

Analysis of Investment Strategy and Practice in the Construction of China's Belt and Road Initiative

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Abstract. The current study offers a thorough study of investment strategies and practices under the BRI (Belt and Road Initiative) to promote international economic cooperation and development and China announced BRI in 2013. The study delves into the financial strategies employed by China, such as governmental loans, commercial financing, and the creation of specialized funds to support infrastructure projects across participating countries. It also examines how China has tight ties with the Asian Infrastructure Investment Bank (AIIB) and other global financial institutions, to leverage technical and financial support. Key focus areas include the optimization of investment layouts, innovation in financing models, and the creation of mechanisms for risk management to ensure a guaranteed sustainability of investments for long term. This research emphasizes the importance of balancing long-term strategic goals with short-term economic benefits, particularly when investing in large-scale infrastructure projects that require significant capital and extended timelines for returns. Furthermore, the study investigates the role of sustainable development and the necessity of building cooperative models that foster mutual growth, with the aim of contributing to the shared prosperity of China and its partner nations along the Belt and Road.

Keywords: Belt and Road Initiative (BRI), Investment strategies, Infrastructure projects, Risk management, Sustainable cooperation models.

1. Introduction

The background of the initiative can be traced back to several key factors in the process of globalization. First, new growth points are needed to accelerate the global economic recovery due to the world economy's slow development following the global financial crisis. Second, the BRI now has a solid financial support system because to the creation of international financial organizations like the Asian Infrastructure Investment Bank (AIIB). Third, as its economic strength grows, China hopes to exert greater value in the global governance structure and seeks to create a global economy that is open together with other countries.

The primary goal of the BRI is to encourage the economic integration of the countries along the routes. It aims to enhance inter-regional trade and investment facilitation by building infrastructure networks, including railways, roads, ports and communication facilities. In addition to supporting the social and economic advancement of the nations along the routes, the effort will be crucial for the best possible distribution of resources worldwide. The BRI also emphasizes the importance of cultural exchanges and human interactions in fostering a more peaceful world order.

As China advances the Belt and Road project, the investment approach chosen is essential. The Chinese government has adopted diversified financing methods, including inter-governmental loans, commercial bank loans and the creation of special funds to aid in the execution of projects connected to the BRI. China has simultaneously prioritized collaboration with global financial organizations, like the Asian Infrastructure Investment Bank, which has received extensive support in terms of capital and technology. The time factor is equally important in the Belt and Road construction. The planning and execution of projects should consider the long-term development vision, but also focus on the short-term benefits to ensure the feasibility of the project. As infrastructure construction usually involves large investments and long payback cycles, how to balance long-term strategic goals with short-term economic benefits has become the key to the success of Belt and Road projects.

Thus, one of the main purposes of this essay is to examine China's investment and practical strategies for making the Belt and Road. This paper's first section will examine China's particular

investment tactics within BRI context. This paper will analyze how China can effectively use resources, both domestic and foreign, to promote Belt and Road infrastructure construction from multiple dimensions such as funding sources, project selection criteria and risk management mechanisms. The invention of cooperation models between China and the nations along the Belt and Road will also be examined in this article, and the impact of these models on the realization of the concept of co-construction, sharing and win-win.

In addition, this paper will focus on the impact of time factors on the Belt and Road projects. On the one hand, this paper will explore how to adjust time planning to deal with many uncertain challenges in the rapidly changing international environment. On the other hand, this paper will explore how to build sustainable cooperation models with a long-term perspective to ensure that projects benefit participants and promote common development.

It is intended that this report will give China and other participating nations useful reference material to help the BRI produce better outcomes.

2. An Analysis of Investment Strategies in the Construction of China's "One Belt, One Road"

2.1. Investment Strategy Framework

The outward direct investment of China, in short, refers to Chinese mainland enterprises, groups and other domestic investors (collectively referred to as), including but not limited to cash, physical assets and intangible assets and other forms of investment in foreign countries and Hong Kong, Macao, Taiwan region. The core purpose of these investments is to acquire and control the operation and management rights of overseas enterprises, to promote and realize the acquisition of lasting benefits in transnational economic activities. Its connotation is deeply reflected in that one economy directly injects capital and resources into another economy to build long-term economic ties and interest bonds, aiming at promoting the common development and prosperity of both or more economic parties [1].

