Figure 1, both the flow and stock of China's Outward Foreign Direct Investment (OFDI) to countries along the Belt and Road have been steadily increasing from 2009 to 2021 (Deng, He, & Jiang, 2019). The proportion of China's total OFDI remains relatively stable despite some fluctuations.

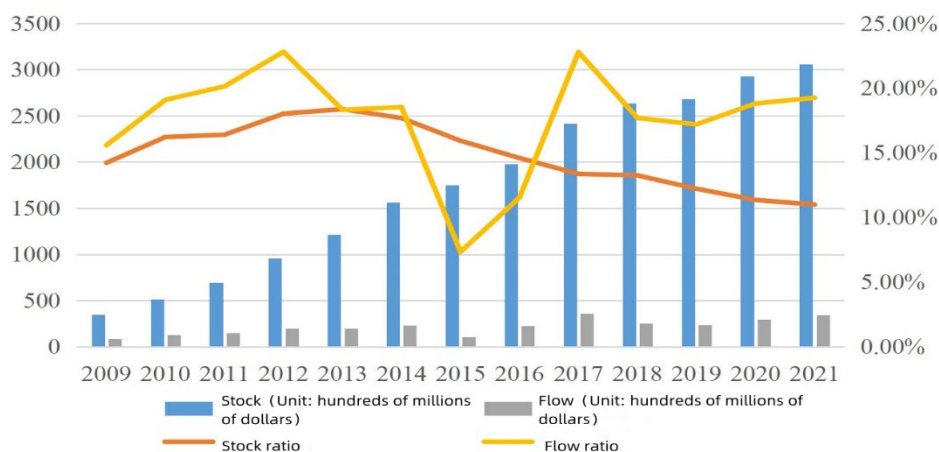


Figure 1: China's foreign direct investment in countries along the "Belt and Road" and its proportion in China's total foreign direct investment

Data Source: China's OFDI Statistical Bulletin and China's Belt and Road Network.

From 2009 to 2021, China's Outward Foreign Direct Investment (OFDI) flow to countries along the routes increased from 8.81 billion US dollars to 34.42 billion US dollars. This marks an almost threefold increase, with the proportion of China's total outbound direct investment flow rising from 5.6% to 19.3%. The total investment flow to countries along the routes reached 281.80 billion US dollars over the 13-year

period. From the specific year observation, China's outbound foreign direct investment (OFDI) to countries along the route significantly increased its total proportion from 2009 to 2012, reaching 22.8% in 2012, which marked the highest level in history. However, since 2013, the proportion of China's Outward Foreign Direct Investment (OFDI) to countries along the routes has fluctuated greatly and fell to the lowest point in 2015, accounting for only 7.3%. In this year, the outbound investment flow to countries along the routes decreased by 53.1% compared to last year. Except for a few years, China's outbound investment flows to countries along the Belt and Road have maintained a steady increase. With the promotion of the "Belt and Road" strategy, China's foreign direct investment (FDI) inflow is increasing significantly. The sectors involved are expanding, particularly in manufacturing, wholesale, retail, and other fields. The investment growth rate in these sectors is noticeable, and Chinese enterprises are increasingly investing in countries along the route. Covering 11,000 economic system levels.

From the perspective of Outward Foreign Direct Investment (OFDI) stock, in 2009, China's total OFDI to countries along the route reached 34.94 billion US dollars. In the following year, its scale increased significantly to 306.03 billion US dollars, marking an 8.8-fold increase over the past 13 years. This demonstrates a substantial improvement overall. The proportion of Outward Foreign Direct Investment (OFDI) in China's total OFDI has not changed significantly, fluctuating between 11.0% and 18.4%. From 2009 to 2013, the proportion of China's foreign direct investment (FDI) in countries along the Belt and Road continued to rise. Although it declined in 2014, it still accounted for more than 10% of the total FDI. On the whole, China's Outward Foreign Direct Investment (OFDI) reserves for countries along the route are still substantial, and the prospects for the construction of the "Belt and Road" initiative remain promising.

