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**ASSESSING THE IMPACT OF CHINA'S ECONOMIC POLICY  
ON FOREIGN RELATIONS AND INTERNATIONALIZATION  
STRATEGIES ACROSS FOUR GLOBAL REGIONS**



**DOCTOR OF PHILOSOPHY  
UNIVERSITI UTARA MALAYSIA  
2025**

**ASSESSING THE IMPACT OF CHINA'S ECONOMIC POLICY  
ON FOREIGN RELATIONS AND INTERNATIONALIZATION  
STRATEGIES ACROSS FOUR GLOBAL REGIONS**



**A thesis submitted to the Ghazali Shafie Graduate School of Government in  
fulfilment of the requirements for the Doctor of Philosophy**



Kolej Undang-Undang, Kerajaan dan Pengajian Antarabangsa  
(College of Law, Government and International Studies)  
**UNIVERSITI UTARA MALAYSIA**

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## ABSTRACT

As China continues to expand its global economic footprint, understanding the implications of its economic policies on international relations and business internationalization becomes increasingly vital. Despite growing scholarly attention, comprehensive analysis of how China's strategic economic initiatives influence diplomatic engagements and international market integration remains limited. Addressing this gap is crucial for policymakers, scholars, and business leaders seeking to navigate the evolving global economic landscape. This study examines the influence of China's economic policies on foreign relations and the internationalization of Chinese businesses, with a focus on the interplay between economic strategies and global diplomatic engagements. The research aims to identify and analyze key indicators of China's economic policies, such as GDP growth, FDI inflows, and trade volumes. It also evaluates the impact of these policies on bilateral and multilateral relationships. The research also assesses sector-specific internationalization initiatives; and investigate the diplomatic and economic implications of China's Belt and Road Initiative (BRI). A mixed-method approach was adopted. Quantitative data were collected through a structured questionnaire involving 250 participants, including business leaders, government officials, scholars, and trade experts, and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). Qualitative data were obtained from 10 semi-structured interviews and analyzed using NVivo software. The unit of analysis focused on policy-level influences and organizational-level internationalization strategies across four global regions. The study reveals that China's trade and investment policies exert the most substantial influence on internationalization process, particularly through export expansion and outward FDI. China's diplomatic achievements vary by region: multilateral partnerships have strengthened in Africa and Eastern Europe, while bilateral cooperation in Asia, especially in infrastructure-related projects has deepened. Political dynamics positively moderate these outcomes, while economic interdependence enhances the effectiveness of poverty alleviation and investment strategies. These research findings offer theoretical contributions by advancing the understanding of economic diplomacy and provide practical recommendations for policymakers and global stakeholders to optimize engagement with China's evolving economic strategies.

**Keywords:** China, Economic Policy, Belt and Road Initiative (BRI), Political Dynamics, Economic Interdependence, Internationalization Strategy, Foreign Relations

## ABSTRAK

Tatkala China terus meluaskan jejak ekonominya di peringkat global, pemahaman tentang implikasi dasar ekonominya terhadap hubungan antarabangsa dan pengantarabangsaan perniagaan menjadi semakin penting. Meskipun mendapat perhatian yang semakin meningkat dalam kalangan sarjana, analisis yang menyeluruh tentang bagaimana inisiatif ekonomi strategik China mempengaruhi hubungan diplomatik dan integrasi pasaran antarabangsa masih terbatas. Menangani jurang ini adalah penting bagi penggubal dasar, sarjana, dan pemimpin perniagaan yang ingin mengemudi landskap ekonomi global yang semakin berkembang. Kajian ini meneliti pengaruh dasar ekonomi China terhadap hubungan luar negara dan pengantarabangsaan perniagaan China, dengan fokus pada interaksi antara strategi ekonomi dan penglibatan diplomatik di peringkat global. Kajian ini bertujuan untuk mengenal pasti dan menganalisis penunjuk utama dasar ekonomi China, seperti pertumbuhan KDNK, aliran masuk pelaburan langsung asing (FDI), dan volum perdagangan. Kajian ini turut menilai kesan dasar-dasar tersebut terhadap hubungan dua hala dan pelbagai hala. Selain itu, kajian ini juga meneliti inisiatif pengantarabangsaan yang khusus mengikut sektor serta menyiasat implikasi diplomatik dan ekonomi Inisiatif Jalur dan Laluan (BRI) yang diperkenalkan oleh China. Pendekatan kaedah campuran telah digunakan. Data kuantitatif dikumpulkan melalui soal selidik berstruktur yang melibatkan 250 orang responden, termasuk pemimpin perniagaan, pegawai kerajaan, sarjana, dan pakar perdagangan, dan dianalisis menggunakan Pemodelan Persamaan Struktur Kaedah Kuasa Dua Terkecil Separa (PLS-SEM). Data kualitatif diperoleh daripada 10 temu bual separa berstruktur dan dianalisis menggunakan perisian NVivo. Unit analisis memberi tumpuan kepada pengaruh pada peringkat dasar dan strategi pengantarabangsaan pada peringkat organisasi merentasi empat wilayah global. Kajian ini mendedahkan bahawa dasar perdagangan dan pelaburan China memberikan pengaruh paling besar terhadap proses pengantarabangsaan, terutamanya melalui peluasan eksport dan pelaburan langsung asing (FDI) ke luar negara. Pencapaian diplomasi China berbeza mengikut wilayah: kerjasama pelbagai hala telah diperkuuh di Afrika dan Eropah Timur, manakala kerjasama dua hala di Asia, khususnya dalam projek berkaitan infrastruktur, semakin mendalam. Dinamik politik menyederhanakan hasil ini secara positif, manakala saling kebergantungan ekonomi meningkatkan keberkesanan pembasmian kemiskinan dan strategi pelaburan.

**Kata Kunci:** China, Dasar Ekonomi, Inisiatif Jalur dan Laluan (BRI), Dinamik Politik, Saling Kebergantungan Ekonomi, Strategi Pengantarabangsaan, Hubungan Luar Negara.

## ACKNOWLEDGEMENT

The completion of this PhD thesis would not have been possible without the support and assistance of many individuals. I would like to express my deepest gratitude to all of them.

First and foremost, I am profoundly grateful to my supervisors, Prof. Dr. Ahmad Zubir bin Ibrahim and Dr. Siti Syuhadah Mohamad. Thank you for your meticulous guidance and unwavering support throughout my research. Your expertise and patience have helped me overcome numerous challenges and have been instrumental in my academic progress.

Secondly, I would like to thank my family. Your understanding, encouragement, and support have been a powerful driving force behind my academic endeavors. Thank you for providing me with endless love and support during my most challenging times.

I am also deeply appreciative the efforts and cooperation of all participants who volunteered their precious time to be a member of this study.

Finally, I sincerely thank everyone who has helped and supported me. Your contributions have been a crucial factor in my Ph.D. study.

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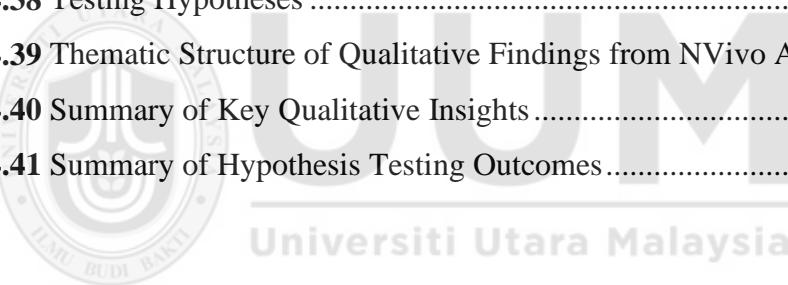
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## LIST OF ABBREVIATIONS

<b>CADFUND</b>	China-Africa Development Fund
<b>CCP</b>	Chinese Communist Party
<b>FDI</b>	Foreign Direct Investment
<b>FOCAV 2012</b>	Beijing Declaration and Action Plan
<b>FOCAC</b>	Forum on China-Africa Cooperation
<b>GVC</b>	Greater Value Creation
<b>IMF</b>	International Monetary Fund
<b>IPE</b>	International Political Economy
<b>MIIT</b>	Ministry of Industry and Information Technology
<b>MOF</b>	Ministry of Finance People's Republic of China
<b>MOST</b>	Ministry of National Defence of the People's Republic of China
<b>NDRC</b>	National Development and Reform Commission
<b>NMSAC</b>	National Manufacturing Strategy Advisory Committee
<b>PPP</b>	Purchasing power parity
<b>PRC</b>	People's Republic of China
<b>R&amp;D</b>	Research and Development
<b>SAPs</b>	Structural Adjustment Programs
<b>SMEs</b>	Small and Medium-sized Businesses

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Introduction**

The introductory chapter of this study explores the influence of China's economic policies on its foreign relations and internationalization strategies, positioning the research within the broader context of global economic dynamics. The study critically examines the interaction between China's economic ambitions and its diplomatic strategies, providing a foundation for understanding how economic policies shape, and are shaped by, international engagements. This chapter also outlines the study background, problem statement, research objectives, research questions, research hypothesis, research significance, and operational definitions.

China's foreign policy is often described as thriving on three foundational pillars that the People, the Party, and the State (Paul, 2021). While this characterization highlights the structured nature of China's diplomatic approach, it also underscores the need to explore how these pillars align with and influence its economic policies. Understanding this interaction is essential for comprehending how China uses its economic strategies to navigate international complexities, foster global partnerships, and promote the internationalization of its businesses.

China's foreign policy aims to establish strategic relationships with neighboring nation,

global superpowers, and emerging markets (Hong, 2021). However, these diplomatic efforts are deeply intertwined with its economic objectives. Policies such as the Belt and Road Initiative (BRI), which promote infrastructure development and trade connectivity, exemplify this symbiosis. These initiatives not only advance China's economic goals but also enhance its diplomatic influence. At the same time, they have sparked controversies, including accusations of debt-trap diplomacy and growing geopolitical tensions with the United States, necessitating a balanced and critical analysis of their implications.

At the same time, these initiatives have sparked significant controversy and critique. One of the most frequently raised concerns is the accusation of "debt-trap diplomacy," a term that has been used to describe China's approach of providing loans to developing nations for large infrastructure projects. Critics argue that such loans often lead to unsustainable debt levels in partner countries, leaving them vulnerable to China's political leverage (Brautigam, 2020). For instance, Sri Lanka's experience with its Hambantota Port project has been widely cited as a case where the country had to lease the port to China for 99 years after failing to repay its debts, which critics claim exemplifies China's potential to exercise undue influence over sovereign nations.

Moreover, the geopolitical implications of China's expanding global influence through initiatives like the BRI cannot be overlooked. While China's infrastructure investments have been praised for addressing gaps in development, particularly in underdeveloped regions, these efforts have also exacerbated tensions with major powers, most notably the United States. The growing competition for global influence has led to diplomatic and economic standoffs, such as trade tariffs and technological restrictions, with countries questioning the broader political motivations behind

China's economic aid programs. These tensions are not only driven by economic interests but also by China's assertiveness in territorial disputes, particularly in the South China Sea and its expanding military presence, further complicating its diplomatic relations (Miller & Liu, 2022).

In light of these controversies, it is essential to adopt a critical lens when assessing the implications of China's foreign policies. While the BRI and similar initiatives may contribute to China's economic growth and soft power, they also raise critical questions about the ethical and strategic dimensions of China's global engagement. The balance between economic cooperation and political influence must be carefully scrutinized, considering both the potential benefits and the risks associated with these expansive diplomatic and economic strategies.

Since the 1978 reforms, China's rapid economic growth has elevated it to the status of a global economic powerhouse. This transformation has been driven by export-led development, infrastructure investment, and strategic market engagement. However, the relationship between these economic policies and foreign relations remains insufficiently explored, particularly regarding their role in shaping the internationalization efforts of Chinese firms. For instance, initiatives like the BRI serve as both economic development strategies and diplomatic tools, facilitating bilateral and multilateral cooperation while simultaneously addressing China's domestic and international priorities.

In the context of globalization, internationalization is a critical dimension of both foreign policy and economic strategy. China's economic policies have created new opportunities for its businesses to expand globally, but they have also led to

complexities in its foreign relations. This study addresses these dynamics by examining how China's economic policies influence its foreign relations and, in turn, support its internationalization strategies.

This study adopts a mixed-methods approach to provide a comprehensive analysis of these dynamics. By linking the principles of China's foreign policy to its economic strategies, the research aims to offer insights into the interplay between diplomacy and economic objectives. This approach ensures that the study remains focused on its core objective that understanding how China's economic policies impact its foreign relations and internationalization strategies.

In conclusion, this study seeks to bridge the gap in understanding how China's economic policies interact with its foreign relations and internationalization objectives. By critically examining this relationship, the research contributes to the discourse on China's evolving role in the global economy and its strategies for international engagement. This introduction section sets the stage for the critical inquiry that follows, emphasizing the theoretical and practical importance of understanding China's approach to leveraging its economic policies for global influence.

## **1.2 Background**

The policies implemented by China before the initiation of economic reforms and trade liberalization in 1978 had severely detrimental effects on the economy, leading to its impoverishment, stagnation, centralized control, inefficiency, and isolation from the global economy (Morrison, 2019). During this period, China followed a central planning system, often called command economics, with Chairman Mao Zedong at the helm (Morrison, 2019). The state exerted extensive direction and control over a

significant portion of the country's economic output. It set production targets, imposed price controls, and allocated resources across various sectors of the economy. China's household farms were consolidated into larger collective communities during the 1950s. In the following decades, the central government made substantial investments in physical and human capital to expedite industrialization on a large scale.

According to official statistics from the Chinese government, China's gross domestic product (GDP) grew at an average annual rate of 6.7% from 1953 to 1978. However, the reliability of this data has been questioned by many analysts, who believe that Chinese government officials, particularly at the subnational level, often inflated production levels for political reasons. Economist Angus Maddison estimates that China's average real GDP growth during this period was approximately 4.4% (CRS Report, 2019). Moreover, China encountered significant economic setbacks during Chairman Mao Zedong's tenure. Notably, the Great Leap Forward, which lasted from 1958 to 1962, resulted in widespread famine and an estimated death toll of up to 45 million people. From 1966 to 1976, the Cultural Revolution caused widespread political turmoil and severely disrupted the economy (CRS Report, 2019). Between 1950 and 1978, China's per capita GDP, measured on a PPP basis, doubled, indicating some improvement in the standard of living.

Since the initiation of economic reforms in 1978, China's GDP has reportedly grown at an average annual rate of approximately 10%, marking it as one of the fastest-growing economies globally (World Bank, 2023). This growth has led to uplifting more than 800 million people out of poverty. The reforms have also brought significant changes in access to healthcare, education, and other services. Currently, China is classified as an upper-middle-income country.

In 1978, the launch of the reform and opening-up policies under Deng Xiaoping marked a turning point in China's economic trajectory. By introducing market-oriented reforms, promoting foreign investment, and opening up coastal regions, China gradually transitioned from a centrally planned economy to a more market-driven one. This shift not only liberated the productive forces but also opened up unprecedented opportunities for China to engage with the global economy. Policies such as "open-door" and "foreign investment attraction" laid the groundwork for China's economic modernization, and the country began its integration into international trade.

However, the transformation of China's economy was not limited to economic sectors; it also had profound implications for foreign policy and internationalization. For example, the economic reforms facilitated greater cooperation between Chinese and foreign enterprises, which accelerated the internationalization of Chinese businesses. Moreover, strategic initiatives like the Belt and Road Initiative (BRI) exemplify China's use of economic policies to influence global diplomatic relations and foster international connectivity. The BRI, in particular, reflects China's dual purpose of stimulating economic growth domestically while enhancing its geopolitical influence internationally.

Nevertheless, the rapid economic growth fueled by low wages, resource-intensive manufacturing, and export-oriented strategies has led to imbalances in the Chinese economy, society, and environment. To address these disparities, China needs to restructure its economy by shifting focus from manufacturing to high-value services and promoting consumption rather than excessive investment. In recent years, development has slowed due to various structural constraints, including a shrinking labor force, diminishing returns on investment, and declining productivity. China must

explore new avenues for growth while simultaneously addressing the social and environmental challenges stemming from its previous development trajectory.

