

## **New Changes in the Political Risks Faced by Chinese Enterprises OFDI and Research Trend**

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**Abstract:** The National Risk Analysis Report of 2017 pointed out that the most important risk faced by enterprises in the implementation of OFDI is still political risk. Political security risks and government stability risks are complex, and the government's work efficiency and corruption level in the host country is most influential to investment in foreign country. Political risk has brought a lot of uncertainty to the company's overseas investment. In the new era, Chinese enterprises have faced structural changes in political risks. This paper summarizes the political risk research faced by Chinese enterprises OFDI from the following three aspects. Firstly, it summarizes the structural changes that enterprises face the political risks. Secondly, it compares the measurement and evaluation methods. Thirdly, how does political risk affect enterprises OFDI, and re-analyzed the conclusion that the enterprise OFDI has risk preference characteristics from the existing research; Finally, pointed out the direction of future research.

### **1. Introduction**

The report of the Nineteenth National Congress proposed that we should establish a modern economic system, actively participate in and promote the process of economic globalization, innovate ways of foreign investment, advocate the establishment of new rules for international trade and investment, adhere to mutual benefit and win-win situation, and actively promote the construction of a community of human destiny. Chinese enterprises will face various risks in the process of going out. According to the US Enterprise Research Institute and the Traditional Foundation's China Global Investment Tracking Data, in the past ten years, the amount of overseas investment failed by Chinese enterprises exceeded 250 billion US dollars. After analyzing 120 unsuccessful investment cases, it was found that 25% of the total investment cases were unsuccessful due to political factors. With the rise of transnational investment, the issue of political risks faced by enterprises'outward direct investment has attracted wide attention, and with the independence movement of colonial countries, it is in the ascendant. In the 21st century, under the background of the new international trade and investment rules, the political risks faced by Chinese enterprises have undergone structural changes. By combing the relevant literature, this paper explores the following issues: 1) Extension of political risk and its characteristics of structural changes in the new era; 2) The shortcomings of existing measurement and evaluation methods; 3) Rethinking the impact of enterprise OFDI and the "China's OFDI risk preference theory" proposed by previous studies.

### **2. Structural changes have taken place in the political risks faced by Chinese Enterprises**

#### **2.1 The extension of political risk has changed**

Political risk was widely studied in the 1960s and 1970s with the rise of multinational companies'investment behavior. Fitzpatrick (1983) divides the relevant research into three categories: the first is the analysis of government and its specific actions (Kobrin, 1979; Simon, 1982) [1]. Kobrin (1979) believed that the host country's political decision-making or events would affect the business environment through some way, which would lead to the loss of

investors' operating profits; he further divided the political risk into the host country's economic policy or the risk caused by the political event of force majeure [2]. Jeffery D. Simon (1982) innovates his research perspective and believes that political risks may also come from countries other than host countries. He proposes that the degree of development and openness of a country determines the possibility of political risks (Simon, 1984) [3] [4]. Second, some scholars believe that the occurrence of certain political events is the main cause of business damage (Robock, 1971; Root, 1972). Stefan H. Robock (1971) defines political risk as "political change leads to deterioration of business environment". Political events lead to changes in business environment, and this change has a serious impact on corporate profits or its important investment strategy [5]. Root (1972) defines political risk as the possibility of various political events that cause the loss of operating profits of transnational corporations investing in host countries. These political events include the outbreak of war and revolution, popular riots, the replacement of political parties, changes in economic policies, trade protection, etc. [6]. Third, some scholars have incorporated "uncertainty" into the framework of political risk analysis (Wenlee Ting, 1988; Lensik, 2002). Wenlee Ting (1988) defines political risk as the uncertainty of non-market behavior (unstable host country political policy or foreign exchange system) which results in adverse effects on the operation results of multinational enterprises [7]. Lensink (2002) considers that the "uncertainty" of political risk is a kind of change in economic environment caused by some political factors, which damages the operating profits of multinational enterprises [8]. Throughout the definition of these three types of political risk, although from different angles, they all cover the basic characteristics of political risk, such as political pressure, uncertainty of risk occurrence, discontinuity, changes in business environment and damage to business operation.

