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Insights

Jason Kang and Jian Wu on Mitigating Compliance Risks for Chinese Companies in Belt and Road Initiative

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In 2020 alone, Chinese companies have signed 5,611 new contracts worth over US $141 billion as part of China’s Belt and Road Initiative. But with the relative recency of Chinese companies’ overseas investments comes increased legal risk exposure, particularly from the multilateral development banks (MDBs) that underpin many of these projects. Kobre & Kim’s Jason Kang and Jian Wu untangle the complexities in an article for Chinese news website *Guancha News* (观察者网).

MDBs are the main financial institutions providing funds for developing countries, but they also engage in anti-corruption efforts. The World Bank has a sanctions mechanism covering five types of fraud and corruption, and Chinese companies have often found themselves exposed to as much as permanent debarment. Worse still, other MDBs often follow the World Bank’s lead and issue cross-sanctions, cutting off these companies from all sources of MDB funding.

To mitigate these risks, Kang and Wu recommend that Chinese companies engaging in Belt and Road overseas investments should establish and operate a system in accordance with World Bank guidelines. Such a system not only increases risk awareness, but it can also earn leniency from the World Bank, leaving Chinese companies in a better position.

Click here to read the full article (in Chinese).

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