

# Analysis of the impact of China's OFDI on China's export trade

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**Abstract:** This article aims to analyze the impact of China's outward foreign direct investment (OFDI) on China's export trade. In theoretical analysis, the motives behind China's OFDI were explored, including seeking resources, expanding the market, enhancing technology and management capabilities, and promoting enterprise internationalization. In terms of positive impact, the positive impact of OFDI on expanding export markets, enhancing product competitiveness, and optimizing industrial structure was discussed. However, it also pointed out negative impacts such as backflow effects and trade protectionism. By taking Huawei's investment in the African market as a case study, this paper analyzes its impact on expanding export markets, upgrading technology, increasing export added value, and driving the development of related industries. In the analysis of influencing factors, multiple factors such as policies, markets, and industries were mentioned. Finally, policy recommendations for the development of OFDI from the perspectives of government, enterprises, and industry were proposed.

**Keywords:** OFDI, Export trade, Technological innovation.

## 1. Introduction

In the tide of globalization, the Chinese economy has taken off significantly, witnessing a remarkable growth and profound transformation in the past few decades. China, now one of the world's largest manufacturing countries, is driven by strong export trade as one of its engines of economic growth. However, with the increasingly fierce global market competition and the gradual saturation of the domestic market, Chinese enterprises are striving to seek opportunities to expand overseas markets, aiming to achieve broader growth and development. In recent years, China's outward foreign direct investment (OFDI) has shown a sustained growth trend. In this process, the Chinese government actively encourages enterprises to expand their international market share, enhance their technological capabilities, acquire resources, and enhance their brand influence through OFDI. The scale and scope of overseas investment by Chinese enterprises are constantly expanding, spanning multiple industries and fields such as manufacturing, energy, and infrastructure. This growth trend not only expands the scale of enterprises, but also provides broader development opportunities for the position and influence of Chinese enterprises in the global value chain. This trend has played a driving role in the international competitiveness of Chinese enterprises and the formulation of globalization strategies. Another pillar of the Chinese economy, export trade, has always been a key factor supporting China's economic growth and international competitiveness. China's export trade scale ranks among the world's leading, and its contribution to the national economy cannot be ignored. Export trade not only provides vast markets and development opportunities for Chinese enterprises, but also brings important economic benefits to employment creation, foreign exchange income, and technological upgrading. Therefore, it is crucial to conduct in-depth research on the impact of China's OFDI on China's export trade. This not only helps to evaluate China's economic development pattern, but also provides profound insights for formulating relevant policies and promoting industrial

upgrading. By gaining a deeper understanding of the substantial impact of China's OFDI on its export trade, we can gain a more comprehensive understanding of China's positioning and role in the global value chain. This is crucial information for government decision-makers, entrepreneurs, and scholars. Through research, we can gain insight into the competitive advantages and challenges that Chinese companies face in overseas markets. This includes elements such as technological innovation, market adaptability, and brand building. More importantly, by gaining a deeper understanding of the impact of China's OFDI on China's export trade, we can propose strategic suggestions to further enhance the international competitiveness and market share of China's export enterprises.

## 2. Theoretical Analysis

### 2.1. The Motivation of China's OFDI

In recent years, the rapid growth of China's OFDI is mainly driven by the following factors:

#### 2.1.1. Seeking resources and raw material supply

Seeking resources and raw material supply is a major driving force for China's outward foreign direct investment (OFDI), a strategic decision aimed at ensuring the sustainable development of domestic industries, enhancing international market competitiveness, and reducing excessive reliance on imported resources. The following is an in-depth analysis of this motivation:

**Ensure stable supply of energy and raw materials:** As a global manufacturing powerhouse, China has a huge demand for energy and raw materials. By making outward direct investment in resource rich countries, Chinese enterprises can directly participate in the development and management of resources, ensuring the stability of the resource supply chain. This is crucial for maintaining the normal operation of domestic industries.

**Reducing domestic dependence on imported resources:** For a long time, China has relied on importing a large amount of energy and raw materials from abroad, which makes the

Chinese economy very sensitive to fluctuations in the international market. Through outward direct investment, Chinese enterprises can directly access these resources overseas, reduce their dependence on imports, and mitigate the risks caused by international trade uncertainty.

**Access to strategic resources:** Some critical resources, such as oil, natural gas, rare metals, etc., are crucial for China's economic development. By investing in resource rich countries, Chinese enterprises can directly acquire and master these strategic resources, ensuring the strategic competitiveness of domestic industries.