In the 21st century, with the economic integration and the emergence of emerging market countries, the traditional political risk perception can not adapt to the development of the times, especially for Chinese enterprises' foreign direct investment encounter political risk perception has changed. Specifically as follows:

1) Overseas investment enterprises do not attach importance to local social and cultural integration, which leads to frequent anti-Chinese activities. When Chinese enterprises invest in the host country, they neglect local customs, cultural environment, labor rights and interests, fail to integrate into the local economic development environment in time and better realize the localized operation, leaving a bad impression on the host people, generating anti-Chinese sentiment and disrupting the local investment and operation activities of enterprises. For example, Spanish people boycotted Chinese shoe factories and burned Chinese shoes (Zhang Qi, 2010) [9].

2) Resistance caused by different values. China joined the World Trade Organization as a developing country. Because of the nature of state-owned enterprises, a series of cases of investment boycott caused by differences in values are discriminated against by the host country. National discrimination refers to the host country changing certain policies or intervening and restricting the investment behavior of foreign-funded enterprises through legislation and administrative orders (Nie Minghua, 2010) [10]. Because of the particularity of the political system, the developed countries believe that there is unfair competition in the state-owned enterprises, which often restricts and hinders the investment of Chinese enterprises in sensitive industries such as high-tech and strategic energy on the grounds of national security. Some developing countries also show a tendency to resist the investment of Chinese enterprises. For example, investment in Malaysia's high-speed rail project, because Mahathir came to power in a standstill state; Huawei's bid for Motorola business in 2011 was declared a failure on the grounds of endangering the national security of the United States, and Huawei's participation in London's subway network laying project also suffered the same result. In recent years, China's enterprises OFDI have been repeatedly interfered by third countries. Third country intervention brings hidden risks to local foreign-funded enterprises (Nie Minghua, 2010).

3) China's geopolitical risks trigger chain effects. Geopolitical risk refers to the risk that foreign-funded enterprises in the host country are controlled by specific political actors in the geographic region and compete with the surrounding countries in order to satisfy their own interests.

In recent years, geopolitical risks have been increasing. Enterprises are exposed to the risks of expropriation, capital transfer and political violence (Taiping and Li Huo, 2015) [11]. The macro-analysis group of the World Economic Research Institute of Shanghai Academy of Social Sciences found that the frequent occurrence of geopolitical crises in 2017, such as the North Korean nuclear issue, the oil competition, the Sino-Indian Langdong confrontation, and the competition between the United States and Russia in the Middle East, has brought enormous uncertainty to the operation of enterprises (Yang Yanhong and Tian RanRan, 2018) [12] [13].

4) Government corruption inhibits corporate investment. Government corruption is caused by the rent-seeking behavior of the host government, which leads to the increase of the cost of foreign direct investment by enterprises. This is due to the imperfect laws and policies of the host country (Yao Kai and Zhang Ping, 2012) [14]. Government corruption, as a hidden risk, has a significant impact on the restraint of enterprise investment activities in China.

## **2.2 New rules of international trade and investment restrict the possibility of political risk outbreak**

In the 21st century, changes in new rules of international trade and investment have increased the expectations of enterprises to invest. In the past, the location of FDI of multinational enterprises mostly chose the host country with low political risk and perfect system. However, in recent years, some scholars have found that Chinese enterprises invested in areas with high political risk (Buckley, 2007; Kolstad & Wiig, 2012; Meyer, 2013; Shambaugh, 2013). One of the important reasons is the establishment of bilateral and changeable investment agreement rules through signing laws. Legal provisions protect investment activities between two or more countries. Previously, due to the lack of bilateral and multilateral investment agreement arrangements, expectations were ambiguous. Bilateral or variable investment agreements limit the possibility of political risk outbreaks. Around the impact of bilateral trade agreements on OFDI, some scholars believe that bilateral agreements can compensate for the risk of imperfect host country system and attract enterprises to invest in areas with high political risks (Chen Yan and Guo Wenbo, 2018) [15]. Zong Fangyu, Lu Jiangyong and others (2012) based on the data of listed companies from 2003 to 2009 show that bilateral investment agreements can make up for the absence of host country system and promote enterprises to invest in areas with poor institutional environment [16]. Li Ping and Meng Han et al. (2014) concluded that bilateral investment agreements can significantly promote enterprises to go out and reduce investment risk expectations of high-risk countries [17]. Deng Xinming and Xu Yang (2015) studies show that there is a threshold effect on political risk. When the institutional environment of the host country is below the threshold, BITs promote China's OFDI. After crossing the threshold, the effect of BITs is not obvious [18].