China's investment strategy for the project follows the principles of extensive consultation, joint contribution, and shared benefits, with a focus on policy communication, infrastructure connectivity, unrestricted trade, financial integration, and people-to-people exchanges with countries along the Belt and Road. The strategy framework aims to promote regional economic integration by strengthening international cooperation. It embodies the ideas of win-win outcomes, mutual gain, inclusivity, and openness. The investment policy of China centers on the following areas for practical implementation. First, it needs to optimize investment distribution. China will focus its investment on projects that will help improve regional connectivity and promote economic development. Second, it needs to innovate investment methods. China has attracted more private capital to participate in the BRI through a government-guided, enterprise-dominated and market-based approach [2,3]. Third, people should strengthen risk management. To guarantee the safe and sound functioning of investments, people need set up and enhance risk prevention and control systems.

2.2. Analysis of Investment Strategies in Different Industries

2.2.1. Infrastructure investment

One important element of the BRI is infrastructure investment. The following elements primarily represent China's investment strategy in this area.

(1). Infrastructure construction in key areas

Enhancing the infrastructure of nations along the Belt and Road, increasing infrastructure investment in vital sectors like energy, communications, and transportation, and providing a strong material basis for their economic growth are the main goals of infrastructure construction in these areas [4]. For instance, regional logistics conditions will be enhanced to lower transportation costs by funding transportation infrastructure including roads, railroads, and ports. The ability of the nations

along the Belt and Road to ensure energy security should be improved by investments in power, oil and gas, and other energy projects. In addition to fostering the growth of regional economies, the establishment of such infrastructure can facilitate commerce between China and the nations that border it.

(2). Green infrastructure construction

When making investment decisions, countries along the belt and road must encourage the construction of green buildings and give careful thought to the projects' positive effects on the environment and society, green transportation and other fields. China proposed the idea of the "Green Silk Road" in 2016 with the intention of advancing sustainable development and aiding in the worldwide shift to green growth. By adopting low-carbon technologies and environmentally friendly materials, China will ensure that the impact of infrastructure development on the environment is minimized.

(3). Boost cooperation with international financial institutions

China has aggressively pursued cooperation with international financial organizations such as the Asian Development Bank and the World Bank to satisfy the enormous capital need for infrastructure projects to jointly raise funds to support infrastructure construction [3]. By introducing more international capital and expanding funding sources, in addition to relieving a nation's financial burden, China can raise project management standards and openness.

2.2.2. Industrial investment

Industrial investment is one of the BRI's key areas. The following points mostly reflect China's investment policy in this area.

(1). Give play to the guiding role of industrial funds

By establishing industrial investment funds, people will incentivize private money to engage in strategic growing industries including luxury manufacturing, new energy, and new materials. The establishment of industrial funds will help attract more social capital to participate in these strategic industries, thus promoting industrial upgrading and transformation and making the Chinese economy more competitive [3].

(2). Strengthen industrial collaboration with Belt and Road nations

By enhancing agricultural cooperation with nations along the Belt and Road, manufacturing and other fields, it shall exchange resources and leverage each other's strengths. China can help countries along the Belt and Road enhance their economic growth and cultivate positive connections between the industrial chain's upstream and downstream sectors by leveraging its technology and management expertise [5]. Such cooperation will not only help raise the added value of local industries, but also help Chinese companies expand in the international market.

(3). Improve the service system for overseas investment

To ensure the safety of overseas investment, the Chinese government must set up and enhance the risk assessment and mitigation system for foreign investments and provide policy support and service guarantee for enterprises [3]. By improving relevant laws and regulations and establishing an effective risk early warning system, enterprises can be helped to identify and deal with various investment risks and ensure the smooth implementation of investment projects.

To sum up, China's Belt and Road investment strategy is a methodical and intricate undertaking that calls for the cooperation of businesses, the government, and all facets of society. Through measures such as optimizing investment layout, innovating investment methods and strengthening risk management, it is possible to further advance the Belt and Road construction's in-depth growth and accomplish the win-win objective for China and the nations that border it [3, 4].