**Improving the flexibility of resource procurement:** Foreign direct investment enables Chinese enterprises to choose resource procurement locations more flexibly and adjust their strategies in response to market changes. This flexibility is crucial for responding to international political and economic changes and maintaining corporate competitiveness.

**Promoting the development of global industrial chains:** By investing in resource rich countries, Chinese enterprises can not only acquire resources but also drive the development of local industrial chains. This includes sharing technology and management experience, which helps to improve the industrial level of cooperating countries and form a mutually beneficial and win-win situation.

**Enhancing the international competitiveness of enterprises:** Having direct control over resources and raw material supply chains enables Chinese enterprises to better cope with competition in the international market. This advantage of mastering key resources helps to enhance a company's bargaining power and long-term competitiveness in the global market.

Overall, seeking resources and raw material supply is one of the important motivations for China's OFDI, and this strategic investment decision helps to ensure sustainable growth of the domestic economy and improve the flexibility and competitiveness of Chinese enterprises in the international market.

### **2.1.2. Expand the market and seek new business opportunities**

Another key motivation for China's outward foreign direct investment is to better adapt to the trend of global economic integration by expanding the market and seeking new business opportunities. The implementation of this strategy provides Chinese enterprises with multi-level advantages, covering multiple fields of production, sales, and strategic partnerships.

Firstly, by establishing production bases overseas, Chinese enterprises can localize production and better meet the needs of their target markets. This can not only reduce transportation costs and time delays in the production process, but also improve product flexibility, making it more in line with the taste and cultural characteristics of local consumers. This localization strategy helps enterprises to integrate more deeply into the target market, establish a local image, and increase market share.

Secondly, by investing in establishing a sales network, Chinese companies can quickly enter the international market and establish brand influence. Establishing sales channels overseas can help companies better understand the consumer habits and needs of the local market, and provide more accurate strategies for product promotion. This diversified sales network not only helps to reduce the dependence of enterprises on a single market, but also effectively disperses market risks.

Finally, seeking new business opportunities also includes establishing strategic partnerships with local enterprises. Through cooperation with foreign enterprises, Chinese enterprises can share resources, technology, and market information, achieve complementary advantages, and improve commercial competitiveness. This strategic cooperation not only helps to reduce investment risks, but also accelerates the development of enterprises in the international market.

Overall, by expanding the market and seeking new business opportunities, Chinese enterprises actively pursue global market share in outward foreign direct investment and achieve a more comprehensive internationalization development strategy. This not only provides broader development space for enterprises, but also promotes mutually beneficial economic cooperation between countries.

### **2.1.3. Improve technical and management capabilities**

China actively promotes outward foreign direct investment, with one key goal being to enhance its technological and management capabilities. By cooperating with foreign companies, conducting mergers and acquisitions, or introducing advanced technology, Chinese companies are able to draw on international advanced management experience and technological innovation. This strategic measure not only helps to improve production efficiency and product quality, but also enhances the innovation ability of enterprises and promotes overall industrial upgrading.

In cooperation with foreign enterprises, Chinese enterprises can learn advanced production processes and management models, and understand the best practices in the international market. Through mergers and acquisitions, enterprises can quickly obtain key links in the entire value chain, effectively integrate resources, and improve overall efficiency. At the same time, introducing advanced foreign technologies, especially in emerging fields, can quickly compensate for domestic technological shortcomings and accelerate the pace of innovation.

This improvement in technology and management capabilities has a profound competitive advantage for Chinese enterprises in exporting products. Firstly, the design, production, and quality control of the product can meet international standards, enhancing its competitiveness in the international market. Secondly, by introducing advanced international management concepts, enterprises can operate more efficiently, improve production efficiency, and reduce costs. The most important thing is that this ability enhancement helps enterprises better adapt to the dynamic changes of the global market and respond to competition and market challenges more quickly.

Overall, China has improved its technology and management capabilities through outward direct investment, not only promoting domestic industrial upgrading, but also creating strong conditions for Chinese enterprises to win a more favorable competitive position in the international market.

### **2.1.4. Promote the internationalization of Chinese enterprises**

One of the driving forces behind China's outward foreign direct investment is to promote the internationalization development of Chinese enterprises. With the increasingly fierce competition in the Chinese market, enterprises are seeking new growth opportunities and markets, and expanding their business to the international stage has become a strategic choice. Through outward direct investment,

Chinese enterprises can achieve rational allocation of global resources, increase their market share in the international market, and enhance their competitiveness in the global market.