## **2.3 The nature of political risks faced by different types of countries has changed.**

There are obvious differences in the probability of political risk in different types of countries. Qiu Licheng and Zhao Chengzhen (2012) measured the four institutional environmental risks of the host countries of China's OFDI, and found that the regions with high level of economic development, such as Europe, America, Australia, New Zealand and Japan, had less political risks, while some developing countries (Africa, South America, Southwest Central Asia, etc.) had greater political institutional risks [19]. As a result, due to the stability of the government in developed countries, to a certain extent, there are no political risks in the traditional sense. Potential legal system risks and changes in environmental protection system policies are the main constraints. Developing countries and countries or regions with imperfect systems (Middle East, Africa, North America) still have political risks in the traditional sense such as political turbulence, war, revolution and so on.

China is playing an increasingly important role in the international arena. However, there are many obstacles to enterprises' foreign direct investment. More and more countries are afraid of China's investment in it. Especially in sensitive industries (high-tech, strategic energy, etc.), the host countries have refused to invest on the grounds of endangering national security. According to the statistical bulletin of China's foreign direct investment in 2017, state-owned enterprises account for

54.3% of the non-financial investment stock, which is the main body of foreign direct investment. Due to the difference of social system, the developed countries in the West think that there is unfair competition among state-owned enterprises, which has the support of the government and has some political purposes, which will endanger their national security. Such problems deserve attention. Zhang Jianhong and Wei Xinjiang (2010) made an empirical analysis of 1324 cases of overseas acquisitions of Chinese enterprises, which proved that political and institutional factors led to the low success rate of overseas acquisitions of Chinese enterprises, especially the status of state-owned enterprise system was not conducive to the smooth progress of acquisitions [20]. Zhang Jianhong and Zhou Chaohong (2010) further pointed out that in countries with high degree of marketization and democratization, the negative impact of the identity of state-owned enterprises on the success rate of acquisitions is more prominent [21]. When Zhu Hua (2017) studied the reasons for the frustration of enterprises, he found that transnational mergers and acquisitions, as one of the forms of foreign direct investment, were invested mainly by state-owned enterprises. During 2005-2014, the number of investment failures of large Chinese enterprises in the United States, Australia and other regions was the largest. In the specific mergers and acquisitions situation of developed countries and sensitive industries, the probability of success was reduced because of the nature of state-owned enterprises, but in the development of large Chinese enterprises. The probability of success in developing countries will be greatly increased [22]. It is found that although there is no political risk in the traditional sense when Chinese enterprises invest in developed countries, the developed countries regard the investment of Chinese enterprises as a political risk. In this regard, the government and enterprises need to attach great importance to it.

### 3. Political Risk Assessment Method and Its Limitations

Before 1970s, the system of assessing and predicting political risks of multinational enterprises was not perfect. Enterprises' investment decisions depended on the first impression of the investor, the public attitude and the impact of a single political event (Formica, 1996). Most studies assessed the political risks of a country based on the information integration and subjective impression of its development process [23]. In fact, it is subjective and superficial for senior managers to integrate risk change information to conduct risk assessment (Kobrin, 1979). With the maturity of political risk theory, its evaluation methods are from macro and micro to subjective and objective, and then to the combination of qualitative and quantitative analysis. Various international or private institutions use a variety of methods to analyze and publish political risk reports around the world.

In the macro-analysis method, Dan Haendd and Robert M&Gerald. West (1975) put forward the Political System Stability Index (PSSI), and then put forward the quantitative analysis framework of political risk [24]. The two evaluation models of "state expropriation tendency model" and "unbalanced development and national strength model" are important methods of macro-level evaluation. Haner (1979) established a political risk assessment model based on Delphi technology, which contains 10 variables and assesses each country's risk level according to these 10 variables (Hass, 1991; Claude, 1996) [25]. The Ting Obsolescing Demand Model is the representative of the micro-analysis method. It examines the relationship between the risk of multinational investment project and the importance of the project to the host country when political risk is at an extreme level (Richard D. Robinson, 1988) [26] [27].