The development of China's institutions has lagged behind its rapid economic expansion. Consequently, significant institutional and reform gaps need to be addressed to ensure sustainable and high-quality growth. The state's role should evolve to maintain stable market expectations, foster a clean and fair business environment, and strengthen the regulatory system and the rule of law to support the market system further.

Given its immense size, China poses significant regional and global development challenges. It is the largest emitter of greenhouse gases, although its per capita emissions remain lower than those of the European Union and the United States. China's air and water pollution also have cross-border implications. However, China's participation and collaboration are crucial for solving global environmental challenges.

Through trade, investment, and ideas, China is becoming an increasingly important factor in the economic development of other developing economies. The transition to a new growth model, the rapid aging of the population, the construction of a cost-effective health system, and the promotion of a lower-carbon energy path are all complex development challenges that China is currently facing. These challenges are relevant to other countries as well. The China's trade balance has been increasing since 2018. This is a sign that the bilateral policies have been working.

After posting an actual increase in GDP of 8.1 percent in 2021, it is anticipated that growth will decelerate to 5.0 percent in 2022. According to the prediction, the headwinds will pick up: As a result of the conflict in Ukraine, domestic demand has

slowed, and the economic environment throughout the world has dramatically deteriorated. In addition, COVID intrusions have become more common and expanded throughout a wider area.

In response to the shocks that have been sustained, the authorities have declared that there would be a considerable relaxation of policy. According to World Bank 2022, the 2022 budget allows for increased government spending of up to 2.7 percent of GDP. The risks are clearly on the downside, including a more severe global downturn than was anticipated, a shock to commodities prices that will linger for a more extended period, and more financial strain among property developers. There is still a possibility of COVID outbreaks being significantly worse in China, which might negatively impact the country's economy. The economic growth rate may decelerate to 4.0 percent in 2022 if things go wrong.



Figure 1.1 China Trade Balance 2017-2023

Source: World Bank, 2023.

Figure 1.1 illustrates the trends in China's trade balance from 2017 to 2023, showcasing the surplus or deficit recorded annually within this period. The data highlights how China's trade policies, particularly those focusing on export-driven strategies and multilateral agreements, have contributed to sustained trade surpluses despite global economic fluctuations such as the COVID-19 pandemic and the war in Ukraine. This figure is directly related to the study as it underscores the role of China's economic policies in fostering foreign trade relations and internationalization. Specifically, it reflects the outcomes of policies like the Belt and Road Initiative (BRI), which aims to enhance connectivity and economic collaboration with participating countries. The surplus trends provide an empirical foundation for analyzing how China's economic interactions influence diplomatic and strategic engagements globally. Furthermore, the analysis of this trade balance supports the study's objective of evaluating the measurable changes in bilateral trade volumes and the qualitative shifts in diplomatic relationships due to China's economic policies. The years captured in the figure also align with critical policy implementations and shifts, offering valuable insights into their effectiveness and areas requiring further exploration.

China's economic development has been shaped by a series of transformative policy shifts, from the rigid command economy of the pre-1978 era to the dynamic and globally integrated market economy of today. Before 1978, China's centrally planned economy prioritized state control over resources and production, resulting in inefficiencies, stagnation, and limited global engagement (Morrison, 2019). This period of economic isolation and internal focus laid the groundwork for the comprehensive reforms that followed, as the limitations of the command economy became increasingly evident.

The economic reforms initiated in 1978 marked a critical turning point, as China began transitioning toward a market-oriented system. Policies such as the establishment of Special Economic Zones (SEZs), the promotion of foreign direct investment (FDI), and the decentralization of economic control allowed China to integrate into the global economy. These reforms not only catalyzed rapid domestic growth but also transformed China into a key participant in international trade and diplomacy. For instance, the Belt and Road Initiative (BRI), launched in 2013, epitomizes China's strategic use of economic policies to enhance its influence on the global stage while fostering international connectivity and cooperation. The relevance of these historical economic policies to the present research lies in their enduring impact on China's approach to foreign relations and internationalization. By examining the evolution of these policies, this study seeks to uncover the mechanisms through which China leverages economic tools to shape its global engagements. Specifically, the research focuses on how key indicators such as trade volumes, FDI inflows, and strategic initiatives like the BRI influence bilateral and multilateral relations, as well as the internationalization of Chinese enterprises.

This research examines how China's economic policies, particularly those stemming from the post-1978 reforms, have not only propelled economic growth but also shaped its foreign relations and internationalization strategies. The policies, especially those that encourage foreign investment and enhance global trade connectivity, have positioned China as a central player in global diplomacy. Understanding how these policies drive China's diplomatic engagements and the internationalization of its businesses provides critical insights into China's growing role on the world stage.

### **1.2.1 Background of Economic Development of China**

China's economic development since the 1978 reforms has been widely praised for its rapid growth and significant poverty reduction. However, critics have highlighted potential downsides, including widening income inequality, environmental degradation, and an overreliance on export-driven industries (Morrison, 2019). For instance, while China has lifted hundreds of millions out of poverty, its Gini coefficient has risen sharply, reflecting a growing wealth disparity between urban and rural populations (World Bank, 2023). China has achieved significant milestones within a relatively short period, propelling itself to become one of the world's largest economies. Experts anticipate that in 2030 China's economy will surpass the United States (Morrison, 2019). This extraordinary growth can be attributed to the economic reforms and policies implemented by the country's communist administration, which actively sought to foster expansion and development.

While projections suggest that China may surpass the US as the world's largest economy by 2030, these forecasts often fail to fully account for significant uncertainties. Geopolitical tensions, such as trade conflicts with the US and strained relations with neighboring countries, alongside internal challenges including slowing economic growth, an aging population, and structural inefficiencies, could delay or disrupt this trajectory (IMF, 2023; World Bank, 2023).

Furthermore, China's economic model faces critical challenges that require structural adjustments to sustain long-term growth and stability. The nation's overreliance on investment and exports as primary drivers of GDP has led to vulnerabilities, particularly during global economic slowdowns or disruptions in international trade. To address this, China's government has prioritized transitioning towards a

consumption-driven economy, emphasizing domestic demand and technological innovation (National Bureau of Statistics of China, 2023).

Additionally, environmental sustainability has emerged as a pressing concern. Rapid industrialization has contributed to severe pollution and resource depletion, prompting the government to commit to ambitious climate goals, such as achieving carbon neutrality by 2060 and peaking carbon emissions before 2030 (United Nations, 2023). However, achieving these targets will require balancing economic growth with environmental stewardship, a complex endeavor given the country's continued dependence on coal and other fossil fuels. Internally, rising debt levels and regional disparities highlight the need for comprehensive fiscal and social reforms. The "common prosperity" agenda, introduced in recent years, seeks to reduce income inequality by promoting equitable wealth distribution, rural revitalization, and enhanced social safety nets. While these initiatives align with China's long-term development objectives, their implementation faces resistance from entrenched interests and economic uncertainties. Externally, China's growing influence in global markets and initiatives like the Belt and Road Initiative (BRI) have enhanced its international presence but also drawn criticism. Concerns over debt sustainability and geopolitical competition have fueled debates about the implications of China's rise for global economic governance. The ongoing US-China trade war and technological decoupling further underscore the need for strategic navigation of international relations to avoid detrimental economic repercussions.

While China's economic trajectory showcases remarkable achievements, its future path is contingent on effectively addressing both internal and external challenges. By fostering innovation, enhancing social equity, and pursuing sustainable development,

China can solidify its position as a leading global economic power.

Numerous international economic factors were crucial in China's rapid economic ascent. Foreign investors, international trade opportunities, foreign loans, and foreign advice contributed significantly to the country's economic growth. Additionally, China benefited from access to export markets and received substantial support from the Chinese government, along with encouragement from countries like Japan and other rapidly developing Asian nations often referred to as "tigers."

The influence of foreign loans cannot be understated either, foreign loans have played a critical role in shaping China's economic policies, particularly during the early stages of its reform era when external capital was essential for infrastructure development and industrial growth (Lin & Wang, 2018). For instance, loans from institutions like the World Bank and Asian Development Bank facilitated the modernization of transportation networks and energy infrastructure. However, as China transitioned to becoming a major lender itself, the focus shifted to leveraging its economic power through initiatives like the Belt and Road Initiative (BRI), raising questions about the debt sustainability of borrowing countries (Brautigam, 2020). In 1978, China possessed the world's tenth-largest economy, with a GDP of approximately US\$160 billion, equivalent to 6% of the United States GDP. However, by 2005, China's economy had surged to approximately US\$2.1 trillion, representing around 18% of the United States GDP (Morrison, 2019). This remarkable growth propelled China to become the fourth largest economy globally, trailing only the US\$12.6 trillion economy of the United States, the US\$4.6 trillion economy of Japan, and the US\$2.4 trillion economy of Germany.

China's transformation from a relatively modest economy to an economic powerhouse is a testament to the effectiveness of its economic policies and the strategic utilization of international economic opportunities. The country's sustained growth has brought prosperity and contributed to reshaping the global economic landscape. As China continues to consolidate its position as a major player in the international arena, it faces new challenges and responsibilities in maintaining its economic trajectory while ensuring inclusive and sustainable development for its people.

Since 1978, when China's economic reforms were first implemented, the country has maintained an annual growth rate of approximately nine percent (Lin, 2020). Only the United States of America, Germany, and Japan were larger economies than China in 2005, and China's contribution to the growth of the international economy between 1995 and 2002 was about equivalent to that of the United States contribution, which was approximately 20 percent. This section offers a condensed version of China's economic history, which can be used to gain an understanding of how China experienced rapid economic growth and what its position as an economic power on the global stage looks like. In addition, it discusses the current standing of China's economy in the global marketplace, the reforms that were implemented to accomplish this progress, and the obstacles that China has to keep its growth rate stable (Morrison, 2019).

Several factors have played a critical role in ensuring the economic development of China. Foreign policies and internationalization are two of the factors. With the good foreign policies, the People's Republic of China has been able to use opportunities that it could find on the international market to add value to its economic level (Lin, 2020).

### **1.2.2 China's Post-1978 Economic Development**

Some Chinese leaders have begun transforming their country's planned economy into a market economy. This has enabled the nation to become more open to international trade, export opportunities, foreign advice, and international investment. However, these activities are subject to China's government's guidelines and supervision. The Chinese government established certain goals to foster an economy that was not only meticulously planned and regulated but also market-oriented so that it could reap the benefits of participating in the rapidly expanding global economy. After 1978, China's primary focus was on achieving rapid economic growth comparable to that of the other four Asian "tigers" while at the same time putting more of an emphasis on domestic rather than international or foreign benefits.

After 1978, the Chinese government continued to possess and rule the majority of China's economic and industrial zones. These zones include transportation, production companies, financial services, energy, and communication sectors, all of which are essential for the growth of the Chinese economy. The country's economy has grown roughly three to four times faster than that of the United States. As a result, China has been able to close the relative gap in the standards of life enjoyed by its citizens, as demonstrated by the figures and facts of China's past. For instance, in 1980, the country's per capita income was only around 2% of that of the United States, but by 2012, the figure had increased to more than 15% of the United States level. This happened in a relatively short period. China needs to generate large revenue from its trade with the rest of the world for any of this to occur. The country has been the world's leading exporter of goods and the second-largest importer of those goods during the years 2010 and 2019, contributing between 25 and 39 percent to the global GDP growth. Since the country's economic reform in 1978, it has experienced

tremendous growth in economic diversification, which has enabled it to become an important player in international trade. According to the first paragraph, the most important industries in which the country excels in competitiveness are retail, manufacturing, textiles, mining, autos, and energy generation. The government has been successful in reducing poverty as a result of this economic growth. According to figures provided by the World Bank, 12.5 percent of the Chinese population lives on less than \$1.25 per day, while 27 percent of the population lives on less than \$2 per day. Because of this, the number of people living in poverty in China has decreased by hundreds of millions. Despite this, the rate at which the country is eliminating poverty is greater and faster than any other nation in the world. China's poverty alleviation since the 1978 reforms has been hailed as unprecedented, lifting over 800 million people out of poverty (World Bank, 2023). However, this success is tempered by the widening regional disparities and rural-urban income gaps. For instance, while coastal regions such as Shanghai and Guangdong have experienced exponential growth, inland provinces like Gansu and Guizhou remain economically underdeveloped (Li & Liu, 2021). Additionally, the urban-rural divide has intensified, with urban incomes averaging more than 2.5 times rural incomes as of 2022 (National Bureau of Statistics, 2023). To address these challenges, the Chinese government has implemented policies such as the "Belt and Road Initiative," the Western Development Strategy, and the Rural Revitalization Strategy. These aim to reduce regional imbalances and improve rural livelihoods through infrastructure investment, industrial upgrading, and enhanced public services. While some progress has been made, the long-term effectiveness of these measures depends on tackling structural barriers, such as improving labor mobility, integrating factor markets across regions, and expanding social welfare coverage in rural areas. Bridging these divides is crucial not only for

achieving equitable development but also for sustaining China's broader economic and social stability.

It is anticipated that China will overtake the United States as the largest economy in the world sometime around the year 2030 if the current rate of economic growth remains at its current elevated level (Lin, 2020). Up to this point, China has accomplished its economic goals without giving up any portions of its sovereign territory. Furthermore, China has been able to keep its most important industries and financial services primarily within its hands and under its control. China has continued its practice of making its currency relatively unconvertible. China has become the largest recipient of direct international investment in the world, attained the second largest foreign exchange reserves in the world behind Japan (approximately US\$ 1.2 trillion by the end of 2007), and is currently the world's largest beneficiary of direct international investment (Lin & Zhu, 2007).

However, the growth of China's economy is not entirely attributable to the country itself; however, it can be said that China has gained a great deal of knowledge from other nations all over the world, particularly those in the region that have implemented industrial liberalization (Boylan, 2021). These nations consist of Hong Kong, Taiwan, Japan, and South Korea. These nations have relied almost exclusively on industrialization policies geared toward exports throughout significant expansion in international trade (Boylan, 2021). However, regional demonstrations are not the only thing contributing to this far-east populous country's tremendous and remarkable expansion. Other factors have played a role as well. Most investors, seeing a large market opportunity in China due to its population being the largest in the world, decided to put their money there. This was also made possible by the low-cost labor

offered by citizens living in rural areas of China.

Since 1978, almost every year has seen a significant expansion of China's domestic economy, which has coincided with an increasing trend toward the ownership of Chinese and foreign business investments, personal Chinese entrepreneurs, and individual investors from other countries (TenBrink, 2019). However, the government of China has continuously maintained its regulation of the most significant economic sectors in China, such as transportation, manufacturing, communications, financial services, and energy. This regulation, which provides limitations and regulations, has been in place for a long time.

Since 1978, the Chinese economy has expanded annually at a normal rate of eight to ten percent, and this growth pace is nearly unheard of for China's dependent and vast agricultural nation. After something in the neighborhood of seven years, it results in the doubling of China's economy (Morrison, 2019). Difficulties and obstacles relating to China's most recent economic development changes, such as harsh government rules, increased competition with the economies of other countries for scarce energy and other critical resources, and improper use of the environment. However, the vast majority of economists working in other countries believe that China will be able to maintain a growth rate of between 8% and 10% by the year 2025.

### **1.2.3 Current Economic Development State**

By the year 2010, it was abundantly clear to international analysts and economists that China was on the cusp of transitioning from an economy dependent on exports to one focused on the growth of its domestic market and economy. A higher standard of living was being requested and planned for by the Chinese government at the same time that

wages were rapidly rising across the board in every industry in the country. China's gross domestic product (GDP) grew to a new all-time high of \$5.9 trillion in 2010, surpassing the GDP of Japan, which was \$5.5 trillion. As a result, China overtook Japan as the world's second-largest economy, behind only the United States.

According to nominal gross domestic product, it is anticipated that China will become the world's largest economy either towards the end of the 2020s or the beginning of the 2030s. China is the largest creditor country in the world, and its holdings of United States Treasury securities account for approximately 20.8 percent of the total percentage held by foreign investors. It had also come to light that the knowledge economy and Noopolitik had grown to be critical issues of the People's Republic of China's economic policy in nearly every year since the year 2000, when China portrayed its transition from 'Made in China' to 'Innovated in China.' According to reports, the knowledge economy and Noopolitik had grown to be critical issues in nearly every year since the year 2000.