Firstly, by directly investing overseas, Chinese companies can gain a wider market share. Establishing branches, joint ventures, or acquiring local enterprises in the international market enables Chinese enterprises to adapt more flexibly to local market demands and achieve localized operations. This not only enhances the competitiveness of enterprises in the international market, but also brings them more business opportunities and growth potential.

Secondly, outward direct investment can also help Chinese companies access global resources. This includes resources in areas such as technology, brand, and talent. Through cooperation or mergers and acquisitions with international companies, Chinese companies can quickly acquire advanced technology and enhance their research and innovation capabilities. In addition, by acquiring foreign companies, Chinese companies can also gain brand advantages in the international market and accelerate recognition in the international market.

Thirdly, outward direct investment can enhance the international influence of Chinese enterprises. By investing and operating in the international market, Chinese enterprises can establish broader business relationships, expand partnerships in the international market, and strengthen their position in the global industrial chain. This helps to enhance the reputation of Chinese enterprises in the international business circle and create favorable conditions for their broader international cooperation.

Overall, promoting the internationalization of Chinese enterprises through outward direct investment not only helps them find new growth points in the international market, but also lays the foundation for China to play a more important role in the global economic landscape. This strategic internationalization path enables Chinese enterprises to better adapt to the turbulence and changes of the global economy, and achieve sustainable globalization development.

In summary, the main drivers of China's outward foreign direct investment include seeking resources and raw material supply, expanding markets and seeking new business opportunities, improving technology and management capabilities, and promoting the internationalization of Chinese enterprises. These factors have driven Chinese enterprises to actively participate in outward foreign direct investment and have had a significant impact on China's export trade.

## **2.2. The Positive Impact of China's OFDI on China's Export Trade**

### **2.2.1. Expand the export market**

China's outward foreign direct investment (OFDI) has created new opportunities and momentum for the export of Chinese products through overseas investment. This strategic initiative not only promotes the competitiveness of Chinese enterprises in the international market, but also provides strong support for improving product adaptability and expanding market share.

Firstly, by establishing production bases overseas, Chinese enterprises can better adapt to local market demand. Different countries and regions have unique cultures, habits, and needs, which pose unique requirements for product design, packaging, and sales strategies. By establishing production

bases locally, Chinese companies can more sensitively capture these market differences and customize products in a timely manner to meet the needs of local consumers. This localized production model helps to improve the market adaptability of products, making them more in line with the taste and preferences of the target market.

Secondly, establishing local supply chain relationships makes Chinese products more competitive. By establishing partnerships with local enterprises, Chinese enterprises can better utilize local resources, technology, and talent, reduce production costs, and improve efficiency. This helps to make Chinese products more competitive in price, making it easier to occupy a favorable position in the international market. In addition, the establishment of a local supply chain can also shorten the delivery cycle of products, improve delivery flexibility, and meet the local market's demand for timely supply.

Thirdly, through overseas investment, Chinese enterprises can better understand and adapt to the regulatory and policy environment of the target market. Different countries have different regulations and policies, which have a direct impact on the business activities of enterprises. By establishing businesses locally, Chinese companies can gain a deeper understanding of local regulations, avoid potential compliance risks, and improve operational stability in the international market.

### **2.2.2. Enhance product competitiveness**

Firstly, Chinese enterprises can acquire advanced technology and management experience from foreign enterprises through outward direct investment. This technology introduction not only improves the technical level of the product, but also has a direct positive impact on product quality. By introducing advanced processes and production technologies, Chinese enterprises can produce more advanced and high-quality products, enhancing their competitiveness in the international market. This process has promoted the development of Chinese products from low value-added to high value-added, better adapting to the demand for high-quality products in the international market.

Secondly, outward direct investment helps Chinese enterprises improve their innovation capabilities. Through cooperation with foreign companies, Chinese companies can learn from internationally leading research and development concepts, innovative management experience, and even engage in cross-border technology research and development. This is crucial for promoting independent innovation and technological upgrading of Chinese enterprises, enabling them to launch more competitive new products in the international market, thereby enhancing the competitiveness of the overall product line.

