Clear Gap between Ideal and Reality of China's "One Belt, One Road" Initiative
—Focus Safety and Risk Avoidance under the "Go Global" Strategy—

By Yuji Miura
Advanced Senior Economist
Economics Department
Japan Research Institute

Summary

1. China is a bigger exporter of infrastructure, such as railroads and nuclear power generators, than Japan. This success is providing clear evidence, both at home and internationally, that Chinese technology, especially in the area of high-speed rail systems, is now world-class, and that the Chinese economy has reached a new stage of development.

2. At the same time, some in China have suggested that the country's foreign investment strategy needs to be revised. Harsh critics claim that over 90% of resource development investments and mergers and acquisitions (M&A) fail. Even infrastructure exports, which were forging ahead under full sail, have started to stumble. Reasons for these overseas expansion failures include political risks, such as wars, unrest and regime changes, legal risks, such as investigations by local authorities, underdeveloped legal systems, and business environment risks, such as unexpected costs and opposition from local residents. However, we cannot ignore the fact the failure rate is being heightened by China's unique government-led approach to overseas expansion. There are three problems with this government-led approach. First, because the government and corporations are closely linked, project risk assessments tend to be overly optimistic. Second, there is growing sense of caution toward China. Third, there is a marked tendency toward ad-hoc responses.

3. The overseas sales-to-asset ratio is calculated by dividing overseas operating revenue by overseas assets. The ratios of Chinese companies with high levels of overseas assets have been falling intermittently since 2002, which suggests that overseas expansion has left companies with a growing accumulation of non-performing assets that do not contribute to their sales. In addition, companies' transnationality indices, which show their level of globalization, remain low. China has become the second-largest source of foreign investment in the world, but this has not necessarily led to increased globalization of Chinese companies. This is because overseas investment has been weighted toward resource development, with the aim of ensuring reliable supplies of resources to China's domestic markets.

4. China has aggressively and wholeheartedly pursued its "Go Global" strategy. However, it is expected to move toward a revision of that strategy as a result of changes in the economic environment, including rapid growth in the loan balances of policy-based financial institutions, and diminishing foreign-exchange reserves. M&A activities that do not conform to industrial policy are likely to be postponed.

5. The Xi Jinping administration's "Go Global" strategy is entering a difficult phase. Direct investment in the United States is likely to be constrained by a growing sense of caution toward China. There is also a strong possibility that progress under the One Belt, One Road policy will fall short of expectations because of an increasing tendency toward risk avoidance. The One Belt, One Road initiative is seen as the means through which China can establish a new world order, but businesses are not necessarily moving toward the realization of the Xi Jinping administration's ambitions.

6. Efforts to enhance the competitiveness of Japan's infrastructure exports should focus on the creation of a track record on the assumption that this will be a long-term struggle. There is an obvious gap between the ideal and reality for both the One Belt, One Road strategy, and also for the Asian Infrastructure Investment Bank project. One effective option would be for Japan to take an active role in these measures and transform them into initiatives that will further the common interests of the countries concerned.

Introduction

There is enormous global demand for infrastructure, and rapid growth is predicted for this area. McKinsey & Company estimates that infrastructure demand will average $3.3 trillion dollars per year between 2016 and 2030 (McKinsey & Company [2016]). Emerging countries account for around 60% of demand. Demand is expected to be especially strong in Asia, which is a key strategic market for Japan, due to economic growth and rapid urbanization. Japan is working to capture this demand under its Infrastructure System Export Strategy[(1)], which was revised in 2016, and has set the ambitious target of raising the value of infrastructure system orders won by Japanese companies from ¥10 trillion in 2010 to around ¥30 trillion by 2020.

China has steadily built up a track record as an infrastructure exporter and has started to overtake Japan as a player in this market. However, in recent years some projects have been taken back to the drawing board after agreement had been reached, and there have also been cases in which Chinese companies have been forced to withdraw from projects. Some overseas direct investment projects have failed to produce the anticipated earnings, resulting in financial problems, as well as a growing sense of unease toward China. This situation has caused a significant number of projects to run aground. As a result, there is now growing pressure for a review of China's overseas expansion strategy—known as the "Go Global" strategy—which has hitherto been characterized by an uncompromising commitment to aggressive expansion.

Changes to this strategy are likely to have a significant impact on competition between Japan and China for infrastructure export projects in Asia. In 2017, tenders will be called for the Kuala Lumpur–Singapore High Speed Rail project, which will result in the construction of the first cross-border high-speed rail system in Southeast Asia. In this article, we will analyze moves to modify China's overseas expansion strategy, and the implications for Japan. We will begin with a survey of China's achievements in the area of infrastructure exports (1) followed by an analysis of the factors behind moves to modify China's overseas expansion strategy (2). We will then consider the likely future direction of China's overseas expansion strategy (3) and consider how Japan should respond to changes in the strategy (4).

1. Implications of China's One Belt, One Road Strategy for Japan—China's Track Record as an Infrastructure Exporter

Japan has multiple perspectives on the One Belt, One Road strategy, which is backed by China's immense financial resources. While economic development in One Belt, One Road countries will benefit both the global economy and the Japanese economy, there is also deep-rooted concern that these countries are being brought into China's sphere of influence as a result of expanding economic relationships. This situation is symbolized by the fact that ASEAN countries have been unable to take a united stand against China's construction of artificial islands in the South China Sea due to opposition from countries that are strongly influenced by China, such as Cambodia, and by the way in which more and more countries, including Indonesia and the Philippines, are seeking aid in ways that fan competition between Japan and China.

The effect of the One Belt, One Road strategy on the competitive relationship between Japan and China has been clearly manifested in competition to win orders for high-speed rail system projects in Southeast Asia. Southeast Asia is the most important market for Japanese infrastructure export. High-speed rail systems can be seen as the showcase products in this market. China cannot afford to fall behind Japan in this area, since the development of high-speed rail systems across Southeast Asia through its own efforts would demonstrate at home and internationally that China is making steady progress with its One Belt, One Road strategy. Wins and losses in this competition for orders

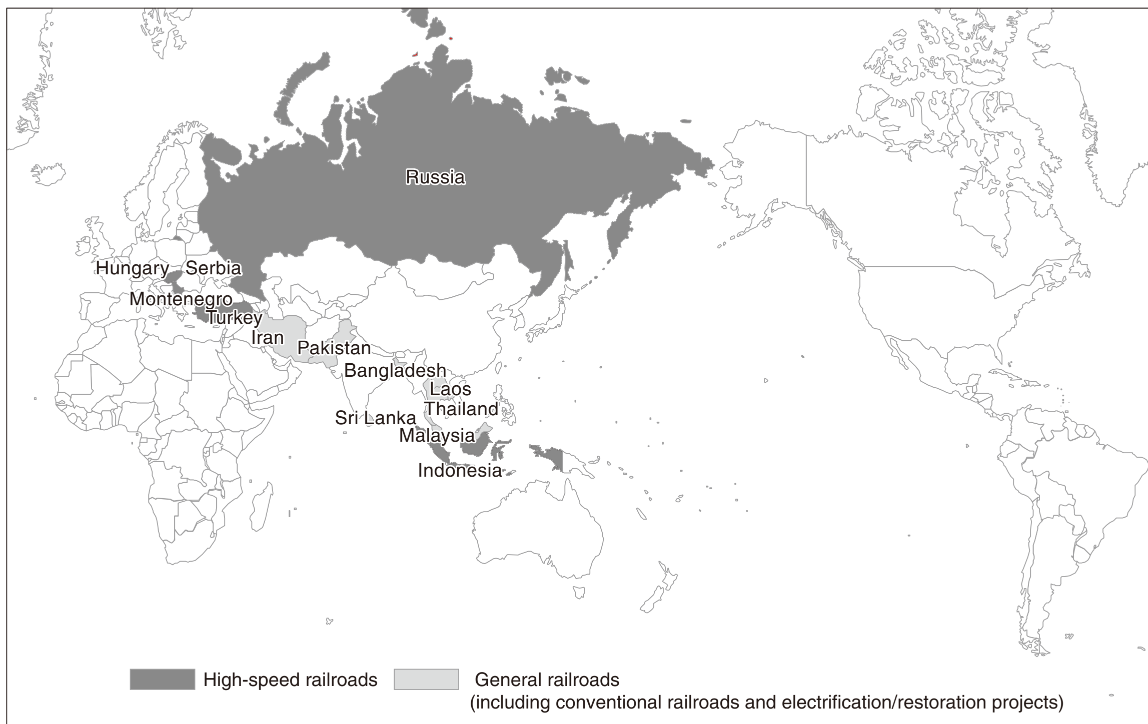
are extremely visible and are the focus of intense interest, not only in Japan and China, but also internationally.

In Japan, there is little awareness of China's achievements in the area of infrastructure exports, and China is seen as a newcomer that has suddenly emerged into the market. Like Japan, however, China has a national policy of promoting infrastructure exports, and its track record already surpasses Japan's. We will begin by analyzing the development of China's infrastructure exports.

The Chinese government is focusing on the export of infrastructure in three areas: railroads, nuclear power, and production facilities for construction materials and other items(2). While it is difficult to evaluate progress made on the export of production facilities because of the diversity of this field, China's achievements as an exporter of rail systems and nuclear power facilities are more obvious. Fig. 1 summarizes the China's overall achievements in the area of rail system exports, including conventional railroads. (See Appendix for details.) China is aggressively working to develop rail infrastructure, especially in One Belt, One Road countries. The fact that many of these projects are financed by policy financial institutions, such as the Export-Import Bank of China and the China Development Bank, can be seen as evidence that this geographical expansion has the full backing of the Chinese government.

There are plans to construct high-speed rail systems (systems with a maximum speed of at least 250 kilometers per hour) in Turkey, Hungary-Serbia, Russia, Indonesia and Thailand. The system in Turkey was completed in July 2014 and is already in operation. The biggest project, with a total budget of $242 billion, will result in the construction of a high-speed rail system connecting Moscow and Beijing. A Chinese company signed a contract to build the Moscow-Kazan section of this railway in July 2015. Significantly, China has already won contracts for two projects—albeit not for high-speed rail systems, in Malaysia, where Japan is expected to compete in bidding for high-

Fig. 1 Chinese Railroad Projects



Source: Compiled by JRI using Ker [2017] and media reports

speed rail projects.

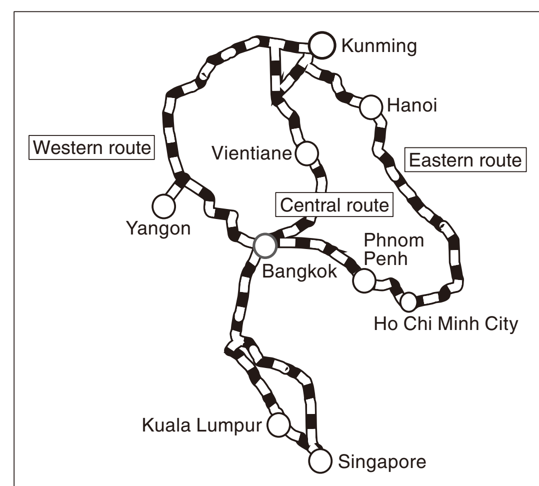
A well-known example of Japan's success as an exporter of high-speed rail systems is a system connecting Taipei and Kaohsiung, Taiwan, which has been in operation since March 2007. In August 2016, a memorandum of understanding was signed with the government of Thailand concerning the use of Japanese *shinkansen* technology on a high-speed rail link between Bangkok and Chiang Mai. Japan has continued to expand its track record in this area. Another success came in December 2016, when India agreed to adopt the *shinkansen* system for a high-speed rail system between Mumbai and Ahmedabad. However, Japan has specialized in high-speed rail systems in its rail infrastructure exports, and its markets are limited to Southeast Asia and India. As a result, Japan has lagged behind China in terms of total rail system exports(3).