China's gross domestic product (GDP) has returned to an advanced growth rate, and the country's economic system and structure have steadily become more market-oriented. This has occurred concurrently with the gradual increase in the cost of commodities. China, which had the second-largest economy in the world in 2010, has the potential to grow to become the largest economy in the world in 2030, overtaking the economy of the United States, provided that current trends continue (Lin, 2020). Having said that, it was not without difficulties. The unequal distribution of income and pollution are two of the difficulties that have been encountered and provided support for the idea presented earlier by stating that China's economy may grow to become the largest economy in 2030 (Lin, 2020).

According to the findings of some other studies, China will overtake the United States in terms of purchasing power parity in the year 2016, and by the year 2030, China will be home to two-thirds of the world's middle-class population. If it is assumed that the economies of China and the United States have grown by 9% and 4%, respectively, in the real sense, the inflation rate experienced in China is 3.5 percent and the inflation rate experienced in the United States is 2.1 percent (the averages of the past 10 years), and that the RMB appreciates relative to the dollar by 3.5% annually (the average of the past five years), then China will become the largest economy in the world by the year 2030. During that time frame, the combined GDP of the two countries will be close to \$25 trillion. The International Monetary Fund (IMF) projected in 2011 that China's GDP, adjusted for purchasing power parity (PPP), would surpass that of the United States by 2015. Subsequent data shows that this threshold was reached or narrowly approached according to several metrics (World Bank, 2023). However, nominal GDP continues to lag behind that of the U.S. Moreover, while such projections reflected China's growth momentum at the time, they did not fully anticipate the evolving challenges—including demographic aging, rising debt levels, technological decoupling, and escalating geopolitical tensions. Therefore, although China remains on a path of significant economic expansion, the long-term trajectory is subject to multiple domestic and global uncertainties, making such projections increasingly conditional and complex.

#### **1.2.4 Economic Reforms**

The Chinese government has pursued economic reform programs that, in various ways, violate the principles of neoclassical economies, yet these reforms have successfully enabled a fast transition. Some people worldwide, including Western experts and

economists, question if China will be able to continue its success. In contrast, other people question whether China's economy has expanded over the past few decades (Croll, 2019). On the other hand, analysts working for the World Bank and other academics believe that China will continue along its current effective route to growth at extraordinary economic rates of at least seven percent per year for the next 25 years. China has also helped other Asian economies, such as India's, which has started growing at almost seven percent yearly thanks to China's assistance.

The Chinese leadership had high hopes that the gradual implementation of reforms across the nation would result in significant economic expansion and an improvement in the general quality of life. This anticipation was eventually realized, and one of the very first types of change to take place was in the agricultural sector. The reforms that were implemented in the agricultural sector made it possible for farmers to keep and sell some of their produce to private businesses. In addition to this, the government established four special economic districts along the coast to entice foreign investors who were hoping to capitalize on the low cost of labor in the country (Chen, 2019). The goal was to boost exports while simultaneously increasing the amount of cutting-edge technology the country imported (Chen, 2019). China has begun the process of economically decentralizing its government, and provincial governments in China have been given some economic power over a variety of construction projects in their respective regions. They were given permission to continue their activities and compete, which was based on the principle of free competition. Some cities and coastal areas were chosen to be development districts, certified to trade openly or directly, and supplied with financial incentives to attract international investors. These measures were taken to attract investment. Price controls that were applied to some types of goods were gradually relaxed.

Reforms in China's economic system are likely to be cited as the primary reason behind the country's phenomenally fast economic expansion in any theory that attempts to explain China's economic rise (Ang, 2020). For instance, the establishment of private ventures in each area of the economy, as well as exceptionally high rates of savings, are fundamental factors in the condition for economic growth in China. Other factors that contribute to China's economic expansion include a massive underemployed labor force that is eager to accept positions for relatively cheap wages, a cultural practice of conduct, historical conditions, and a rapid adjustment to the more advanced system norms. According to Ang (2020), the current and rapid expansion of the economy in the country is assisted by the increase in free trade and government incentives, and Ang (2020) argue that the execution of non-orthodox economic policies contributed to the success of reforms.

China has reached its goal of "wealth and power" that it set for itself in the 1870s, and it has developed a strategy for its foreign commerce that has enabled it to capitalize on opportunities presented by international trade while avoiding the East Asian crisis that took place between 1998 and 2000. To this day, China has also been able to solve the majority of the difficulties and challenges associated with economic growth, such as overstaffed state-owned enterprises and bankrupt banks, by utilizing the advantages of its more effective economic development strategies and principles. These advantages include China's enormous international exchange reserves, relatively high real wage rate, excessive saving rates, relatively high employment stages, and minimal inflation rate (Morrison, 2019). The reforms of state-owned enterprises (SOEs) since the 1990s have brought measurable improvements, such as increased productivity and greater market responsiveness, particularly in globally competitive sectors like telecommunications and energy. However, persistent inefficiencies remain, including

issues of overcapacity, low profitability in certain industries, and continued reliance on government subsidies (Zhang, 2021). For instance, while SOE contributions to GDP have declined, they still control critical sectors, often stifling private sector competition (OECD, 2022). Moreover, many SOEs struggle with bureaucratic inefficiencies, poor corporate governance, and limited accountability.

More importantly, SOEs frequently struggle with bureaucratic inefficiencies, poor corporate governance, and limited accountability mechanisms. In particular, bureaucratic procedures lead to lengthy and inefficient decision-making processes in resource allocation and strategic planning. At the same time, corporate governance structures often face internal conflicts of interest and misaligned incentives, where management focuses excessively on short-term gains at the expense of long-term sustainability.

In the context of internationalization, some SOEs have demonstrated strong competitiveness, especially under the Belt and Road Initiative, where they play a key role in infrastructure development and cross-border collaboration. However, their international operations also reveal shortcomings in transparency, efficiency, and adaptability to market needs. Although certain SOEs have achieved technological breakthroughs, significant challenges remain in translating these innovations into competitive market advantages.

From a policy perspective, deepening SOE reforms is crucial for driving China's high-quality economic development. Future reforms may need to focus on the following areas: first, optimizing corporate governance structures to enhance transparency and accountability; second, reducing reliance on government subsidies to encourage

market-driven operations; third, further opening competitive sectors to promote fair competition between SOEs and private enterprises; and fourth, implementing structural adjustments in industries plagued by overcapacity to improve resource allocation efficiency.

By addressing these issues, SOEs can better fulfill their critical role in the economic system and become powerful engines driving China's economic transformation and upgrading.

### **1.2.5 Factors Responsible for China's Rapid Economic Development**

China was able to achieve its goal of independent Chinese economic growth for the benefit of China in 1950 thanks to its sovereignty and economic strategy, as well as a highly sovereign-respecting international economic setting. China has taken advantage of the more favorable international economic backdrop in addition to having complete authority over its economy. China may reclaim its status as the greatest economy in the world within the next 20 years. Developing nations' economies can advance with the help of China's expertise and business practices. China has served as a more instructive model for other rising countries, and investments from outside China have been a significant driver of economic expansion in China.

The reforms put into place to maintain control of the Chinese economy have resulted in increased economic competence and improved capacity to obtain the resources necessary for the growth of industrial and agricultural output. The significant economic growth that China has experienced can be attributed to two primary factors: first, consistent productivity growth; second, significant foreign and domestic investments funded by internal savings and investors from other countries; and third,

a combination of the two. Because of the redistribution of resources in the sections or sectors previously managed by the state, such as financial services, commercial sectors, and agricultural sectors, there was an increase in output or productivity, which benefited those sections or sectors.

Numerous studies conducted on economic development have indicated that capital investment plays a pivotal role in driving economic growth (Hu & Khan, 2019). China's remarkable growth in recent years can largely be attributed to substantial capital investment, which has effectively increased the country's productivity. The infusion of new machinery, technological advancements, and investments in infrastructure have contributed to a notable surge in output. However, the capital-output ratio remained relatively unchanged despite an annual capital stock increase of nearly 7 percent between 1979 and 1994 (IMF, 2019). In simpler terms, the production of goods and services per capita unit showed minimal improvement, despite a significant increase in capital investment.

This limited impact of capital deepening suggests that constraints are hindering the full potential of capital in driving economic growth. Furthermore, the relative importance of labor input, which is abundantly available in China, experienced a decrease in its weight within the economy. Consequently, before 1978, capital formation alone accounted for over 65 percent of growth, with labor contributing an additional 17 percent; these factors only accounted for 58 percent of the growth post-1978, representing a decline of nearly 25 percentage points. Productivity increases fill the remaining difference.

These findings highlight the need to explore further the underlying factors that

constrain the effectiveness of capital investment in China's economic growth. It suggests that there may be limitations in the efficiency and utilization of capital, calling for measures to enhance productivity and maximize the returns on capital investment. Additionally, the decreasing relative significance of labor in economic growth underscores the importance of fostering an environment conducive to human capital development and ensuring that the workforce is equipped with the necessary skills and capabilities to contribute effectively to the economy.

Understanding the dynamics of capital investment, labor input, and productivity is crucial for formulating effective economic policies and strategies. By addressing the constraints on capital and nurturing human capital development, China can aim to achieve sustained and balanced economic growth, unlocking its full potential and further solidifying its position as a global economic powerhouse.

The most recent economic miracle in Asia can be attributed to the region's increased focus on increasing productivity. In comparison, China's productivity rose at a pace of 1.1 percent annually between 1953 and 1978; it increased at a rate of 3.9 percent annually between 1979 and 1994. At the beginning of the 1990s, the share of production growth contributed by productivity surpassed 50 percent. In comparison, the share supplied by capital creation had fallen below 33 percent. Astonishingly, productivity has increased rapidly (the rate of productivity growth in the United States averaged 0.4 percent from 1960-1989), and it is commendable because growth driven by productivity is more likely to be sustained. An examination of the periods before and after 1978 reveals that China's adoption of market-oriented reforms was essential in developing the subsequent productivity surge.

The economic changes in China enhanced productivity by providing diverse businesses with financial incentives to increase their profits. These incentives were available to rural collective companies, family farms, small private firms, foreign investors, and traders. As a result, their productivity was boosted, and they were encouraged to make decisions with a market focus. In addition, the changes intended to decrease the intrusion of state officials in the operations of businesses, providing a higher degree of autonomy to various companies.

The percentage of total output that was contributed by state-owned businesses fell from 56% to 40% between 1978 and 1992 as a direct result of the changes implemented during that period. Concurrently, the share of collective enterprises rose from 42 percent to 50 percent, while the share of private businesses and joint ventures rose from 2 percent to 10 percent within the same period. This shift was mostly driven by introducing profit incentives, which played a crucial part in the process.

The benefits of profit incentives extended beyond just an increase in production and more diverse ownership of businesses. In addition, it caused reverberations throughout the private capital sector. The ambition of factory owners and small producers to maximize their profits and retain a larger share of earnings led them to direct a greater portion of their firms' revenues toward enhancing their company performance. This was done to maximize profits and retain a larger share of earnings. This factor contributed to developing a more favorable investment climate, which encouraged the accumulation of private capital and made future growth in the private sector possible.

The recent rate of productivity growth in China is quite astonishing. Comparatively, the productivity increase rate for the Asian tigers from 1966 to 1991 was

approximately 2 percent, with occasional increases of a few tenths of a percentage point. With a pace of 4%, China is in a league of its own regarding economic growth.

Before the reforms in 1978, approximately four out of every five Chinese worked in agriculture; by 1994, that figure had plummeted to one out of every two working in agriculture. Recent reforms, which increased property rights in rural areas, generated a rush to establish non-agricultural small enterprises in rural areas, which in turn sparked a rush to establish non-agricultural small companies in rural areas. The end of agricultural collectivization and the accompanying rise in prices for agricultural products contributed to the productivity of family-owned farms and the efficiency with which they utilized labor. Collectively, these elements played a role in the departure of many people from the agricultural industry. Because of the quick expansion of village businesses, tens of millions have moved away from conventional farming and into the industry with a higher value added.

In addition, the reforms implemented after 1978 granted firm managers greater autonomy. They could determine their own production targets, sell some of their products on the private market at competitive rates, provide bonuses to good employees, terminate poor employees, and retain some of the company's earnings for use in future developments. As they gained more autonomy, these things became feasible options for them. The modifications also made it possible for a greater percentage of production to be privately owned to a greater level. These privately held businesses contributed to the creation of employment opportunities, the development of highly desirable consumer goods, significant hard currency earnings through international trade, the payment of state taxes, and a degree of flexibility and resilience to the national economy it had not previously possessed.

The decision made by the government of China to continue to welcome and encourage investment from around the world has been a major contributor to China's rapid economic growth. After being nonexistent before 1978, cumulative foreign direct investment reached around \$100 billion in 1994; yearly inflows increased from less than 1 percent of total fixed investment in 1979 to 18 percent in 1994. Before 1978, foreign direct investment was nonexistent. This foreign investment has resulted in industry development, job creation, China's connection to worldwide markets, and the transfer of important technologies (Hu & Khan, 2019). These tendencies are especially obvious in the more than a dozen open coastline areas, which appeal to overseas investors due to the favorable tax conditions they provide. In addition, economic liberalization has contributed to the rise in exports, which averaged a yearly growth of 19 percent between 1981 and 1994. The robust rise of exports, in turn, has contributed to the rising productivity levels in domestic industry.

The Chinese government has moved cautiously in one final area, the reform of prices, granting a decent level of independence to makers of consumer goods and agricultural items but a far lower amount to manufacturers in other areas (Lin, 2020). Over the previous two decades, the Chinese economy has been buffeted by multiple bouts of inflation, discouraging the Chinese government from enacting full-scale price deregulation. When growth rates are relatively high, there is a greater likelihood of experiencing inflation. Even though it has been significantly restrained, inflation may still constitute the single most serious risk to the expansion of China's economy.

The researcher, just as with any other national economy, needs to properly consider the particulars of China's economy. According to Atkin and Khandelwal's 2020 research, many academics believe that China's pre-1978 economic supremacy was

masked by the country's many political upheavals which took place before 1978. These critics argue that it is impossible to compare the economic situations in China before 1978 and after 1978 with any degree of precision since the political climate in China was in such a constant state of flux. Specifically, they point out that the Chinese Communist Party was in power from 1949 until 1978. This claim's evaluation does not consider the subperiod analysis covering 1958–1970, encompassing both the Great Leap Forward and the Cultural Revolution. The findings of this analysis are summarized down below for their convenience. As a direct consequence of the circumstance, the productivity rate in the years leading up to 1978 rose marginally, from 1.1 to 1.6 percent.

Second, from 1953 through 1978, Chinese central planners restricted migration from rural areas into urban areas while making large investments in the urban industrial sector. The reason why the economy has been performing so well since 1978 maybe because this strategy was discontinued after that year. Regardless of the significance of these sector-based shifts, for them to be regarded as noteworthy, according to the International Monetary Fund (IMF), it is necessary to eliminate the independent rise in productivity associated with the reforms.

Thirdly, some commentators believe that this expansion cannot be regarded as sustainable if enhanced productivity is merely a one-time shot of adrenaline to the body's economy rather than an ongoing supply. The years 1979 through 1994 had steady productivity growth, followed by increased growth from 1990 to 1994. Following the completion of one set of reforms, the post-reform period can be broken up into three distinct periods, each related to a different group of reforms. If this is done, it will be possible to demonstrate large productivity improvements in each sub-

period. This leads one to believe that the Chinese can apply initial gains in productivity to various other sectors of the economy.

Last but not least, one can investigate the analysis for any measurement issues. Specifically, how accurately was the data on the capital stock calculated, and did any measurement mistakes occur about the data that was input? In terms of the capital-stock measurement, given that the Chinese national income statistics do not include the value of residential housing and that expenditures for new housing increased throughout 1978–1994, these two facts should adjust the investment figures. When this is done, there is no change to the estimate of the productivity growth before the year 1978, and there is a minor increase in the rate of productivity growth following the reform, which confirms the overarching narrative. There is a possibility that an overvaluation of the initial capital stock influenced the conclusions. The data were reanalyzed using capital stock estimates that were considered more conservative; however, there is no substantial evidence to contradict the conclusions. Although the productivity increases that occurred prior to 1978 have become negative, the productivity rate after the reform has not been harmed.