Thirdly, through outward direct investment, Chinese enterprises have the opportunity to establish a more prominent brand in the international market. By collaborating with internationally renowned companies or acquiring foreign companies, Chinese companies can leverage the existing brand influence of the target company to accelerate their recognition in the international market. This is crucial for enhancing the international market competitiveness of products, as in a globalized market, brands are an important factor for businesses to win consumer trust and market share.

Fourthly, Chinese enterprises can better understand and adapt to international market standards and norms through outward direct investment. In the process of cooperating with foreign enterprises, Chinese enterprises usually need to

comply with stricter international product quality standards, and the production process also needs to follow international conventions. This makes it easier for Chinese companies to pass international quality certification for their products, improving their acceptability in the international market and thus enhancing their competitiveness in the fiercely competitive international market.

Fifth, through outward direct investment, Chinese enterprises can better integrate into the markets of target countries or regions. Establishing production bases or joint ventures overseas can help companies better understand and meet the needs of local consumers. This localized operation not only enhances the competitiveness of products in the local market, but also helps enterprises better expand their international market share. At the same time, this also reduces the trade barriers faced by enterprises in the local market, which helps to establish a more stable international operating system.

Overall, by enhancing product competitiveness, China's outward foreign direct investment has opened up broader space for the development of Chinese enterprises in the international market. This positive impact is not only reflected in improving product quality and technological level, but also includes multiple aspects such as the innovation ability of the enterprise, international market recognition, compliance with international standards and norms, and international operation.

### **2.2.3. Optimize industrial structure**

One of the important goals of China's outward foreign direct investment is to optimize the industrial structure by promoting industrial upgrading and transformation. This strategic trend has a profound impact on the sustainable development of the Chinese economy and the enhancement of global competitiveness.

Firstly, through overseas investment, Chinese companies can enter high value-added industries. This includes technology intensive and innovation driven industries, where advanced technology and research and development capabilities are relatively high. Through cooperation, mergers and acquisitions, or technology introduction with international leading enterprises, Chinese enterprises can quickly acquire these advanced technologies and management experience, thereby improving their competitiveness in the global market.

Secondly, this strategic investment helps to reduce reliance on low value-added products. Traditionally, some industries in China are mainly labor-intensive manufacturing, which results in relatively low added value of exported products. By investing in high-tech and high value-added industries, Chinese enterprises can gradually reduce their dependence on traditional industries and achieve industrial structure upgrading and diversification.

Thirdly, this effort to optimize industrial structure has also had a positive impact on China's international competitiveness. With the emergence of Chinese companies in the global high-end market, China is not only a country with advantages in labor costs, but also an important country with innovative capabilities and technological strength. This will help establish China's more important position in the global industrial chain, enhance its voice and bargaining power in the international market.

Overall, by optimizing the industrial structure through outward direct investment, Chinese enterprises have been able to better integrate into the global value chain, enhance

international competitiveness, and achieve economic development transformation from quantity to quality and from low-end to high-end. This will also help promote the sustainable development of the Chinese economy and play a more important role in the global economic landscape.

## **2.3. The negative impact of China's outward foreign direct investment on export trade**

### **2.3.1. Reflux effect**

The backflow effect refers to enterprises that originally invested abroad choosing to relocate their production bases back to their home country due to a series of reasons. Against the backdrop of China's outward foreign direct investment, this backflow effect may have a series of impacts on the Chinese economy and export industries.

Firstly, China's cost advantage may be one of the key factors leading to the return effect. Although China has gradually upgraded to one of the world's largest manufacturing bases in the past few decades, it still has cost advantages in some aspects, such as relatively cheap labor and relatively cheap energy. This may lead some companies to find that producing in China is more cost-effective when evaluating global production networks, and therefore choose to relocate their production bases back to China.

Secondly, China's vast market size may be another factor that attracts companies to return. For enterprises that rely on economies of scale and market economies of scale, returning to China may mean greater market share and broader sales opportunities. This may be more attractive for some industries, especially those with consumer driven characteristics.

However, this backflow effect may also cause certain competitive pressure on China's export industry. Firstly, this may lead to a reduction in the demand for local exports for production bases established outside of China, thereby affecting China's market share in the local market. Secondly, if there is a direct competitive relationship with the returning enterprises, Chinese local enterprises may need to adjust their market strategies to cope with fierce competition, including improving product quality, innovating, and providing more competitive prices.

