

Study on the Efficiency Improvement of China's Foreign Direct Investment in the New Development Pattern the Study on the Path Choice of China's Foreign Direct Investment

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Abstract

Under the historical background that the spread of the new epidemic has caused a major impact on global production and life, the government proposed to "accelerate the construction of a new development pattern with the domestic circulation as the main body and the dual domestic and international circulation promoting each other". In the new development pattern, how to adjust the foreign investment mode of Chinese enterprises and improve the efficiency of investment while ensuring the profit has become one of the important issues facing the enterprises nowadays. In view of this, this paper intends to analyze the restrictions and opportunities of Chinese enterprises' outbound investment in the new development pattern from the perspective of the changes in the outbound investment environment, to trigger thoughts on Chinese enterprises' outbound investment, and to study in depth the path selection of enterprises in the process of improving the efficiency of outbound investment and its influencing factors. Finally, based on the findings of the data study, suggestions are made to help enterprises improve the path selection of outbound investment efficiency.

Keywords

Foreign Direct Investment; New Development Pattern; Path Choice.

1. Introduction

1.1. Project Research Background

The world today is experiencing the greatest change ever seen in a century. The impact of the global pandemic has led to global economic growth into a deep recession, and despite the economic development experienced in 2021, today the Delta virus is spreading rapidly and new variants of the virus may emerge, the momentum of global economic recovery has weakened and uncertainty has increased. According to the International Monetary Fund's World Economic Outlook Report released in October 2021, forecasts predict that the global economy will grow by 5.9% in 2021 and 4.9% in 2022. on January 24, 2021, the United Nations Conference on Trade and Development (UNCTAD) released the latest edition of the Global Investment Trends Monitor report, stating that global foreign direct investment (FDI) in 2020 fell sharply by 42% to \$859 billion in 2020, with a smaller decline in foreign investment inflows to developing economies.

By the end of 2020, 28,000 Chinese domestic investors had set up 45,000 OFDI enterprises in 189 countries (regions) around the world, more than 80% of the world's countries (regions) have Chinese investments, and the total assets of overseas enterprises at the end of the year were US\$7.9 trillion; China's OFDI covered 18 major categories of industries in the national economy, with nearly 70% of the investment flowing to leasing and business services, manufacturing Nearly 70% of the investment flows went to leasing and business services,

manufacturing, wholesale and retail, and finance, with flows in the four major industries exceeding USD 10 billion.

In order to comply with the new development pattern, what we have to do is not only to expand the domestic market, but also to optimize the direction and level of foreign investment, improve the efficiency of foreign investment, develop a broader market demand space, optimize the demand structure, accelerate the construction of the new development pattern, smooth the national economic cycle, establish a higher level of supply and demand balance, supply creates demand, demand pulls supply, achieve stable economic growth and steady development, and our modernization process will be able to better and steadily advance.

1.2. Project Research Significance

This topic is based on the challenges brought by the huge economic impact of the new pneumonia epidemic and the new development pattern of the country, how Chinese enterprises will change the existing foreign investment model to improve the efficiency of foreign investment, and how the domestic supply-side structural reform will affect the changes of Chinese enterprises' foreign investment in the new development pattern, to explore the impact of the new development pattern on the efficiency of Chinese enterprises' foreign investment and the path selection to improve investment efficiency from the perspective of supply-side structural reform and other related issues.

How will the policies of the new development pattern affect the efficiency of Chinese enterprises' outbound investment? How will enterprises choose the path to improve investment efficiency under the influence of the new development pattern? The exploration of this aspect not only helps to expand the dimensions and perspectives of economic development research under the new development pattern at the theoretical level, but also expands and deepens the research on the impact of the new development pattern policies on the development of enterprises' outward investment, the choice of the path to improve the efficiency of Chinese enterprises' outward investment and the interrelationship between the two. The study is also useful in revealing how the new development pattern can better guide the outward investment of Chinese enterprises based on the impact of the new coronary epidemic on their outward investment, and how Chinese enterprises can conform to the policy to construct a new outward investment model and choose a more efficient outward investment path.

2. Current Status and Development Trend of Domestic and International Research

2.1. Literature Related to Economic Development in the New Development Pattern

Since General Secretary Xi Jinping put forward the new development pattern of "a major domestic cycle and a dual domestic and international cycle to promote each other", a large amount of literature has emerged in the academic field to study the changes in economic development under the new development pattern. These include: vigorous development of digital economy (Li Hongdi; Zhang Yuanzhao, 2021), "Internet+service" oriented new online consumption (Gao Yangchi, 2021), and circular economy development through industrial restructuring (Zhao Wentuo).