The gap between Japan and China is more pronounced in the area of nuclear power infrastructure exports. China is already operating nuclear plants in Pakistan, Turkey, Argentina and Romania, and in September 2016 formal approval was given for construction to start on a plant in the United Kingdom. There have also been reports that China is planning to build nuclear power plants in Saudi Arabia, Jordan, Kenya, South Africa and Algeria(4). In contrast, while Japan won orders in the United Kingdom and Turkey, there have also been setbacks, such as the cancellation of a project in Vietnam due to fiscal problems. In addition, the outlook for projects in Bulgaria and India is uncertain due to the financial crisis affecting Toshiba, which is one of Japan's leading exporters of nuclear infrastructure.

Competition between Japan and China is especially intense in the area of high-speed rail systems. Compared with other areas of infrastructure exports, China has a particularly strong commitment to exports of high-speed rail systems. According to an opinion poll conducted and reported by the China Youth Daily in 2014, the percentage of people who support aggressive exporting of high-speed rail systems is extremely high at 86.7%(5). Reasons given by survey participants included the contribution of these exports to the enhancement of China's international image. Other thought that high-speed rail exports would enable China to move away from the low-value added processing trade toward exporting of advanced technology and services. China's involvement in high-speed rail system exporting is an excellent way to demonstrate at home and abroad that Chinese technology is now world-class, and that the Chinese economy has entered a new stage of development. China's efforts in this area have been characterized as "high-speed rail diplomacy".

Reinforcement of China's links with One Belt, One Road countries is likely to be the main focus for China's "high-speed rail diplomacy" in the future. The idea of linking China and its neighbors with high-speed rail systems was first proposed in 2009 and thus predates the One Belt, One Road strategy. The concept encompasses three routes: an Asia-Europe high-speed rail link from Beijing across Russia to Europe, a Central Asia high-speed rail link from Chongqing via Xi'an and Urumqi to Central Asian countries and Iran, and thence to Europe, and the Pan-Asia Railway Network, which would link Kunming to Singapore via the Indochinese Peninsula(6). Orders for work on the Pan-Asia Railway Network are likely to be the focus of intense competition between Japan and China (Fig. 2).

Fig. 2 China's Pan-Asia Railway Network Plan



Source: Compiled by JRI from *Fan ya tielu xianlu tu* August 11, 2014 [Trans-Asian Railway Network Map] (https://www.huoche.net/gaotie_8137/)

China's exports to ASEAN in 2016 were worth at $264.3 billion, which is the third highest total after the United States and the EU. This figure reflects high growth averaging +9.2% over the past five years. With the pan-Asian high-speed rail projects, China aims to boost economic performance in inland regions, such as Yunnan Province, by using the Pan-Asia Railway Network to harness the vitality of ASEAN countries. China also sees the Pan-Asia Railway Network scheme as a way to shift toward high-added value exporting while expanding the use of its high-speed rail standard. High-speed rail system exports are also expected to bring China closer to the realization of the "China Dream" through the "great revival of the Chinese people", as advocated by President Xi Jinping(7).

2. Growing Pressure to Revise the "Go Global" Strategy

While Chinese exports of infrastructure, including high-speed rail systems, are expanding, there is also growing pressure within China to revise the strategy because of the high failure rate among Chinese companies that expand into overseas markets. In this section, we will look back at failures relating to overseas direct investment, M&A, and infrastructure exports. In China, these failures are attributed to the emergence of unforeseen risks, but China's unique government-led approach to overseas expansion is also seen as a problem.

(1) Failures Driving Increased Pressure for Change

While some in China believe that foreign direct investment has entered a golden age(8), others emphasize the need for a review of the overseas investment strategy, based on a dispassionate analysis of China's record. One reason for this is the failure of resource development projects. According to some media sources, many companies have suffered setbacks after expanding into overseas markets during the resource development investment boom that began in the latter half of the 2000s, which is known in China as the "mining fever." The failure rate is believed to be over 95%(9). An analysis of typical failure cases reveals that many related to investment in mineral resources, such as iron ore, in Australia (Table 1). However, the definition of "failure" is broad and includes cases in which Chinese acquisition proposals were

Table 1 Notable Resource Development Failures

No.	Company	Investment Year	Amount Invested	Host Country	Field	Reason for Failure
1	CITIC Group	2006	US$3,320 mil.	Australia	Iron ore	Profitability impaired due to additional investment
2	Ansteel Group	2006	A$1,980 mil.	Australia	Magnetite	Project value reduced due to additional investment
3	China Steel Group	2008	A$1,386 mil.	Australia	Iron ore	Major delays due to temporary shutdown
4	Metallurgical Corporation of China	2009	A$400 mil.	Australia	Iron ore	Suspended, referred to arbitration court in Singapore
5	Chinalco	2009	US$19,500 mil.	Australia	Aluminum	Decision by Rio Tinto to withdraw from capital tie-up
6	Zijin Mining	2010	A$550 mil.	Australia	(Acquisition of resource company)	Agreement cancelled
7	MMG	2011	C$6,300 mil.	Australia, Canada	(Acquisition of steel company)	Opposition from the Australian government
8	Chalco	2012	US$920 mil.	Mongolia	(Acquisition of coal company)	Abandonment of acquisition

Source: Compiled by JRI from *Zhongguo haiwai mai kuang shibailu huo gaoda* 95% *beihou quan shi xue he lei* 20 August, 2016 [Blood and Tears Behind China's 95% Failure Rate for Overseas Mining] (http://news.hexun.com/2016-08-20/185618351.html), and media reports

rejected, and projects that were announced but did not reach the contract completion stage.

Overseas direct investment failures have also been blamed on an overly simplistic approach to M&A activities. In 2017, some experts have made pessimistic predictions that over 90% of overseas M&A projects will fail(10). Since even Japanese companies have an M&A success of only 30%(11), the Chinese failure rate should not be seen as extremely high. However, many companies have learned expensive lessons due to their lack of experience. A series of major acquisitions in 2016 doubled the amount spent on M&A projects from $54.4 billion in the previous year to $107.2 billion (Table 2). However, even though M&A activities have helped to drive overseas direct investment, some have expressed doubt about whether the returns will be commensurate with the investments(12).

There is also increasing evidence of setbacks affecting infrastructure exports, which were previously expanding steadily. In Myanmar, construction of a major dam as part of a hydroelectric power scheme was cancelled September 2011 following the transition to civilian government. When Aung San Suu Kyi, Myanmar's State Counsellor and Minister of Foreign Affairs, visited China in August 2016, President Xi Jinping asked her to reinstate the project, but there have been no tangible developments. In Sri Lanka, which is positioned under the One Belt, One Road strategy as the crossroads for the Indian Ocean, a change of government was followed in March 2015 by the withdrawal of approval for a port development project in Colombo. The project was resumed in March 2016, but this situation led to growing resentment and calls for compensation in China. Other problems include the postponement of a deepwater port construction project in Bangladesh in February 2016, and withdrawal from an urban development project in Egypt in April 2017.

The government's emphasis on "high-speed rail

Table 2 Ten Large M&A (Publically Announced) by Chinese Companies in Europe and the U.S. in 2016

Chinese Company	Company Targeted for Acquisition	Country	Purchase Price
China National Chemical Corporation	Syngenta (major agri-bio company)	Switzerland	$43 bil.
Tencent	Supercell Games (major game company)	Finland	$7.4 bil.
Midea Group	Major industrial robot manufacturer	Germany	€$3.15 bil.
Daily-Tech Beijing Co., Ltd	Global Switch (major data center company)	U.K.	€2.8 bil.
Beijing Jianguang Asset Management Co., Ltd.	RF power division of NXP (major semiconductor company)	Netherlands	$2.75 bil.
HNA Group	Aircraft leasing business of CIT Group (major U.S. financial firm)	Ireland	€2.3 bil.
CTRIP	Skyscanner (flight search company)	U.K.	€1.7 bil.
HNA Group	Gategroup (airline catering company)	Switzerland	$1.4 bil.
Beijing Enterprises Group	EEW (Germany's biggest waste energy company)	Germany	€1.44 bil.
Shandong Ruyi Group,	SMCP (apparel)	France	€1.3 bil.
Bohai Capital Holding Company	Aircraft leasing business of CIT Group (major U.S. financial firm)	U.S. A.	$10 bil.
HNA Group	Hotels operated by Carslon Hospitality	U.S. A.	$6.5 bil.
Tianjin Tianhai Investment Co., Ltd.	Ingram Micro (major distributor of IT equipment and software)	U.S. A.	$6.0 bil.
Chinese investment consortium (including Bohai Capital Holding Company)	Caesars Entertainment (casino-hotel chain)	U.S. A.	$4.4 bil.
Zhuhai Wanlida Electric Co., Ltd.	Lexmark (major printer manufacturer)	U.S. A.	$3.9 bil.
Dalian Wanda Group	Legendary Entertainment (movie production company)	U.S. A.	$3.5 bil.
Zoomlion Heavy Industries	Terex (crane manufacturer)	U.S. A.	$3.0 bil.
China Zhongwang Holdings Ltd.	Aleris (major rolled aluminum manufacturer)	U.S. A.	$2.3 bil.
Weichai Power Co., Ltd.	Dematic (major manufacturer of logistics and material handling equipment)	U.S. A.	$2.1 bil.
China Life Insurance Company	Hotels owned by Starwood Capital Group (real estate investment company)	U.S. A.	$2.0 bil.

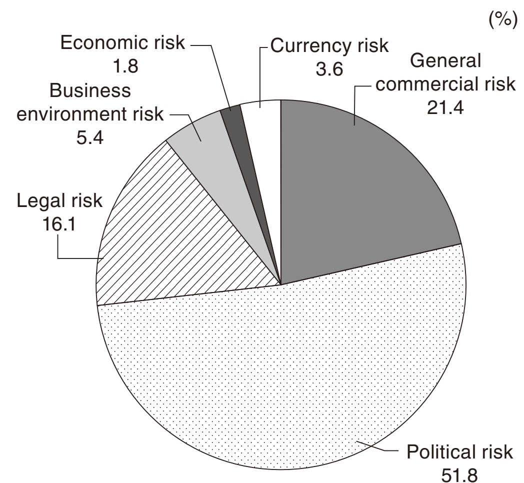
Source: Compiled by JRI based on *2016 Zhongguo duiwai zhijie touzi yu 1700 yi meiyuan yuji 2017 haiwai binggou huo jiang fang huan* [China's outbound direct investment for 2016 tops $170bn, overseas M&As to slow down in 2017], ChinaGoAbroad (http://www.chinagoabroad.com/zh/article22555, accessed May 25, 2017)

diplomacy" also continues to create unexpected situations. In Mexico, growing criticism about the transparency and legality of the process leading to the award of a high-speed rail system contract to China culminated in an unprecedented decision to repeat the tender process at the end of 2014. In Thailand, there was a disagreement over the interest rate on a loan to be provided by China for a high-speed rail system linking Bangkok with Nakhon Ratchasima in northeast Thailand. In October 2016, the Thai government decided to turn down the Chinese loan and allow China to provide just the technology for the rail system. In the United States, a situation developed that forced the dissolution of a joint venture established to bid for high-speed rail system contracts in June 2016. The outlook for a high-speed rail system project in Hungary-Serbia became increasingly uncertain after the European Commission decided in February 2017 to conduct another investigation to determine whether project was in violation of EU law.