4.2 Region of investment distribution

As depicted in Figure 2, China's investment in countries along the Belt and Road is projected to reach 66.9% in Asian countries in 2021. In East Asia and Southeast Asia, the investment is expected to reach 50.0%. This is primarily due to Chinese enterprises focusing their investments in infrastructure construction, energy, and other related sectors in this region. These areas can not only meet the investment needs of Chinese enterprises but also promote local economic development and

enhance China's international competitiveness. Chinese companies ranked second in terms of overseas investment in Europe, with 14.6% of Chinese investments directed towards European countries. Luxembourg and the Russian Federation accounted for 64.5% of the total Chinese investment in Europe. Although China has more investment in Africa, with about a third of the countries on the Belt and Road located in Africa, only 14% of foreign investment comes from Africa (Deng, Ma, & Wang, 2019).

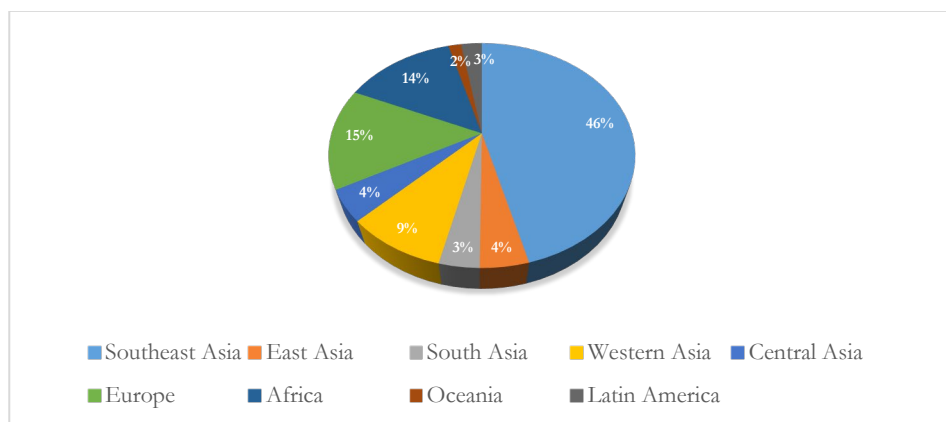


Figure 2: Regional distribution of China's direct investment in countries along the Belt and Road in 2021

Data Source: China's Foreign Direct Investment Statistical Bulletin.

China's investment in the "Belt and Road" initiative primarily focuses on Asia and Europe, with Southeast Asia standing out as the most prominent region. In terms of China's outbound investment flow, the investment stock in Singapore amounted to 67.20 billion US dollars, with an investment flow of 8.41 billion US dollars. These figures accounted for 22.0% and 24.4% of China's total investment, respectively, ranking first. Indonesia ranked second with 6.6% and 12.7%, respectively. Vietnam and Luxembourg are also significant investors, ranking third and fourth. As shown in the figure, the high proportion of Chinese investment in Singapore can be attributed to Singapore's strategic location in the heart of Asia. Singapore is intricately linked to the global economy, has established economic and trade agreements with numerous countries, and maintains a high level of openness, offering extensive development opportunities for foreign investors.

Table 1: Top 10 countries of China's direct investment stock and flow to countries along the "Belt and Road" in 2021

Country	Stock(unit:hundreds of millions of dollars)	Country	Flow(unit:hundreds of millions of dollars)
Singapore	672.02	Singapore	84.05
Indonesia	200.80	Indonesia	43.73
Luxembourg	181.31	Vietnam	22.08
Vietnam	108.52	Luxembourg	14.99
Russia	106.44	Thailand	14.86
Malaysia	103.55	Malaysia	13.36
Laos	99.40	Laos	12.82
Thailand	99.17	Democratic Republic of the Congo	10.46
The United Arab Emirates	98.45	The United Arab Emirates	8.94
Kazakhstan	74.87	Kazakhstan	8.22

Data Source: Statistical Bulletin on China's Outward Foreign Direct Investment.

4.3 Investment industry distribution

China has close cooperation with countries participating in the Belt and Road Initiative and is a significant trading partner for many nations. China has entered a new era of high-quality development. Focusing on the "Belt and Road" initiative as an investment target is beneficial for achieving complementary industrial development between the two countries. In terms of economic strength, countries along the Belt and Road with low levels of economic development have implemented proactive policies to attract foreign investment, thereby creating more investment opportunities for Chinese enterprises.

