

The Impact of the Digital Economy on China's FDI

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Abstract: The pace of China's economic development is accelerating, and Foreign Direct Investment(FDI), as an important force driving economic growth, is also increasing in quantity and scale, bringing many new opportunities and challenges. This paper puts forward corresponding suggestions for promoting the development of China's FDI through the digital economy, including optimizing the FDI development environment, strengthening innovation-driven development, and cultivating new momentum in the digital economy, in order to make greater contributions to the development of China's FDI and the prosperity of the digital economy. At the same time, this paper also explores the direction and significance of future research, with the aim of further promoting research and practice in related fields.

Keywords: Digital Economy; FDI; Strategies Analysis

1. Introduction

In recent years, the intensification of Trade disputes between China and the United States, Brexit, and other events have continuously impacted the global financial market. The increase in various risks and uncertainties has not only led to a rapid decline in domestic investment and consumption but also put many enterprises at risk of bankruptcy. Facing such a severe domestic and international situation, the central government has successively proposed the basic work goals and tasks of "six stabilities" and "six safeguards" to ensure that China's economy remains stable with progress and continues to improve. Among them, stabilizing foreign investment and foreign trade largely determine China's important position in the global economic division of labor. Especially in the context of continuously advancing a higher level of opening up to the outside world, foreign investment plays a

significant role in China's foreign trade, and stabilizing foreign trade must start with stabilizing foreign investment. Specifically, foreign direct investment (FDI) not only brings advanced technology and experience to the host country but also helps to fill the gap in capital turnover and promote regional economic growth, making it an important driving force for the high-quality economic development of the host country, particularly developing countries. It is evident that advancing modernization must attach great importance to the function and role of FDI, and in the severe and complex international environment, it is necessary to "stabilize foreign investment and promote development" through continuous opening up in the fields of the digital economy, the internet, and improving the foreign investment service guarantee system.

At the same time, the digital industry, represented by artificial intelligence, 5G communication, and the Internet of Things, is showing a vigorous development momentum. Compared with the traditional economy, the digital economy, relying on a vast number of digital users, has significant advantages in reducing the cost of information search and accelerating the circulation of resources and factors, creating favorable conditions for improving the operational efficiency of China's economic market and optimizing the business environment. According to statistics from the China Academy of Information and Communications Technology, the added value of China's digital economy reached 45.5 trillion yuan in 2021, with a nominal growth of 16.2% year-on-year, marking a new step in the high-quality development of the digital economy. Against this backdrop, properly handling the relationship between the development of the digital economy and the inflow of FDI, and fully leveraging its positive effects on FDI inflow, is of great significance for enhancing the quality of China's economic and trade and the level of openness.

2. Meaning and Characteristics of the Digital Economy

The meaning of the digital economy refers to a new type of economic form that is based on digital technology and achieves the digitization, networking, and intelligence of economic activities through the collection, storage, analysis, and application of data. It encompasses a wide range of fields, including but not limited to e-commerce, digital finance, online education, telemedicine, intelligent manufacturing, smart cities, and more. The characteristics of the digital economy are mainly reflected in the following aspects:

Firstly, data-driven. Data becomes the core production factor, and through data analysis and mining, enterprises can more accurately understand market demand and optimize products and services. In the decision-making process, actions and strategies are guided by the collection, analysis, and interpretation of data. In the context of the digital economy, being data-driven means that enterprises, organizations, and governments use data to optimize operations, enhance efficiency, and strengthen competitiveness and innovation capabilities.

Secondly, networking and intelligence. The development of network technologies such as the Internet and the Internet of Things (IoT) makes the flow of information and resources more convenient, promoting collaboration and exchange on a global scale. The application of technologies like artificial intelligence and machine learning makes the production and service processes more automated and intelligent, thereby improving efficiency and innovation capabilities^[1].

Thirdly, cross-sector integration. This refers to the mutual penetration, cooperation, and integration between different industries, fields, or technologies to achieve resource sharing, complementary advantages, and innovation-driven development. In the context of the digital economy, cross-sector integration particularly refers to the combination of information technology with traditional industries, promoting industrial upgrading and transformation through digital means. The digital economy breaks down the boundaries of traditional industries, facilitates the integration and innovation between different sectors, and forms a new industrial ecology. The development of the digital economy is

reshaping the global economic landscape, driving the transformation and upgrading of economic structures, and also having a profound impact on policy-making, social governance, and individual lives.

3. The Promoting Role of the Digital Economy on China's FDI

The advent of the digital economy era has significantly altered the global economic landscape. At the same time, the digital economy has provided more convenient pathways and more efficient means for cross-border investment. Research and analysis have been conducted on the impact of the digital economy on China's FDI.

3.1 The Development of the Digital Economy Accelerates the Interconnectedness of the Global Economy

Digital technology has transformed traditional trade methods and forms, providing a broader space and more opportunities for the expansion of international trade. The application of digital technology and the advancement of the informatization process have made cross-border trade increasingly common and convenient, continuously promoting global economic cooperation and development. For FDI, the rapid development of digital technology has provided more business opportunities for foreign multinational corporations and has brought more opportunities for China's FDI. The advancement of digital technology applications has increased trade between two countries, introduced new products and services, which has generated more demand for FDI and enhanced its attractiveness. Under the backdrop of digital transformation, the methods and forms of FDI are also changing. The implementation of digital economy policies and the development of technologies such as the Internet have made FDI more convenient and efficient. Within the scope of the new digital economy, FDI has a more complete industrial chain, higher labor productivity, and is one of the main drivers of consumer upgrading. This has gradually made FDI a development trend in the digital economy, and the digital economy has also become one of the important factors attracting FDI^[2]. In addition, the rapid development of the digital economy has also brought more steady growth for FDI, providing

a better opportunity for improving the quality and scale of FDI.