(2) Risks for Chinese Companies

After these unexpected setbacks for its "Go Global" strategy, some Chinese specialists began to carry out analyses to identify the causes of the failures. One of these analyses examined 56 cases of failed overseas direct investment projects, excluding financial projects, between 2000 and 2011. The aim was to identify the risks that had arisen, and to ascertain whether these risks had caused projects to fail (Chen [2015]). There were not many general commercial risks. The most prevalent risk factor in other risk categories was political risk, which accounted for 51.8% overall (Fig. 3). Political risk can be divided into wars and civil conflicts, of which there were 20 cases, and regime changes, of which there were nine. Libya can be seen as a typical example of a country affected by war and civil conflict. During the long years of dictatorship under the Gaddafi regime, Chinese companies are believed to have undertaken around 50 construction projects worth $18.8 billion(13) in exchange for securing oil interests. When the regime collapsed, the companies concerned suffered huge losses.

Fig. 3 Risks for Chinese Companies



Source: Compiled from Chen [2015]

Greece is an example of a country affected by regime change. As part of its fiscal reconstruction efforts, the Greek government decided to sell the operating rights for the Port of Piraeus, Greece's largest port, to the China Ocean Shipping (Group) Company (COSCO) for 35 years. However, the new Prime Minster, Alexis Tsipras, who won power on an anti-austerity platform, announced that he would freeze this privatization plan. Although the operating rights were sold to COSCO, it was the Chinese government that was made to look foolish as a result of the change of government. Other countries in which regime changes have been followed by moves to change agreements or contracts concluded with China by previous governments include Myanmar, Thailand and Sri Lanka.

The next most important risk category after political risks is legal risks, of which there are two types: government screening, and inadequate legal systems. The Chinese specialist's analysis identified seven situations involving the former, and two relating to the latter. Governments screening means whether or not allow acquisitions from the perspectives of antitrust laws and security. In a significant number of cases, government decisions can result in the nullification of agreements between parties. Vetting by the Committee on Foreign Investment in the United States (CFIUS) has become a trial by fire for Chinese companies.

Based on wide-ranging reviews, CIFIUS advises the President on the pros and cons of acquisitions in the manufacturing, financial, IT, mining, construction, public service, wholesaling and retailing, and transportation sectors. CFIUS does not look just at Chinese acquisitions. Of the 358 cases examined between 2012 and 2014, China accounted for 68, the United Kingdom for 45, and Canada for 40 (CFIUS [2015]). There is a growing sense of unease toward China. For example, in its annual report to the Congress published in November 2016, the U.S.-China Economic and Security Review Commission (USCC) recommended that the authority of CFIUS to prevent acquisitions by Chinese companies should be strengthened (USCC [2016]).

Inadequate legal systems can have an adverse effect on projects due to deficiencies or changes in the laws of countries targeted for investment. Specific examples of this include a coal development project in Mongolia that was brought to a halt due to the tightening of capital regulations resulting from a rise of resource nationalism(14), and a fine imposed following the violation of environmental protection laws at a shopping center construction project in Mexico.

The third most common type of risk faced by Chinese companies is business environment risks. These include unexpected costs, and opposition from local residents. The analysis identified one case involving the former and two involving the latter. One case in which an unexpected cost was incurred was an investment in an iron ore development project in Western Australia by CITIC Group Corporation Ltd., a major state-owned conglomerate. Railroad and harbor development costs rose to $10 billion, far exceeding the original plan(15). The project's profitability was further eroded by a decline in resource prices. CITIC announced that it would record an impairment loss of up to $1 billion in its financial results for the year ended December 31, 2016(16). Cumulative impairment losses on this project are expected to reach $4 billion(17).

An example of a project affected by opposition from local residents is a copper ore development project in Myanmar. The project is a joint initiative by Wanbao Mining, an affiliate of the major armaments company China North Industries Group Corp. (Norinco), and the Burmese army. It has been halted numerous times due to persistent opposition from local residents angered by environmental damage, as well as a lack of transparency in the process that led to the agreement before Myanmar's transition to civilian government(18). Similar opposition movements, albeit on a different scale, have affected projects in other countries, including a power plant construction project in Bangladesh(19), and a port leasing deal in Sri Lanka(20).

(3) Exploring the Causes of Failure: Strengths and Weaknesses of the Government-Led Approach

Many of the risks faced by Chinese companies are not necessarily unique to companies from China. In recent times, many Japanese trading companies involved in copper mining and LNG development projects have also recorded extraordinary losses due to the impact of falling resource prices(21). Projects have also been delayed by growing concern about environmental pollution, even though the incidence of such problems is far lower than in the past(22). If there is an issue that is specific to Chinese companies, it must be China's unique government-led approach to investment.

The first problem resulting from China's government-led approach is a tendency to assess risks too optimistically due to the close linkage between the government and companies. Major infrastructure projects undertaken by China are often the result of government initiatives. The Japanese government also supports companies in the name of "public-private cooperation," with the prime minister and cabinet members acting as top salesmen. Other support includes ODA and OOF loans through the Japan International Cooperation Agency (JICA), and finance through the Japan Bank for International Cooperation (JBIC). However, only indirect support is provided, project entities are always private companies. In con-

trast, the Chinese government's relationships with companies are so close that they can better be described as "public-private unity" rather than "public-private cooperation." The resulting ability to tolerate far higher levels of risk is an advantage for China, but because companies are dependent on the government and lack autonomy, overly optimistic risk assessments can be a problem.

This problem commonly affects state-owned enterprises and government-controlled state-owned holding companies. These companies can obtain loans from the China Development Bank or the Export-Import Bank of China for initiatives in areas that the government considers strategically important. State-owned enterprises can easily obtain banks loans even for activities in fields that are not considered to be strategically significant. Moreover, even if a project does not go according to plan, managers are unlikely to be held accountable for their overly optimistic projections in the case of government-led projects. This lack of accountability for poor business performance is a common issue for state-owned enterprises, and the failure of overseas projects can be seen nothing more than a manifestation of corporate governance problems in the area of overseas direct investment.

A second problem is increasing wariness towards China. As demonstrated by strong opposition to aggressive acquisitions in the United States by Japanese companies during bubble era, the rapid expansion of investment inevitably heightens unease in the countries concerned. In the United States, the CFIUS has become a major barrier for Chinese companies. A growing number of U.S. companies are now refusing to negotiate with Chinese companies for this reason. For example, when Tsinghua Unigroup, a major Chinese semiconductor design company, sought to acquire U.S. semiconductor giant Micron Technology in February 2016, the U.S. company is believed to have rejected the offer because of the high probability of a CFIUS investigation (USCC [2016]).

There have also been changes in Europe, which has previously maintained a good relationship with China. In February 2017, the European Commission decided to investigate whether the bidding rules and financial soundness of a Hungary-Serbia high-speed rail construction contract won by a Chinese company were compliant with EU law(23). This decision has triggered shockwaves in China, and there is concern that it will hinder progress on the One Belt, One Road strategy(24). China's unease has been further heightened by differences in the levels of friendship manifested in EU members' policies toward China according to differences in the benefits that are likely to be gained by each through the realization of the One Belt, One Road strategy. Another factor that is raising China's anxiety level is the emergence of a tendency to view initiatives in Europe by Chinese companies with suspicion, in part because of fears that EU investment rules may be distorted(25).

Even in Asia, where stronger relationships with China have been welcomed, there have been moves in some countries to correct excessive reliance on China. One such country is Sri Lanka. China established a "honeymoon" relationship with Sri Lanka after becoming its largest aid donor. However, Sri Lanka's fiscal position has come under pressure due to the massive amount of loans provided, and a change in government in 2015 has been followed by moves to reassess the relationship with China. A particularly serious issue for Sri Lanka is expenditure of $1 billion dollars on the construction of Hambantota Port. The port is barely used, and the interest on the resulting debt is extremely high at 6%. This situation has heightened government-level and public distrust toward China in Sir Lanka(26).

A state of paralysis caused by snowballing debt to China is known as the "China Debt Trap"(27). Because the lending criteria for Chinese loans are less rigorous than those applied by international financial institutions, such as the World Bank and the Asian Development Bank, they are often welcomed by the governments of recipient countries. However, repeated borrowing without reference to the profitability and dept servicing capacity of projects can leave a country with nothing but a heavy debt burden. In Asia, Sri Lanka and Cambodia have both fallen into the China Debt Trap, and other countries are expected to face similar problems in the future. From China's point of

view, this approach has the benefit of increasing the number of countries in which it can exert its influence, but there is also the risk that of increasing wariness toward China and even anti-Chinese sentiment in the countries affected.

A third problem linked to China's government-led approach is a conspicuous tendency toward ad-hoc solutions, in part because of the short period since the "Go Global" strategy was adopted. This issue is especially obvious in relation to lending criteria. For example, China won the contract to build a high-speed rail system in Indonesia by offering to provide finance without seeking a guarantee from the Indonesian government. In exchange for this extraordinary concession, the Chinese company involved would be allowed to develop real estate along the line. While this approach enabled China to win the contract, there is a strong likelihood that it will hinder similar projects in the future.

In Thailand, negotiations over a plan to develop a high-speed rail system stalled after the Thai government angrily rejected the Chinese offer due to the 2.5% interest rate on the loan, as well as the high overall cost of the project[28]. One reason for the strong stance taken by the Thai government is the favorable terms that China offered to Indonesia. Thailand did not ask for the same government guarantee waiver as Indonesia, but it did demand that the interest rate should be reduced to 2.0%, as in China's offer to Indonesia. While China eventually acceded to this request, the negotiations were difficult, and ultimately Thailand decided to reject the loan and accept just the technology. The process created a major rift between the two countries.

Unlike Japanese ODA loans and loans from international development financial institutions, the interest rates of Chinese loans are not determined according to the income level of the recipient country or the sector in which the loan will be used. This means that the interest rate can be lowered through negotiation. On the surface this might seem to give China an advantage, but in reality loan conditions tend to be leaked because of the intense media scrutiny attracted by large-scale projects. This is a disadvantage for China, since it becomes unable to reach agreement with recipient countries unless it always offers the best possible conditions. In the case of high-speed rail system projects, because it is possible to compare construction costs on a per-kilometer basis, China has to make proposals that take into account not only the bids of competitors, but also contracts that it has won in the past. This is a problem for China, since it is unable to improve rates of return on its projects.

3. The "Go Global" Strategy from a Business Perspective

The "Go Global" strategy was expected to accelerate the globalization of Chinese companies while also contributing to China's economic growth. However, there is no evidence of this virtuous cycle at present. Chinese companies that are actively expanding overseas have a high percentage of assets that are not contributing to sales, indicating that business globalization has not progressed in step with the expansion of foreign direct investment. There have also been changes in the business environment, creating a situation in which the revision of the "Go Global" strategy is unavoidable.

