

## The Study on How Outward Direct Investment of Chinese MNEs to European Union Area Affect the Domestic Industrial Structure

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**Abstract :** From 2008, Chinese Foreign Direct Investment flows to the European Union continued its rapid rise. Currently, the industrial structure adjustment in developing countries has also been placed on the international movement of factors of production. Now China economy is in an important period of transformation on industrial structure adjustment. Under the international transfer of industry background, the adjustment of industrial structure upgrading and sophistication are the key elements of a successful economic transformation. In order to achieve a virtuous cycle of foreign investment patterns and optimize the industrial structure of foreign direct investment as well, the research on the positive the role of the EU direct investment and how it impact China's industrial structure optimization and upgrading is of great significance. In this paper, the author explained how the EU as an investment destination is different with the United States and ASEAN. Then, based on the theory of FDI and industrial structure and combining the four kinds of motives of China's ODI in EU, this paper explained the impact mechanism which has influenced China domestic industrial structure primarily through the Transfer effect, Correlation effect and Competitive effect. On the premise that FDI activities do affect the home country's domestic industrial structure, this paper made empirical analysis with industrial panel data. With the help of Gray Correlation Method and Limited Distributed Lags, this paper found that China/s ODI in the EU impacted the tertiary industry strongly and had a significant positive impact, particularly the manufacturing industry and the financial industry. This paper also pointed out that Chinese MNEs should realize several issues, such as pay more attention to high-tech industries so that they can make the best use of reverse technology spillover. When Chinese enterprises 'go out,' they ought to keep in mind that domestic research and development capital contribution can make greater economic growth. Finally, based on theoretical and empirical analysis results, this paper presents the industry choice recommendations in the future of the EU direct investment, particularly through the development of the proper rational industrial policy and industrial development strategic to guide the industrial restructuring and upgrading.

**Keywords :** china ODI in european union, industrial structure optimization, impact mechanism, empirical analysis

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