Overall, the reflux effect is both an opportunity and a challenge. The Chinese government and enterprises need to actively respond to this change by increasing the added value upstream of the industrial chain, promoting innovation, and improving product quality to maintain competitiveness in the global industrial chain.

### **2.3.2. Trade protectionism**

The trade barriers and restrictions faced by Chinese enterprises in overseas investment may hinder the export of Chinese products. Some countries adopt trade protectionism measures, imposing restrictions or tariffs on overseas investments of Chinese enterprises to protect their own industries. This may lead to the challenge of trade barriers and unfair competition for Chinese products in the target market, which will have a negative impact on China's export trade.

It should be noted that the impact of China's outward foreign direct investment on export trade is a complex issue, with a balance between positive and negative factors. Although China's outward foreign direct investment can bring many positive impacts, it will also face some challenges in terms of negative impacts.

### 3. Case Analysis

#### 3.1. Case background

Huawei Technologies Co., Ltd. (hereinafter referred to as "Huawei") is a globally renowned communication equipment manufacturer and solution provider headquartered in China. Since the 1990s, Huawei has regarded the African market as an important development opportunity and actively invested and expanded its business. Africa is a huge market with a population of over 1 billion, and the demand for communication and information technology is rapidly growing. Huawei has strengthened its adaptability to the African market by establishing local offices, research and development centers, and production bases in various African countries. Huawei's investment focus in Africa includes areas such as technology research and development, manufacturing, and service support. Huawei has invested a significant amount of resources in the African market to support the construction of telecommunications and communication infrastructure. Huawei provides advanced communication equipment, network solutions, and technical support to help African countries establish efficient and stable telecommunications networks and communication infrastructure. Huawei actively promotes technological innovation and cooperation in the African market. Huawei collaborates with governments, telecommunications operators, and research institutions in African countries to jointly research and promote the development of communication technology to meet the needs of the African market.

#### 3.2. Impact analysis

Through OFDI in the African market, Huawei has successfully established a wide range of business networks and established close cooperation relationships with governments, telecommunications operators, and enterprises in African countries and regions. Huawei's investment in the African market has had a significant impact on China's export trade:

##### 3.2.1. Increase exports of communication equipment from China

Huawei's investment in the African market has promoted the export of Chinese communication equipment. As a leading global communication equipment supplier, Huawei's products are widely used in Africa. Its localized production base and supply chain network established in Africa enable Huawei to better meet the needs of the African market and expand the market share of Chinese communication equipment in Africa.

##### 3.2.2. Technological upgrading and collaborative innovation

Huawei's investment in the African market has introduced advanced communication technology and solutions, improving the communication infrastructure level of African countries. Huawei collaborates with governments, telecommunications operators, and research institutions in African countries to promote technological innovation and collaborative projects. These collaborations not only enhance Africa's technological capabilities, but also drive the development of China's related industries and promote the export of China's communication equipment.

##### 3.2.3. Increase export value-added

Huawei's investment in the African market is not only in

product sales, but also includes technical support, service provision, and solution customization. By providing comprehensive solutions and value-added services, Huawei has increased the added value of its products and further promoted the export trade of Chinese communication equipment.

##### 3.2.4. Drive the development of related industries

Huawei's investment in the African market is not only beneficial for the development of its own business, but also drives the development of related industries. Huawei's localized production base in Africa provides orders and business opportunities for local manufacturing, promoting the development of the industrial chain and increasing employment opportunities. This further promotes the export trade of related industries in China.

In summary, Huawei's OFDI in the African market has had a positive impact on China's export trade. Huawei has expanded the export market of Chinese communication equipment through investment in the African market, improved its technological level and added value, and driven the development of related industries. However, with Huawei's rapid growth in the African market, it also faces some challenges and risks, such as market competition pressure and cross-border supply chain control. Therefore, the government and enterprises should actively address these issues to ensure the sustainable development of China's OFDI in the African market and its exports to China. In addition to Huawei's OFDI in the African market, there are also other investment cases of Chinese enterprises in Africa that are worth paying attention to. For example, Chinese construction companies investing in infrastructure construction in Africa have provided advanced construction technology and equipment to African countries, promoting the development of infrastructure construction. These investments not only improve the infrastructure level of African countries, but also create export opportunities for Chinese engineering and construction enterprises.