(1) Overseas Assets Fail to Increase Sales

Is the "Go Global" strategy having a positive influence on companies? In international balance of payment statistics, investment income is divided into ① direct investments, ② securities investments, and ③ other investments, while foreign assets can be divided into ① direct investments, ② securities investments, ③ financial derivatives, ④ other investments, and ⑤ foreign currency reserves. Because China does not publish a breakdown of investment income, the rate of return on foreign direct investment is unknown. According

to the 2015 Report on the Sustainable Development of Chinese Enterprises Overseas, which was compiled under the leadership of China's State Council and Ministry of Commerce, Chinese companies that operate overseas are performing well, with only 24% recording losses (Fig. 4). However, there are also reports that over 90% of the 20,000 Chinese companies operating overseas have recorded losses(29), and we cannot be sure which of these estimates is correct.

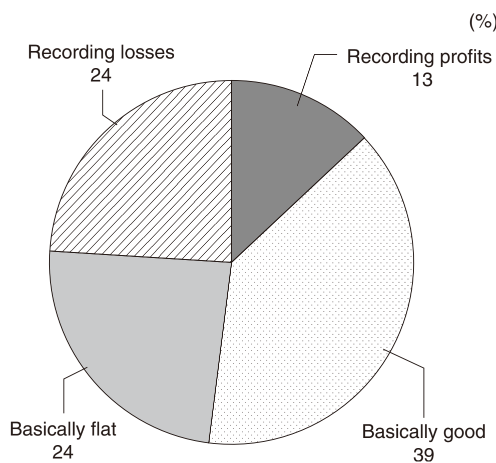
In the past the Chinese media reported major losses on individual projects, such as the 340 million yuan loss incurred by the Aluminum Corporation of China on a bauxite mine project in Australia (July 2011), a 4,150 million yuan loss recorded by China Railway Construction Corporation on subway construction project in Saudi Arabia (June 2011), and the China Railway Group's $450 million loss on a highway construction project in Poland (September 2009). Recently the number of reports concerning major losses has fallen dramatically because of cases in which these situations have turned into corruption scandals(30).

To clarify this question, we will look at the effect of overseas expansion on companies by comparing sales per unit of domestic and overseas assets. Since 2011, the China Enterprise Confederation and China Enterprise Directors Association (CEC/CEDA) have jointly published a report on the activities of 100 Chinese transnationals. This report, which is similar to research produced by the United Nations Conference on Trade and Development (UNCTAD), provides data on the overseas operating revenues and workforces of 100 companies (excluding financial companies) with substantial overseas assets. The data show that the asset-sales ratio, which is calculated by dividing overseas operating revenues by overseas assets, has been falling intermittently since 2002 (Fig. 5). Since this ratio is lower than the all-industry average, we can conclude that overseas expansion has resulted in the accumulation of non-performing assets that are not contributing significantly to sales. The fact that companies continue to expand overseas despite this indicates that their domestic asset-sales ratios are extremely low.

(2) Globalization Still in the Initial Phase

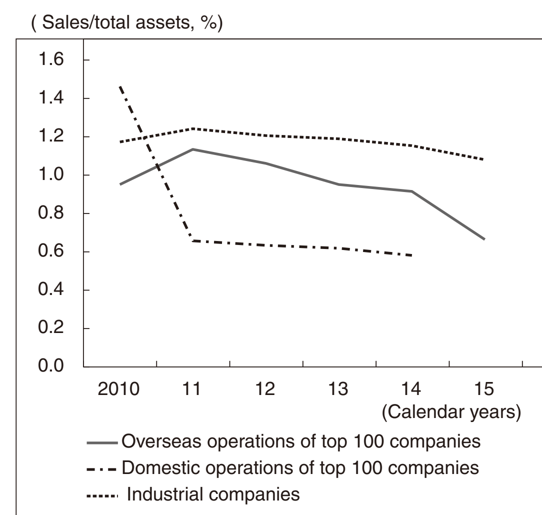
The globalization of Chinese companies has not matched the growth of direct overseas investment.

Fig. 4 Financial Positions of Companies Operating Overseas



Source: Compiled by JRI, using Research Center of the State-owned Assets Supervision and Administration Commission of the State Council, Chinese Academy of International Trade and Economic Cooperation, United Nations Development Programme China [2016]

Fig. 5 Ratio of Overseas/Domestic Sales to Total Assets for Transnationals



Notes: Results for the domestic operations of the top 100 companies are not available for 2015.
Source: Compiled by JRI from local media reports

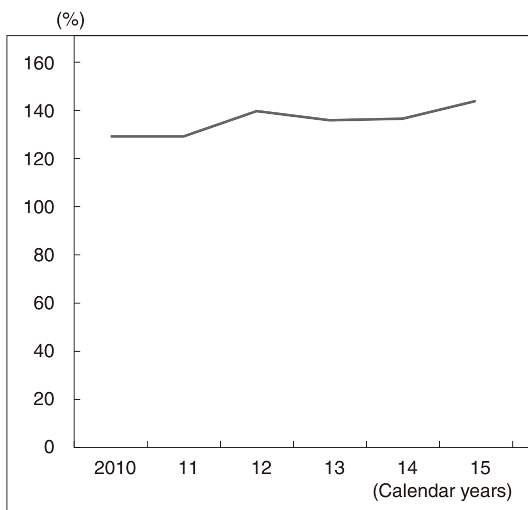
The transnationality index (TNI) of China's top 100 transnational companies is calculated based on the ratios of foreign assets, foreign operating revenues, and foreign employment to total assets, total revenues, and total employment. Since the index rises in proportion to the overseas contributions in each category, it is an indicator of progress toward globalization. In 2015, the TNI index stood at 14.4%, which is not significantly higher than the 2011 index of 12.9% (Fig. 6).

The survey began in 2010, which is seen as the initial phase of globalization for China's top 100 transnational companies. The fact that the TNI has not risen significantly since then suggests that China is still at the initial stage of internationalization. In fact, the TNI of Chinese companies is not only lower than the global figure of 61.0%, but also below the 36.2% average for developing countries (Fig. 7). Although China has become the second largest source of overseas investment in the world, this does not necessarily mean that Chinese companies are making progress toward globalization.

One reason for this situation is the fact that domestic markets are still the main focus for Chinese companies. Although the Chinese economy has slowed down, it is still achieving growth in the 6% range, and China is now the second biggest economy in the world. The TNI is unlikely to rise significantly in this environment. There is also a statistical problem. Because Chinese companies started to expand overseas quite recently, a TNI based on the top 100 companies in terms of overseas assets will be pushed down by those at the low end of the scale(31). In 2016, the index for the bottom 10 companies was 16.0%, compared with 28.3% for the top 10.

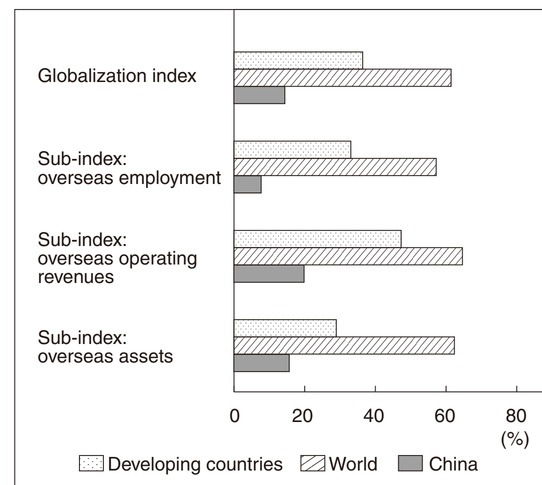
However, there is also clear evidence that the TNI is being held down by the characteristics of overseas expansion by Chinese companies, including the weighting toward resource development, and the fact that companies are focused not on global market development, but on the reliable supply of resources to the Chinese market. China National Petroleum Corporation (CNPC), China Petroleum and Chemical Corp. (Sinopec) and China National Offshore Oil Corporation (CNOOC), known collectively as "China's big three oil majors," have consistently been the top three Chinese companies in terms of overseas assets. In 2015, resource development companies(32) including the big three oil majors accounted for 47.2% of the overseas assets, 47.7% of the overseas operating

Fig. 6 Transnationality Index (TNI)



Notes: Transnationality index = (overseas operating revenues ÷ total operating revenues + overseas assets ÷ total assets + overseas employees ÷ total employees) ÷ 3 × 100
Source: Compiled by JRI from local media reports

Fig. 7 Transnationality Index (TNI) Comparison



Source: Compiled by JRI based on *Zhongguo jingji zhoukan* [Chinese Economy Weekly], 2017 No.19 (http://paper.people.com.cn/zgjjzk/html/2017-05/15/content_1775352.htm), and UNCTAD [2016]

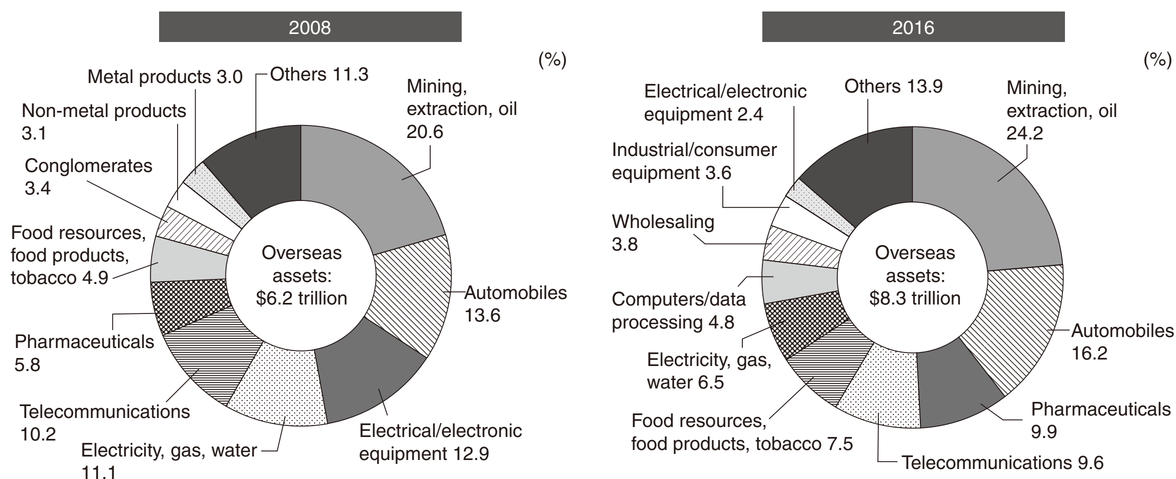
revenue, and 30.8% of the overseas employees of the top 100 companies. Although these figures are lower than the 2010 levels of 62.0%, 59.4% and 47.5% respectively, they are still indicative of the fact that globalization has not spread widely across Chinese industries and is driven mainly by large state-owned enterprises, especially in resource-related areas.

