Research on the Impact of RCEP National Doing Business on China's OFDI

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Abstract. With the continuous upgrading of industrial structures in various economies around the world, countries around the world have accelerated outward foreign direct investment. The official signing of the Regional Comprehensive Economic Partnership Agreement (RCEP) will undoubtedly have a profound impact on the development of the world economy and the economies of RCEP member countries. This article is based on China's outward foreign direct investment data to RCEP countries from 2015 to 2020, and based on the international production compromise theory and the outsider disadvantage theory, to study the impact of the doing business on the time cost, operating cost, and acquisition of relevant rights and interests of enterprises when entering the host country market. The research results indicate that the overall optimization of the doing business in RCEP countries has a positive influence on promoting China's outward foreign direct investment.

Keywords: RCEP countries, Doing business, Outward foreign direct investment

1 Introduction

The Regional Comprehensive Economic Partnership Agreement aims to maintain multilateral trade relations and establish an open and mutually beneficial world economy. After 8 years of continuous negotiations, it was officially signed on November 15, 2020. The signing of RCEP is particularly important for the economic development of member countries and even countries around the world. The 2020 China Foreign Direct Investment Statistical Bulletin jointly released by the Ministry of Commerce, the State Administration of Foreign Exchange, and the Bureau of Statistics shows that China's direct investment stock in RCEP countries is 179.353 billion US dollars, a year-on-year increase of 8.8%, accounting for 6.94% of the total amount during the same period. As an important component of a country's political environment, the doing business is closely related to the outward investment activities of enterprises. Therefore, studying the impact of RCEP's national doing business on China's outward foreign direct investment is of great significance.

2 Journals reviewed

Since 2003, the World Bank has conducted data statistical analysis on the doing business of multiple countries and regions worldwide. The Doing Business Report is published on an annual basis. As of 2020, the Doing Business Report includes 11 sub indicators such as

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entrepreneurship, which creates excellent conditions for scholars to study the relationship between the doing business of host countries and their home country's outward foreign direct investment from a micro perspective.

The doing business can comprehensively reflect the level of development of a country's political and economic systems, and is an important factor affecting a country's economic development. However, scholars hold different views on the relationship between the host country's state-owned doing business and the home country's outward foreign direct investment investment. One view is that the doing business of a host country can promote a country's outward foreign direct investment investment. Morris & Aziz (2011) found a remarkable positive correlation between the doing business and foreign direct investment in 57 Asian and African countries through empirical research on data[1]. The research findings of Jayasuriya (2011) and Corcoran & Gillanders (2015) both support the above conclusion[2]. RossJ (2016) used data from the United States' outward direct investment to conduct empirical research, dividing host countries into developed and developing countries[3]. The study found that the business environment has a positive promoting effect on the inflow of foreign investment in both developing and developed countries, but the promoting effect is greater in developed countries. However, some scholars' research findings are opposite[4]. HaoWang & DaihuaWu (2015) found that the improvement of the business environment in developing countries has suppressed the inflow of OFDI into China[5]. Jeff & White (2016) found through empirical research and benchmarking analysis that the business environment of developed countries has no significant impact on the UK's OFDI, while the business environment of developing and emerging economies has a significant negative impact on the UK's OFDI[6]. At present, no scholars have studied the impact of RCEP's national doing business on China's outward foreign direct investment.

3 mechanism analysis

Firstly, countries with good doing businesss can reduce the time cost for enterprises to enter the host country's market, thereby increasing their outward foreign direct investment activities. When enterprises enter the host country market, they will face issues such as low audit efficiency, whether the process is cumbersome, and whether it passes smoothly.

Secondly, countries with good doing businesss can reduce the operating costs of enterprises in the host country market, thereby increasing their outward foreign direct investment activities. The doing business can reduce the operating costs of enterprises investing in the host country by reducing entry barriers for foreign enterprises, reducing relevant taxes and improving infrastructure.

Thirdly, A sound property rights system in a country means that enterprises investing in the host country can better protect their intellectual property rights, protect their legitimate rights and interests, reduce investment losses, and increase their enthusiasm for independent innovation and talent introduction.

Enterprises are mainly engaged in outward foreign direct investment to maximize investment benefits and obtain more profits. The improvement of the convenience level of the doing business can effectively reduce the time and operating costs of enterprises entering the host country, gain more rights to protect their core competitiveness, reduce technology spillover effects, and increase their profits. Therefore, the improvement of the doing business of a country can attract more foreign enterprises to invest. As shown in Fig. 1. Mechanism diagram of the influence of doing business on enterprises' outward foreign direct investment

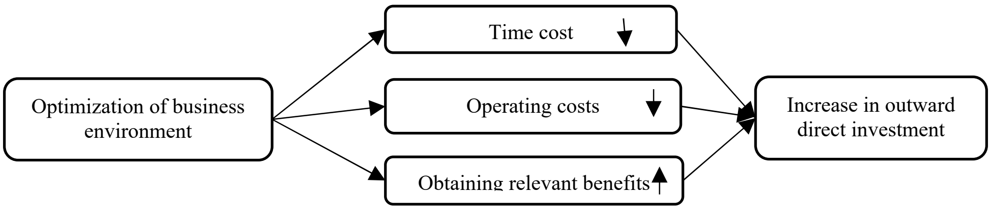

Fig. 1. Mechanism diagram of the influence of doing business on enterprises' outward foreign direct investment

