

Study on the relationship between China's foreign direct investment and the host state-owned business environment

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Abstract. The business environment of the host country is an important factor for every enterprise in the country of exporting foreign capital. In this study, the host country's business environment is the independent variable, China's OFDI stock of the host country is the dependent variable, and then several control variables are added to build the econometric model of China's OFDI and the host country's business environment, collected data of 27 countries from 2009 to 2017 for empirical research, the results show that among the five variables representing the host country's business environment, in addition to commercial environmental regulation, the other four The variables macroeconomic management, legal governance, social protection and the quality of the trade environment are positively correlated with China's OFDI stocks, but only the regression coefficients of the two variables of commercial environmental regulation and legal governance are significant. The regression coefficient of market size and openness in the control variables is positive and significant.

Keywords: business environment; foreign investment; outward foreign direct investment

1. Literature review

1.1 Literature review abroad

Eifert B (2009) found in the study of the relationship between the host state-owned business environment and FDI that every 0.4% fluctuation of the host state-owned business environment can cause the same direction fluctuation of FDI inflow scale by 0.6%. Jayasuriya D (2011) found that the better the host state-owned business environment, the larger the scale of FDI inflow. Ross J (2016) synthesized the business environment data of the world bank and the U.S. OFDI data, studied the relationship between the host state-owned business environment and the U.S. OFDI by building a panel data model, and found that on the whole, the business environment of the host country showed a positive correlation with the U.S. OFDI, and the impact coefficient of developed countries was higher than that of developing countries.

1.2 Domestic literature review

Cui Zhixin (2015) constructed the host state-owned business environment evaluation system, including several indicators such as investor protection, information disclosure, procedures and time required to start an enterprise. Taking the FDI of the host country as the dependent variable, he constructed the measurement model of the host state-owned business environment and FDI. The empirical results show that there is a positive correlation between the host state-owned business environment and FDI, It is confirmed that the business environment is an important factor in attracting FDI. Wei xiahai's (2015) research on the foreign investment of China's private enterprises shows that if a country's business environment is at a high level, entrepreneurs will invest more energy and time in economic activities, increase the proportion of investment in corporate governance, and reduce the proportion of investment in external liaison activities such as improving governance and business relations, It will help enterprises obtain more marginal income. Zhang Fu and sun Puyang (2016) studied the impact of the contractual environment in the business environment on attracting foreign investment. The results show that a higher level of contractual environment can improve the performance level of various contracts, promote the sustainable and stable development of trade, and an efficient investment protection system can ensure that investors' property is not infringed and increase investors' investment confidence in the host country, Promote relevant OFDI activities.

1.3 Literature review of research methods

For the research on the relationship between business environment and foreign direct investment, many scholars use empirical research methods. Zhou Chao and Liu Xia (2017) studied the relationship between China's OFDI and the host state-owned business environment, and collected data from China and 62 countries from 2007 to 2014 for empirical analysis. The results show that countries with better business environment are more likely to attract China to carry out OFDI activities. Among the several indicators representing the business environment, construction permit, tax payment, cross-border trade, contract execution Several indicators such as handling bankruptcy have a positive effect on Chinese enterprise OFDI, and two indicators of property registration and tax payment have a negative effect. Qiu Licheng, Liu QUINING and Wang Zifeng (2016) constructed an econometric model for empirical analysis when studying the relationship between host country urbanization and China's foreign investment

Other research results found that the host state-owned business environment does not necessarily promote investment countries to carry out OFDI activities. Cheung and Qian (2011) analyzed the OFDI situation of Chinese enterprises in Africa, and found that the countries with imperfect legal system and high degree of corruption can attract Chinese enterprises to OFDI. The research of Hao Wang, Daihua Wu (2015) shows that the OFDI activities of Chinese enterprises show a negative correlation with the business quality of the host country. The biggest possibility is that the investment motivation of Chinese enterprises is to obtain the resources of the host country and bypass the management of the host country. Jeff m and white B (2016) divided all countries into developed countries, developing countries and emerging economies. Using the business environment assessment index of the world bank, they studied the relationship between British enterprises OFDI and the host state-owned business environment. The results showed that the improvement of business environment in developed countries could not significantly improve the intensity of OFDI activities of British enterprises, The improvement of the business environment in developing countries and emerging economies will even inhibit the inflow of OFDI in the UK.