Overall, China's OFDI in the African market has had a positive impact on China's export trade. Through investment and cooperation, Chinese enterprises have expanded their business scale and market share in the African market, enhanced the added value of products and services, and promoted the development of related industries. However, in order to ensure the sustained and sustainable development of this impact, governments and businesses need to closely monitor market competition and risks, and adopt corresponding strategies and measures to address the challenges. Meanwhile, strengthening cooperation and technological innovation are also key factors in promoting China's OFDI to have a more positive impact on export trade. Through continuous efforts and effective management, China's OFDI will continue to make significant contributions to the growth and sustainable development of China's export trade.

### 4. Analysis of the Influencing Factors of China's OFDI on China's Export Trade

#### 4.1. Policy factors

The support policy of the Chinese government for China's OFDI is one of the important factors affecting its export trade to China. The government's policy measures can have an

impact on China's OFDI and export trade in multiple aspects.

Firstly, the investment promotion policies introduced by the government can encourage Chinese enterprises to invest in overseas markets. These policies may include measures such as providing financial support, tax exemptions, facilitating market access, and investment protection. Through the effective implementation of these policies, the competitiveness of Chinese enterprises in overseas markets has been improved, thereby increasing the scale of foreign direct investment and creating more opportunities for China's exports.

Secondly, diplomatic relations and trade agreements have significant impacts on China's OFDI and export trade. Cooperation agreements and free trade agreements between governments can reduce trade barriers in overseas markets, provide a better investment environment, and reduce transaction costs, thereby promoting the development of China's OFDI and export trade. The Chinese government actively participates in international trade negotiations and signs free trade agreements, providing broader space for Chinese enterprises to expand their business in overseas markets.

## 4.2. Market factors

The impact of market factors in target countries on China's OFDI and export trade cannot be ignored. The following are some market factors that may have an impact.

Firstly, market size and growth potential directly affect China's OFDI and export trade decisions. A larger market size provides more sales opportunities, while growth potential indicates future demand growth, attracting Chinese companies to increase investment and exports. Especially in emerging markets and developing countries, Chinese enterprises can leverage their strong competitiveness and technological advantages to expand their presence and market share in these markets.

Secondly, the competitive environment also has an impact on the outcomes of China's OFDI and export trade. If the target country already has a large number of competitors and the market is saturated, Chinese companies may face greater competitive pressure. However, if the competition in the target country is relatively weak, Chinese companies may be more likely to gain a competitive advantage in that market and achieve growth in export trade.

Finally, understanding the consumer demand of the target country is crucial for Chinese companies. Based on the consumption habits, demand structure, and cultural background of the target country, Chinese enterprises can adjust their product positioning, market promotion, and service strategies to better meet consumer needs, improve product competitiveness, and export trade scale.

## 4.3. Industrial factors

Industrial factors are also one of the important factors affecting China's OFDI exports to China. There may be differences in the impact of China's OFDI on export trade among different industries.

Firstly, vertical integration is a common investment strategy, with some Chinese companies achieving vertical integration through overseas investment. They establish production bases or purchase raw materials overseas to support China's export trade. By establishing production bases overseas, Chinese enterprises can reduce production and transportation costs, improve product competitiveness

and export trade scale.

Secondly, technological innovation is another industrial factor that affects the impact of China's OFDI on export trade. Chinese enterprises cooperate and conduct research and development in the field of technological innovation through overseas investment. This enables Chinese enterprises to acquire new technologies, knowledge, and experience, improve product quality and technological level, and further enhance the added value and competitiveness of their products. The improvement of this technological innovation capability can help Chinese enterprises gain higher market share in export trade.

Finally, industrial synergy is also an important aspect of industrial factors. The investment of China's OFDI in specific industrial sectors may form industrial synergies and promote the development of the entire industry chain. By investing in relevant industrial sectors, Chinese enterprises can drive the development of upstream and downstream industries, thereby increasing the scale and added value of China's export trade. For example, the manufacturing bases established by Chinese enterprises overseas not only provide support for export trade, but also promote the development of related industries, including supply chain, logistics, and supporting services.

In summary, policy factors, market factors, and industrial factors are important factors that affect China's OFDI's export trade with China. These factors are intertwined and together affect the scale and efficiency of China's OFDI in its export trade. A deep understanding of the roles and interrelationships of these factors can help formulate relevant policies and strategies, promote the development of China's export trade, and enhance the competitiveness of Chinese enterprises in the global market.