In the context of the Belt and Road Initiative, China's investment in countries along the routes in 2021 involves a total of 18 fields. The cumulative investment of Chinese enterprises in countries along the Belt and Road is primarily focused on the manufacturing industry, showing a year-on-year increase of 22.8%, representing 39% of the total investment. This is mainly because China's manufacturing industry is undergoing transformation, industrial structural adjustment, and an increasing demand for raw materials. Therefore, we want to engage in broader and deeper cooperation with countries along the Belt and Road. Achieve complementary advantages and win-win results. In addition, Hong Kong's investment in wholesale

and retail amounted to US \$3.33 billion, accounting for 13.8%. Of that, \$2.41 billion, or 10%, was spent on construction (Figure 3).

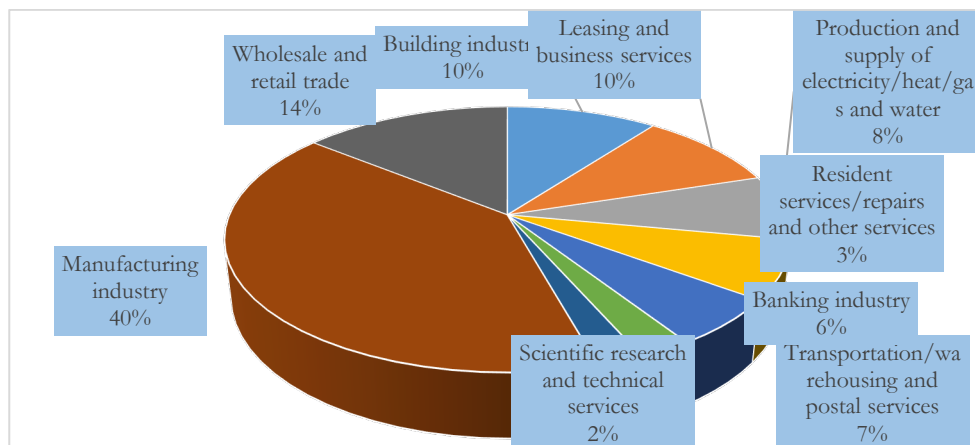


Figure 3: Industry distribution of China's direct investment in countries along the Belt and Road in 2021

Data Source: China's Foreign Direct Investment Statistical Bulletin.

5 The mechanism of the development level of digital economy on foreign direct investment

5.1 Cost-cutting effect

In the investment process, it is essential to gather information, choose partners, engage in communication and negotiation, sign contracts, fulfil payment obligations, and handle other related processes (Neumayer & Spess, 2005). The extra expenses accrued during each of these stages are considered transaction costs. Compared with traditional investment transactions, digital technology can collect information more rapidly and reduce costs through network platforms. Reduce transaction costs for investors.

First of all, with the rapid development and wide application of digital technology, traditional investment behaviour often consumes a significant amount of financial resources and energy for research and evaluation. Internet, big data, AI technology, and other digital technologies have been widely used in every aspect of economic life (Evan, Estrin, & Meyer, 2004). This enables investors to understand better the

situation of the country in which they are investing. In the process of investment exchange, the two parties can also negotiate, communicate, and bargain through the Internet, whether it is to make decisions or sign contracts. It can be carried out through the corresponding information platform, which can reduce the decision-making cost of enterprises in the transaction process.

Secondly, the digital economy has transformed and upgraded the global value chain, impacting the flow and scale of global capital to some extent. China leverages its resource advantages, such as resource endowment and demographic dividend, to expedite the development of low-end industries and optimize its interests through a specialized division of labour. Through the combination of vertical outward foreign direct investment (OFDI) and international trade, Chinese multinational enterprises have restructured their production and operational modes, thereby reducing the government's regulatory costs. Therefore, by enhancing the development level of the digital economy, countries along the "Belt and Road" can effectively reduce the various costs encountered by enterprise investments, thus attracting Chinese transnational capital into the country more effectively.

5.2 Efficiency enhancing effect

In the process of cross-border operations, enterprises can obtain the information they need in real time with the help of digital technology. At the same time, companies can engage in comprehensive communication with their subsidiaries through information and communication networks. This allows for continuous exchange of information and sharing of technical results between the parent and subsidiary companies (Du et al., 2023). Consequently, this enhances their understanding of the overall situation and empowers them to make more informed decisions. It also creates favourable conditions for them to set prices and participate in market competition. With the assistance of digital technology platforms, the company can efficiently identify suitable markets and partners, conduct transactions through third-party platforms, and enhance transaction efficiency and success rates while ensuring fund security.