2. Theoretical analysis and research hypothesis

Based on the basic consideration of the pursuit of investment return by transnational investment, this paper puts forward the following assumptions

Hypothesis 1: there is a positive correlation between the business environment level of the host country and China's foreign direct investment.

In the market economy environment, resource allocation is mainly regulated by the market mechanism. Most of the investment activities of enterprises are to optimize the allocation of their own resources. When the business environment of the host country can have a perfect political and legal system, multinational enterprises can obtain sufficient institutional support in the host country and reduce the risk of their local investment. Therefore, enterprises will give priority to the host country with high-quality business environment whether they want to avoid the investment risk at the institutional level of the host country as much as possible or want to develop in the host country for a long time.

This study adopts the business environment index system of the world bank, in which there are five typical indicators representing the business environment, namely enterprise regulatory environment, macroeconomic management, governance according to law, social protection and trade environment quality. Therefore, based on previous studies, the relationship between these five indicators and China's foreign direct investment is assumed as follows:

Hypothesis 1-1: there is a negative correlation between the host country's enterprise regulatory environment and China's foreign direct investment;

According to the world bank's interpretation of this indicator, the enterprise regulatory environment mainly refers to the evaluation of the extent to which the legal, regulatory and policy environment helps or hinders private enterprise investment, employment creation and productivity improvement. The government must make changes to improve national production efficiency. Therefore, this study believes that the enterprise regulatory environment is not conducive to private enterprise investment, employment creation and production efficiency. From this point of view, enterprise supervision is a restriction on enterprise activities, and the demand for foreign capital is weakened, and vice versa. Therefore, China's OFDI tends to choose countries with high levels of enterprise regulatory environment.

Hypothesis 1-2: the macroeconomic management of the host country is positively correlated with China's foreign direct investment on the whole;

Macroeconomic management refers to the policy framework of a country's currency, exchange rate and aggregate demand. The development of a country's economy requires the national government to have good macroeconomic management ability. Monetary policy and exchange rate policy should be able to meet domestic investment and attract foreign investment to solve the capital problem needed for economic development. With the development of national economy, the total amount of funds needed will be more and more, and the demand for advanced technology in other countries will be more and more. The national macroeconomic management will give a certain bias to the capital with these technology spillovers to attract these capital.

Hypothesis 1-3: there is a positive correlation between the legal governance of the host country and China's foreign direct investment as a whole;

Governance according to law refers to a country's respect for property rights and contractual rights, as well as the role of the social legal system in promoting enterprise activities. The legal system is an important part of a country's social system, which determines the most basic social order of a country. Legal means are also very important means to solve various social contradictions. For enterprise investment, as the core part of China's OFDI, enterprise foreign investment naturally conforms to the general characteristics of capital.

Hypothesis 1-4: there is a positive correlation between the social protection of the host country and China's foreign direct investment on the whole;

Social security refers to a country's government policy on social security and labor market regulations, which aims to reduce the risk of poverty and improve the social welfare level of the poor. Improve the stability of the country and society, and make the poor more willing to obtain the necessary survival resources through their own labor. The nature of capital determines that it will not take risks in countries with unstable society, which is conducive to enhancing the investment willingness of multinational enterprises.

Hypothesis 1-5: the trade environment quality of the host country is positively correlated with China's foreign direct investment as a whole;

Trade environment quality is mainly used to measure the degree to which a country's policies will promote trade in goods. Trade is the basis of enterprise investment. If a country's policy is beneficial to promoting trade in goods, it will accelerate the circulation of goods in the market, stimulate the release of market demand, and further trigger sustained investment by enterprises to expand production scale and provide more goods for the local market. At the same time, it will also attract relevant foreign enterprises to invest locally to meet the needs of the local market.