## 5. Policy Recommendations for China's Development of OFDI

### 5.1. At the government level

#### 5.1.1. Develop preferential policies

The government's formulation of preferential policies is an important means of promoting outward direct investment. This type of policy aims to provide incentives for enterprises, reduce the cost of cross-border investment, and encourage more enterprises to actively participate in the international market. Here are some possible extensions:

Firstly, tax incentives are one of the key factors in attracting foreign direct investment from enterprises. The government can incentivize companies to engage in cross-border investment by reducing the taxes they need to pay for profits overseas, providing tax credits or exemptions. This preferential policy can significantly reduce the economic burden on enterprises and increase their competitiveness in the international market.

Secondly, financial support is also an important preferential policy. The government can provide low interest loans, financing guarantees, or subsidies to foreign invested enterprises to help them obtain financial support more easily. This not only helps companies expand their overseas investment scale, but also provides certain financial guarantees, reducing the financial risks of cross-border investment.

Meanwhile, facilitating market access is also an important measure for the government to guide outward investment. By simplifying the approval process and relaxing market access conditions, the government can provide enterprises with a

more convenient business environment and encourage them to actively expand into the international market. Reducing administrative barriers and improving transparency in market access can help increase the investment confidence of enterprises in the international market.

In addition, the government can provide policy advice and guidance to help enterprises better understand the regulatory environment, business culture, and market demands of the international market. Government agencies can provide information and advice on cross-border investment for enterprises, reduce the risks they may face when investing in different countries, and enhance their international experience and competitiveness.

Overall, by formulating preferential policies and providing incentives for enterprises in various aspects such as taxation, finance, and market access, the government can not only effectively attract more enterprises to make outward direct investment, but also help promote the opening and cooperation of the international market. The active guidance and support of the government in this process can help promote the internationalization strategy of enterprises and improve the overall economic competitiveness of the country.

### **5.1.2. Strengthen policy coordination**

Government departments should strengthen coordination and form a unified policy framework. Different departments can establish cooperation mechanisms to jointly formulate outward foreign direct investment policies, and strengthen information sharing and resource integration to improve policy targeting and synergy.

### **5.1.3. Provide risk protection**

The government can establish a risk protection fund to provide a certain degree of protection for the risks faced by enterprises in outward direct investment. This includes political risk, exchange rate risk, and market risk, etc. By providing insurance, guarantees, and compensation, the investment risk of enterprises can be reduced.

## **5.2. From a corporate perspective**

### **5.2.1. Strengthen market research**

Strengthening market research and in-depth understanding of the target market is a crucial step before enterprises make outward direct investment. This process involves detailed investigation of multiple aspects, aiming to provide a comprehensive information foundation for enterprises to better formulate investment strategies and business models that adapt to the local market.

Firstly, enterprises need to have a comprehensive understanding of the market demand of their target market. This includes research on consumer behavior, purchasing power, consumption trends, and other aspects of the target market. Having a deep understanding of this information can help enterprises adjust the positioning of their products or services based on market demand, ensuring that their products or services meet the characteristics and needs of the target market.

Secondly, investigating the competition situation is also crucial. Enterprises need to understand the main competitors in the target market, their market share, market positioning, and the strengths and weaknesses of their products or services. This helps companies determine how to find their positioning in the fierce market competition and develop corresponding marketing strategies.

Meanwhile, understanding the legal and regulatory environment of the target market is also an essential aspect

that cannot be ignored. Enterprises need to have a clear understanding of the regulations they need to follow in their target market operations, including trade policies, labor regulations, environmental regulations, etc. This helps businesses to operate legally and compliantly, reducing legal risks.

Overall, by strengthening market research, enterprises can better understand the characteristics of the target market and provide a more solid foundation for their outward direct investment. This also helps enterprises to respond more flexibly to market changes and improve their competitiveness in the international market.

### **5.2.2. Strengthen technological innovation and management capabilities**

When making outward direct investment, enterprises should attach great importance to technological innovation and upgrading their management capabilities. This strategic direction involves introducing advanced technology and management experience to improve product quality, process level, and gain stronger competitiveness in the international market. At the same time, in order to ensure the successful implementation of the strategy, enterprises also need to focus on talent cultivation and team building, in order to improve their international operation and management level.