First of all, with the assistance of advanced digital technologies such as the Internet and big data, the costs of various complex economic activities can be effectively reduced, and the operational efficiency of enterprises can be continuously improved.

Digital technologies, such as big data and artificial intelligence, play a crucial role in enterprise business processes. They can optimize various fields including business, media, finance, telecommunications, and energy. These technologies improve product quality, reduce industrial costs, enhance production efficiency, and drive industrial development.

Secondly, when a country has a relatively high level of digital technology development, its scientific and technological advancements are typically at the forefront. Most scientific and technological achievements are formed through continuous cross-border collisions. Information exchange among researchers in different disciplines and fields fosters knowledge sharing, which facilitates the transition from individual innovations to cross-innovation and fusion innovation (Zhao et al., 2020). The popularization of intelligent mobile devices and high-speed information networks accelerates this process. It shortens the time required for knowledge innovation, reduces the time needed for knowledge value addition, and fosters the establishment of a multi-field collaborative development of science and technology innovation system.

Therefore, countries along the "Belt and Road" are promoting the development of the digital economy by utilizing data, information, and communication technology to enhance efficiency. This strategy can effectively attract transnational capital from China.

5.3 Risk reduction effect

As a new economic form, the digital economy not only enhances data privacy and intellectual property protection but also enhances existing social governance methods and government management capabilities. This provides investors with a relatively stable environment and reduces investment risks.

The development of the digital economy can expand the financing channels of enterprises, enhance their financing efficiency, and alleviate various constraints in the financing process. At the same time, technology such as blockchain and big data can be used to enhance the evaluation of the financial system, predict and manage various financial risks, ensure fund security, and offer more enterprises financing opportunities. The utilization of digital technology for continuously updating the

credit evaluation system enables the financial system to promptly and effectively make a more precise assessment of the borrower's historical assets, business performance, and future development prospects. This can promote the structure of credit resources for differential allocation, improve the efficiency of resource allocation, enable more enterprises to access foreign funds and reduce the financial risks associated with foreign investments (Busse, Koniger, & Nunnenkamp, 2010).

Secondly, when conducting investments and operations, multinational enterprises often prioritize host countries with superior digital infrastructure. If the infrastructure, such as transportation and communication, is not perfect, the possibility of enterprises facing various risks in the production and operation process will increase. This can even lead to enterprises being unable to carry out normal economic activities. The higher the level of development of the digital economy, the better it can provide a conducive political and economic environment for investors. This ensures that investors can make smooth investments in the future and safeguards their legitimate interests from infringement. A favourable external environment can significantly decrease the investment risk for enterprises, enabling them to make more successful overseas investments.

Therefore, the development of the digital economy in countries along the "Belt and Road" can create a stable and orderly external environment for enterprises to invest abroad, reduce risks in the process of enterprise investment, and increase the probability of Chinese transnational capital inflows.

6 Conclusions of the study

The overall level of the digital economy of the more economically developed countries is relatively good, because they have enough capital to carry out digital economy infrastructure construction and R & D, so as to promote the combination of digital technology and traditional industries and promote industrial transformation and upgrading, and China is more willing to invest in these countries, and for the countries that are lagging behind in the development of the national digital economy, the overall level of development of the digital economy is relatively low, and there is a lack of systems and facilities matching the development of the digital economy, the efficiency of factor allocation is low, and the development of the digital economy is slow. For countries that are lagging behind in the development

of the digital economy, their overall development level of the digital economy is relatively low, and they lack systems and facilities that match the development of the digital economy, the efficiency of factor allocation is low, and the development of the digital economy is slow, so China invests relatively less in these countries.