3. Analysis of Investment Practice in China's "Belt and Road" construction

3.1. Singapore

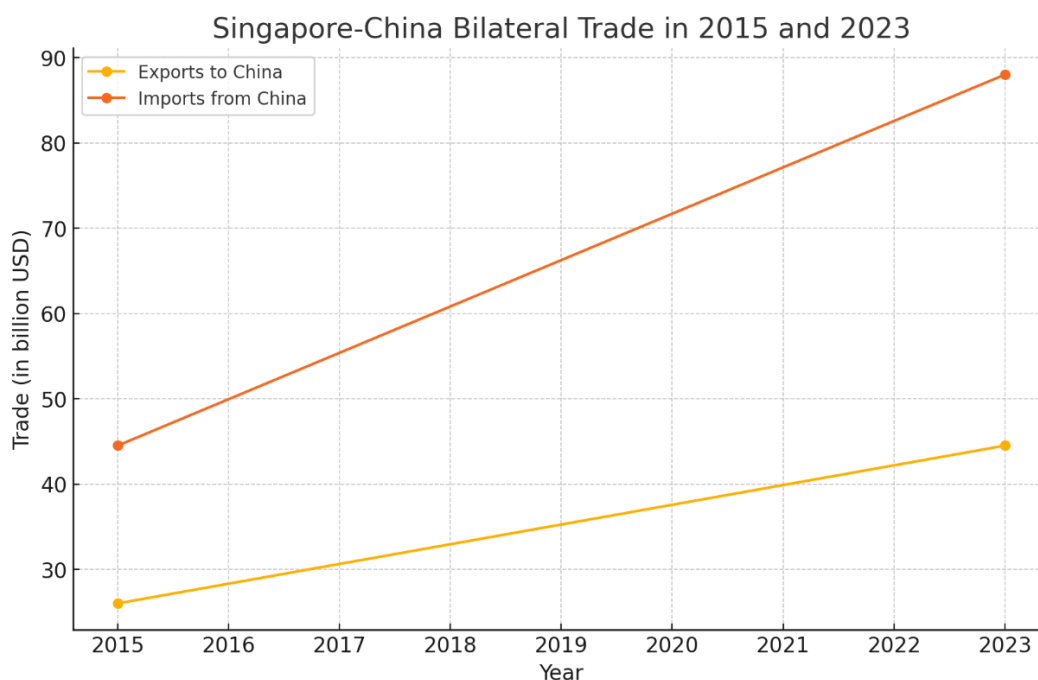


Figure 1. Singapore's exports to and imports from China in 2015 and 2023.

Singapore represents technology and capital cooperation in the high-end value chain of the Belt and Road in which China participates. The BRI places Singapore at top position of the global value chain production hierarchy. Figure 1 illustrates that Singapore's overall bilateral trade reached US \$70.53 billion in 2015, with US \$26.01 billion in exports to China and US \$44.51 billion in imports from China (See Figure 1). By 2023, Singapore's trade with China continued to grow, with total bilateral trade expanding from US \$70.53 billion to about US \$88 billion, as shown in Figure 1. This growth reflects the continued strengthening of these two nations' economic cooperation and the high-quality and high-level development on a certain economic basis. Additionally, Singapore has been successful in luring a sizable Chinese investment in sophisticated and advanced technology. According to the National Bureau of Statistics, over \$5 billion has been invested by Chinese enterprises in technology innovation centers and data centers in Singapore. These investments have helped Singapore climb further up the global value chain production index. In the context of high-tech cooperation, Singapore has become China's most important strategic partner for technological innovation and strategic cooperation in Southeast Asia [4]. China's strategic intention in high-end technology and Singapore shows that by working with Singapore along the Belt and Road, China seeks to improve the production position of the global value chain [4].