The Chinese asset surveys need to create capital stock estimates compatible with the investment data in the national accounts, which is an additional and more severe concern with the data about the capital stock. There will be significant obstacles to overcome in order to close this statistical disparity. The results of this study's analysis were contrasted with those obtained by economists who had computed the data slightly differently. Concerning productivity, the research diverged in their emphases but was similar in their core concepts. Even when using different capital-stock computations, the available information confirms that productivity increases have been a key source

of growth since 1978. This is the case even when the calculations differ. The estimates provided by independent sources for the period 1979–1994 range from approximately 2 percent to over 4 percent for the rise in productivity.

Concerning the other input data, an investigation was carried out into the possibility of differential bias, which would result in an exaggeration of the post-reform growth compared to the time before the reform. This issue may occur because economies with centralized planning have the propensity to overstate their production level while simultaneously understating their level of price inflation. The incentives for enterprise managers to overstate production to meet production targets set by the government have likely decreased in the reform era because managers have faced less stringent state control. This is despite the fact that historically, enterprise managers have had a tendency to over report output in order to meet production targets set by the government. It is quite improbable. Therefore, the performance of the age that began after 1978 has been exaggerated in comparison to the performance in preceding eras.

A more significant source of bias may come from an inadequate reduction in the nominal output value. Because the pricing reform was implemented piecemeal, with some industries being liberalized while others were not, it is difficult to choose a suitable deflator for the period after 1978 (Hu & Khan, 2019). On the other hand, there is a possibility that output experienced an under-deflation during the central planning period because inflation was presumably restrained everywhere during that time (as manifested in shortages, black market trading, and long waits for certain goods). Therefore, although the measurement problem is true, it most likely does not affect the fundamental finding concerning the considerable productivity gains that occurred after 1978.

### **1.2.6 Agricultural Reforms**

After thirty years of Mao Zedong's management of a planned economy, China was dependent on change, and this change was derived from a combination of experimentation and pragmatism. The agricultural reforms instituted by Deng Xiaoping are among the factors that contributed the most to the expansion of China's economy, which began in 1979. Agricultural reforms and allowing the economy of the country to be exposed to international investors and commerce were the foundation for an economic reform that led the economy of the country to meet market demand (Huang et al., 2020). Additionally, they stated that allowing the country's economy to be exposed to international investors and commerce was the foundation for economic reform. The fact that these economic reforms were adopted gradually makes it significantly easier to avoid economic crises during the initial phases of these reforms, in addition to making it simpler to increase economic spending following the achievement of several large harvests. This is because the gradual adoption of these reforms contributed significantly to the prevention of economic crises during the initial phases of these reforms.

Farmers were given long-term leases on agricultural land, which marked the beginning of the private management of agricultural land. Additionally, a free market was established for small businesses and those who provided consumers with goods. International investors were also allowed to participate in corporations that included Chinese companies. Eventually, they were able to launch firms entirely owned and controlled by the Chinese government in specific economic sectors of China.

Rural areas in China were the starting point for China's institutional reforms, and the agricultural sector was also where market reforms were first implemented. The focus

of these reforms shifted from rural to urban regions and from agriculture to industry and services in successive stages (Huang et al., 2020). Even though China did not abandon its planned economic system, the country considered the market a supplement to the planned economic system. Nevertheless, during the reform period, it gradually transitioned away from the state purchases and sales system and toward increased reliance on private markets. This occurred due to the government's attempt to reduce its reliance on the state's economy.

China's adoption of a market reform strategy in agriculture that comprised incremental, step-by-step improvements made the transition from a planned economy to a market economy simpler. A market economy replaced the planned economy. During the period in which China was through its transition, it is generally thought that the process of progressive reform was essential in helping to diversify the agricultural sector. After taking power, the authorities in China did not immediately attempt to replace the planned economy with liberalized markets, in contrast to the transitional economies that were in place in Europe at the time. The liberalization process started in the middle of the 1980s for products that were not considered strategic, such as vegetables and fruits. After gradually moving on to products derived from animals, like fish and meat, and then moving on to products derived from crops, like sugarcane, edible oils, cotton, and grain, which are the products that China considers to be of the utmost strategic importance, the process eventually moved on to products derived from plants. Even though grain market liberalization was sporadic due to large fluctuations in grain production and prices in the 1980s and early 1990s, the government had nearly finished phasing out its direct market intervention by the late 1990s. This was the case even though large fluctuations in grain production and prices occurred during the 1980s and

early 1990s. This was the case even though there were only intermittent attempts to liberalize the grain market.

An essential caveat to include is that in recent years, the government of China has significantly engaged in markets in response to concerns regarding the incomes of farmers and the security of the country's grain supply. This is a crucial point to note. The liberalization of agricultural markets in the context of international commerce also got off to a sluggish start, but it has been making consistent headway ever since. The initial steps in the process that led to the liberalization of international commerce in the early 1990s were lowering trade barriers and authorizing non-state entities to participate in agricultural commodity markets. Both of these measures were part of the process that began with easing trade barriers. Following these basic measures, there was a slow reduction in the rates. Before China became a member of the World Trade Organization (WTO) in 2001, the average import tariff on all agricultural products was reduced from 42.2 percent in 1992 to 23.6 percent in 1998 and 21 percent in 2001. This reduction occurred between the years 1992 and 1998. This decrease started in the 1990s and lasted until China became a member of the WTO in 2001. In 2004, China's tariff rates hit an all-time low of 12 percent, solidifying the country's position as one of the nations with the most liberal agricultural trading policies in the world. In addition, China was required to fulfill significant commitments and concessions over domestic support and export subsidies.

Concurrently with the market restructuring, efforts were undertaken to aid agricultural commodity markets, which assisted in making the reform practicable. Because of investments in transportation infrastructure such as roads and communications networks, as well as regulations that encouraged the unrestricted movement of

products across the boundaries of both prefectures and provinces, Japan's commodity markets are among the oldest in the world. This is because Japan's commodity markets are among the oldest in the world.

By the beginning of the 2000s, practically all markets had converged, with rice having a convergence rate of 92 percent, soybeans having a convergence rate of 98 percent, and maize having a convergence rate of 99 percent. Integrated national markets for agricultural products other than grain were developed earlier than those for grain because the reform of agricultural products other than grain began relatively early. These integrated national markets for agricultural products were developed earlier than those for grain.

The introduction of new market policies was essential to the growth of the agricultural industry, which in turn led to shifts in the structure of agricultural production and increases in farmers' income. This has led to a rise in the allocative efficiency of farming, which may be attributed to the fact that farmers base their decisions on relative market prices. As a consequence of the modifications, the costs of agricultural inputs, such as fertilizer and pesticides, decreased, but the prices at which agricultural goods were sold increased.

Additionally, due to China's open-door policies in the agriculture sector, the nation's economy has become more linked to international markets. By the middle of the 2000s, the prices of most agricultural goods in China had nearly caught up to those of their imports at the border. This occurred around the time of the global economic crisis. Both the exporting of goods that require a great deal of manual labor (such as horticulture and cattle) and the importing of goods that require a great deal of land and

water (such as soybeans, cotton, edible oils, and sugar) have been on the rise. Horticulture and cattle, for example, are two examples. As a result of China's comparative advantage in trade, which has led to an improvement in resource allocation, the domestic farm sector in China has become more resource-efficient and productive, increasing agricultural output.

### **1.2.7 The Export Market**

Over the previous two decades, China's exports and imports have undergone considerable alterations due to these shifts. Even though China is recognized as one of the most significant economic centers globally, the number of goods brought in and shipped out of this region has been steadily decreasing. As a direct response to this degradation, the ruling class of the country has embraced a growth strategy that is more open and obvious (Zhang & Woo, 2022). One of the obstacles that the country's manufacturing industry needs to triumph over is the current era of underperformance it is going through.

Aaron Smith is credited with having observed that "As a result of the fact that the manufacturing sector in China has been the engine that has been powering the country's economy, the current slowdown may have implications all over the world. The annual growth rate of China's gross domestic product dropped to 9.1% in the third quarter, down from 9.5% in the second quarter and 9.7% in the first three months of year 1. In the first quarter of the year, the growth rate was 9.7%" (Zhang & Woo, 2022).

Over the past several years, China has made measures to limit the extent to which its economy depends on exports for growth and to lessen its exposure to global variables outside its control. At the same time, some low-cost manufacturing has been relocating

to other countries, such as Vietnam, due to China's economic development, which has led to a rise in manufacturing costs in China. According to estimates published by the World Bank, the percentage of China's GDP that can be attributed to exports fell from 23.5% in the five years prior to the epidemic to 18.4% between 2014 and 2019 (World Bank, 2022). This percentage was 23.5% in the five years before the pandemic.

However, following the appearance of COVID-19, that share began to increase gradually, and it eventually reached 20% in the most recent year. This was partly because consumers worldwide who could not leave their houses rushed out to buy electronics and other Chinese-made household items. This also helped contribute to the overall growth of China's economy, which was a positive effect. Despite this, the epidemic has made a resurgence and is now again affecting China (Zhang & Woo, 2022). Its rigorous efforts to prevent domestic COVID outbreaks resulted in lockdowns, which, in turn, affected supply chains and shipping operations. Those measures were ultimately unsuccessful.

However, they believe that exporters should be much more concerned about the decline in demand seen in international markets. This is because the aftermath of the pandemic and the crisis in Ukraine feed inflation and stricter monetary policies, lowering the global economy. Specifically, the pandemic has caused a rise in food prices, and the conflict in Ukraine has led to a rise in the price of some products.

These cutbacks put additional strain on officials already under a lot of stress as they look for fresh sources of growth in an economy suffering from a property downturn over the past year and disruptions caused by Beijing's zero-COVID policy.

One-fifth of China's workforce, or 180 million people, are employed by businesses

that export and import goods and services from and into China. Some businesses that export goods are modifying their operations in reaction to the downturn by producing goods at lower prices; however, this will also cut their earnings.

Since China embarked on economic reform and openness in the late 1970s, its approach to international trade has undergone significant transformations, progressing from a highly restrictive trade policy to a more liberalized stance on imports and exports in the global market (Zheng & Li, 2022). Reopening China's doors to the world in the late 1970s marked a turning point in its trade policies. Subsequently, there has been a remarkable surge in exports and imports, with average annual growth rates of 10.8 percent and 11.2 percent, respectively, between 1978 and 2009.

The expansion of China's trade with specific countries exhibited significant variations within this growth trajectory. Before the implementation of trade liberalization, most of China's foreign trade was predominantly conducted with other Eastern Bloc countries, reflecting a typical trading pattern observed among Eastern Bloc nations (Zheng & Li, 2022). However, during the 1980s and 1990s, China's trade strategy underwent substantial shifts, emphasizing engaging with large market economies such as those in Europe and North America, dynamic Asian economies, and nations endowed with abundant natural resources. According to the International Monetary Fund, China's trading partners expanded from 87 to 182 out of 200 countries and regions between 1980 and 2005.

From 1995 to 2005, the value of China's exports to Europe and North America witnessed an extraordinary increase of over 300 percent, demonstrating the growing significance of these regions as major destinations for Chinese products.

Simultaneously, China's imports from countries rich in natural resources experienced an even more rapid surge, reflecting its increasing demand for raw materials to support its expanding industries.

The dynamic evolution of China's trade policies and patterns underscores its integration into the global economy and its emergence as a major player in international trade. By embracing a more open trade regime, China has been able to leverage its competitive advantages, tap into new markets, and foster economic growth. The diversification of trading partners has also contributed to the expansion of China's trade networks and the broadening of its economic relationships worldwide.

As China navigates the global trade landscape, it faces challenges and opportunities. Adapting to changing market dynamics, pursuing fair and mutually beneficial trade relations, and fostering innovation and competitiveness will be key factors in sustaining China's position as a leading global trading nation. Additionally, promoting inclusive trade policies that benefit all segments of society and addressing potential imbalances will be crucial for ensuring that the benefits of international trade are distributed equitably and contribute to the overall welfare and prosperity of the Chinese people.

The expansion of the export zone was another significant factor that played a role in the case of China (Gong, 2019). It is widely held that export promotion is an indispensable instrument for economic growth, particularly in economies still in their formative stages. Emerging economies or developing countries have been able to support their economic development by placing a greater emphasis on human capital throughout China's economy's history. A nation can increase its output, make more

efficient use of its resources, and accelerate the development of cutting-edge technology by implementing growth strategies that are geared toward exports. As the economies of developing countries continue to expand, there is a greater possibility that they will be able to effectively integrate themselves into global markets; this, in turn, encourages even further expansion of the economies.

In general, China was home to several positive conditions that served as catalysts for growth during the nation's formative years. In addition to the quantity and quality of human capital, another essential condition was a relatively high degree of economic decentralization. Jiang & Kim, 2020 came to the conclusion that China is an example of a wonderful emerging country. China has had its share of difficulties in the past, but in a very short amount of time, it has managed to position itself as the positions of the largest economies in the world. All of the issues stated were reinforced by the expanding globalization that was taking place worldwide, which raised the supply of Chinese items even higher.

### **1.2.8 Challenges Likely to Affect Economic Development**

Despite the significant economic success that China has made, the country is still struggling with problems that might result in its hopes being dashed if they are not resolved. Japan is one example of a country that had the same driving force as China but was unable to achieve the goals it set for itself. The rapid economic growth seen by Japan in the decades following World War II earned the nation the title of "world's economic miracle." During this period of economic expansion, Japan overtook the United States to become the world's second-largest economy. This period spans from around 1980 to about 2000. Even though worker productivity remained high, the economy started to have difficulties in the early 1990s due to a decrease in the labor

force. According to Cui et al. (2018), China's flourishing economy has been helped by an unending supply of employees, even as labor wages and skills remain low. This is the case even though China has a low skill level overall. The Chinese worker force is also distinguished by low pay; despite this, it has been speculated that China will lack a labor supply if its economy starts to disintegrate. The number of people in China who are of working age has fallen, as Cui et al. (2018) demonstrate. These researchers found that the number of people in China who are working age fell from 937 million to 911 million between 2012 and 2015 and then to 907 million in 2016. On the other hand, this is not breaking news because the same thing happened in 2004 when China was experiencing a labor shortage in the manufacturing and industrial centers of the Pearl River Delta, Yangtze River Delta, and River Delta, which later spread to other many provinces across the country. This situation was very similar to what is happening now.

In the present day, the Chinese government faces the majority of its difficulties when attempting to stimulate domestic consumption. Although domestic consumption has been on the decline since 2000, it did increase after the implementation of economic reforms; however, these reforms caused an initial increase in domestic consumption. In 2005, domestic consumption only made up 39% of China's GDP, the lowest participation rate among the largest economies in the world (Morrison, 2019). In 2005, domestic or internal consumption accounted for 70% of GDP in the United States, exactly as it did in China; in England, the figure was 60%, and in India, it was approximately 61% (IMF, 2019). China and India topped the list of countries with the highest consumption levels. Even Japan, known for its citizens' thriftiness, had a domestic consumption level that was almost 58% of its GDP in the same year as China did. Despite all of the challenges that China is facing, the financial theory and

corruption investigation are two variables and topics that could have the greatest impact on China's economic development. A number of prosperous businesspeople were successful in terms of their value and the effects that government and political ties had on their endeavors.

Getting a firm off the ground in China can be difficult for several international companies since Chinese corporate structures may not be compatible with their operations or may not be transparent enough (Jiang & Kim, 2020). As a result of China's absence of a system of independently functioning courts, intellectual property rights are also not adequately protected. Inadequate law enforcement in China prevents its economy from making the most of its resources by preventing the resourceful distribution of commodities. As a result of the most recent economic downturn, China's primary trading partners are facing difficult financial conditions, which is causing them to reduce the number of commodities they import from China. This puts pressure on the authorities in China to adjust their economic policies so that the country may continue to grow economically.

This is necessary if China is to keep up its current rate of economic progress and provide other benefits to the populace at large. These benefits include a higher quality of life for people living in both urban and rural areas, safer drinking water and air, enhanced public medical care, and increased purchasing power for end users.