4 Current situation analysis

The stock data of China's direct investment in RCEP countries from 2015 to 2020 can be obtained from the "Statistical Bulletin of China's Foreign Direct Investment", which is authoritative and complete. After sorting, the required data can be obtained.As shown in Fig. 2. China's investment stock in RCEP countries in 2020 The Singapore and Australia have significantly higher investment stocks than other countries, with China's investment stock in Singapore approaching 600 billion US dollars.

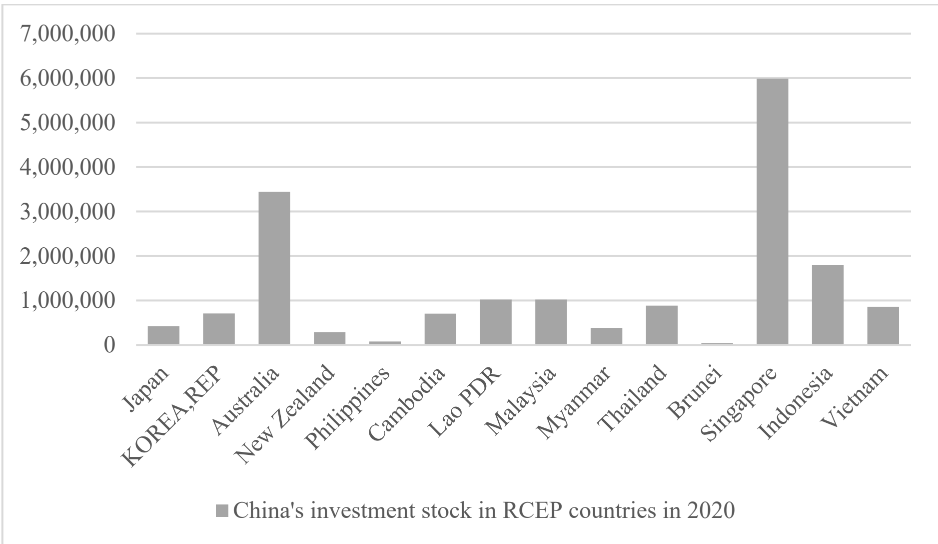

Fig. 2. China's investment stock in RCEP countries in 2020

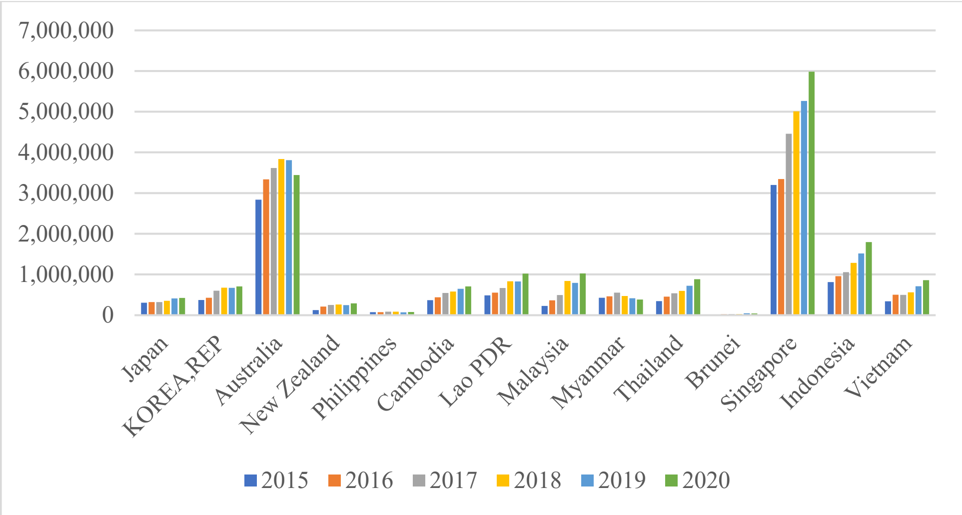

Fig. 3. The changes in China's Investment Stock in RCEP Countries from 2015 to 2020

As shown in Fig. 3. It can be seen that China's investment stock in RCEP countries has been basically increasing in recent years, while Singapore's investment stock has grown the most rapidly.

The doing business level indicator is based on data at the micro level of enterprises, which is different from previous studies that mainly focus on institutional data at the macro level of host countries. This indicator is sourced from the World Bank's "Doing business Report" and has strong authority, representativeness, and reliability. The global ranking and scores of RCEP countries' doing business from 2015 to 2020 are shown in Table 1.