3. model building

3.1 Variable definition and model construction

3.1.1 Explained variable

The explanatory variable of this study is China's OFDI stock to various countries. The OFDI of each country will be published in the annual statistical data. However, from the perspective of single annual data, some countries (regions) will show different changes due to the influence of different factors. There may be the same situation as the Cayman Islands. In China's OFDI flow to the Cayman Islands from 2009 to 2017, the data change in a single year is very unstable, The fluctuation ranges from - 150% to 1200%, and even a negative number (i.e. outflow) occurred in 2017. Compared with the traffic, the stock of OFDI is much more stable, which generally reflects the willingness of OFDI to stay in the local development. The total scale of China's top 30 countries (regions) in terms of OFDI stock scale and their total proportion in China's total OFDI stock are shown in Figure 1.

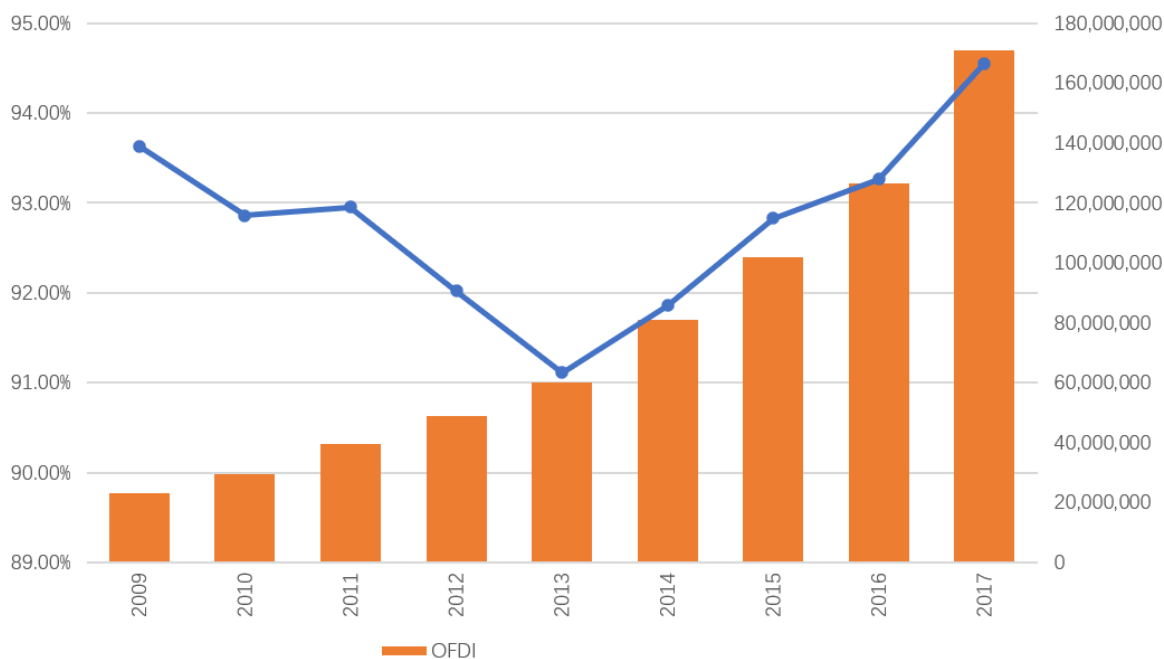


Figure 1. China's OFDI stock

From the perspective of China's OFDI stock, the proportion of OFDI stock in the top 30 countries (regions) has exceeded 90% of China's OFDI for a long time. It can be seen that the top 30 countries (regions) of China's OFDI can well represent the direction of China's OFDI. Therefore, this study selects the top 30 countries (regions) of China's OFDI stock in 2017 as the research object. However, among the top 30 countries (regions) of China's OFDI, there are three "tax havens", namely Cayman Islands, Virgin Islands and Bermuda, The business environment is quite different from other countries (regions), so these three regions are excluded from the final sample.

Referring to the practices of Qiu Licheng, Liu QUINING and Wang Zifeng (2016), this paper uses China's OFDI stock to the host country as the explanatory variable.

3.1.2 Explanatory variable

This paper uses the host state-owned business environment as the explanatory variable, which includes enterprise regulatory environment (BRE), which represents the business environment; Macroeconomic management (mm), representing the macro environment; Governance by law (RBG) represents the legal environment; Social protection (SP), representing the social environment; Trade environment quality (TRA) represents the trade environment. The data source is the world bank national development index. The value range of the five indicators is 1-6, 1 represents the worst and 6 represents the best.