While the percentage of overseas assets owned by resource-related companies is also rising globally, the world ratio in 2016 was around one-half of the Chinese figure at 24.2% (Fig. 8). At the world level, globalization is being driven by a wide range of industries, with the automobile industry ranked second behind mining, extraction and oil. There are also signs of industrial metabolism as manifested in the emergence of other industries, including computer and data processing companies, such as Microsoft, as well as the electricity, gas, and water supply industries. There is little evidence of these changes in China. The only Chinese companies with TNIs exceeding 50% are Zhejiang Geely Holding Group Co., Ltd. (65.4%), which has Volvo Cars as a subsidiary, and Legend Holdings Corporation (57.2%), which owns the PC manufacturer Lenovo. China's TNI is unlikely to rise unless non-resource companies can make inroads into the top 10. The changes needed to make that happen include an increase in the number of Chinese manufacturers with globally saleable brands, and market expansion in emerging countries by IT companies that have built a strong presence in China.

(3) Increasingly Serious Limitations

China has aggressively and consistently followed its "Go Global" strategy until now, but the strategy is now likely to be revised as a result of changes in the business environment for Chinese companies. One of those changes is the rapid increase in the loan balances of government financial institutions. Chinese companies, especially state-owned enterprises, frequently obtain loans from the China Development Bank or the Export-Import Bank of China to finance large-scale overseas projects. The growth of overseas direct investment and construction contracting has been accompanied by a rapid increase in the loan balances of these banks, which by 2011 was higher

Fig. 8 Breakdown of Overseas Assets by Industry for 100 Multinational Companies with Significant Overseas Assets



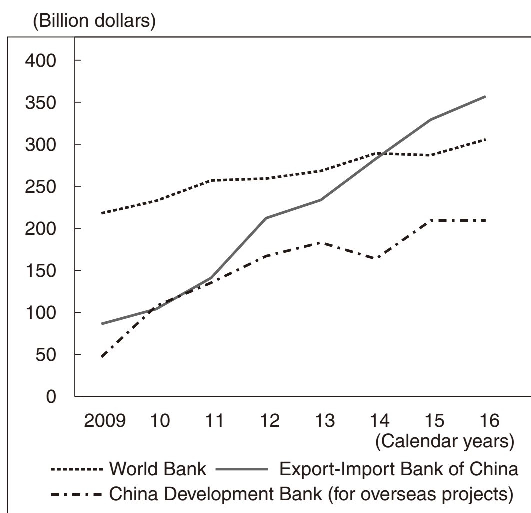
Notes: The top 10 industries are shown separately, and the remainder as "others".
Source: Compiled by JRI using UNCTAD [2009, 2017]

than the World Bank's loan balance ($257.7 billion) at $277.6 billion (Fig. 9).

How high are the non-performing loan (NPL) ratios of the two Chinese banks? While the NPL ratio of the China Development Bank was low at 0.81% (total, including domestic loans) at the end of 2015(33), this is double the 2011 figure of 0.4%. The NPL ratio for the Export-Import Bank of China was relatively high at 1.8% as of the end of June 2008(34). The bank has not released its NPL ratio since 2009, raising concerns that the ratio may be rising. The reliability of Chinese NPL ratios is always viewed with skepticism (Miura [2017]). Policy financial institutions are no exception. In fact, given the high level of government intervention, they tend to be burdened with more high-risk assets than commercial banks. We can logically assume that the expansion of overseas direct investment has led to an increase in NPL ratios.

For example, China has provided loans totaling $60 billion to Venezuela, primarily through the China Development Bank, with the aim of securing access to oil(35). However, Venezuela's growth rate has fallen spasmodically in step with the oil price slump, and by 2015 the country was in crisis with a growth rate of minus 5.7%(36). In 2015, China decided to provide additional finance of $5 billion to prevent Venezuela from defaulting on its debts(37). However, the Venezuelan economy slid further into chaos in 2016, with its growth dropping to minus 12.6%(38), while the CPI rate of increase climbed to 800%(39). Since 2015, concerns have been raised about the risk that Venezuela would default on its loans, and there is a strong possibility that China's loans to Venezuela will become NPLs.

Fig. 9 Loan Balances of the Export-Import Bank of China and the China Development Bank



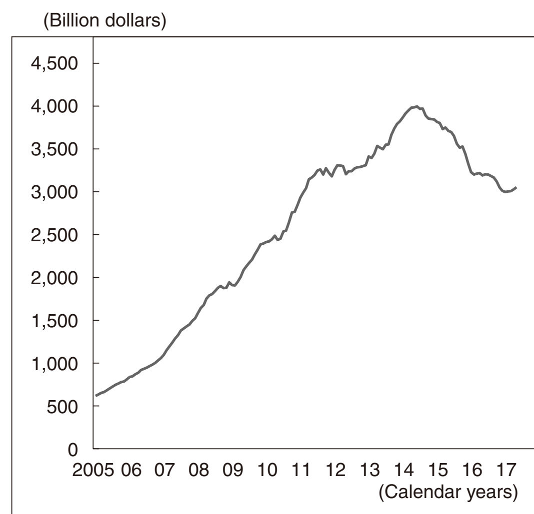
Notes: The 2016 figure for the China Development Bank is as of the end of June.
Source: Compiled by JRI using the banks' annual reports and other data

In January 2017, this situation led China's financial supervisory body, the China Banking Regulatory Commission, to direct banks, including policy financial institutions, to tighten their risk management for loans relating to overseas expansion(40). In response, the China Development Bank and the Export-Import Bank of China both established country-specific credit limits and indicated that they would adopt policies designed to prevent concentrated lending(41). In May 2017, the governor of the People's Bank of China, Zhou Xiaochuan, commented that lending for government-led overseas development projects could easily result in moral hazards because of low interest rates and easy access(42). This statement was probably intended as a reminder not to use the One Belt, One Road strategy as an excuse for irresponsible increases in lending.

Another issue symbolizing changes in the business environment is the decline in China's foreign currency reserves. China's foreign currency reserves were growing steadily until the summer of 2014, when they began to dwindle because of foreign exchange interventions and asset valuation losses. By January 2017 they were below $3 trillion dollars (Fig. 10). Foreign currency reserves have remained largely static since February due to the tightening restrictions on capital outflows, and a change to the method used to calculate the renminbi reference value used when trading the Chinese unit against the dollar. However, the decline in China's foreign currency reserves is liable to have a significant impact on overseas direct investment by business corporations.

For example, the People's Bank of China has questioned the need for overseas direct investment

Fig. 10 Foreign Currency Reserves



Source: Compiled by JRI using CEIC data

that is has nothing to do with industrial policy goals, such as the advancement of manufacturing. Pan Gongsheng, Administrator of the State Administration of Foreign Exchange (SAFE), expressed strong misgivings about the acquisition of European and American soccer clubs, of which eight were bought in 2016 alone, saying that the deals would further increase the already high debt levels(43). While SAFE has actively supported the One Belt, One Road strategy, it has also stated that the overseas M&A needs to yield returns that are better than one plus one equals two(44). Acquisitions that do not reflect industrial policy, such as soccer clubs, real estate, and hotels, are likely to be postponed.

4. Risk Awareness Reflected in Caution about the Future of the “Go Global” Strategy

Direct overseas investment (excluding financial investment) in the first five months of 2017 was 53% below the level in the same period in 2016 at $34.6 billion. This reflects a reactionary downswing following a series of major M&A deals in the previous year. Direct overseas investment for the whole of 2017 is expected to fall below the previous year’s level because of environmental changes, including a growing tendency to reassess overseas investment strategies, and a decline in foreign currency reserves. Is this trend likely to continue in the future? In this section, we will attempt to forecast the future of China’s “Go Global” strategy based on the preceding analysis.

The first symptom of change in the future direction of investment is a decline in direct investment in the United States. After President Xi Jinping’s visit to the United States, China and the United States began to hold talks concerning the reduction of China’s surplus in trade with the United States. Under the 100-day plan announced in May 2017, China was supposed to resume imports of American beef and ease restrictions in the financial sector(45). Trade negotiations between two countries are moving forward more smoothly than initially expected, with China making concessions toward the United States, including an announcement by the Chinese Ministry of Commerce in May that China would increase imports of soybeans, raw cotton, aircraft, and integrated circuits (Ministry of Commerce [2017]). However, increased imports of beef and aircraft by China will not dramatically reduce its trade surplus with the United States. Furthermore, American industry is deeply dissatisfied with the Chinese government’s position on excessive production and the protection of intellectual property, and we need to be aware that it will be very difficult to eliminate the triggers for friction.

Chinese direct investment in the United States is likely to be curbed because the risk of heightened anger against China is acquisitions of American companies accelerate in this context. As noted earlier, there is growing alarm in the United States about Chinese investment, leading to calls for the powers of the CFIUS to be strengthened. This situation could impact on the activities of Chinese companies in the United States. A joint venture established with the aim of winning the contract to build a high-speed rail link between Los Angeles and Las Vegas was liquidated in June 2016(46), and in February 2017, the USCC raised doubts about the safety and quality of Chinese high-speed systems, stating that China’s ability to build HSR

lines overseas had yet to be fully tested, and that its experience with passenger rail at home raised questions about safety and quality standards (Michelle Ker [2017]). It would not be in China's interests to heighten the sense of alarm in the United States even more.

There are emerging signs that this change is causing China to move closer to Germany. During Premier Li Keqiang's visit to Germany in June 2017, it was announced that there would be increased collaboration between major companies from the two countries, including a plan for the Chinese Internet search giant Baidu to work with German automotive parts manufacturer Bosch on driverless vehicles. This can be seen as the result of an alignment of interests between Chinese companies, which need the help of German companies to strengthen their industrial competitiveness, and Germany companies, which are eager to use China's trade friction with the United States as an opportunity to expand their inroads into Chinese markets. China may also see a closer relationship with Germany as a way to assuage Europe's sense of unease toward China. Unlike Japan and the United States, China has no insoluble issues with Germany, and there is a strong magnetism pulling the two countries together.

A second symptom of change is a growing trend toward the avoidance of risk, specifically political risk and resource development risk. The factor that has brought these two risks the fore and heightened risk awareness in China is the situation in Venezuela, as discussed earlier in this article. Venezuela's slide from economic turmoil into political turmoil due to the oil price slump has highlighted the problems of government-led overseas expansion. China decided to provide additional loans to prop up Venezuela's Maduro administration, which inherited a pro-Chinese stance from the previous administration. Far from moving toward stability, however, Venezuela's economic turmoil has worsened. There is now a risk of debt defaults, and an increasing possibility that a change of government could result in a review of the pro-Chinese stance. China has been pushed into a situation in which it can move neither forward nor backward with policy toward Venezuela.

We have already seen how excessive borrowing from China can result in a state of paralysis known as the "China debt trap." The situation in Venezuela shows that China itself is at risk of paralysis through its role as lender. In China, this has been reflected in a growing trend toward a more reasoned assessment of country risk. The Chinese Academy of Social Sciences, which acts as the government's think tank, has published country risk ratings for Chinese overseas investment. Key countries are assessed for risk according to basic economic conditions, debt servicing capacity, social stability, political stability, and economic relations with China (Table 3). If the government intends to capitalize on past failures, it will probably reduce direct investment and construction contracting in countries with ratings of BB or lower, which are regarded as high-risk countries.

There is a strong possibility that debate over country risk will intensify in China. Many of the countries classed as "medium risk" by the Chinese Academy of Social Sciences are regarded as "high risk" outside of China. Table 3 also includes country risk rankings by Euler Hermes, a major European export insurance company. Many countries rated as medium-risk (BBB) by China have been assigned high-risk (C or D) rankings by Euler Hermes. Because China's assessments include a unique criterion: economic relations with China, ratings of countries that are friendly toward China tend to be more lenient. For example, Pakistan, Laos, and Cambodia are all ranked higher than Thailand. There is no guarantee that one of these countries will not become another Venezuela.