3.2. Egypt

China's investment in Egypt is concentrated on foreign infrastructure support. Egypt has evolved as a key African infrastructure building partner of China under the BRI. According to the National Bureau of Statistics, Egypt's bilateral commerce with China in 2015 totaled \$2.1 billion, with \$1.26 billion in exports and \$840 million in imports (See Figure 2). And Egypt's trade with China will grow to about \$2.6 billion by 2023. With the promotion of the Belt and Road project, China's infrastructure investment in Egypt has increased, and the National Bureau of Statistics' official website makes it abundantly evident that the transportation industry is a beneficiary of these significant investments. As per the National Bureau of Statistics initiative, China has contributed almost \$3 billion to the building of Egypt's new administrative capital, as shown in 2. Additionally, Egypt has drawn more

than 100 domestic Chinese businesses under the BRI. These infrastructure investments have boosted Egypt's future economic potential.

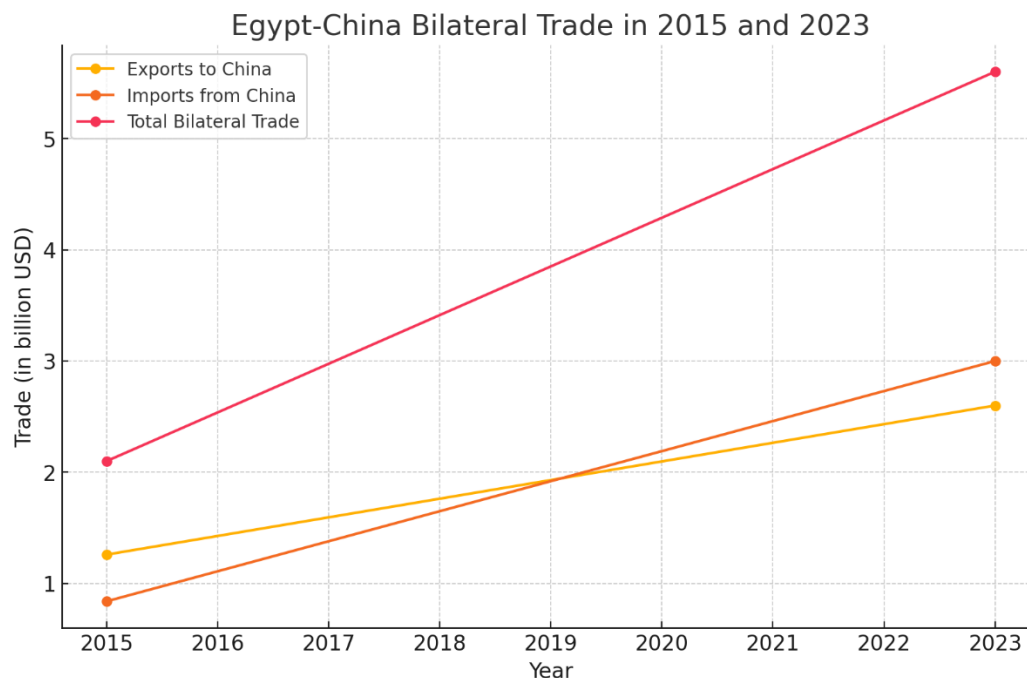


Figure 2. The rise in Egypt's exports to China, China's imports, and the overall amount of bilateral trade that has occurred between the two nations over the years.

3.3. Iran in the Middle East

The collaboration of BRI with Iran is centered on energy cooperation. An essential component of China's geopolitical strategy is energy cooperation. Iran, a significant Middle Eastern energy exporter, has developed close energy cooperation ties with China, under the context of the BRI. In 2015, Iran's exports to China were \$16.06 billion and its imports from China were \$17.77 billion, with total bilateral trade reaching \$33.83 billion as shown in Figure 3. Among them, trade in the energy sector is the core of bilateral trade, especially in the import of oil and natural gas. International sanctions have caused Iran's commerce with China to drop to \$2.7 billion by 2023 (See Figure 3). Thanks to the Belt and Road Partnership, Iran's energy supply to China remains solid. China has already made about \$4 billion in investments in Iran to modernize the industrial structure of energy infrastructure, including gas and oil [4,5]. Iran's active participation in the BRI's construction is ensured because it offers access of abundant resources, especially related to oil and gas, which also allow it to maintain its significant position as an energy strategic nation. China's investment in Iran reflects the strategic layout of global energy distribution.