As for the evaluation of business environment, the official evaluation index system with a high degree of acceptance also belongs to the national policy and system evaluation (CPIA) index system published by the world bank, including 20 specific indicators, which have been cited by many scholars in their research. When studying the impact of business environment on OFDI activities of Chinese enterprises, Zhou Qiang (2018) selected the five indicators used in this study as the index system to measure the basic business environment.

3.1.3 control variable

Distance between the host country and China (DIS): China's foreign relations are often based on commodity trade, because distance often means cost in commodity transportation. The greater the distance, the higher the investment cost, and vice versa. Referring to the practices of Qiu Licheng, Liu QUINING and Wang Zifeng (2016), this paper uses the distance between the host country and China's capital to represent the investment distance between the two countries, and the data is from CEPII database.

Market scale of the host country: in the market economy environment, the market is the main driving force of capital output. The more active a country's market is, the more value it can create. This paper refers to the practice of Liu Min and Liu Jinshan (2016), expressed in the GDP of the host country, and the data source is the world bank.

Host country's economic openness (EIR): a country's economic openness to the outside world involves the government's policies towards foreign trade and investment. A country's high economic openness and less restrictions on the entry of foreign capital will enhance its competitiveness in attracting foreign capital. This paper also refers to the practice of Kolstad and Wiig (2016). The economic openness of the host country is expressed by the proportion of the country's total import and export value in GDP, and the data source is the world bank.

Host country's technology level (HTE): referring to the practices of Qiu Licheng, Liu QUINING and Wang Zifeng (2016), this paper uses the export volume of high-tech products of the host country as the proxy variable of the country's technology level, and the data comes from the world bank.

Whether the two countries have signed an investment agreement: to a certain extent, the signing of the investment agreement will provide certain guarantee and preferential policies for the mutual investment of the two enterprises, and have an important impact on the foreign direct investment of the enterprises. Referring to the practice of Chen Jiyong and Ji Fei (2016), the control variable is treated as a binary variable. 1 means that China has signed with the host country, 0 means that it has not signed, and the data is from the website of the Ministry of Commerce.

Table 1. Summary of variables

Variable	meaning
lnOFDI	Logarithmic OFDI stock
BRE	Enterprise regulatory environment
MM	Macroeconomic management
RBG	Manage according to law
SP	social protection
TRA	Trade environment quality
lnDIS	Logarithmic distance
lnGDP	Logarithmic market size
EIR	Degree of openness
lnHTE	Logarithmic technical level
FTA	Whether to sign trade agreement

3.2 model building

The models constructed in this study are as follows:

$$\ln OFDI_{ijt} = a_0 + a_1 BRE_{jt} + a_2 MM_{jt} + a_3 RBG_{jt} + a_4 SP_{jt} + a_5 TRA_{jt} + a_6 \ln DIS_{ij} + a_7 \ln GDP_{jt} + a_8 EIR_{jt} + a_9 \ln HTE_{jt} + a_{10} FTA_{ijt}$$

lnOFDI_{ijt}—Logarithmic the OFDI stock of country I to country j in year t;

BRE_{jt}—Score of enterprise regulatory environment in year t of country j;

MM_{jt}—Score of macroeconomic management of country j in the T year;

MM_{jt}—Score of macroeconomic management of country j in year t;

RBG_{jt}—Score of governance according to law in the T year of country j;

SP_{jt}—Score of social protection in year t of country j;

TRA_{jt}—Score of trade environment quality of country j in the T year;

lnDIS_{ij}—Logarithmic distance between countries I and j;

lnGDP_{jt}—Logarithmic market size of J country in year t;

EIR_{jt}—The degree of opening up of country j in the T year;

lnHTE_{jt}—Logarithmic technical level of J country in the T year;

FTA_{ijt}—Whether country I and country j signed a trade agreement in the T year.

4. empirical research

4.1 Model regression results

Due to the data update speed of the world bank and other institutions, the data of many countries in 2018 has not been updated. In addition, there is a certain lack of data in the long-term data. From the perspective of

data availability, the time interval of this research index is 2009-2017, and the panel data model of relevant countries is used for empirical analysis.

Firstly, descriptive statistics are made on the variable data, and the results are shown in Table 2.