From the viewpoint of investment motivation, the improvement of the development level of the digital economy in the countries along the Belt and Road has an investment promotion effect on Chinese enterprises with market-seeking and strategic asset-seeking motivations. For market-seeking enterprises, the development of digital economy in the countries along the Belt and Road can promote the formation of economies of scale, broaden the marginal extension of the market, and carry out marketing activities through a variety of digital means, which promotes enterprises to increase their investment gradually; for strategic asset-seeking enterprises, the development of digital economy in the countries along the Belt and Road not only provides a good innovation environment but also enables enterprises to take advantage of the technological spillover to learn from their advanced technology and experience, which is more attractive to Chinese enterprises' investment. For strategic asset-seeking enterprises, the development of the digital economy in the countries along the route not only provides a favourable environment for innovation but also allows enterprises to take advantage of technological spillovers to learn from their advanced technology and experience, which is more attractive to Chinese enterprises' investment.

The digital economy in countries along the Belt and Road promotes Chinese enterprises' outbound investment by cutting costs, improving efficiency and reducing risks. The development of the digital economy in the countries along the Belt and Road helps enterprises use information platforms to quickly and accurately obtain the information they need, which reduces the time and money they spend in the investment process (Lin, Chen, & Qin, 2012). The development of a digital economy can also accelerate the efficiency of the spatial flow of resources and factors and promote enterprises to find trading objects and complete transactions quickly. and investment security.

7 Policy suggestion

7.1 Accurately grasp the development of the digital economy of countries along the "Belt and Road" and fully utilize the comparative advantages of the digital economy of countries

Currently, when Chinese companies engage in Outward Foreign Direct Investment (OFDI), the digital economy has become an important factor to consider. On the one hand, by collaborating with other countries, the government can comprehend the digital economy development policies of the countries along the route at a macro level. At the same time, it can also assist enterprises in utilizing various information platforms to analyze the current state of the digital economy in the countries along the route at a micro level. This can help achieve coordination between the government and enterprises and promote enterprises to gain a comprehensive understanding of relevant information. Minimize all types of risks encountered during the investment process. Enterprises can utilize the information they possess to adjust their investment focus, align industrial investments with the comparative advantages of different countries, employ modern technology to allocate production resources and motivate enterprises to enhance their industrial structure consistently. This will facilitate the mutual development of both countries.

7.2 We will actively cooperate with countries that have a high level of overall development in the digital economy

The digital economy has an increasing impact on economic development. It not only promotes industrial transformation and upgrading but also influences the development of global industrial and supply chains. Therefore, enterprises must fully grasp the development trends of the digital economy and enhance their technical capabilities. Through effective talent introduction policies, the government can attract high-tech professionals from around the globe, ensuring talent security for overseas investments by enterprises. By establishing connections with enterprises through government platforms and offering consulting and financing services, businesses can better understand their investment direction. Enterprises should enhance their innovation capabilities and integrate them with practicality. They should define their own development goals and directions, formulate a set of focused investment strategies, and maintain ongoing communication with local

subsidiaries to make necessary adjustments. Seize the opportunity to grow and let their technology spillover effect promote the digital transformation of the company, and feedback to the economies of the countries along the route.

7.3 Actively participate in the formulation of international investment rules under the digital economy and guide enterprises with different motivations to efficiently engage in investment activities according to the rules

In the context of the digital economy, traditional industries and the original investment criteria have undergone profound changes, impacting investment cooperation between different countries. Governments can engage in communication with other countries regarding investment regulations in the digital economy through international organizations like the United Nations, various conferences, and other activities. They can offer recommendations for rulemaking while safeguarding the interests of all nations. This approach aims to establish a cohesive and secure investment environment that supports company growth and allows for a thorough examination of international regulations. Guide enterprises with various investment motivations to make informed investment decisions. Enterprises should also actively communicate with the government when investing to safeguard the legitimate rights and interests of both the enterprises and the country. They should determine the direction of investment according to the government's policy guidance and form investment strategies to achieve higher returns.

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About the authors

Guo Yue, Master of International Business from Dalian Minzu University, focuses on the 'Belt and Road' Initiative and FTZ business development. He is committed to analysing regional economic cooperation mechanisms and cross-border trade policies and has a solid theoretical background in international business and cross-cultural communication skills. His research results provide a reference for policy-making and enterprise strategy layout, and he strives to contribute academic wisdom and practical solutions in the field of an open economy.

Dr. **Juyong Zhang** is a professor at the International Business School of Dalian Minzu University and also serves as the Dean of the school. His research focuses on environmental economics and international trade. In recent years, he has broadened his research to include areas such as the economic development of the Belt and Road Initiative and the digital economy.