The third symptom is the fact that progress on the One Belt, One Road initiative is not measuring up to the expectations of the Xi Jinping administration, due to growing awareness of country risk. At the Belt and Road Summit in May 2017, China proclaimed that central government ministries, Chinese financial institutions, and regional governments were all working actively toward the realization of the One Belt, One Road concept, and that significant results were being achieved. However, there is no evidence that direct investment in countries along the One Belt, One Road is providing impetus for the "Go Out" strategy. Based on

Table 3 Country Risk (*Countries along the One Belt, One Road)

Rank	Country	Academy of Social Sciences	Euler Hermes (2016)		Rank	Country	Academy of Social Sciences	Euler Hermes (2016)	
		2016	Medium-term	Short-term			2016	Medium-term	Short-term
1	Germany	AAA	AA	1	30	Turkey*	BBB	C	3
2	New Zealand	AA	AA	1	31	South Africa	BBB	B	2
3	Australia	AA	AA	1	32	Turkmenistan*	BBB	D	4
4	United States	AA	AA	1	33	Pakistan*	BBB	D	4
5	Singapore*	AA	AA	2	34	India	BBB	B	1
6	Canada	AA	AA	1	35	Iran*	BBB	D	4
7	South Korea	AA	BB	1	36	Mongolia*	BBB	D	4
8	U.K.	AA	AA	1	37	Kenya	BBB	C	2
9	Netherlands	AA	AA	1	38	Thailand*	BBB	B	2
10	France	A	AA	1	39	Sri Lanka*	BBB	C	3
11	Japan	A	A	1	40	Vietnam*	BBB	C	3
12	UAE*	A	BB	1	41	Myanmar*	BBB	D	4
13	Israel*	A	BB	1	42	Zambia	BBB	C	3
14	Hungary*	A	B	2	43	Ethiopia	BBB	D	3
15	Italy	A	A	2	44	Tajikistan*	BB	D	4
16	Czechia*	A	BB	1	45	Uzbekistan*	BB	D	4
17	Rumania*	A	B	1	46	Nigeria	BB	D	3
18	Poland*	A	BB	1	47	Bangladesh*	BB	D	3
19	Malaysia*	A	BB	2	48	Brazil	BB	C	3
20	Saudi Arabia*	BBB	BB	1	49	Argentina	BB	C	4
21	Kazakhstan*	BBB	D	4	50	Belarus*	BB	D	4
22	Russia*	BBB	C	4	51	Kyrgyzstan*	BB	D	4
23	Cambodia*	BBB	D	3	52	Egypt*	BB	D	4
24	Indonesia*	BBB	B	2	53	South Sudan	BB	D	4
25	Bulgaria*	BBB	B	2	54	Angora	BB	D	3
26	Laos*	BBB	D	4	55	Ukraine*	B	D	4
27	Philippines*	BBB	B	2	56	Iraq*	B	D	4
28	Mexico	BBB	BB	2	57	Venezuela	B	D	4
29	Greece*	BBB	C	3					

Notes: In descending order, the ratings applied by Academy of Social Sciences are AAA, AA, A, BBB, BB, and B. AAA and AA are classed as low risk, A and BBB as medium risk, and BB and B as high risk. Euler Hermes uses six ranks: AA, A, BB, B, C, and D. Short-term risk in each category is assessed as 1-4. AA1 is the highest rating and D4 the lowest.

Source: Compiled by JRI, using International Investment Division, Institute of World Economics and Politics, Chinese Academy of Social Sciences [2017], and *Euler Hermes Country Risk Rating*, December 2016

statistics published by the Ministry of Commerce, investment in One Belt, One Road countries accounted for only 10.4% of total direct overseas investment in 2015, indicating that there had been little movement since 2012 (10.5%). The One Belt, One Road strategy is seen as a mechanism that will enable China to build a new world order, but companies are not always acting in ways that contribute to the realization of Xi Jinping's ambitions.

Country risk is generally high among One Belt, One Road countries, especially those in Central Asia. Many One Belt, One Road countries are listed in Table 3, but only 19 of the 35 countries have received ratings of C or higher from Euler Hermes. This means that 16 countries have the highest risk rating of D. Despite the importance placed on the One Belt, One Road strategy by the Xi Jinping administration, companies cannot simply move forward unless the government is prepared to back up the strategy. This gap between the ideal and the reality is also manifested in the limited lending track record of the Asian Infrastructure Investment Bank (AIIB), and in the high percentage of co-financing deals with the World Bank and the Asian Development Bank. The Xi Jinping administration has reached a difficult phase with its "Go Global" strategy. Should China

move forward with the One Belt, One Road without reference to the balance sheets of financial institutions or should it take switch to a safety first approach in order to avoid a future fiscal burden?

Conclusions—Implications for Japan

We will conclude this article by considering the implications of this new phase in China's "Go Global" strategy for Japanese infrastructure exports and Japanese policy toward China.

First, infrastructure exports will become a source of competitiveness for Japan thanks to the steady accumulation of a track record through sustained efforts based on a long-term strategy. There is a strong sense of alarm in Japan that Japan could be pushed into second place by China's emergence as an infrastructure exporter. In the case of a high-speed railway project in Indonesia, Japan was unable to match China's offer to carry out the project without seeking a government guarantee for the debt. This is because China's readiness to take full responsibility for the finance by not seeking a government guarantee constitutes a departure from the basic principle of emphasis on ownership and partnership, which is a basic principle shared by Japan, the Organization for Economic Cooperation and Development and international financial institutions, such as the World Bank.

It may seem unlikely that Japan can prevail in the face of China's willingness to offer flexible terms. However, infrastructure projects require many years to complete, and winning contracts is not the same as achieving success. There is concern about slow progress on the high-speed rail projects in Indonesia, including a delay of over one year from the commencement ceremony to the start of work(47). There also been strong criticism of China in a string of reports in the Indonesian media about problems relating to the projects, including a demand from the Chinese side for a government guarantee(48), the China Development Bank's refusal to provide loans until problems affecting the expropriation of land for the project are resolved(49), and the need to recalculate the cost of the project because Chinese companies have no experience of anti-seismic construction(50). Doubt has also been expressed about the appropriateness of the order price, which is double the cost of a high-speed rail project undertaken by China in Iran, even though the Indonesian railway is shorter(51).

Governments tend to be heavily involved in giant infrastructure projects, and an order placed with Japan is no guarantee of smooth progress. However, China's tendency to give first priority to winning contracts must be seen as one the reasons for growing distrust toward China. For example, the examination of China's proposal by the Indonesian government was delayed due to fact that China submitted the documents in Chinese(52). Japan should focus on building a track record by ensuring that future projects are completed without accidents by the promised date, and that the resulting infrastructure can be operated safely. There is demand for a wide range of infrastructure, including not only railroads, but also electric power systems, water supply systems, and telecommunications networks. The key to long-term victory is to continue working steadily, rather than alternating between happiness and gloom over short-term competition for contracts.

Second, there is now scope for involvement in the One Belt, One Road initiative and the AIIB. Japan was unenthusiastic about the One Belt, One Road initiative, which was launched to counter the Asia "rebalance" strategy adopted by President Obama. Like the United States, it has postponed participation in the AIIB, which was established to turn the One Belt, One Road initiative into reality, because of a lack of transparency about whether it would be possible to ensure fair governance.

However, a variety of problems, including those described in this article, are impacting the One Belt, One Road initiative, and it is becoming increasingly clear that the ideal of harmonious coexistence with One Belt, One Road countries will not be easy to achieve.

There is a growing tendency in China to focus on country risk and set ceilings for lending to specific countries. This suggests that China itself is becoming aware that there is a limit to its capacity to drive development in One Belt, One Road

countries singlehandedly. The willingness of the AIIB to engage in co-financing with the World Bank and the ADB reflects a seriousness of the AIIB's situation. Unless it can ease the caution with which it is viewed and adopt international standards for loan screening and other processes, the AIIB will be unable to achieve efficiency and stability in its operations. If we assume that the One Belt, One Road strategy and the AIIB are fated not to challenge the existing order, but rather to restore it, the most promising option may be to take an active role and change the concept into something that will contribute to shared interests with the other country involved.

Appendix Chinese Rail Projects around the World

No.	Project (sector)	Country	Distance (km)	Date	Status	Chinese Companies Involved	Total amount ($billions)	Chinese finance	Current Status (as of April 2017)
1	Padma Bridge connection line	Bangladesh	215	5/2016	Contract (no bids)	China Railway Group Limited (CREC)	4.47	$3.1B	N.A.
2	Preah Vihear-Koh Kong railroad	Cambodia	400	12/2012	Memorandum signed	China Railway Group Limited (CREC)	9.6	N.A.	No significant progress toward start of work due to shortage of funds
3	Hungary-Serbia high-speed railroad	Hungary	350	11/2013	Memorandum signed, contract signed (11/2015)	China-Hungary consortium (China Railway Group, China Railway International Group)	1.6	85% loan	European Commission investigating whether the project breaks EU laws
		Serbia				China Civil Engineering Construction Corporation (CCECC)	N.A.	(European Bank for Reconstruction and Development)	Started in 3/2017
4	Jakarta-Bandong high-speed railroad	Indonesia	142.3	10/2015	Contract signed (to be completed in 2019)	China-Indonesia consortium (China Railway Construction Corp)	5.5	75% from China Development Bank	Contract signed in 4/2017, work partially started a year after the commencement ceremony, but opening in 2019 unlikely
5	Electrification of Tehran-Mashhad railroad	Iran	926	6/2014	Contract signed	China Machinery Industry Construction Group Inc., SEMCO Corporation	2.0	85% from Export-Import Bank of China	N.A.
6	Kunming-Vientiane railroad	Laos	418	11/2015	Memorandum signed (to be completed in 2020)	China Railway Corporation (CR)	6.27	70% finance	Started at the end of 2016
7	Electrification of Gemas-Johor railroad	Malaysia	197	12/2015	Contract signed (work started end of 2016, to be completed in 2020)	China Railway Construction Corp (CRCC), China Railway Engineering Corp (CREC), China Communications Construction Corp (CCCC)	2.0	N.A.	N.A.
8	East coast railroad	Malaysia	620	11/2016	Contract signed (to be completed in 2020)	China Communications Construction Corp (CCCC)	13.1	Loan from Export-Import Bank of China (amount not disclosed)	Expected to start in 7/2017
9	Restoration of Kolasin-Kos railroad	Montenegro	9.86	10/2015	Contract signed	China Civil Engineering Construction Corp (CCECC)	0.0065	(European Bank for Reconstruction and Development)	N.A.
10	Improvement of railroads in Pakistan	Pakistan	1,687	10/2015	Memorandum signed	China Communications Construction Corp (CCCC), China Railway Construction Corp (CRCC), China Railway Engineering Corp (CREC), and others	10.0	85% from Export-Import Bank of China	N.A.
11	Moscow-Beijing high-speed railroad	Russia	7,000	10/2014	Memorandum signed	N.A.	242.0	N.A.	N.A.
	Moscow-Kazan segment of the above		770	6/2015	Contract signed	China Railway Eryuan Engineering Group Company Limited	17.08	N.A.	Investment intentions also announced by Siemens (Germany)
12	Matara-Kataragama railroad	Sri Lanka	115	2006	Memorandum signed	China National Machinery Import & Export Corporation (CNMIEC)	0.37	$280M from Export-Import Bank of China	To be completed by the end of 2017
13	Bangkok-Nakhon Ratchasimahigh-speed railroad	Thailand	250	12/2014	Memorandum signed	China Railway Group Limited (CREC)	5.0	(Entire cost to be paid by Thailand)	Bidding scheduled for July-August 2017
14	Ankara-Istanbul high-speed railroad	Turkey	533	2005	Tender	China-Turkey consortium (China Railway Corp, China National Machinery Import & Export Corporation (CNMIEC)	4.1	$750M loan	Opened in July 2014
15	Jakarta-Bandong high-speed railroad	Indonesia	140	9/2015	Government decision to place order with China	China-Indonesia consortium (China Railway Group Limited (CREC))	5.0	75% from China Development Bank	