2.2. Literature Related to Supply-Side Structural Reform

Under the new development pattern, whether it is the vigorous development of digital economy or new consumption methods, or the adjustment of industrial structure, all of these are practicing the reform of supply-side structure, so it can be seen that the new development

pattern affects foreign investment is also on the basis of supply-side structural reform. In order to explore how to improve the efficiency of foreign investment on this basis, to understand how the domestic economy under the supply-side reform to be developed. This includes, the development of enterprises to optimize the supply side through supply-side reform, improve the content of scientific and technological innovation, enhance core competitiveness, and promote the flourishing of high value-added industries (Du Xinyu; Liu Fengchao, 2021), the continuous improvement of the industrial structure and investment structure, so that the industrial structure develops toward modern science and market demand, thus continuously deepening sustainable economic development (Wang Chunjin, 2020), the need to optimize resource allocation, highlight the efficiency of domestic resource use, and deal with the relationship between capital increment and stock (Zhang Xi, 2020). All of the above literature shows that in order to improve the efficiency of Chinese enterprises' foreign investment, it is necessary to do a good job of investing in industrial restructuring, which is conducive to the innovative development of domestic industries and can transform foreign investment into a basis for improving the domestic industrial supply chain.

2.3. Literature Related to Outward Investment and Efficiency of Outward Investment

Meeusen and Broeck (1977) proposed the stochastic frontier gravity model approach to solve the technical efficiency problem in the production function, and then Buckley (2007) extended the study on investment potential by further examining the impact of political risk, cultural differences, and foreign trade linkages on outward FDI to China. Nowadays, more Chinese scholars adopt this approach, and Wang Yaxing, Huang Fian (2019) both applied stochastic frontier gravity model and found that both institutional and and and cultural distance of the host country have a great impact on the efficiency of Chinese firms' outward investment, respectively, where the greater the cultural distance index, the less Chinese outward FDI; the cultural distance index includes uncertainty avoidance, collective, individual and socio-cultural differences. Chaojie Yu, Jinyan Hu (2020) argue that the lack of innovation and technicality in the projects invested by Chinese team along the route countries and the lack of brands with internationalization also make Chinese enterprises' outward FDI difficult and inefficient, Chuangwei Lin, Na Tan and Chuantian He (2019) argue that the purpose of Chinese outward investment is to seek resources so as to maximize the interests of the investing enterprises, and the current Chinese investment in ASEAN is to obtain resources, and Tan Hongyi (2019) found in his study of Chinese OFDI through the perspective of regional selection that there are some factors in the host country that have inhibiting effects on Chinese enterprises' OFDI, including geographical distance, political stability and other factors, respectively; the tariff level, labor cost, exchange rate level and bilateral investment agreements of its host country have promoting role.

In summary, today's research on how the new development pattern will affect outward investment is in a fragmented state, because in the development pattern, to develop the economy well or to adhere to the supply-side structural reform, and the supply-side structural reform is to expand domestic demand based on the optimization of the supply structure, the purpose of outward investment is also to promote the optimization of the domestic economic structure, so to take into account the supply-side structural reform Therefore, it is necessary to consider the direction of supply-side structural reform to implement outward investment, so as to achieve the purpose of improving the efficiency of outward investment. Therefore, it is appropriate to analyze how Chinese enterprises can improve the efficiency of their outward investment and the path choice under the new development pattern by using the supply-side structural reform as a medium.

3. Application Prospects and Academic Value of the Project

This topic is based on the new development pattern, to achieve the goal of domestic supply chain improvement, how to improve the efficiency of Chinese enterprises' OFDI on this basis and how OFDI will choose the direction, region, industry and other issues.

The above questions are raised and answered, which help to expand the dimension and perspective of the economic impact of the new development pattern at the theoretical level, and are the research and deepening of the new development pattern, supply-side structural reform, and the efficiency of foreign investment, and to a certain extent are the enrichment and expansion of the economic theory of foreign investment of enterprises, with certain academic value; at the practical level, they are helpful to reveal how Chinese enterprises can achieve the goal of improving investment efficiency and promoting the diversification of their economic structure under the new development pattern. It is also useful to reveal how Chinese enterprises can achieve the goal of improving the efficiency of investment and promoting the diversification of their economic structure in the context of today's counter-globalization in accordance with national policies. It is of great significance to the adjustment of China's industrial structure and the development of innovative economy.

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