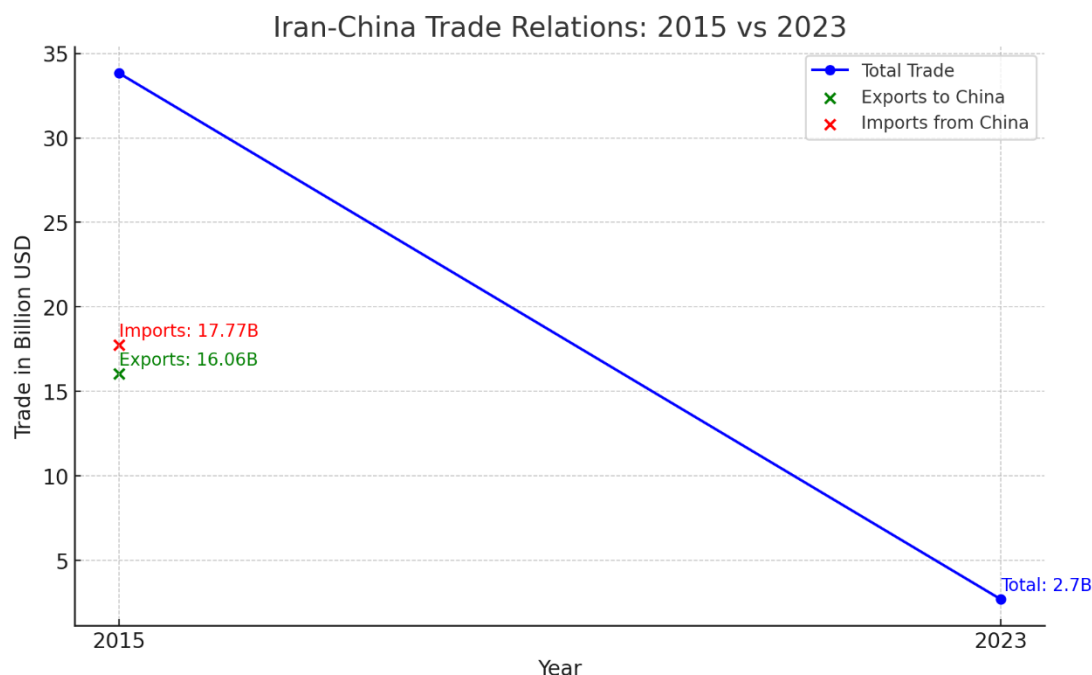


Figure 3. The graph illustrates Singapore's exports to and imports from China in 2015 and 2023

4. Conclusion

From the above analysis of China's "Belt and Road" investment strategy, it is viewed that China has adopted different investment strategies in developed and developing countries, which gives full space for the advantages along the "Belt and Road" initiative to expand and grow. In developed countries such as Singapore, China has enhanced its production position index in the global value chain mainly through investment and capital cooperation in the field of advanced and sophisticated technologies. In contrast, in developing countries such as Egypt and Iran, China is focusing more on infrastructure construction and energy cooperation. For example, in Egypt's infrastructure in transportation, communications and other fields. Promoting the revitalization of the local economy and industrial upgrading. In Iran's energy sector, China's strategic investment has strengthened the stability of energy supply.

China should keep up its investment approach in the BRI to focus on strengthening the layout of the high-end industrial chain, while focusing on the cooperation between countries at the low-end stage of the value chain and guiding the improvement of the production status of the overall value chain of the Belt and Road countries through the technology spillover effect. In investment in developing countries, it should focus on the extension of the industrial chain and the upgrading of local production capacity, and include other countries in the regional value chain system led by China.

China should focus more on the global value chain layout and encourage the digital making of the BRI as part of its investment plan. It should rely on digital infrastructure to ensure that BRI is supported by data elements. At the same time, to build a regional value chain system, China should establish regional alliances and engage in more extensive cooperation with other nations and international organizations through the BRI. Finally, in the BRI policy, China should realize the construction of industrial modernization system, cultivate the new industrial ecology issued by the industrial sector, and establish and improve the China-led global division of labor in the regional value chain.

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