Source: Compiled by JRI using Ker [2017] and media reports

End Notes

1. Infrastructure System Export Strategy (FY2016 revision), May 23, 2016, on the Prime Minister's Official Residence website (http://www.kantei.go.jp/jp/singi/keikyou/dai24/siryou2.pdf)

2. *Likeqiang zhuchi dan kai guowuyuan changwu hui bushu jiakuai zhongguo zhuangbei zou chuqu* [An executive meeting of the State Council presided over by Premier Li Keqiang called accelerated efforts to speed up the development of overseas markets for Chinese equipment.] (http://news.xinhuanet.com/politics/2015-01/28/c_1114169290.htm)

3. Japan has also achieved success in exporting conventional rail infrastructure, including the construction of an urban rail system in Ho Chi Minh City, Vietnam. However, these projects were implemented as part of Japan's Official Development Assistance (ODA) programs, rather than from the perspective of infrastructure exporting as one of Japan's growth strategies. For this reason, they are not counted as rail infrastructure exports. Moreover, there is little difference between Japan's record in this area and that of China. Data on Japan's involvement in rail infrastructure development as part of ODA programs can be found in Ministry of Land, Infrastructure and Transport, *Kokudo kotsu (kotsu) bunya no oda jisseki* [Japan's ODA Record in the area of National Development (Transportation) (http://www.mlit.go.jp/sogoseisaku/kotsu/oda/jisseki/index.html)

4. China's nuclear exports may struggle to find a market. Chinadialogue, 15 October, 2016 (https://www.chinadialogue.net/article/show/single/en/8911-China-s-nuclear-exports-may-struggle-to-find-a-market)

5. *Minyi zhongguo:86.7% shou fangzhe zhichi woguo gaotiei kaita haiwai shichang* [Public opinion poll in China: 86.7% of participants support the development of overseas markets for Chinese high-speed rail], January 8, 2014 (http://diaocha.cyol.com/content/2014-01/08/content_9545151.htm)

6. China aiming to promote three strategic high-speed rail lines in Europe, Central Asia, and Pan Asia regions] (http://news.ifeng.com/mainland/special/likeqiangshanghe/content-3/detail_2013_12/02/31710375_0_shtml)

7. *Renmin ribao:"Yidai yilu", zhongguo meng yu shijie meng de jiaohui qiaoliang* [People's Daily: One Belt, One Road the bridge between the Chinese dream and the world dream], People's Daily, December 24, 2014, (http://opinion.people.com.cn/n/2014/1224/c1003-26263405.html)

8. *Baogao zhi zhongguo qiye dui waitouzi jinru "huangjin qi"* [Report: "Golden age" for overseas investment by Chinese companies], Chinanews.com, November 23, 2016 (http://www.chinanews.com/cj/2016/11-23/8072671.shtml)

9. *"Shiyiwu" qijian zhongguo qiye haiwai kuangye shougou shibai lu chao 95%* [95% failure rate for acquisition of overseas mining interests by Chinese companies during the 11th five-year plan], CNR Finance, June 3, 2014 (http://finance.cnr.cn/txcj/201406/t20140603_515611591.shtml)

10. *Haiwai binggou shibai lu 90%, ruhe chengwei jin cun de 10%?* [Why is there a 90% failure rate for overseas M&A, and why do only 10% survive?], Sohu.com, May 5, 2017 (http://www.sohu.com/a/138293062_370822)

11. *M&A keiken kigyo ni miru M&A jittai-chosa (2013-Nen)* [A survey of the M&A situation based on companies with M&A experience], Deloitte Tohmatsu Consulting (https://www2.deloitte.com/content/dam/Deloitte/jp/Documents/about-deloitte/news-releases/jp-nr-nr2013100B-2.pdf)

12. For example: *Chugoku no Suisu kigyou baishu—Suisu-sei to chugoku-sei wo gappei suru muzukashisa* [Acquisition of Swiss companies by China—the difficulty of merging Swiss-made with Chinese-made], Swissinfo.ch, March 21, 2016 (https://www.swissinfo.ch/jpn/business/42032366)

13. Construction contracting means that Chinese companies handle the construction of roads and other infrastructure. In low-income countries, construction contracting is sometimes undertaken as a form of economic cooperation, but more often such work is done in exchange for the acquisition of resource rights, and the costs are offset by exporting resources to China.

14. *Mei mei: Menggu kuangye jujue zhongguo touzi shi zhanlue cuowu* [US media: Mongolian rejection of Chinese investment in mining a strategic mistake], People.com, September 10, 2012 (http://finance.people.com.cn/n/2012/0910/c70846-18965958.html)

15. S*ino Tron Pilbara project will deliver, Citic Pacific boss says*, ABC, June 13, 2016, (http://www abc.net.au/news/2016-06-13/citic-boss-defends-white-elephant-project-claims/7506784)

16. *Citic to take writedown of up to $1bn on Australian mine*, Financial Times, February 16, 2017, (https://www.ft.com/content/6373fc76-f389-11e6-95ee-f14e55513608)

17. *China's Citic plans $lbn write-down on Aussie mine*, Nikkei Asian Review, February 16, 2017, (https://asia.nikkei.com/Business/AC/China-s-Citic-plans-1bn-write-down-on-Aussie-mine)

18. *Zhongguo kuangye zai miandian* [Chinese Mining in Myanmar], Phoenix News Media, December 23, 2014, (http://news.ifeng.com/a/20141223/42779789_0.shtml)

19. *Chugoku shusshi no hatsudensho keikaku de bodo, keisatsu happo de 4-nin shibo banguradeshu* [Riot at Chinese-funded power plant in Bangladesh, four people shot dead by police], AFP, April 5, 2016 (http://www.afpbb.com/articles/-/3082961)

20. "Sri Lankans protest against Chinese investment", Economist, Jan 12, 2017, (http://www.economist.com/news/asia/21714374-its-one-way-pay-debts-china-sri-lankans-protest-against-chinese-investment)

21. *Sogo shosha, shigen tanomi magarikado 5-sha genson 1 cho-en* [Turning point for general trading companies' reliance on resources—impairment losses totaling ¥1 trillion in five companies' financial results], Nihon Keizai Shinbun, March 25, 2016, (http://www.nikkei.com/article/DGXLASGD24H58_U6A320C1EA2000/)

22. *Betonamu no koro sogyo JFE sankaku, haieki mondai de okure* [JFE investment in Vietnam blast furnace—start-up delayed by waste liquid problem], Nihon Keizai Shinbun, May 30, 2017 (http://www.nikkei.com/article/DGXLZO17097990Q7A530C1FFE000/)

23. *EU sets collision course with China over 'Silk Road' rail project*, Financial Times, Feb 19, 2017, (https://www.ft.com/content/003bad14-f52f-11e6-95ee-f14e55513608)

24. *Yidai yilu gong xiang shengju zhi oumeng diaocha xiong sai tielu de qishi* [EU announces investigation of the mutual benefits of Hungary-Serbia Railroad], Jingji.com, May 2, 2017 (http://www.jingji.com.cn/ebook/paper.asp?Aid=69018&Fid=348)

25. *Understanding Europe's Interest in China's Belt and Road Initiative*, Carnegie Endowment for International Peace, May 10, 2017 (http://carnegieendowment.org/2017/05/10/understanding-europe-s-interest-in-%20china-s-belt-and-road-initiative-pub-69920)

26. *Sri Lanka: A country trapped in debt*, BBC, May 26, 2017 (http://www.bbc.com/news/business-40044113)

27. *Cambodia, Sri Lanka and the China debt trap*, East Asia Forum, March 18, 2017, East Asia Forum (http://www.eastasiaforum.org/2017/03/18/cambodia-sri-lanka-and-the-china- debt-trap/)

28. *Thai-China rail project 'will continue'*, The Strait Times, April 6, 2016, (http://www.straitstimes.com/asia/se-asia/thai-china-rail-project-will-continue), "Thai railway project offers cautionary tale", China Daily, April 5, 2016, (http://europe.chinadaily.com.cn/opinion/2016-04/05/content_24276910.htm)

29. *Zhongguo you 2 wan duo jia qiye zai haiwai touzi 90% yishang kuisun* [Over 20,000 Chinese companies engaged in overseas investment, over 90% making losses], Xinhuanet.com, February 9, 2015 (http://news.xinhuanet.com/finance/2015-02/09/c_l27473411.htm)

30. *Zhongshihua |haiwai xiangmu ju kui 25 yi, duo minggaoguan bei cha!* [Sinopec—Massive 2.5 billion loss on overseas project—Many executives under investigation!], Oil.in-en.com, September 15, 2016 (http://oil.in-en.com/html/oil-2544806.shtml)

31. This also applies to Japan. For example, according to *Outline of the 46th Survey on Overseas Business Activities* by the Ministry of Economy, Trade and Industry, the contribution of overseas operations to the total operating income of Japanese companies with overseas subsidiaries is not especially high at 25.3% in fiscal 2015. This is because the survey covered 7,171 companies (excluding the finance, insurance, and real estate industries).

32. Resource development companies include companies that have mining and extraction as their main activities. The 2010 figure is the total for (1) Sinopec, (2) PetroChina, (3) CITIC Group, (4) China National Offshore Oil Corporation, (5) Sinochem, (6) Chinalco, (7) China Minmetals, (8) Metallurgical Corporation of China, (9) Yankuang Group, (10) China Nonferrous Mining Corporation, (11) China National Gold Group Corporation, (12) Zijin Mining (13) Shaanxi Non-ferrous Metals Holding Group, and (14) Jizhong Energy Group. The 2015 figure is the total for (1) through (12) above, plus (13) Jinchuan Group, (14) Guangdong GPNU Asset Management, (15) Tongling Nonferrous Metal Holdings, (16) Baiyin Nonferrous Group, (17) Shaanxi Coal and Chemical Industry Group, and (18) Shenzhen Jinling South Nonferrous Metals.