Table 1. The global ranking and scores of RCEP countries' doing business from 2015 to 2020

2015			2016			2017			2018			2019			2020		
Economy	Rank	EODB score	Economy	Rank	EODB score	Economy	Rank	EODB score	Economy	Rank	EODB score	Economy	Rank	EODB score	Economy	Rank	EODB score
Japan	29	74.8	Japan	34	74.72	Japan	34	75.53	Japan	34	75.68	Japan	39	75.65	Japan	29	78
KOREA,REP	5	83.4	KOREA,REP	4	83.88	KOREA,REP	5	84.07	KOREA,REP	4	83.92	KOREA,REP	5	84.14	KOREA,REP	5	84
Australia	10	80.66	Australia	13	80.08	Australia	15	80.26	Australia	14	80.14	Australia	18	80.13	Australia	14	81.2
New Zealand	2	86.91	New Zealand	2	86.79	New Zealand	1	87.01	New Zealand	1	86.55	New Zealand	1	86.59	New Zealand	1	86.8
Philippines	95	62.08	Philippines	103	60.07	Philippines	99	60.4	Philippines	113	58.74	Philippines	124	57.68	Philippines	95	62.8
Cambodia	135	55.33	Cambodia	127	55.22	Cambodia	131	54.79	Cambodia	135	54.47	Cambodia	138	54.8	Cambodia	144	53.8
Lao PDR	148	51.45	Lao PDR	134	53.77	Lao PDR	139	53.29	Lao PDR	141	53.01	Lao PDR	154	51.26	Lao PDR	154	50.8
Malaysia	18	78.83	Malaysia	18	79.13	Malaysia	23	78.11	Malaysia	24	78.43	Malaysia	15	80.6	Malaysia	12	81.5
Myanmar	177	43.55	Myanmar	167	45.27	Myanmar	170	44.56	Myanmar	171	44.21	Myanmar	171	44.72	Myanmar	165	46.8
Thailand	26	75.27	Thailand	49	71.42	Thailand	46	72.53	Thailand	26	77.44	Thailand	27	78.45	Thailand	21	80.1

Brunei	101	61.26	Brunei	84	62.93	Brunei	72	65.51	Brunei	56	70.6	Brunei	55	72.03	Brunei	66	70.1
Singapore	1	88.27	Singapore	1	87.34	Singapore	2	85.05	Singapore	2	84.57	Singapore	2	85.24	Singapore	2	86.2
Indonesia	114	59.15	Indonesia	109	58.12	Indonesia	91	61.52	Indonesia	72	66.47	Indonesia	73	67.96	Indonesia	73	69.6
Vietnam	78	64.42	Vietnam	90	62.1	Vietnam	82	63.83	Vietnam	68	67.93	Vietnam	69	68.36	Vietnam	70	69.8

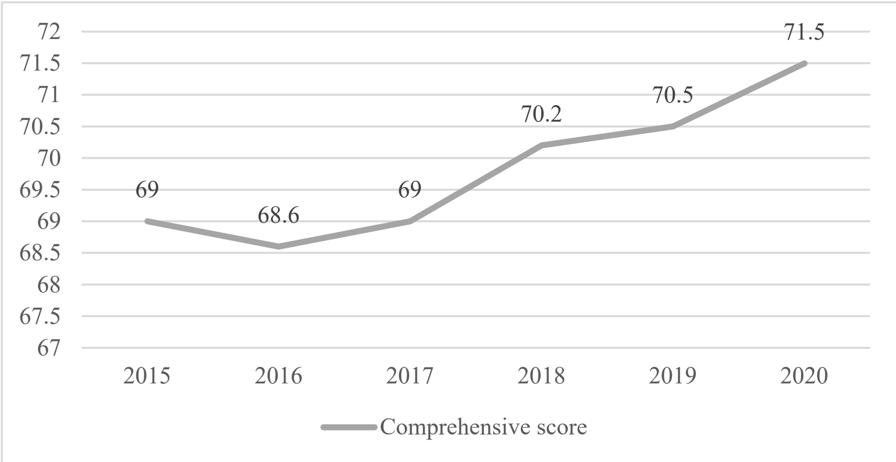

Fig. 4. RCEP National Comprehensive Doing Business Score 2015-2020

From Fig. 4, it can be seen that the overall doing business level of RCEP countries has been continuously improving in the past five years, from 68.6 points in 2016 to 71.5 points in 2020. The improvement of the doing business is indeed beneficial for Chinese enterprises to invest in RCEP countries.

5 Conclusions

Based on the conclusion of this article, the following suggestions are proposed: for enterprises, when conducting foreign direct investment, Chinese enterprises should investigate and study the doing business of the investing country in advance based on their own current situation, investment objectives, and main business, in order to prevent risks, reduce costs, and protect the interests of enterprises in overseas investments, in order to achieve mutual benefit and win-win situation between Chinese enterprises and the host country. On the government's side, it is necessary to increase the reform of the commercial system, carry out monitoring and evaluation of the national doing business, and provide more detailed information on the host country's state-owned doing business for overseas investment activities of Chinese enterprises.

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