Table 2. Descriptive statistics of each variable

variable	quantity	mean value	standard deviation	minimum value	Maximum
lnOFDI	243	12.92	1.509	8.02	18.4
BRE	63	3.44	0.789	2.5	6
MM	63	4.02	0.810	2.5	6
RBG	63	3.35	1.054	2.5	6
SP	63	3.39	1.083	2	6
TRA	63	4.08	0.697	3.5	6
lnDIS	243	8.49	0.615	6.86	9.47
lnGDP	243	12.98	1.681	8.67	16.79
EIR	243	0.87	0.758	0.18	4.2
lnHTE	243	7.87	3.715	-3.18	12.31
FTA	243	0.39	0.488	0	1

It can be seen from table 2 that the values of each variable are basically normal, but the number of the five indicators representing the business environment is 63, indicating that the world bank still has great deficiencies in the statistics of these five indicators, but the indicators do not affect the regression analysis.

4.2 System inspection

Since there are two regression methods of fixed effect and random effect in the panel data model, the final regression method shall be determined by Hausman test. The results of Hausman test are shown in Table 3.

Table 3. Hausman test results

variable	Fixed effect	Random effect
BRE	-0.276	-0.667
MM	0.028	-0.800
RBG	0.531	0.554
SP	0.193	0.303
TRA	0.215	1.312
lnDIS	(omitted)	0.593
lnGDP	2.29	-0.057
EIR	0.09	0.142
lnHTE	0.03	-0.025
FTA	-0.11	-0.324
Constant term	-16.68	5.894
P		0.000

As can be seen from table 3, the p value of Hausman test is 0.000, rejecting the null hypothesis (null hypothesis: the model uses random effects for regression).

4.3 fixed effect regression results

The fixed effect method was used for regression analysis. The fixed effect regression results are shown in Table 4.

Table 4. fixed effect regression results

variable	regression coefficient	standard deviation	Coefficient significance
BRE	-0.276	0.138	0.052
MM	0.028	0.131	0.834
RBG	0.531	0.284	0.067
SP	0.193	0.238	0.421
TRA	0.215	0.175	0.226
lnDIS	(omitted)		
lnGDP	2.293	0.221	0.000
EIR	0.091	0.051	0.082
lnHTE	0.029	0.022	0.182
FTA	-0.111	0.088	0.215
Constant term	-16.683	2.390	0.000
R square		0.905	
Regression significance		0.000	

As can be seen from table 4, the overall regression significance level of the model is 0.000, indicating that the regression of the model is significant at the 1% confidence level, and the R-square value is 0.905, indicating that the model can explain 90.5% of China's OFDI stock change information, and the model design is satisfactory. The regression results of specific explanatory variables are analyzed as follows:

4.4 Regression analysis of explanatory variables

4.4.1 Business environment regulation in the host country

The OFDI regression coefficient of the host country's enterprise regulatory environment on Chinese enterprises is -0.276, and the impact is negative and significant at the 10% level, which verifies hypothesis 1-1. The regression results show that the impact coefficient of enterprise regulatory environment is -0.276, which means that every 1% fluctuation of enterprise regulatory environment in the host country will drive China's OFDI stock to fluctuate inversely, which is 0.276% of the fluctuation range.

4.4.2 Macroeconomic management of the host country

The regression coefficient between the macroeconomic management of the host country and the OFDI of Chinese enterprises is 0.028. Although the impact coefficient is positive, it is not significant. Hypothesis 1-2 is verified to some extent. The nature of capital is profit driven, and the selected output destination must be able to provide attractive returns to capital.

4.4.3 The host country governs according to law

The regression coefficient of legal governance of the host country on OFDI of Chinese enterprises is 0.531, the impact is positive, and it is significant at the 10% confidence level. Hypothesis 1-3 is verified. The regression results show that every 1% fluctuation in the level of legal governance can cause China's OFDI stock scale to fluctuate in the same direction, which is 0.531% of its fluctuation range.

4.4.4 Host country social protection

The OFDI regression coefficient between social protection in the host country and Chinese enterprises is 0.193, and the impact is positive, but not significant. Assumptions 1-4 are verified to a certain extent.