When enterprises make direct foreign investment, they can quickly improve their production processes and product technology levels by introducing advanced technologies. This includes but is not limited to technical cooperation with foreign enterprises, acquisition of advanced technology companies, or strategic investment in research and development. The introduction of technology not only enhances the competitiveness of products, but also helps enterprises better adapt to the constantly changing and innovative international market. Strengthening management capabilities is equally crucial. Enterprises can learn and draw on the advanced management experience of foreign enterprises, and improve the overall operational efficiency of the organization by introducing advanced management concepts, methods, and processes. In addition, it is recommended that enterprises provide professional training in international management to adapt to various management challenges required for cross-border operations, including skills in cross-cultural management, international marketing, and other areas. The success of a company is closely related to the contribution of talent. Therefore, before making foreign direct investment, enterprises should strengthen the internationalization literacy and skill development of their employees to ensure that their teams have the ability to respond to the demands of the international market. Diversification of teams and cross-cultural collaboration are also crucial, therefore, cultivating the ability to collaborate and solve cross-cultural problems is also an indispensable part.

Through technological innovation and the improvement of management capabilities, enterprises can not only provide more competitive products and services in the international market, but also adapt more flexibly to the constantly changing market environment. This creates a more stable and sustainable business foundation for enterprises in the process of outward direct investment.

### **5.2.3. Establishing partnerships**

Enterprises can establish partnerships with local enterprises to share market resources and experience. Partnership can help companies better adapt to local markets, reduce investment risks, and achieve complementary

advantages, enhancing their international competitiveness.

### 5.3. Industry perspective

#### 5.3.1. Encourage external investment in strategic industries

The government can focus on supporting the development of strategic industries in outward direct investment. These industries include high-tech manufacturing, new energy, information technology, and other fields. Through outward direct investment, they promote the international competitiveness of these strategic industries and enhance China's position in the global industrial chain.

#### 5.3.2. Promote industrial upgrading and transformation

The government can guide enterprises to use outward direct investment for industrial upgrading and transformation. By investing in advanced technology and equipment, improving production processes and product quality, and enhancing the competitiveness of enterprises in the international market. At the same time, encourage enterprises to conduct research and development innovation, promote technological progress and optimize industrial structure.

#### 5.3.3. Strengthen the management and supervision of multinational corporations

The government can strengthen the management and supervision of multinational corporations to ensure that their outward foreign direct investment activities comply with laws, regulations, and international norms. This includes monitoring the performance of enterprises in environmental protection, labor rights and social responsibility, and maintaining a good corporate image and reputation.

#### 5.3.4. Promote regional cooperation and economic integration

The government can actively participate in regional cooperation and economic integration processes, and promote the development of outward foreign direct investment through cooperation with other countries and regions. Strengthen trade facilitation measures, promote investment liberalization and facilitation, create an open and inclusive investment environment, and promote the flow and cooperation of cross-border investment.

#### 5.3.5. Support small and medium-sized enterprises to invest abroad

The government can increase its support for outward direct investment by small and medium-sized enterprises. Small and medium-sized enterprises are an important component of China's economy. Encouraging and supporting their participation in outward foreign direct investment can help them expand their markets, enhance their competitiveness, and achieve better development.

In summary, developing China's outward foreign direct investment requires joint efforts from the government, enterprises, and industry. The government should strengthen policy support and coordination to provide a good investment environment and services for enterprises. Enterprises should strengthen market research, technological innovation, and partnership building to enhance international competitiveness. In terms of industry, strategic industries should be encouraged to invest abroad, promoting industrial upgrading and transformation. Through these comprehensive development strategies, we can further promote the healthy development of China's outward foreign direct investment and provide strong support for the internationalization of the Chinese economy.

## 6. Conclusion

China's OFDI has had a significant impact on its export trade. By actively participating in the global market, Chinese enterprises have not only expanded their export markets and improved their product competitiveness, but also promoted technological upgrading and innovation cooperation. However, it is also necessary to face negative impacts such as backflow effects and trade protectionism. The government should promote the stable development of OFDI by formulating preferential policies, strengthening policy coordination, and providing risk protection. Enterprises need to strengthen market research, technological innovation, and establish partnerships to better adapt to the target market. In terms of industry, strategic industries can be encouraged to invest abroad, promote industrial upgrading and transformation, and strengthen the management and supervision of multinational corporations. In addition, close cooperation between the government, enterprises, and industries, as well as regional cooperation and economic integration, are important factors in promoting the sustainable and healthy development of OFDI. Through these policy recommendations, China is expected to better respond to the challenges of globalization and achieve sustainable economic growth.

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