### **1.2.9 Made in China 2025 Industrial Policy**

The goal of the comprehensive strategic plan known as MIC2025, which the Chinese State Council unveiled in May 2015, is to accelerate modernizing the Chinese economy by fostering the growth and development of cutting-edge technological

innovations. There will be substantial repercussions for China's interaction with the international community as a result of this plan. The plan's influence on the country's economic growth will vary depending on the numerous circumstances that come into play.

One of the potential outcomes of the MIC2025 plan is that China's international connections could deteriorate, limiting the country's access to global markets and, as a result, the reach of China's products. On the other side, if the plan is carried out well, it has the potential to make it possible for China to export a larger amount of products to worldwide markets, which would be beneficial for China's economic growth (Huamin et al., 2018).

The plan identifies ten primary areas in which China intends to become a driving force in the growth of technology. These industries act as focus points for creating globally competitive enterprises and serve as a road map for innovative and environmentally responsible development. The original creation and preparation of MIC2025 required the collaboration of approximately 20 government ministries, including the MIIT, NDRC, MOF, and MOST, under the leadership of the MIIT (Huamin et al., 2018).

The MIIT was responsible for the overall coordination of these efforts. During his presentation of the annual work report to China's "two sessions" in March 2015, Premier Li Keqiang made the plan's initial public announcement. Afterward, in 2015, the State Council published the final plan, which outlined the strategic priorities and processes that would direct MIC2025 until 2025 came to a close.

The plan is broken down into three distinct phases, and each phase has its own set of strategic goals that need to be accomplished within its allotted amount of time. China

has set a goal to become a significant manufacturing power by 2025, and then it hopes to become a worldwide manufacturing power by 2035. According to Zenglein and Holzmann (2019), the ultimate objective is for China to become the world's dominant manufacturing superpower by 2049, which will coincide with the 100th anniversary of the founding of the People's Republic of China. This change indicates a move from a huge manufacturing sector focusing on products with low value-added to a robust manufacturing industry that produces high-tech goods with components that have high value-added.

By achieving these strategic goals, China hopes to strengthen its domestic innovation capabilities, lessen its reliance on foreign technologies, and propel itself to the forefront of the push toward Industrialization 4.0. At the same time, it strives to advance further up the global value chains, aiming to drive its economy toward greater value creation (GVC). These goals highlight China's aim not only to become the world leader in manufacturing but also to become a center for cutting-edge technology and high-value sectors.

The successful execution of the MIC2025 plan will have enormous repercussions for the future course of China's economy and the country's standing in the world. As the strategy is carried out, it will be essential for China to strike a balance between local innovation and international collaboration. This will ensure that the country maintains its openness to partnerships that are advantageous to both parties while protecting its national interests.

MIC2025 is commonly contrasted with Germany's "Industry 4.0," frequently alleged to draw substantial inspiration. MIC2025 is scheduled to be implemented in the year

2025. Even though there are some similarities, the MIC2025 plan is noticeably more comprehensive in terms of the scale on which it operates and its scope. The concept of Industry 4.0, first implemented in Germany in 2013, centers on enhancing a country's technological capabilities. It explicitly addresses intelligent manufacturing and how the Internet of Things may be used to enable more optimal use of information technology in production. In addition, it is looking at how the Internet of Things can be used. Its primary purpose is to make the process of technological progression and innovation more manageable by establishing reliable institutions, defending the rights to intellectual property, encouraging research and development (R&D) at universities, and ensuring that small and medium-sized businesses (SMEs) have a voice in the policy decisions that are made.

On the other hand, the mission of MIC2025 is to restructure the entirety of the industrial sector in China. The progress of manufacturing technology as a driver of competitiveness is one of the instruments that will be utilized by MIC2025, which is one of the many tools that will be utilized. In terms of money, the German government's Action Plan for Germany's Industry 4.0 only commits around 200 million Euros to the program, with industries promising to chip in another 2.5 billion Euros for a total contribution of 4.5 billion Euros.

When measured against MIC2025, these numbers represent nothing more than a speck on the ocean's surface. Even though money pledges frequently do not necessarily equal those deployed, the China Development Bank committed in 2016 to provide at least 300 billion CNY to be invested in MIC2025 throughout the 13th five-year plan, which runs from 2016-2020 (Zenglein & Holzmann, 2019). This commitment was made although fund pledges frequently do not necessarily match those deployed. It is

believed that 1,600 government-guided funds with a combined total of hundreds of billions of dollars have been established to make investments in firms and industries associated with the MIC2025 project. MIC2025 receives support from CCP in various forms, including direct funding, financing for small and medium-sized firms (SMEs), financing tools, and tax advantages. These forms of support are all examples of the CCP's use of its economic power.

"Smart manufacturing" and technology innovation are two of the key foci of investment in the modern era. This is primarily due to the vital role that "smart manufacturing" and technological innovation play in improving the efficiency and production of the manufacturing industry. Investments in energy-efficient automobiles and electric vehicle batteries are the driving force behind this transition. The strategy also incorporates crucial topics such as green growth, sustainable development, and circular economy as key components. However, the strategy is not restricted to a particular industry; rather, it aims to develop the sectors and the existing institutional structures and framework conditions. Because of this, it is necessary to allocate public funds for key projects, modernize significant industries, and allocate policy assistance in the form of enhanced legislation, regulation, and investment guidelines.

The first of MIC2025's four key ideas is that it should be led by the market while guided by the government. This idea is part of the MIC2025 vision statement. It is highlighted how important it is to increase both quality and efficiency, as well as the conditions that the state has established, and it is said that the market ought to play a deciding role in the distribution of resources. Both of these points are emphasized in the previous sentence. Despite this, the government exerts a significant amount of control on MIC2025.

The National Manufacturing Strategy Advisory Committee (NMSAC) released the first edition of their "2015-edition Key Area Technology Roadmap" in 2015. This publication was made available to the public. Roadmap 15 was eventually updated, which led to the publication of the 2017 edition, which was referred to as Roadmap 17, and it was made available in February 2018. These specialists were responsible for drafting the document that fully described how and when the objectives and targets should be fulfilled. The document was authored by over 400 industry experts and given by these individuals. The 2017 edition is a document with a length of 296 pages and methodically covers every aspect of how to reach the goals that have been defined (including market shares, sales, global positions, etcetera). MIC2025 not only creates targets for the specific goals and objectives indicated in the roadmap, but it also establishes targets for the number of patents that must be gained for every 100 million CNY in sales and targets for when and how to develop specific quality brands. These targets are in addition to the specific goals and objectives outlined in the roadmap. Although the goals specified in the roadmap are mostly aspirational from China's standpoint, local governments frequently pick up on these policies, and the corresponding local interference can lead to overcapacity. Despite this, the roadmap has been developed. This is visible in other industries, such as the solar panel manufacturing industry.

### **1.2.10 Foreign Policy and International Relations**

The relationship between nations, as well as the processes of negotiation that take place between them, are governed by foreign policy. The majority of states' foreign policies prioritize the protection and advancement of world peace, the protection of their own national security, and the preservation of a power balance among the world's nations.

For example, the purpose of China's foreign policy is to safeguard its territory and sovereignty, to develop its economic growth, to increase regional peace and security, and to promote multilateralism, among other things. The Chinese government's approach to international relations is predicated on the principles of peaceful coexistence, non-interference in the domestic affairs of partner states, friendship that is mutually beneficial, respect for the integrity of territories, and equality. In other words, the term "foreign policy" refers to a collection of human behaviors that aim to exert influence over the actions of other communities in order to accomplish particular outcomes that are deemed to be desirable. The rise to power of Mao Zedong and the Chinese Communist Party in the 1950s marked the beginning of the first iteration of China's foreign policy (CCP). Mao Zedong's primary purpose was to establish the People's Republic of China (PRC) as one of the most "progressive forces" operating in the global political arena. During this time period, the overarching goal of China's foreign policy was articulated as "developing diplomatic ties with nations that uphold principles of mutual respect and benefit, equality, and territorial sovereignty and integrity." The phrase "Principles of Peaceful Coexistence" is a condensed form of the five guiding principles that guided China's international relations during that time period. The principles made it very obvious that China did not agree with the power politics that were prevalent in international relations at the time. China saw growth of double digits over the course of three decades as a result of Deng Xiaoping's 1978 reforms, which resulted in a per capita income of \$1,700 in 2005. These reforms were predicated on a gradual transition to a capitalist-based economic system. At the beginning of the 1980s, authorities in China presented four principles aimed at fostering technological and economic collaboration between their country and other countries. The concepts centered on the ideas of mutual benefit and equality, variation

in form, the goal of a common development, and the importance of focusing on actual results. For instance, when President Jiang Zemin visited Africa in May 1996, he added a fifth principle: establish a long-term and stable friendship with African governments. This principle called for all-round collaboration with African states. Reiterating their commitment to the "Five Principles of Peaceful Coexistence," the Beijing government's foreign policy shifted its attention to developing nations after adopting the concept of "third world solidarity." They are as follows: "peaceful cohabitation," "mutual non-aggression," "mutual respect of each state's sovereignty," "noninterference with each other's inner concerns," and "impartiality and mutual benefit." China, in contrast to the major western nations, set itself apart by asking for "help without conditions." The aforementioned "Structural Adjustment Programs (SAPs)" that were being deployed by the western donors stand in stark contrast to this in a significant way. It is common practice for African and Middle East governments to recognize financial assistance from China, despite the fact that this assistance does not come with the same economic and political conditions as SAPs. The traditional donors believe that there will be a change in the application of the principles in the period following the end of the Cold War. Beijing's early foreign policy was built on China's identity with what were believed to be "third world" countries. This was done in opposition to power politics and involvement in other countries' affairs. Beijing's measures after 1989 led to the development of China's "soft power," despite the fact that the Chinese government was fully aware that its aggressive policies were likely to raise the country's "threat image" in the United States. Without placing as much focus on Western conditions, China connected more strongly with the countries of the "Third World" due to their shared interests. In recent years, China has amassed a substantial impact on the economies of African states, thanks to the rise in economic prosperity

that has been visible in a number of African states. China's thirst for oil consumption affects Chinese-African trade relations. The expansion of China's gross domestic product by 10% over the course of the past decade can be attributed, in part, to the commercial links between the two countries. Over the course of several decades, the ever-increasing need for industrial raw materials on a worldwide scale has made it easier for countries like China and India to engage in foreign direct investment (FDI) in a number of African nations that are abundant in natural resources. The total amount of foreign direct investment (FDI) into Africa in 2015 was estimated to be \$61 billion, representing a rise of 25% from the previous year's figure of \$39 billion. As a result, China's leadership role as a development partner to Africa has grown in tandem with the reorientation of its policies toward the Forum on China-Africa Cooperation (FOCAC). The most recent FOCA V 2012 (Beijing Declaration and Action Plan) places a primary emphasis on increasing the CADFUND to over \$5 billion while also providing African countries with duty-free and quota-free treatment for trade.

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In recent years, China has deepened its relationship with ASEAN, reflecting its pivotal role in regional cooperation within Asia. Through the Belt and Road Initiative (BRI), China has invested heavily in infrastructure projects such as the China-Laos Railway and the expansion of the Malacca Port. These projects have not only enhanced connectivity but also strengthened trade ties between China and ASEAN. As of 2022, the bilateral trade volume between China and ASEAN reached \$1 trillion, making ASEAN China's largest trading partner for three consecutive years.

Moreover, China's participation in the Regional Comprehensive Economic Partnership (RCEP) underscores its commitment to regional trade liberalization and supply chain integration. These initiatives demonstrate China's strategic use of policy

tools and economic influence to shape the regional economic architecture in Asia.

Africa is a key region for China's internationalization strategy. Through the Forum on China-Africa Cooperation (FOCAC), China has significantly strengthened its political and economic ties with African nations. Since 2000, China has provided over \$100 billion in infrastructure investments across Africa, focusing on transportation, energy, and communications. For example, the Addis Ababa-Djibouti Railway has become a critical link for intra-African trade.

China's investment approach in Africa has diversified over time, extending beyond traditional infrastructure to include high-tech industries, renewable energy, and agricultural modernization. This diversification reflects China's responsiveness to Africa's development needs while reinforcing its economic and diplomatic influence in the region.

In Europe, China has expanded its economic footprint through infrastructure investments and acquisitions. For instance, the Chinese state-owned enterprise COSCO's investment in the Port of Piraeus in Greece has enhanced logistics efficiency for European markets and bolstered global supply chain connectivity for Chinese goods. Additionally, under the "16+1 Cooperation" framework, China has strengthened ties with Central and Eastern European countries, using these nations as gateways to the broader European Union market.

However, China's investments in Europe face challenges due to geopolitical considerations and national security concerns. For instance, restrictions on Chinese 5G technology providers in certain European countries highlight growing scrutiny of Chinese investments. Despite these challenges, China continues to maintain stable

multilateral relationships in Europe through enhanced economic collaboration and cultural exchanges.

### **1.2.11 Principles of Chinese Foreign Policy**

Since modern Chinese foreign policy began, the Five Principles of Peaceful Coexistence have served as the overarching philosophy. These principles include mutual respect, sovereignty, territorial integrity, non-aggression toward one another, non-interference in one another's internal affairs, equality and mutual benefit, peaceful cohabitation, and coexistence without conflict. In 1954, when China attempted to reach out to the non-communist countries of Asia and reassure them that China would not intervene in their domestic problems, the Chinese leadership articulated these principles for the first time. This was done to convince the non-communist countries that China would not interfere in their internal issues. Mao Zedong was the nation's leader throughout this period, and a communist government ruled China.

Despite shifts in both the international environment and China's policy, the Five Principles have continued to serve a purpose that is both beneficial and necessary. They offer an alternative to the American conception of the world order, which is one in which international regimes and institutions, which often reflect the interests and values of the United States, limit the rights of sovereign states to develop and sell weapons of mass destruction, repress opposition and violate human rights, pursue mercantilist economic policies that interfere with free trade, and damage the environment. In addition, they provide an alternative to the idea that the United States is the only legitimate force in the world. The alternative vision that China has for the world's future emphasizes the equal and unassailable sovereignty of all states, regardless of how big or small they are, whether they are Western or non-Western, rich

or poor, democratic or authoritarian. This allows each state to manage its system as it deems appropriate, regardless of whether or not its practices conform to Western standards. Another term for such a system used in Chinese is "Multipolarity," which translates to "multiple polarities." The United States should not be able to force its ideals on other countries, particularly those more vulnerable countries. The Five models explain why this should not be possible. As a result, China bases its current understanding of the Five Principles on the idea of sovereignty as its primary guiding principle. This is a reference to the code that one state does not have the authority to interfere in the internal affairs of another state. The United States developed this principle.

Recently, this idea has been conveyed through the concept of "creating a community of shared future for mankind," proclaimed by the leader of China, Xi Jinping. Xi Jinping is the current leader of China. This idea suggests that all nations have equal sovereignty and that none may interfere in the internal affairs of the others; that governments should jointly manage global affairs democratically rather than through the dictations of the most powerful states; that governments should engage in "win-win cooperation" to "build a world of common prosperity"; and that nations should treat the diversity of civilizations not as "a source of global conflict but as an engine driving the advancement of human knowledge." As in the past, the goal of the Chinese suggestion is to contrast what the Chinese leadership sees as the authoritarian and self-serving foreign policy undertaken by the United States.

Even though it has developed into a wealthy and advanced nation with just a middle-income per capita basis, China nevertheless considers itself a Third World country, taking the position of the developing world and not associating itself with any great

power. This is even though it has a middle-income on a per capita basis. Representatives of the Chinese administration have been quoted as saying that their country desires peace to concentrate on the expansion of its economy.

The official viewpoint of the Chinese government is that most problems that arise around the world should be addressed via peaceful discourse. This is the official position taken by the Chinese government. This has been their point of view, several members of different wars and conflicts, including the war in Afghanistan, the struggle between Israel and the Arabs, the competition between North and South Korea, and the ethnic conflicts that have happened in Eastern Europe and Africa. At the United Nations, China's frequent decision to abstain from participating in or casting a vote on resolutions that call for sanctions or interventions to block invasions, resolve civil strife, or battle terrorism. In addition, China frequently abstains from voting on resolutions that call for interventions to combat terrorism. An unfavorable vote cast by China, which retains a permanent seat on the Security Council, would be the equivalent of a veto, which would infuriate countries that are in favor of military action. Since China has either not voted or chosen not to participate in votes about various interventions, it has been possible for China to keep its promise not to participate in those interventions without breaking its promise not to participate.