3.2 The Development of the Digital Economy has Brought a Huge Potential Market for FDI.

The rapid rise of the digital economy has accelerated the development of China's information technology, network technology, and intelligent manufacturing, providing more industrial cooperation opportunities for FDI and optimizing the industrial structure layout of foreign capital in China. This has led foreign enterprises to focus more on the long-term potential of China's future development. The development of the digital economy has also driven China's innovation and transformation in the field of FDI, with an increasing number of foreign enterprises seeking development opportunities in the digital economy. The digital economy industry is characterized by high R&D investment, high-tech content, and high added value. The influx of capital from foreign enterprises in the digital economy field will further promote China's development in the digital economy. With the acceleration of the economic globalization process, the digital economy has become a bridge connecting China with the world, greatly expanding the development space for foreign capital in China. Especially with the gradual maturity and implementation of technologies such as 5G and artificial intelligence, foreign enterprises will explore more widely in China's digital economy field, better adapting to and leading the development trend of the digital economy.

3.3 The Development of the Digital Economy Will Further Promote the Transformation and Upgrading of FDI.

Upgraded FDI will pay more attention to market innovation, promoting market openness, competitiveness, and fairness. Additionally, FDI will also focus more on talent cultivation and the improvement of sustainable development levels to better meet the actual needs of the Chinese market. Against the backdrop of the development of the digital economy, FDI will enter a more diversified and strategic field to adapt to the new trends of China's future development^[3].

4. Conclusion and Recommendations

4.1 Conclusion

The impact of the digital economy on FDI is multifaceted. The application of digital technology and the enhancement of digitalization have brought more opportunities for the expansion and development of FDI. The rapid development of the digital economy has also driven the transformation and upgrading of FDI models. The new models of FDI will be more in line with the new trends of digital technology and consumer upgrading, achieving higher efficiency and stability, while also improving the quality and scale of FDI. Therefore, the impact of the digital economy on FDI is inevitable. FDI and the digital economy will mutually promote and develop together, becoming the main trend and direction in the era of digital transformation.

4.2 Suggestions

4.2.1 Strengthen the Investment Environment in the Digital Economy Sector

To improve the core competitiveness and sustainable development capabilities of China's digital economy, the government should implement a series of measures to improve the investment environment in the digital economy. On one hand, further relax market access in the digital economy sector to provide investors with a higher quality and more orderly investment environment. This requires the government to strengthen policy promotion and explanation, clarify the direction of policies and the support for the digital economy sector, reduce the investment thresholds for external parties, attract more liquid funds into the digital economy sector, and promote the development of the digital economy and FDI. On the other hand, strengthen intellectual property rights protection to safeguard innovation and development in the digital economy. In the digital economy, the protection of intellectual property rights is a particularly important issue. Currently, China's digital economy sector is continuously enhancing its innovative capabilities; however, this development of innovation is often easily infringed upon, leading to a decrease in investors' enthusiasm for investment^[4].

4.2.2 Promote the Development of FDI in the Digital Economy Sector

In today's thriving digital economy, FDI is crucial for a country's economic development. To achieve this goal, it is first necessary to

strengthen the formulation and improvement of laws and regulations to provide a better business environment for FDI. It is essential to enhance the introduction and cultivation of talent, ensuring better human resource guarantees for FDI. Particularly in the field of digital technology, there should be a focus on attracting and developing high-level talents to improve FDI's technological innovation capabilities in the digital economy sector. In addition, the continuous improvement of digital economic infrastructure is necessary to provide better support and services for FDI's investment in the digital field. For instance, promoting the development of 5G networks and Internet of Things technologies can enhance the level and quality of services in the digital economy's infrastructure. Furthermore, it is important to actively explore the deep integration of the digital economy with the real economy, offering more investment opportunities and development space for FDI.

4.2.3 Enhance the Integration of China's Digital Economy with FDI

In the era of the digital economy, China's FDI faces numerous opportunities and challenges. To better leverage the role of the digital economy in promoting FDI, China should strengthen the cooperation between the digital economy and FDI. First, enhance the information exchange between the digital economy and FDI. Strengthening information exchange allows FDI to better understand the development of China's digital economy, and also enables China to better understand the needs and demands of FDI. During the exchange process, both parties can explore possibilities for cooperation and jointly undertake innovative research and project collaborations in the digital economy field. Second, improve the legal and regulatory framework for the digital economy and FDI. Cooperation between the digital economy and FDI requires a comprehensive legal and regulatory system to safeguard it. China should accelerate the formulation and improvement of laws and regulations related to the digital economy and FDI, establish a scientifically reasonable risk assessment mechanism for the

digital economy and FDI, strengthen the protection of intellectual property rights in the digital economy and FDI, providing robust institutional support for their cooperation. Third, strengthen the talent cultivation for the digital economy and FDI. The cooperation between the digital economy and FDI requires substantial talent support. China should enhance the mechanisms for talent cultivation in the digital economy and FDI, increase professional courses and talent training programs in the fields of the digital economy and FDI, expand the talent pool in these areas, and cultivate more high-level talents for the cooperation between the digital economy and FDI.

5. Conclusion

In summary, strengthening the cooperation between China's digital economy and FDI is key to driving the development of China's digital economy and an important way to elevate the level of China's FDI. Only by deeply exploring the cooperative potential between the digital economy and FDI can a mutually beneficial win-win situation be better realized.

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