4.4.5 Trade environment quality of host country

The regression coefficient between the trade environment quality of the host country and the OFDI of Chinese enterprises is 0.215, showing a positive correlation, but it is not significant. Hypothesis 1-5 has been verified to a certain extent.

4.5 Regression results of control variables:

The regression coefficient of the distance between the two countries is shown as omitted. Because the distance between the two countries is a fixed value, there may be serious collinearity and be ignored in the

regression process. Therefore, there is no exact research conclusion on the impact of the distance between the two countries on China's OFDI in this study.

The regression coefficient of the market scale of the host country is 2.293, and the result is significant at the level of 1%, that is, every 1% fluctuation of the market scale of the host country can drive China's OFDI stock scale to fluctuate in the same direction, and the fluctuation range is 2.293%, indicating that the market scale of the host country is an important factor to attract China's OFDI. Because in the market economy environment, capital follows the market is determined by the nature of capital.

The regression coefficient of the degree of openness of the host country is 0.091, which is significant at the level of 10%, that is, every 1% fluctuation of the degree of openness of the host country can cause China's OFDI stock scale to fluctuate in the same direction, and the fluctuation range is 0.091%, indicating that the degree of openness of the host country is the factor attracting China's OFDI. Because the exchanges between the two countries often begin with commodity trade, the higher the openness of the host country, the more likely China is to have a close trade relationship with it. The higher the understanding of Chinese enterprises about the country's market, the less anxious Chinese enterprises are about information asymmetry in investment decision-making.

The regression coefficient of the technical level of the host country is 0.029, but it is not significant. At present, China's OFDI is mainly oriented to developing countries (regions), and at the same time, it also has technology spillovers to these countries. The technical level of the host country may be caused by the technology spillovers brought by China's OFDI. Therefore, the impact of the technical level of the host country on China's OFDI is not very significant.

The regression coefficient of whether to sign a trade agreement is -0.111, but it is not significant. After signing the trade agreement, Chinese enterprises' investment in it will reach a peak. As Chinese enterprises gradually gain a firm foothold in the host market, they will be able to obtain stable profits in the host market, and then reduce their dependence on domestic OFDI. Therefore, China will gradually reduce its OFDI.

5. Research conclusions and suggestions

5.1 research conclusion

There is a negative correlation between Chinese enterprises' foreign direct investment and the host country's enterprise regulatory environment. Because the stricter the supervision of enterprises in the host country, the less freedom of enterprise activities in the host country will be, and the goal of enterprise activities is to meet the market demand. After the activities are limited, the willingness to invest and expand will decline, the demand for funds is limited, and the demand for foreign funds will be more limited, which is not conducive to the inflow of foreign funds into the host country for development.

The impact of macroeconomic management of the host country on OFDI of Chinese enterprises is positive, but not significant. Macroeconomic management shows a country's ability to maintain economic order. The higher the management level, the more likely it is to participate in the economic activities of the host country and obtain benefits. The profit seeking nature of capital will drive it to flow to these countries (regions).

The impact of legal governance of the host country on OFDI of Chinese enterprises is positive and significant. The level of legal governance of the host country is related to whether the legitimate rights of enterprises in the host country can be guaranteed. Only in the host country that can protect the interests of enterprises can enterprises have the confidence to invest. The OFDI activities of Chinese enterprises also need such a legal environment, so they will prefer countries with high level of governance according to law.

The impact of social protection in the host country on OFDI of Chinese enterprises is positive, but not significant. This is because the investment activities of enterprises are based on risk and return decisions, which is no obvious difference between domestic enterprises and foreign enterprises. The level of social protection in the host country is related to the stability of social order. Only the host country with stable society can have stable economic activities and reduce the concerns of enterprise investment. Countries with a high level of social protection will reduce the concerns of Chinese enterprises about their investment and drive the inflow of OFDI in China.

The impact of the host country's trade environment on Chinese enterprises' OFDI is positive, but not significant. If enterprises want to make profits, they must rely on the sale of products, and products entering the market need to be affected by the trade environment. Commodity trade is an important reference for Chinese enterprises to carry out OFDI activities. Before capital input to the host country, enterprises first carry out commodity input. Whether the commodity trade is smooth or not is the first impression of enterprises'

investment in the host country. The better the quality of the trade environment of the host country, the larger the scale of commodity trade with China, the better the bilateral economic and trade relations, and the deeper the understanding between the two sides, so as to lay a foundation for Chinese enterprises to carry out OFDI activities in the later stage.