Despite the fact that these ethical principles have been stated, this does not necessarily indicate that China's foreign policy is wholly idealistic. The majority of the time, the concepts that were announced were appropriate for the prerequisites of the Chinese strategy. Even in places that are geographically somewhat remote from China, such as the Middle East, Africa, and Latin America, China's interests can often be comprehended by sticking to a few easy guidelines. Taking a position against the

interference of major powers and defending the sovereignty and equality of individual states is a demonstration of a high degree of morality. Not only does it represent China's national interest in countries where China does not intend to intervene, but it also exhibits a high level of morality. China does not wish to intervene in these regions. It is considerably simpler for China to match its rhetoric with its actual interests the further one gets from China's boundaries. Even when Chinese policy is characterized by concessions and inconsistencies, the rhetoric is malleable enough to suit that reality.

### **1.2.12 The China-USA Relationship**

Today, it is rather difficult to discuss US-China relations from a single point of view, highlighting only positive aspects of the countries' relationship, which can lead to effective cooperation, or focusing only on the misunderstandings between the countries, which contribute to the development of competition between the US and China. Both of these perspectives are valid, but it is difficult to discuss US-China relations from a single point of view because of the complexity of the relationship between the two countries. On the cusp of the election in 2012, one of the most pressing concerns that are the subject of lively debate is the nature of the relations between the United States and China. Is the United States looking at China as a strategic partner or competitor?

Although the United States and China do not base their relations on the principles of open confrontation and instead seek effective cooperation in dealing with many international and domestic questions, there are a lot of aspects according to which the countries cannot reach a mutual understanding under the influence of the rapid growth of China and determining its strong position in the global arena.

As a result, it is possible to speak about relations between the United States and China as tending toward a kind of competition or rather suspicious relations as opposed to a possible partnership. This is because of the following reasons: In addition, the current state of affairs is subject to change the following day as a direct result of shifts in global policy and the economy.

The United States of America, the most powerful country in the world, has traditionally had the desire and the ability to exert influence over the state of affairs in the global economy as well as the policy regarding the formation of international relations with other nations. The United States and China have had diplomatic ties for a very long time. It is possible to discuss them as difficult to emphasize the peculiarities of the policies provided by the governments of the United States and China at various points in time.

The tendency of the United States to exert control over the situation in its relations with China is another trend that analysts have noticed. Politicians from both countries are trying to emphasize the potential for further cooperation rather than focusing on the potential for conflict in the relations between the two countries. On the other hand, due to the rapid economic development taking place in China, it is difficult to control the specifics of China's strategy in the modern day.

Despite this, it is clear that US-China relations are under stress, and misunderstandings are to blame for this. These misunderstandings have to do with policy decisions regarding issues such as trade questions, energy problems, human rights, and issues about Taiwan.

Assume for the sake of argument that the competition in the field of economic power

can be considered to be rather suspect because of the different positions of the countries. If this is the case, then the issues discussed earlier as potentially influential for developing US-China relations on the principles that contradict cooperation can be discussed.

When analyzing the nature of the United States and China's relations, it is essential to identify the factors that contributed to the development of the relations between the countries as potential partners or competitors. This will allow for a more accurate portrayal of the nature of the relations.

As a result, there is a strong desire on the part of both nations to establish a productive partnership for the purpose of combating terrorism and providing cooperation on matters relating to the global environment, as well as maintaining peace and stability. These issues are not directly related to economic issues, which enables a solution that is beneficial for both countries to be found to the problem.

However, factors such as China's rapid economic growth, which increases the country's influence on foreign states and, in particular, on the United States, are crucial for complicating the relations between the two countries. The rise of China has had a significant and multifaceted impact not only on the United States and Asia but also on a variety of global issues.

In addition, the growing military power of China, as well as misunderstandings regarding the issue of Taiwan and the role that the United States plays in the conflict, all contribute to the development of the countries' mutual suspicions of one another.

While U.S.-China relations are often described as primarily competitive, this framing

overlooks their deep economic interdependence. The United States relies heavily on Chinese manufacturing for cost-effective production, particularly in industries like electronics, pharmaceuticals, and consumer goods. Conversely, China remains dependent on U.S. technology, such as advanced semiconductors and software, to support its innovation-driven growth. Financially, China's significant holdings of U.S. Treasury bonds reflect its vested interest in the stability of the U.S. economy, while the U.S. benefits from Chinese investment to finance its deficits. This dual reliance creates a complex dynamic, where economic cooperation coexists with strategic rivalry, highlighting the interconnected vulnerabilities and shared interests between the two nations.

This intricate economic interdependence underscores the necessity for careful management of bilateral relations to prevent disruptions that could reverberate globally. One key area of mutual dependence lies in manufacturing and trade. The United States relies heavily on Chinese manufacturing for cost-effective production of electronics, pharmaceuticals, and consumer goods, while China depends on the U.S. as a critical market for its exports, contributing significantly to its economic stability and growth. A second area of interdependence is technology. China continues to rely on advanced U.S. semiconductors, software, and innovation ecosystems to sustain its high-tech industries. Simultaneously, U.S. companies benefit from Chinese partnerships, supply chain integration, and the sheer scale of the Chinese consumer market, which fuels profits and innovation. Financial interdependence represents another crucial domain. China's substantial holdings of U.S. Treasury bonds signify its vested interest in the stability of the U.S. dollar and economy, which underpins global financial systems. Conversely, the U.S. relies on Chinese investment to finance its deficits and maintain liquidity in its markets. Energy and climate cooperation also

highlights mutual dependence. Both nations are major players in global energy markets and share a common interest in transitioning to cleaner energy sources. Collaborative efforts in renewable energy technologies, carbon reduction strategies, and environmental sustainability could accelerate global progress while reinforcing economic ties. Lastly, global public health and supply chain integration reflect intertwined vulnerabilities and shared responsibilities. The COVID-19 pandemic demonstrated how deeply their supply chains and healthcare systems are linked, as the U.S. depends on China for medical supplies, while China benefits from U.S.-led pharmaceutical research and development.

These areas of mutual dependence create a complex dynamic where competition and rivalry coexist with significant incentives for cooperation. Recognizing and strategically leveraging these shared interests could pave the way for more stable and productive U.S.-China relations in an increasingly interconnected world.

The United States and China have a difficult relationship for several reasons, one of which is that neither country is fully informed about the other's strategic goals and objectives. As a result, the United States of America places a lot of emphasis on the idea that it is essential to advance the dialogue between the countries in order to determine the priorities in their relations and to place emphasis on the establishment of long-term cooperation in order to steer clear of any potential conflicts or misunderstandings that may arise.

Both the United States and China have expressed an interest in further developing these relations and have noted the strategic significance of doing so. Nevertheless, a number of contentious issues on which the governments of the United States and China

hold divergent viewpoints have the potential to obstruct the development of healthy relations that are founded on the principles of cooperation.

It is important to achieve a successful solution to the economic and military questions that contribute to forming the disbalance in the relations between the countries in order to establish effective long-term relations. These questions contribute to the formation of a disbalance in the relations between the countries.

After conducting an investigation into the nature of the relations that exist between the United States of America and China, it is possible to make the following observation: in spite of the active positions both countries take with regard to the development of cooperative relations or partnerships between them, the situation can be discussed as being rather competitive with references to a variety of economic factors that influence the peculiarities of the countries' relations. This is the case despite the fact that both countries actively pursue the development of cooperative relations or partnerships between them.

Due to the countries' relative positions in the world, it is impossible to consider them direct competitors; however, despite the fact that their relations do not tend toward partnership, both countries are interested in contributing to their further cooperation.

### **1.2.13 Lending to Developing Countries**

In recent years, there has been a significant increase in Chinese investment in African development, making China one of the key sources of funding for development in the continent. China has expanded its "win-win" economic approach by investing in socio-development projects through initiatives like the Belt and Road strategy, agreements

with the African Union, and the forum on China-Africa collaboration (Dahir, 2019). This analysis focuses on the impact of Chinese infrastructure investments on the economic development of specific African countries (Dahir, 2019).

Between 2000 and 2018, China emerged as Africa's top bilateral lender, providing loans worth \$148 billion to African states (Sun, 2020; Wheatley et al., 2020). African nations facing challenges in expanding their infrastructure and achieving economic growth are increasingly turning to China for development financing. Chinese loans to African states have the potential to support economic progress and advancement. However, China's development finance activities in Africa have faced criticism (Humphrey & Michaelowa, 2019). Critics argue that Chinese loans could lead to debt enslavement, trapping African nations in unsustainable levels of debt (Moore, 2018). Some describe Chinese loans as the "methamphetamines of infrastructure finance," suggesting that they are highly addictive, easily accessible, and have long-term negative consequences that outweigh any short-term benefits (Sauliman, 2020).

The term "debt trap diplomacy" has been used to describe the scale of China's lending to African nations and its motives. Critics argue that China's debt trap diplomacy aims to entangle African nations in financial obligations they cannot repay, using that as a pretext to acquire African resources or major assets (Kazeem, 2020). Western countries, who perceive China as impeding Africa's growth, have raised concerns about China's role on the continent (Sautman, 2019; Feng & Pilling, 2019). China has been accused of lending money in a predatory manner and offering costly loans for unproductive infrastructure projects, which could trap African governments in debt (Gopaldas, 2018).

The debate surrounding China's investment and lending activities in Africa is complex. While Chinese investments can contribute to infrastructure development and economic growth, there are concerns about Chinese loans' terms and long-term implications. It is important for African nations to carefully evaluate and manage their debt levels, ensuring that investments align with their long-term development goals and do not jeopardize their economic sovereignty. Balancing the benefits and risks of engagement with China is critical for African policymakers to ensure sustainable and mutually beneficial partnerships.

Additionally, it is argued that the effects of China's lending practices heighten the credit risks that African nations confront (Rogovic & Robinson, 2018). According to Mihalyi, who was cited in Zimbabwe Coalition of Debt and Development (2021), these loans frequently provided desperately needed infrastructures, such as roads and hydro-dams. However, in some cases, they also resulted in rising and unsustainable levels of debt, as well as the threat of losing collateral that is worth more than the value of the loan. Additionally, China is held accountable for subsidizing projects that only have a tangential relationship to the growth of the economy. For example, agreements between China and Africa for the creation of infrastructure have occasionally been accused of being nothing more than vanity projects. China is accused of providing loans to develop government buildings, cultural institutions, and athletic stadiums that only bring sporadic or temporary economic gains to the countries in which they are constructed (Rosen, 2018). Therefore, if China is subsidizing vanity projects, it is possible that the country's economy may not prosper as a result of its development finance. Unless they provide major economic advantages in that area, the loans from China will negatively affect growth and the ability to service debt. These effects will occur even if the debt is paid back.

Despite the reservations that some African officials have voiced about China's involvement in the continent, others on the continent are welcoming and praising the loans that China is providing. Eleanor (2017) reiterated this attitude and stated that numerous African leaders had hailed the advantages of Chinese loans in supporting economic development in their countries. This was mentioned in the context of the author's observation that Chinese loans had been hailed by numerous African leaders. Some African leaders are under the impression that China's infrastructure model does not present a significant number of challenges because the country does not place any constraints on the projects it undertakes (Eleanor, 2017).

In addition, despite concerns regarding China's involvement in Africa, neither the United States nor its affluent allies have put forward any substantial ideas to compete with China for the essential infrastructure that African states so sorely want (French, 2021). This is one of the reasons why the Chinese model is attractive to Africa (Edinger & Labuschagne, 2019) Chinese development loans are appealing for a number of reasons, including their lengthy payback terms, exceptionally low-interest rates, and the fact that they are supplied as subsidies.

In addition, the "no conditionality policy" that China implements have led African countries to seek aid from it (Kwasi, 2019). Traditional donors, which include Western governments and organizations, have decreased the amount of funding for development assistance that they send to Africa; hence, the rapid assistance offered by China is tempting (Baker McKenzie, 2018; Kwasi, 2019). In light of the data shown above, it is abundantly evident that there is no universal agreement regarding the impact that China's infrastructure loans would have on economic expansion in Africa. In order to either refute or support the statements made above, it is required to carry

out an in-depth analysis, study, and examination of the relationship that Africa has with China.

### **1.3 Problem Statement**

China's economic policy has undergone significant transformations over the past several decades, evolving from a closed, state-controlled system to a more open, market-oriented approach. Building upon the context provided in the background section, this research focuses on addressing the core challenges posed by China's economic policies on its foreign relations and internationalization. However, these shifts bring about both opportunities and challenges that warrant comprehensive analysis. The following section highlights the multifaceted nature of these challenges, which constitute the basis for this study.

China's economic policy has shifted dramatically since the economic reforms of 1978. These reforms, including the establishment of Special Economic Zones (SEZs) and the "open-door policy," have fostered foreign investment, trade liberalization, and market competition. While these measures propelled China to become the world's second-largest economy, they also introduced complexities. For instance, balancing rapid economic growth with domestic and international expectations has become increasingly challenging. Furthermore, trade disputes and technological competition underscore the geopolitical ramifications of China's economic rise, making it imperative to assess how these strategies impact its foreign relations and global economic standing.

China's economic policies play a pivotal role in shaping its foreign relations, influencing trade agreements, diplomatic ties, and strategic partnerships worldwide.

Notable examples include the Belt and Road Initiative (BRI), which has expanded China's influence in regions such as Africa, Asia, and Europe. Projects like the Mombasa-Nairobi railway in Kenya exemplify China's role in driving infrastructure development. However, challenges such as trade imbalances and tariff disputes—as seen in the US-China trade war—highlight underlying tensions. Additionally, the debt sustainability of borrowing nations, exemplified by Sri Lanka's Hambantota Port, raises questions about the long-term implications of China's economic expansion. Understanding the interplay between these policies and their geopolitical outcomes is crucial for evaluating their broader impact.

China's push for globalization and internationalization is evident in its efforts to promote the Chinese Yuan as a global currency. Through mechanisms like currency swap agreements and the Yuan's inclusion in the IMF's Special Drawing Rights basket, China has made strides in increasing its economic influence. Additionally, its participation in international organizations such as the World Trade Organization (WTO), International Monetary Fund (IMF), and World Bank underscores its ambitions to shape global economic governance. These policies have not only expanded China's trade networks and supply chain influence but also sparked debates about the sustainability and long-term effects of these efforts. As China assumes a larger role in global economic governance, its strategies challenge existing norms and institutions, necessitating a closer examination of their implications for international relations.

By exploring these interconnected dimensions, this study aims to address the gaps in understanding the opportunities and challenges posed by China's economic policies. The research seeks to provide a nuanced perspective on how these policies intersect

with foreign relations and broader internationalization efforts, contributing to China's evolving role in the global economy and international relations.