Standard & Poor's, Fitch International and Moody's are three traditional appraisal bodies for the relevant political risk assessment index. Because the business scope of these three appraisal bodies is focused on credit assessment, their index design has a high preference for political system, and their evaluation methods, index construction and measurement standards are not open to the public, so they have certain limitations. At present, there are two commonly used evaluation indicators in academia: one is the International Country Risk Guide published by the American Business Environment Risk Intelligence Agency (ICRG), which conducts risk assessment in 140 countries around the world. The index comprehensively evaluates political risk, financial risk, economic risk and 22 variables, and conducts a comprehensive assessment of political risk. In terms of evaluation, the index includes 12 sub-indices (3) and a total index, and each factor is assigned a corresponding

score. The lower the score, the higher the political risk of representing the host country, the lower the risk; the other is the World Bank Global Governance Index (WGI). In order to comprehensively measure the state of public governance of governments around the world, to assess governance differences, six groups of indicators are established. A comprehensive analysis (voice and accountability, political stability and the elimination of violence, government effectiveness, quality of supervision, rule of law, corruption control) is conducted. The value ranges from - 2.5 to 2.5. The larger the value, the lower the degree of political risk.

Analyzing and comparing the above evaluation methods, it is not difficult to find that no matter what kind of evaluation methods, they mostly cover a country's laws and regulations, possibilities of nationalization, various conflicts, government efficiency and corruption and other factors, which are the decomposition of the political elements constituting political risks. These indicators have some limitations: 1) Most of the evaluation methods evaluate the investment risk of the host country from the perspective of western developed countries, which bears obvious brand of Western values. 2) Political risk assessment agencies can only rely on existing data to make subjective predictions when they make comprehensive scoring. The evaluation criteria are inevitably subjective. 3) Developing countries lack a sound risk assessment system or research institutions and indicators.

In recent years, Chinese scholars have made quantitative analysis of political risk assessment on the basis of Western scholars' political risk assessment methods and combined with China's actual situation, which has made the assessment methods more reasonable to some extent. Wang Navy (2012) used the monthly data published by the PRS Group to construct the Political Risk Index (PRI), weighted by the proportion of Chinese enterprises' investment in each host country to the total investment in that year, and weighted the sum of the political risk index of each host country, so as to construct the PRI index, and establish a dynamic linear model of political risk and enterprise OFDI [28]. Liu Yile (2017) added the "elements between host country and China" in the empirical analysis, that is, whether there are territorial disputes, restrictions on China, whether to sign bilateral investment protection agreements, build a new political risk assessment system, and use principal component analysis to calculate the total risk factors of the countries along the belt. Finally, cluster analysis is applied to classify the risks of OFDI in 39 countries. [29] 。 Li Lili and Qi Jianhong (2017) used binary selection model, propensity score matching (PSM) method and conditional Logit fixed effect model to study the strategy choice of Chinese enterprises when OFDI faces political risks [30]. The above research methods show that Chinese scholars combine quantitative and qualitative analysis in the study of enterprise OFDI, incorporate the actual situation of Chinese enterprises into the risk analysis framework, which not only effectively control the subjective score of evaluation institutions, but also incorporate the actual situation of China into factor analysis, which represents the development trend of future research.

#### **4. The Relation between Political Risk and Enterprise OFDI and China's "Risk Preference Theory"**

The Global Investment Risk Report 2016 points out that politics, security, macro-economy, law and regulation, contract performance and so on are the main risks faced by China's foreign direct investment. However, 78.38% of the enterprises surveyed believe that the most important risk is political risk.

Regarding the relationship between political risk and enterprise OFDI, some studies believe that the difference of political risk affects its market stability and further affects foreign enterprises' investment business (Wei, 2000; Brouthers, 2002; Globerman & Shapiro, 2003; Pak & Park, 2004; Asiedu, 2006) [31-35]. Hadjila & Iuliana (2010) used fixed-effect model and GMM dynamic panel model to study the relationship between business climate, political risk and FDI. The research shows that a favorable business environment will promote the inflow of OFDI, while sound economic policies, good governance environment, stable social politics and improved infrastructure construction will attract foreign investors to continue investment [36] This is the case. Kuang-Hann Chou (2011) and others used spatial econometric models to explore the impact of

third-country effect and economic integration on enterprise OFDI. The results show that the political risk of the host country has a negative impact on China's OFDI [37].