Therefore, four of the five business environment indicators have a positive correlation with China's OFDI stock, one indicator has a negative correlation with China's OFDI stock, and the positive correlation indicator is redundant with the negative correlation indicator. It can be considered that the business environment level has a positive correlation with China's OFDI stock on the whole. The hypothesis verification results of this study are shown in Table 5-1.

Table 5. 1 validation of research hypothesis

Hypothesis	Verification results	Significance
Hypothesis 1: there is a positive correlation between the business environment level of the host country and China's foreign direct investment.	positive correlation	-
Hypothesis 1-1: there is a negative correlation between the host country's enterprise regulatory environment and China's foreign direct investment;	negative correlation	remarkable
Hypothesis 1-2: the macroeconomic management of the host country is positively correlated with China's foreign direct investment on the whole;	positive correlation	Not significant
Hypothesis 1-3: there is a positive correlation between the legal governance of the host country and China's foreign direct investment as a whole;	positive correlation	remarkable
Hypothesis 1-4: there is a positive correlation between the social protection of the host country and China's foreign direct investment on the whole;	positive correlation	Not significant
Hypothesis 1-5: the trade environment quality of the host country is positively correlated with China's foreign direct investment as a whole;	positive correlation	Not significant

On the whole, the business environment of the host country, in addition to the enterprise regulatory environment, has a certain attraction to China's OFDI.

In addition, in terms of control variables, the market size and opening-up degree of the host country have a significant effect on attracting China's OFDI, especially the market size. The absolute value of its regression coefficient is the largest among all variables, indicating that it also has the greatest impact. The regression coefficients of other variables such as the distance between the two countries, the technical level of the host country and whether to sign a trade agreement are not significant, indicating that the impact on China's OFDI is limited.

5.2 Suggestions

Based on the results of this study, among the five indicators representing the business environment, only the two indicators of enterprise regulatory environment and legal governance have significant regression coefficients, and the control variables have significant regression coefficients between the market scale of host countries and the degree of opening to the outside world. In view of this research result, this study puts forward the following suggestions:

First, select countries with a high degree of marketization for investment. The goal of investment is to obtain income, but capital can not directly generate income. First, it must be built into an enterprise, and then the enterprise can produce products to meet the local market demand, and finally obtain income. The process of enterprises obtaining income is inseparable from the market. The market restricts and promotes the activities of enterprises at the same time. The enterprise supervision of the host country is an important factor constituting the market environment of the host country. The higher the degree of marketization, the government has rich experience in how to carry out enterprise supervision in the market to promote enterprise development, and the possibility of income from enterprise investment will increase. Therefore, choosing countries with a high degree of marketization for investment is conducive to ensuring that China's OFDI activities are more likely to obtain satisfactory returns.

Second, we should fully assess the level of legal governance of the host country. Different countries have different development strategies, so there will be different preferences in the social legal system. For example, resource-based countries will pay attention to the introduction of advanced resource mining technology, developed countries will need more consumer goods and so on. Each country will formulate corresponding laws according to its own actual needs to ensure the achievement of objectives. The level of legal governance in corresponding aspects will be higher than its social average level, which is conducive to the business activities of relevant enterprises. Therefore, Chinese enterprises should fully evaluate the level of legal governance in the host country when conducting OFDI activities. For example, in order to seek resources, OFDI can focus on investment in resource-based countries with convenient handling of construction permit and investor protection; In order to explore the market, OFDI can choose countries with high local tax and contract execution convenience for investment, etc.

Third, the Chinese government should actively maintain friendly relations with all countries. The strategy of "one belt, one road" indicates that China has entered a new stage of foreign capital and technology export. From the regression results, we can see that the market size of host country is the biggest attraction to our OFDI, and the degree of opening up of host country is also positively related. One belt, one road, is that large investment projects are often signed with foreign countries. This shows that establishing friendly political relations with foreign countries is conducive to the development of China's outward foreign direct investment, especially with the continuous development of the strategy of "one belt and one road".

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