China's rise as a pivotal player in international commerce has been a key driver of its economic expansion, enabling the country to transition from a developing economy to the world's second-largest economic power. However, understanding this ascent requires critical contextualization within the global economic system. On the one hand, China's market reforms and export-oriented strategies have capitalized on globalization's opportunities, such as access to international markets and foreign investment. On the other hand, these strategies have reshaped global supply chains, introducing significant challenges to both developing and developed nations. For developing countries, China's dominance in manufacturing has intensified competition, leading to the decline of local industries that cannot match China's scale and cost advantages. For instance, nations in Latin America and Southeast Asia have experienced disruptions in traditional manufacturing sectors due to the influx of low-cost Chinese goods. Conversely, China's appetite for raw materials has fueled commodity booms in resource-rich countries like Brazil, creating economic dependencies that can render these nations vulnerable to fluctuations in Chinese demand. For developed economies, the narrative is equally complex. While China's export surge has contributed to global economic growth, it has also sparked domestic anxieties about job losses, especially in manufacturing-heavy regions. Moreover, the geopolitical implications of China's economic expansion have led to heightened scrutiny of its global influence, exemplified by trade wars with the United States and increasing calls for decoupling from Chinese supply chains. These dynamics reflect a broader tension between economic cooperation and strategic rivalry. As China integrates into the global economic system, its policies ranging from the Belt and Road

Initiative to industrial upgrading under Made in China 2025 that challenge established norms and institutions. This necessitates a deeper exploration of how China's economic rise not only shapes bilateral and multilateral relationships but also redefines the power dynamics within the international economic order. Critical analysis of these trends is essential to understanding the far-reaching implications of China's growing prominence in global commerce. China's economic policies have created new opportunities for cooperation and rivalry on the world stage as the country's influence in international markets and trade flows continues to grow rapidly. Because of these policies, China has formed strategic alliances with nations located in various locations, thereby fostering the development of a network of bilateral and multilateral connections that influence the trajectory of the state of international affairs. For instance, less than 2% of Latin America's exports went to China in 2000, but China's rapid economic development and resulting demand fueled the region's subsequent commodities boom (Dadush, 2022). Trade increased over the following eight years at an average annual pace of 31%, reaching \$180 billion in 2010 (Will, 2011). Trade reached a record \$450 billion in value by 2021; this amount remained stable in 2022, and some economists anticipate that it may reach \$700 billion or more by 2035 (Yang & Tugendhat, 2022). China is Latin America's second-largest trading partner after the United States and South America's top trading partner.

Soybeans, copper, petroleum, oil, and other raw resources essential to China's industrial development make up the majority of Latin American exports to that country. In exchange, the region mainly imports manufactured items with a more significant value-added, which some experts claim has caused Chinese imports to undercut domestic industries. Twenty-one nations in Latin America have endorsed China's Belt and Road Initiative (BRI) as of 2023, and Beijing has free trade agreements with Chile,

Costa Rica, Ecuador, and Peru (McBride et al., 2023). Hence, there is a need to examine the role of economic policies in fostering trade and investments in foreign countries.

Additionally, China's economic policies have been essential in developing internationalization strategies for Chinese companies. The entry of Chinese companies into international markets has been assisted by implementing various policies, including trade liberalization measures, investment incentive initiatives, and infrastructure development projects, amongst others (Morrison, 2019). As a consequence of this, Chinese businesses have established a substantial footing in a variety of industries, which has contributed to the reconfiguration of global supply chains and changed the competitive environment in industries all over the world.

The ramifications of China's economic policies on international relations have been the topic of significant interest and investigation amidst these dramatic transformations in the international system. China will inevitably need help navigating complicated geopolitical landscapes and addressing the possibility of friction with other nations as it strengthens its economic relations and promotes collaboration. The complex interaction that exists between economic policies and international relations creates both possibilities and difficulties, which in turn shapes the dynamics of regional and worldwide cooperation.

China's remarkable economic development has garnered worldwide recognition, as it has lifted over 800 million people out of poverty and transformed the country into a global economic powerhouse. This transformation has been fueled by strategic reforms and policies implemented since 1978. For example, the introduction of market-

oriented reforms and the establishment of special economic zones have significantly contributed to China's rapid growth (Lin & Wang, 2018). However, some scholars argue that the growth model, heavily reliant on exports and investment, has created structural imbalances and environmental challenges (Morrison, 2019). These challenges include widening income inequality, over-reliance on manufacturing, and regional disparities, particularly between coastal and inland provinces (World Bank, 2023). Critics also highlight the growing tension between China's development goals and global environmental standards. China remains the largest emitter of greenhouse gases globally, raising questions about the sustainability of its growth trajectory (Zhang, 2021). Furthermore, while China's economic policies have facilitated its ascent on the global stage, they have also led to geopolitical tensions and economic dependencies in participating countries, as evidenced by concerns surrounding the Belt and Road Initiative (Brautigam, 2020).

The contrasting viewpoints underscore the complexity of China's economic rise. While its achievements are undeniable, the broader implications of its policies require careful consideration. Addressing these challenges and ensuring balanced, inclusive growth will be critical for China to maintain its momentum and contribute positively to global development.

The policy adjustments have resulted in a significantly enhanced level of economic engagement between China and the rest of the world community, which has had a significant and far-reaching impact on the dynamics of the global economy and foreign relations. The economic policies of China, the world's second-largest economy, have significant repercussions for both the country's internal development and its participation in the economy of the rest of the world. Hence, this study seeks to

evaluate the impact of China's economic policies on the foreign relations and internationalization.

#### **1.4 Research Objectives**

These research objectives give a clear direction for the study, which will concentrate on the interaction between China's economic policies, international relations, and internationalization. They will serve as a guide for the research and contribute to investigating the specific aspects and repercussions of China's economic policy in the current study context.

- i. To identify and analyze key indicators of China's economic policies (e.g., GDP growth, trade volumes, poverty alleviation policies, FDI inflows) and their impact on bilateral trade relationships with major partner countries.
- ii. To explore the role of China's economic policies, such as the Belt and Road Initiative (BRI), in shaping multilateral relationships, including their diplomatic and strategic implications.
- iii. To evaluate how China's economic policies influence internationalization initiatives across various sectors of Chinese businesses.
- iv. To evaluate the impact of China's Belt and Road Initiative (BRI) on bilateral trade volumes with participating countries, focusing on measurable changes in trade flows and qualitative shifts in diplomatic engagements.

RO1 and RO2 primarily use quantitative methods, with hypotheses focused on quantitatively analyzing the impact of economic policy indicators on internationalization and foreign relations. And RO3 and RO4 combine both quantitative and qualitative analysis. Specifically, when analyzing the impact of

China's economic policies on industry internationalization, interview data supplements the quantitative analysis.

### **1.5 Research Questions**

- i. How do key indicators of China's economic policies (e.g., GDP growth, FDI inflows, poverty alleviation policies, trade openness) influence bilateral trade relationships with major partner countries?
- ii. How do China's economic policies, such as the Belt and Road Initiative (BRI), shape its multilateral relationships, particularly in terms of diplomatic and strategic influence?
- iii. How do China's sector-specific policies (e.g., manufacturing incentives, technology industry subsidies) differentially impact the internationalization strategies of manufacturing, technology, and service sectors?
- iv. How does the Belt and Road Initiative (BRI) affect bilateral trade volumes, infrastructure development, and regional economic cooperation in participating countries?

### **1.6 Significance of Study**

The outcome of the current study will have both theoretical and practical significance. The study provides additional information to the existing literature. The practical significance of the current study lies in its contribution to public administration, contribution to the society, and being applied by the government authorities. Some of the theoretical implications include contributions to existing models and theories, contribution to addressing the scientific gap, and contribution to existing literature.

### **1.6.1 Contribution to Existing Literature**

This study fills critical gaps in the existing body of knowledge by significantly contributing to the literature on China's economic policies, international relations, and internationalization. This finding of this research opens new doors for understanding the complex dynamics of China's economic engagement on the world stage by conducting an in-depth analysis of the leading indicators of China's economic policy and their profound influence on internationalization efforts and foreign relations.

This study reveals the complex character of China's economic policies, highlighting their development and how they resonate across international boundaries through painstaking analysis and synthesis of factual data. Researchers learn a lot about the strategic mechanisms supporting China's economic goals by examining the subtleties of the country's policy measures. This comprehensive view contributes substantially to closing the knowledge gaps in understanding of how China's economic policies have changed over time and how they continue to influence the dynamics of international relations.

This study offers a more nuanced viewpoint on how international relations' economic policies and diplomatic activities interact. Researchers can better grasp how economic interests affect geopolitical ties by revealing the complex interactions between China's economic objectives and foreign policy. This realization has significant ramifications for developing collaborative relationships and resolving possible points of conflict in international affairs.

The thoroughness of this study also increases the likelihood that it will be used as a starting point for subsequent studies in the area. Laying the framework for additional

investigations into particular industries, regional settings, and temporal changes in China's economic participation is the examination of different facets of China's economic policies and their impact on internationalization and foreign relations. The cumulative body of knowledge about China's economic policies and worldwide interactions will continue growing as scholars build on this study's findings, encouraging more significant comprehension of the changing dynamics in the modern world.

### **1.6.2 Contributions to Government Institutions**

This study will be significant to the governments of the Republic of China and its partners; hence they could use the information from the data collected to stabilize their relationship and grow the economy. For policymakers, the findings from this study will serve as governing variables to provide a pathway to continue creating new foreign policies to improve innovation, globalization, and economic development. Also, since the study section consists of the trade wars between China and other developed countries regarding "Made in China 2025," the data collected in the study may be of significant use to state officials. They may use the data to change the contents of some sections of the project, such as including the World Trade Organization (WTO) guidelines. This would safeguard China from burdensome regulations by the WTO and affiliate countries.

The organizations and governmental departments responsible for creating new foreign policies may use it to guide where to improve. Foreign policies enhance the relationship between countries. In the case of China, the relationship between it and developing countries is significant. For sovereign borrowers to request infrastructural and financial loans from BRI, the two nations should have a good relationship. Since

there are chances of defaulting, the countries should come up with a favorable agreement that will ensure cooperation after that.

Additionally, the study tries to determine the effects China's economic policies have had on internationalization and foreign relations efforts. This study provides crucial information for policymakers and practitioners looking to manage the intricacies of the global economic landscape by identifying the fundamental characteristics that drive successful internationalization projects and effective diplomatic interactions. The findings significantly impact national and international organizations, corporations, and governments. They will help shape strategic choices and policy formation to get the most out of cooperating with the Chinese economy.

### **1.6.3 Contributions to Theories and Models**

This study can go beyond accepted economic theories and models by thoroughly examining China's economic policies. The empirical results of this endeavor could herald a new knowledge period by disproving conventional theories or confirming the validity of current economic paradigms. The results of such a study could have far-reaching effects and hold the promise of illuminating hitherto unknown variables that are crucial in determining how economic relationships and internationalization attempts are conducted worldwide.

This study may discover new determinants that significantly impact international economic relations through a thorough analysis of the complex effects of China's economic policies. These fresh criteria are the cornerstones for improving and enlarging the existing theoretical frameworks. Current models' predictive and explanatory powers may be improved when these recently discovered components are

incorporated into economic theories, improving their comprehension of the intricate and dynamic interaction between economic policies and global economic dynamics.

Moreover, this study can widen the scope of existing theoretical viewpoints by revealing fresh insights into the complex dynamics supporting internationalization endeavors. New insights on how Chinese companies operate in foreign environments, take advantage of their competitive advantages, and traverse international markets may show the way to new models. As Chinese companies form international alliances and investments, expanding theoretical frameworks can shed light on their specific techniques and broader consequences for the global economy.

#### **1.6.4 Contributions to the Society**

The significance of the study's findings goes far beyond scholarly inquiry because they are highly applicable to enterprises, governments, and other international stakeholders. This research provides practical insights to guide crucial decisions and strategies in the real world by illuminating the complex dynamics of China's economic policies and their effects on international relations and internationalization.

The study's conclusions offer policymakers a compass to help them navigate the intricacies of international economic contacts and diplomatic engagements with China. Policymakers may build cooperative and constructive relationships and promote trust and collaboration by understanding how China's economic policies affect foreign relations. With this information, decision-makers may promote sustainable growth, regional stability, and inclusive economic development while building amiable international cooperation.

The study's commercial implications are crucial for developing effective strategies for interacting with China's quickly changing economic environment. Businesses may improve their market entry strategies, seize new opportunities, and overcome potential obstacles by understanding the causes supporting China's internationalization aspirations and the effects of its policies on various sectors. The study gives companies the information to modify their operations and investments to fit China's economic policies, cultivate profitable alliances, and improve their worldwide positioning.

The study's conclusions provide a road map for negotiating the intricacies of global economic dynamics for international stakeholders, including international organizations and multinational enterprises. These stakeholders can interact with China more skillfully and cooperatively if they know how China's economic policies affect international relations and span national boundaries. International stakeholders may actively alter the global economic landscape and advance a more just and inclusive global economic order by supporting open communication and cooperation with China.

Furthermore, the study's practical applications go beyond business and policymaking alone. As a helpful tool, the research can promote information sharing and intercultural communication, creating positive relationships and establishing the groundwork for group initiatives to address global concerns. The study acts as a springboard for creating creative alliances and encouraging international collaboration on sustainable development, combating climate change, and reducing poverty.

### **1.6.5 Contributions to Policy Marker**

This study offers actionable insights for policymakers in developing and developed

countries to better align their foreign and economic policies with China's evolving global economic strategy. Public administrators are essential in developing and carrying out policies that influence a country's economic environment and contacts with the rest of the world. Administrators can better appreciate the potential changes of China's economic strategy by recognizing its major indicators and effects, setting the stage for well-informed and wise decision-making.

Evaluating the complex effects of China's economic policies on numerous domestic economic sectors is a critical benefit of the study's findings for public officials. Administrators can better understand the possible effects on domestic industries and employment by analyzing how these policies affect trade patterns, investment flows, and industrial dynamics. With this information, they may create targeted policies that support the industries most impacted by China's economic policies, promoting sustainable economic growth and minimizing adverse effects.

Insights from the study can also assist public officials in assessing how China's economic strategy has affected its standing in the world. Public administrators must thoroughly understand how China's economic policies affect its diplomatic interactions and international relations to plan their strategies in a continually changing world adequately. Public administrators can craft diplomatic strategies that encourage positive international engagements, building successful partnerships and collaborations on a global scale by identifying points of agreement and potential points of disagreement.

Additionally, the research enables public administrators to comprehend how Chinese economic policies interact with international economic frameworks and institutions.

Administrators can find opportunities for collaboration and coordination that support the country's economic goals by learning how China engages in international organizations, trade agreements, and investment procedures. Public administrators are better equipped to shape international economic policies that benefit their country and the larger international community thanks to their informed involvement with global economic institutions.

This study provides targeted recommendations for policymakers to address the opportunities and challenges posed by China's economic policies, particularly in trade, infrastructure development, and international cooperation. For instance, providing insights into the Belt and Road Initiative (BRI) for developing countries which can help governments design infrastructure agreements with China that maximize local economic benefits while mitigating debt risks. And the study also highlights potential strategies to manage trade imbalances and strengthen supply chain resilience in response to China's economic policies.

The study's findings can also help public officials evaluate how China's economic policies would affect the country's long-term economic viability. Administrators can create policies that balance economic development and social and environmental obligations by looking at the effects of these policies on environmental sustainability, resource use, and social welfare. This strategy promotes inclusive growth that is advantageous to the economy of the country, its citizens, and the global society.

### **1.6.6 Contributions to Chinses Policy Marker**

The findings of this study hold significant implications for China's policymakers. By providing a nuanced understanding of how economic policies shape foreign relations

and influence the internationalization of businesses, this research serves as a vital guide for navigating the complexities and risks inherent in foreign relations and economic policymaking. The insights gained from this study can assist policymakers in developing and implementing strategies that not only enhance China's economic environment but also foster sustainable and mutually beneficial engagements with the global community.

This study emphasizes the need for well-informed policy frameworks that balance domestic economic growth with international diplomacy. By aligning economic strategies with foreign policy objectives, China can mitigate potential risks, strengthen its global partnerships, and maintain its position as a key player on the international stage. The practical contributions of this research extend to aiding the formulation of policies that ensure economic resilience, promote innovation, and enhance China's integration into the global economy.

Furthermore, the findings underline the importance of strategic decision-making in areas such as trade, investment, and bilateral or multilateral agreements. Policymakers can leverage the study's insights to navigate the challenges of economic globalization, addressing issues such as trade imbalances, economic dependencies, and competition in international markets. This study thus provides a robust foundation for crafting policies that secure China's long-term economic stability and diplomatic influence.

### **1.6.7 Contributions to Businesses**

Businesses can apply the study's findings to refine their internationalization strategies in line with China's policies. For example, Sector-Specific Strategies that companies in technology and manufacturing sectors can leverage findings on industrial policies

(e.g., Made in China 2025) to navigate opportunities in export markets or joint ventures with Chinese firms. And Market Entry Guidance that businesses exploring entry into Chinese markets or partnerships with Chinese firms can use insights into China's FDI and trade policies to make informed decisions.