Other scholars focus on other dimensions of political risk. Alvaro Cuervo-Cazurra (2008) believes that corruption has a negative impact on foreign direct investment. He divides corruption in transition economies into arbitrary corruption and universal corruption. Research shows that universal corruption has a greater impact on transition economies [38]. Jimenez 1 & Russo et al. (2017) studied the effect of host country corruption on private participation projects in emerging markets. The results showed that the higher the degree of national corruption, the lower the probability of success of private participation projects [39]. Goswami & Haider (2014) believed that government failure was the main cause of insufficient FDI inflow, while cultural conflicts under political risk and the attitude of partner countries toward host countries were considered to be the main reasons for preventing FDI inflow [40]. Mancuso (2010) studies suggest that terrorism damages the business environment and profits of enterprises, and has a significant inhibitory effect on FDI inflow [41]. Quan Li & Vashchilko (2010) applied GMM estimates to the gravitational model of bilateral investment flows in 58 countries from 1980 to 2000, and concluded that intercontinental military conflicts and security alliances could significantly affect bilateral investment. The study found the role of international political risks in international business and helped us to deepen our understanding of political risks [42]. However, not all studies support the above conclusions. Some scholars believe that political risks do not hinder FDI inflows (Feinberg & Gupta, 2009; Holburn & Zelner, 2010; Diego Quer & Enrique, 2012) [43-45], but most of them focus on the location choice of OFDI in developing countries (Zong Fangyu, 2012; Ramasamy, 2012; Luo Wei and Ge Shunqi, 2013) [46-47].

In recent years, with the expansion of the scale of foreign investment and the "particularity" of Chinese enterprises' OFDI (Jiang Guanhong and Jiang Dianchun, 2012), the issue of Chinese enterprises' OFDI has attracted wide attention in the academic circles [48]. Some studies have found that most Chinese enterprises prefer developing countries with high political risk or imperfect system when investing abroad, which have the characteristics of risk preference (Buckley, 2007; Kolstad & Wiig, 2012; Meyer, 2013; Shambaugh, 2013) [49-52]. According to the Statistical Bulletin of China's Foreign Direct Investment in 2017 ( ), about 80% of China's stock of foreign direct investment is distributed in developing countries, and a large amount of investment flows to developing countries and transition economies ( ). Most of these countries have imperfect systems, unstable social conditions and high political risks, which bring enormous potential risks to the operation of enterprises, which makes enterprises OFDI. Behavior is irrational. Why?

Some opinions hold that China's institutional quality is similar to that of developing countries and lags behind that of developed countries, so it tends to invest in countries with similar institutional quality (Habib & Zurawicki, 2002) [53]. At the same time, Yang and Zhao (2008) point out that Chinese enterprises in developing countries with poor institutional environment have competitive advantages and can take more risks [54]. In this regard, Yang Jiaohui and Wang Wei (2015), on the basis of introducing EUI national risk indicators, study shows that the risk preference of China's OFDI is actually a false image. After controlling the level of economic development and natural resource abundance of the host country, China's OFDI does not show the characteristics of risk preference [55]. Yang Jiaohui and Wang Wei (2016) used panel quantile to study the risk preference of China's OFDI system from the perspective of international capital flow. They found that the "institutional risk preference" was not significant when the host country's capital intensity and natural resources were taken as control variables, and the results accorded with the risk aversion characteristics of international capital flow theory [56]. Jiang Guanhong and Jiang Dianchun (2012) believe that compared with multinational enterprises in developed countries such as Europe and the United States, Chinese enterprises are not fully equipped to invest directly in developed countries, or the investment experience gap is large. Secondly, when examining the motivation of resource seeking, we find that the motivation of seeking investment in resources of developed countries is not significant. The main reasons are as follows: 1. The resources of developed countries are relatively scarce, and conservative exploitation policies are adopted. 2. Developed countries

discriminate against Chinese enterprises and consider them to have "political purposes" when investing, such as the failure of CNOOC to acquire the U.S.'Unico'oil company.

In terms of the relationship between bilateral political relations and enterprise OFDI, it is generally believed that enterprises do not pay attention to the political risks of host countries when investing in China-friendly countries; but in countries with unfriendly relations, the inflow of China's OFDI will be reduced (Meng Xing, 2015) [57]. In Panzhen, Jin Zhongkun (2015), An Empirical Study on the impact of bilateral political relations and institutional risks of host countries on China's OFDI shows that good bilateral political relations can weaken the impact of institutional risks of host countries and promote outward FDI; at the same time, security relations can affect the government's decision-making on international business and investors'expectations of political risks [58].