33. China Development Bank, *China Development Bank Annual Report 2015* (http://www.cdb.com.cn/gykh/ndbg_jx/2015/)

34. *Jin chukou yinhang buliang daikuan lu jiang zhi 1.8%* [Export-Import Bank of China’s NPL Ratio at 1.8%], Xinhuanet, August 4, 2008 (http://news.xinhuanet.com/fortune/2008-08/04/content_8945116.htm)

35. *“China is cutting off cash to Venezuela”*, CNN, September 30, 2016 (http://money.cnn.com/2016/09/30/news/economy/china-venezuela-finance/index.html)

36. World Bank, *Global Economic Prospects* (http://www. worldbank.org/en/publication/global-economic-prospects#data), accessed June 13, 2017

37. *“China strengthens ties to cash-strapped Venezuela with $5 billion loan”*, Washington Post, September 3, 2015 (https://www.washingtonpost.com/news/worldviews/wp/2015/09/03/china-strengthens-ties-to-cash-strapped-venezuela-with-5-billion-loan/?utm_term=.b2ae1472703b)

38. World Bank, *Global Economic Prospects* (http://www.worldbank.org/en/publication/global-economic-prospects#data), accessed June 13, 2017

39. *Venezuela 2016 inflation hits 800 percent, GDP shrinks 19 percent: document*, Reuters, January 20, 2017 (http://www.reuters.com/article/us-venezuela-economy-idUSKBN154244)

40. *Zhongguo yinjianhui guanyu guifan yinhangye fuwu qiye zou chuqu jiaqiang fengxian fang kong de zhidao yijian yin jian fa [2017] No. 1* [China Banking Regulatory Commission calls for stronger risk prevention and control by banking companies under the “Go Global” strategy], China Banking Regulatory Commission, January 25, 2017 (http://www.cbrc.gov.cn/chinese/home/docDOC_ReadView/E2D221D7C7BB463A85D8D3F8059947AE.html)

41. *Behind China's Silk Road vision: cheap funds, heavy debt, growing risk*, Reuters, May 15, 2017 (http://www.reuters.com/article/us-china-silkroad-finance-idUSKCN18B0YS)

42. *Jiejue yidai yilu qian de wenti Zhou Xiaochuan tichu ba fangmian neirong tigong zhichi* [Zhou Xiaochuan offers eight ways to support the solution of One Belt One Road problems], Finance.eastmoney.com, May 10, 2017 (http://finance.eastmoney.com/news/1344,20170510736800421.html)

43. *Zhong qi haiwai binggou weihe rezhong zuqiu julebu* [Why are Chinese companies eager to buy overseas soccer clubs?], Finance.eastmoney.com, March 24, 2017 (http://finance.eastmoney.com/news/1355,20170324723403735.html)

44. *Waihu ju zhichi "yidai yilu" fuwu zhengce: Yindao wai chu guquan touzi jigou shichang hua fu (2)* [SAFE to support the One Belt One Road policy by providing market guidance for foreign equity investment institutions], Southmoney.com, May 13, 2017 (http://www.southmoney.com/touzilicai/waihu/201705/1289292_2.html)

45. *JOINT RELEASE: Initial Results of the 100-Day Action Plan of the U.S. - China Comprehensive Economic Dialogue*, 11 May 2017, Department of Commerce (https://www.commerce.gov/news/press-releases/2017/05/joint-release-initial-results-100-day-action-plan-us-china-comprehensive)

46. *China will not build L.A.-to-Vegas rail line — U.S. company calls the deal off*, 8 June 2016, Los Angeles Times (http://www.latimes.com/world/asia/la-fg-xpresswest-rail-line-20160608-snap-story.html)

47. *Indonesian rail project kicks off*, 6 Apr 2017, China Daily (http://www.chinadaily.com.cn/ business/2017-04/06/content_28810172.htm)

48. *Minister Rini upbeat over high-speed rail project*, February 1, 2016, The Jakarta Post (http://www.thejakartapost.com/news/2016/02/01/minister-rini-upbeat-over-high-speed-rail-project.html)

49. *Not yet funds for high speed train project: Minister*, May 30, 2017, The Jakarta Post (http://www.thejakartapost.com/news/2017/05/30/not-yet-funds-for-high-speed-train-project-minister.html)

50. *Indonesia to recalculate high-speed railway investment*, June 22, 2017, The Jakarta Post (http://www.thejakartapost.com/news/2017/04/12/indonesia-to-recalculate-high-speed-railway-investment.html)

51. *Chinese Fast Train Project in Limbo as Indonesia Insists: No Guarantee*, January 30, 2016, Jakarta Globe (http://jakartaglobe.id/business/chinese-fast-train-project-limbo-indonesia-insists-no-guarantee/)

52. *Chugoku-sei kosoku tetsudo, an'un Indoneshia ni kensetsu, yochi baishu teitai · shikin-nan* [Dark Cloud over Chinese High-Speed Rail Project in Indonesia—Land Acquisition Bogged Down, Financing Problems], September 26, 2016, Mainichi Shinbun (https://mainichi.jp/articles/20160926/ddm/003/030/070000c)

References

(Japanese)

1. Japan Petroleum Energy Center [2014], *Hokubei e no honkaku shinshutsu o kaishi shita chugoku sekiyu kaku-sha* [Chinese Oil Companies Starting to Expand in North America in Earnest], in 19th JPEC Report (http://www.pecj.or.jp/japanese/minireport/pdf/H26_2014/2014-019.pdf)

2. Ministry of Economy, Trade and Industry [2016], *Dai-46-kai kaigai jigyo katsudo kihon chosa gaiyo* [Outline of the 46th Survey on Overseas Business Activities] (http://www.meti.go.jp/statistics/tyo/kaigaizi/result/result_46/pdf/h2c46kaku1.pdf)

3. Japan Machinery Center for Trade and Investment [2016], *Chugoku puranto kigyo no afurika-to tojokoku infura juchu senryaku oyobi Chūgoku seifu-to no kigyo shien seido no jittai chosa hokoku-sho* [Report on a Survey of the Infrastructure Contracting Strategies of Chinese Plant Manufacturers in Developing Countries in Africa, etc., and Support Systems Provided by the Chinese Government, etc.], March 2016

4. Miura, Y. [2017], *Chugoku zonbi kigyo no ichiba taishutsu wa susumu ka—Shukinpei seiken o machiukeru shiren* [Will Chinese "Zombie Companies Move out of the Market—A Trial Ahead for the Xi Jinping Administration], in *JRI Review*, 2017 Vol. 4, No. 43 (https://www.jri.co.jp/MediaLibrary/file/report/jrireview/pdf/9808.pdf)

(English)

5. ADB [2017], *Meeting Asia's Infrastructure Needs* (https:// www.adb.org/sites/default/files/publication/227496/special-report-infrastructure.pdf)

6. Bhattacharyay, B. [2010], *Estimating Demand for Infrastructure in Energy, Transport, Telecommunications, Water and Sanitation in Asia and the Pacific:2010-2020, ADBI Working Paper Series No. 248* (https://www.adb.org/sites/default/files/publication/156103/adbi-wp248.pdf)

7. CFIUS [2015], *Annual Report to Congress 2014* (https://www.treasury.gov/resource-center/international/foreign-investment/Documents/Annual%20Report%20to%20Congress%20for%20CY2014.pdf)

8. McKinsey & Company [2016], *Bridging Global Infrastructure Gaps* (http://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/bridging-global-infrastructure-gaps)

9. Ker, M. [2017], *China's High-Speed Rail Diplomacy*, U.S.-China Economic and Security Review Commission (USCC) (https://www.uscc.gov/sites/default/files/Research/China%27s%20High%20Speed%20Rail%20Diplomacy.pdf)

10. USCC [2016], USCC 2016 Annual Report (https://www.uscc.gov/sites/default/files/annual_reports/2016%20Annual%20Report%20to%20Congress.pdf)

11. UNCTAD [2009], *World Investment Report 2009: Transnational Corporations, Agricultural Production and Development* (http://unctad.org/en/docs/wir2009_en.pdf)

12. ——— [2016], *World Investment report 2016: Investor Nationality: Policy* Challenges (http://unctad.org/en/PublicationsLibrary/wir2016_en.pdf)

13. ——— [2017], *World Investment report 2017: Investment and the Digital Economy* (http://unctad.org/en/PublicationsLibrary/wir2017_en.pdf)

14. World Bank [2016], *The World Bank Annual Report 2016* (https://openknowledge.worldbank.org/handle/10986/5999)

(Chinese)

15. Chen Xi [2015], *Zhongguo qiye haiwai touzi de "lanluhu" yi touguo shibai anli kan feng xian* [Overseas investment by Chinese companies failing due to their inability to read risk], in China International Contractors Association, *Guoji gongcheng yu laowu* [International Engineering Service Business, 2015 (12): 25-30

16. Research Center of the State-owned Assets Supervision and Administration Commission of the State Council, Chinese Academy of International Trade and Economic Cooperation, United Nations Development Programme China [2016], 2015 *Zhongguo qiye haiwai ke chixu fazhan baogao* [2015 Report on the Sustainable Development of Chinese Enterprises Overseas] (http://www.cn.undp.org/content/china/en/home/library/south-south-cooperation/2017-report-on-the-sustainable-development-of-chinese-enterprise.html)

17. Ministry of Commerce [2017], *Guanyu zhong mei jingmao guanxi de yanjiu baogao* [Report on Sino-US Economic and Trade Relations] (http://images.mofcom.gov.cn/www/201705/20170525145411175.pdf)

18. Sun Renjin [2007], *Xin xingshi xia shiyou qiye "zou chūqu de zhanlue xuanze* [New situation for oil companies—Choosing the Go Global Strategy], Ministry of Commerce International Trade and Economic Cooperation Institute, *Guoji jingji hezuo* [International Economic Cooperation], 2009 No. 7

19. Yu Jia [2017], *"Yidai yilu" zhanlue xia guagyu dui wai zhijie touzi he yangqi "zou chūqu" de tanxi* [An analysis of overseas direct investment by and the Go Global strategy for Chinese companies under the One Belt One Road Strategy], in China Rural Finance Society, *Nongcūn jinrong yanjiū* [Rural finance research], March 2017

20. Center for China and Globalization [2017], *"Yidai yilu" de guoji hezuo gong ying fang'an ji shixian lujing* [Paths to win-win cooperation under the One Belt One Road strategy] (http://www.ccg.org.cn/dianzizazhi/yidaiyilu.pdf)

21. Institute of World Economy and Politics, Academy of Social Sciences [2017], *Dui wai touzi yu fengxian lanpi shu: Zhongguo dui wai zhijie touzi yu guojia fengxian baogao (2017)* [Foreign investment and risk blue book: Report on Chinese direct investment and country risk (2017)], Social Sciences Academic Press

22. International Investment Division, Institute of World Economy and Politics, Academy of Social Sciences [2017], *Zhongguo haiwai touzi guojia fengxian pingji* [Country risk rating of overseas investment from China (2017)], Working Paper No.201701 (http://www.iwep.org.cn/xscg/xscg_lwybg/201701/W020170119382503152689.pdf)

Disclaimer:
This report is intended sorely for informational purposes and should not be interpreted as an inducement to trade in any way. All information in this report is provided "as is", with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of this information, and without warranty of any kind, express or implied, including, but not limited to warranties of performance, merchantability and fitness for a particular purpose. In no event will JRI, its officers or employees be liable to you or anyone else for any decision made or action taken in reliance on the information in this report or for any damages, even if we are advised of the possibility of such damages. JRI reserves the right to suspend operation of, or change the contents of, the report at any time without prior notification. JRI is not obliged to alter or update the information in the report, including without limitation any projection or other forward looking statement contained therein.