In conclusion, we can conclude that the risk preference theory of OFDI is not absolute. On the surface, OFDI of Chinese enterprises is a risk preference, but in essence, risk aversion motivation is very strong. The purpose of enterprises'FDI is to maximize investment returns, which leads to the inflow of OFDI into countries and regions with low capital intensity and abundant natural resources, which happen to have poor institutional quality (Yang Jiaohui and Wang Wei, 2016). At the same time, the length of diplomatic relations between the host country and China and the bilateral political friendship can offset some of the risks. For the host country, the demand for energy, resources, psychological factors of high risk and high return, investment experience learning, and the strengthening of enterprise risk resistance (Holburn & Zelner, 2010) can all be used as the influencing factors of the "risk preference theory".

## 5. Conclusion

Through literature review, the following conclusions are drawn:

First of all, the political risk has undergone structural changes, mainly as follows: (1) The connotation of political risk has changed. The concept of political risk in the past can not adapt to the development of the times, and new types of political risk have become important factors affecting OFDI, such as the neglect of local human environment by foreign-funded enterprises, conflicts caused by different values, the influence of geopolitics and the obstacle of corruption; (2) the new rules of international trade and investment restrict the possibility of risk occurrence. The extensive signing of bilateral investment agreements and the rapid promotion of free trade zones provide institutional guarantee for enterprises to reduce investment risks; (3) Risks vary in different types of countries. With the development of national economy, the probability of traditional political risks in developed countries has been greatly reduced. Investment in developed countries will mainly face the constraints of legal policies and environmental protection system policies, while investment in developing countries will still face risks of traditional significance.

Secondly, the assessment methods of political risk need to be innovated. In the past, the method of measuring political risk has strong Western color, and there is no system of measuring developing countries. At the same time, most of the measurement criteria are scoring system, and subjective perception is too strong.

Finally, there is no consensus on the relationship between political risk and enterprise OFDI, which is mainly due to the different research subjects and research backgrounds. In the study of the relationship between Chinese enterprises'FDI and political risk, it is considered that the characteristics of Chinese enterprises' risk preference are not absolute, and Chinese enterprises still have strong risk aversion consciousness.

Based on the above conclusions, this paper puts forward new ideas for future political risk research. Future research should focus on the following aspects:

First, facing the structural changes of political risks, we should pay attention to the analysis of the impact of political risks with new meanings on the investment of enterprises and the impact path. Traditional risks are gradually weakening and new risks are sprouting. How to keep pace with the times and choose appropriate investment strategies and locations is an urgent issue to consider.

Second, how to make decisions in the face of different enterprises facing risks in developed and

developing countries? For a long time, Chinese enterprises have some blindness in the process of foreign direct investment. Because of the different conditions of ownership, economic development level and legal construction, the risk types of developed and developing countries are also different. In recent years, the investment of Chinese enterprises in developed countries has been frustrated repeatedly, and Chinese enterprises are often excluded on the grounds of security threats. This shows that developed countries regard our country's OFDI as a risk. At the same time, when Chinese enterprises invest in developing or emerging economies, traditional risks still occur frequently. In the future, we should focus on the study of the differentiation strategies that enterprises should adopt in investing in developed and developing countries.

Thirdly, it is not difficult to find that most of the research perspectives of scholars focus on the impact of the host country system on the host country's OFDI, ignoring the impact of transnational corporations on the host country system. For example, developed countries regard China's OFDI as a risk, and how to quantify the impact of domestic enterprises' OFDI on the host country system may provide a new perspective for the healthy development of transnational corporations.

## 6. Notes

(1) The National Risk Analysis Report of 2017 issued by China Export Credit Insurance Company on October 12, 2017.

(2) China-Global-Investment-Tracker, a tracking data of China's foreign investment released by the American Heritage Foundation.

(3) The 12 indicators are government stability (12 points), social and economic status (12 points), investment status (12 points), internal contradictions (12 points), external contradictions (12 points), corruption (6 points), military intervention in politics (6 points), religious tension (6 points), law and social order (6 points), racial tension (6 points), democratic accountability (6 points), and administrative agencies (4 points). Points).

(4) The "particularity" of China's OFDI refers to that, unlike the traditional theory, Chinese enterprises choose to enter countries or regions with high risk and imperfect system when carrying out OFDI, which shows the characteristics of "risk preference".

Statistical Bulletin of China's Foreign Direct Investment in 2017.

(5) Transitional economies include South-Eastern Europe, CIS and Georgia. China has invested in Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan.

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