### **1.7 Scope and Limitations of Study**

This study is limited by the number of participants. The research used a sample of 250 participants. Thus, there is a likelihood that the findings might not be representative of the views across the world. Hence, the scope of the study is limited by research design, the context of the study, and the region of the study, which, if done differently, may lead to different findings. The current study will not consider foreign policies of other countries that do not affect China. Only the policies that affect the bi-partisan relationship of China and other countries will be evaluated. The other limitations of this study revolve around the data collection, and response bias.

### **1.8 Operational Terms**

**Foreign policy** is the standard the government requires by citizens of other nationalities or governments. In other words, foreign policy is an objective or activity in relation to interaction with other sovereign state. Foreign policies are influenced by geopolitical designs, domestic considerations, and behavior of other states, etcetera.

**Made in China 2025 (MIC 2025)** is an initiative that aims to secure China's global powerhouse in high-tech industries. The aim of the project is to reduce China's reliance on foreign technology import and invest heavily in Chinese manufacturing industries that can compete both globally and locally.

**Foreign relations** are the political and diplomatic exchanges that take place between two or more countries or international organizations (Bettie, 2020). It includes interactions between nations on the diplomatic, political, economic, and cultural levels. A nation's foreign relations play a crucial role in determining its external policies, which include trade agreements, defense cooperation, humanitarian assistance, and joint initiatives to address global concerns. Through diplomatic channels like embassies, consulates, and international organizations like the UN, official ties are established and maintained in foreign relations. Diplomats and representatives from many nations participate in conferences, dialogues, and negotiations to encourage collaboration, settle conflicts, and advance shared objectives.

**Multilateral policies** are agreements that involve numerous nations or international organizations and address shared issues, encourage cooperation, and facilitate coordinated efforts in areas like commerce, environmental protection, or global governance (Abbott & Faude, 2022). Multiple nations or international organizations may adopt multilateral economic policies to address global economic issues, encourage cooperation, and advance economic growth on a larger scale.

**Bilateral Policies** are arrangements made between two parties, such as nations, organizations, or companies, to handle particular problems or advance certain goals, such as trade, security, or the sharing of technologies (Pannier, 2020).

**Trade and Investment** is the flow of foreign direct investment (FDI) flows into and out of a country and is shaped by the laws and policies of the government.

**Poverty Economic policies** aim at reducing poverty and enhancing the welfare of disadvantaged groups through the implementation of focused social programs,

economic interventions, and support systems.

**Economic interaction policies** are policies that are intended to make it easier for one country to engage economically with another.

**Political Dynamics** is the interaction of political forces, interests, and actors within a nation or on the global stage that shapes policy choices, allegiances, and diplomatic operations.

**Economic interdependence** is the circumstance in which the economies of two or more nations are dependent on one another and are intertwined through trade, investment, and financial ties. Countries with economic interconnectedness frequently have shared interests and incentives to work together. For instance, China and Brazil.

**Internationalization** is the process through which enterprises engage in cross-border trade, investment, and collaboration with foreign entities, a nation, organization, or corporation increases its activities, operations, and influence beyond national borders (Fei, 2023). In the current research, internationalization refers primarily to Chinese companies' initiatives to increase their market share abroad and participate in international trade.

**Economic development** is a collective term used to imply changes in income, savings, and investment with the socioeconomic structure of a country (Terra et al., 2021). In this case, economic development will be used to define the activities, policies, and/or programs that the People's Republic of China has put in place to enhance the economic well-being and quality of life of its citizens.

## 1.9 Conclusion

This chapter began with an introduction to the study, which highlighted the goal of the study and what the section comprised of. It then moved to the background of study, which described the history and trend of economic development of China. The background provided information on foreign policies and economic development of China. Thereafter, the study shifted to the problem statement, which provided a rationale for the study. Using the information in the problem statement and the background of study, the researcher created research objectives, research questions, and research hypotheses. The study has four objectives. The first one is to examine the main indicators of China's economic policy and their influence on internationalization and foreign relations. Secondly, to examine how China's foreign relations, both bilateral and multilateral, are impacted by its economic policy. Thirdly, to evaluate how China's economic policy has affected the various sectors' internationalization initiatives by Chinese businesses. Lastly, to assess China's worldwide economic interactions in terms of their diplomatic impact and economic influence. Also, the section covered significance of study, and culminated with the operational definitions. From the content of chapter one, the researcher introduced the major variables that are to be covered in the study. The variables revolved around economic policies, internationalization, and foreign relations.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

In this chapter, the focus will be on variables and relevant theories. It will discuss economic development in China, lending, foreign policy, international relations, and the theoretical framework. Under the economic development of China, the study will focus on various sectors such as the background of economic development of China, China's post-1978 economic development, current economic development status of China, economic development reforms, and the factors that promoted rapid economic development of China. The economic development in China will be presented because it shows how the economic policies have worked for the benefit of China. This research will also cover dependency theory, international political economy (IPE) and Neo-Liberal institutionalism.

#### 2.2 China's Economic Development

China's economic development has been a transformative journey, particularly since the launch of the 1978 reform and opening-up policies. These policies prioritized market-oriented reforms, foreign investment, and export-driven growth. Key achievements are as follows, China's GDP grew at an average annual rate of approximately 9.5% from 1978 to 2010, lifting hundreds of millions of people out of poverty. This economic transformation was driven by pivotal reforms, including the

decentralization of agricultural production, the establishment of special economic zones (SEZs), and the encouragement of foreign direct investment (FDI). According to World Bank data (2011), poverty rates fell from 88% in 1981 to under 7% by 2010, with over 700 million people lifted above the international poverty line. According to data from the World Bank (2011), the number of people living under the international poverty line in China dropped from 88% in 1981 to under 7% by 2010. Reports from the National Bureau of Statistics of China further highlight that this growth was driven by industrial expansion, agricultural modernization, and an increase in export-driven industries. And by joining the WTO in 2001 marked a significant milestone, enabling China to expand its trade and strengthen its position as the "world's factory." This accession opened China to global markets by reducing tariffs and trade barriers, fostering foreign direct investment, and integrating Chinese enterprises into international supply chains. Between 2001 and 2010, China's trade volume quadrupled, and its share of global exports rose from 4% to over 10% (World Trade Organization, 2011). Key industries such as electronics, textiles, and machinery benefited immensely, making China a pivotal player in global manufacturing and exports.

Recent studies (World Bank, 2023; IMF, 2024) indicate a shift in China's economic focus from traditional manufacturing to digital and green technologies. Initiatives like "Digital Silk Road" and "Green Belt and Road" have redefined the narrative surrounding China's developmental strategy. Emerging literature underscores the impact of digital innovation on cross-border trade and the role of renewable energy investments in shaping foreign policy engagements. In particular, Liu et al. (2024) highlight how China's focus on digital infrastructure has strengthened its economic ties with ASEAN countries, creating a digital corridor for trade and innovation. Similarly, Ding et al. (2023) emphasize the contribution of China's renewable energy

exports to its global leadership in green technology.

While China's post-1978 reforms are often lauded for lifting over 800 million people out of poverty and transforming the nation into a global economic powerhouse, these achievements have come with notable shortcomings. The rapid industrialization has exacerbated regional disparities, with coastal cities thriving while inland provinces lag behind. Furthermore, the reliance on export-driven growth has left the economy vulnerable to external shocks, such as global trade tensions and supply chain disruptions. Environmental degradation, manifesting as severe air and water pollution, underscores the unsustainable nature of this growth model. Addressing these issues requires a strategic pivot toward balanced regional development, environmental sustainability, and a more inclusive economic structure. However, the development model also presented significant challenges. For instance, the Environmental Degradation that China's rapid industrialization has led to severe pollution and environmental challenges, threatening long-term sustainability (Zhang, 2020). For instance, the 2013 Beijing "Airpocalypse" saw PM2.5 levels reach 35 times the WHO's recommended limit, causing significant public health crises. Additionally, the Yangtze River, which accounts for nearly 40% of China's water resources, suffers from industrial pollution that affects agricultural and drinking water supplies (Wang et al., 2018). These challenges highlight the tension between economic growth and environmental protection in China's development strategy. For instance, air pollution has reached critical levels in major cities such as Beijing, where particulate matter (PM2.5) often exceeds WHO guidelines, causing severe health risks. Additionally, water contamination has become a widespread issue, with industrial waste polluting major rivers like the Yangtze and Yellow Rivers, further impacting agricultural productivity and public health (Wang et al., 2018). And the Income Inequality:

Economic reforms have disproportionately benefited urban areas and coastal regions, leaving rural populations behind (Huang, 2019). For example, per capita GDP in coastal regions like Guangdong and Zhejiang is more than double that of inland provinces such as Gansu and Yunnan. This disparity is further exacerbated by uneven access to quality education, healthcare, and infrastructure, which continues to hinder economic mobility for rural populations despite government efforts like the Targeted Poverty Alleviation program. And Overdependence on Exports: Critics argue that China's reliance on exports makes its economy vulnerable to global market fluctuations (Liu & Tang, 2018). This vulnerability was evident during the 2008 global financial crisis, when declining demand from major markets such as the US and EU led to significant contractions in China's export-oriented industries. Additionally, the ongoing US-China trade tensions have further highlighted the risks associated with this dependency, prompting China to shift towards a dual-circulation strategy that emphasizes domestic consumption as a counterbalance to external shocks.

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### **2.3 "Made in China 2025" Industrial Policy**

The "Made in China 2025" strategy, launched in 2015, which aims to transform China from a low-cost manufacturer to a global leader in high-tech industries. This policy targets sectors such as robotics, artificial intelligence, and green energy. The "Made in China 2025" strategy has several objectives, the objectives of the policy are as follows, the "Made in China 2025" strategy emphasizes reducing dependence on imported technologies by fostering indigenous innovation. Key sectors targeted include semiconductors, renewable energy, and aerospace, which are deemed critical for national security and economic independence. Investments in research and development (R&D) have surged, with China becoming the second-largest global

spender on R&D by 2020, accounting for over 20% of global expenditure. It aims to reduce reliance on foreign technology by accelerating domestic innovation and production capabilities. This effort prioritizes key sectors such as semiconductors, renewable energy, and aerospace, which are considered essential for national security and global economic leadership. Significant investments have been allocated to establish cutting-edge research centers, recruit top-tier talent, and foster public-private partnerships aimed at achieving technological breakthroughs in these industries. For example, the establishment of the National Integrated Circuit Fund in 2014 has provided over \$30 billion in funding to strengthen the semiconductor industry. By 2025, the policy aims to increase domestic production of high-tech components to 70% by 2025 through targeted subsidies, tax incentives, and the creation of high-tech industrial clusters. These measures aim to bolster sectors like robotics, 5G communications, and electric vehicles, ensuring that China becomes self-reliant in the production of key components such as chips, sensors, and advanced manufacturing equipment. The policy has also emphasized scaling up training programs to address the skill gaps in emerging technologies. And the policy seeks to position China as a leader in global markets by promoting exports of high-value products, advancing industrial upgrades, and fostering collaborations between state-owned enterprises (SOEs) and private tech firms (State Council, 2015), that aims to strengthen global competitiveness in strategic industries. The initiatives implemented by Chinese government to increase the global market share of Chinese firms in industries such as artificial intelligence, green technology, and biopharmaceuticals. Additionally, the government has focused on branding "Made in China" as a hallmark of quality and innovation to challenge the dominance of traditional technology leaders in the West. However, critics argue that the "Made in China 2025" policy promotes state-led market

distortions, encouraging unfair competition through subsidies and preferential treatment for domestic firms. This has sparked accusations of intellectual property theft and led to heightened trade tensions, particularly with the United States, which imposed tariffs targeting sectors linked to the policy (Smith & Wang, 2017). While the central government outlines ambitious targets, local governments often face difficulties aligning with national priorities, leading to resource misallocation (Chen et al., 2019). A study by Chen et al. highlighted cases of inefficient spending, where local governments allocated resources to redundant projects, such as overcapacity in solar panel production, instead of innovative technologies. The policy has drawn significant scrutiny from global powers. The United States and European Union treat it as a strategic threat to their technological dominance. In response, the US implemented the CHIPS Act in 2022, allocating billions to bolster its semiconductor industry as a countermeasure to China's growing capabilities. Similarly, export restrictions on advanced technologies such as lithography equipment have been imposed by key players like the Netherlands and Japan to curb China's advancements.

Proponents of MIC 2025 highlight its potential to enhance China's industrial base by fostering innovation, reducing dependency on foreign technology, and establishing leadership in key sectors such as robotics, artificial intelligence, and new energy vehicles. The program is often cited as a roadmap for achieving self-sufficiency in critical technologies and as a strategy to move the country up the global value chain. These anticipated benefits have been supported by significant government investment and policy support, including subsidies, tax incentives, and the establishment of innovation hubs.

Despite its ambitious goals, MIC 2025 faces substantial hurdles that could undermine

its success. One of the most significant issues is overcapacity, particularly in sectors such as steel, aluminum, and solar panels. These industries, bolstered by prior state-led initiatives, are now grappling with surplus production, which has led to depressed global prices and strained trade relations. Expanding high-tech manufacturing under MIC 2025 without addressing the overcapacity problem risks repeating the same pattern of inefficiencies. Another critical challenge is the inconsistency in product quality across high-tech sectors. While the plan seeks to position China as a leader in innovation, many industries still struggle with quality assurance and meeting international standards. For instance, Chinese firms aiming to compete in advanced semiconductor manufacturing or precision robotics often face technological bottlenecks and a lack of skilled talent, which hinders their ability to produce world-class products consistently. Furthermore, there are concerns about the sustainability of the financial and policy support underpinning MIC 2025. Heavy reliance on government subsidies may distort market dynamics, leading to misallocation of resources and stifling private sector innovation. This could result in a lack of competitiveness once subsidies are reduced or withdrawn.

While MIC 2025 holds promise for advancing China's technological capabilities, a more nuanced approach is needed to address its challenges. Policymakers must prioritize reducing overcapacity in traditional industries and ensuring quality control in emerging sectors. Efforts should also focus on fostering a competitive environment that encourages innovation and reduces dependency on state interventions. By acknowledging and addressing these challenges, China can maximize the potential of MIC 2025 and ensure that its vision for high-tech leadership is both sustainable and globally competitive.

Building on previous findings, the latest reviews by Zhang et al. (2023) highlight how this policy aligns with global trends in automation and AI. The increased adoption of Industry 4.0 practices in manufacturing has strengthened China's position in the global value chain, particularly in semiconductor and robotics industries. Furthermore, recent critiques from Wang and Huang (2024) suggest that while "Made in China 2025" has bolstered industrial capacity, it has also sparked geopolitical tensions, particularly with the US and EU, over market access and intellectual property rights. Moreover, Yang et al. (2023) notes that this policy's focus on technological self-reliance has accelerated innovation ecosystems within China.

The Made in China 2025 (MIC2025) policy, aimed at transforming China into a global leader in high-tech industries, which has sparked significant international backlash, particularly from the U.S. and the EU. While the policy seeks to enhance China's domestic innovation and reduce reliance on foreign technology, critics argue that it distorts global markets through state subsidies, promotes forced technology transfer, and undermines fair competition. The U.S. has responded with tariffs, export controls on critical technologies (e.g., semiconductors), and stricter foreign investment reviews via CFIUS, viewing MIC2025 as a direct challenge to its technological dominance. Meanwhile, the EU has adopted a more cautious approach, tightening investment screening to protect its strategic industries. Beyond economic concerns, these reactions highlight broader geopolitical competition and efforts to reshape global supply chains. Despite the backlash, MIC2025 presents opportunities for collaboration in areas like climate technologies and renewable energy, where global partnerships could help mitigate tensions while fostering mutual benefits.

The Made in China 2025 (MIC2025) initiative, despite its ambitious goals, continues

to face extensive criticism from Western economies, particularly the U.S. and the EU, who view it as a threat to global economic balance and their own technological leadership. Critics argue that the policy not only distorts global markets but also creates an uneven playing field by leveraging extensive state subsidies and fostering an environment of forced technology transfer. These practices, according to U.S. and EU officials, undermine the principles of fair trade and competition upheld by the World Trade Organization (WTO).

The U.S. has led the charge in opposing MIC2025, with measures such as imposing tariffs on Chinese goods and restricting exports of critical technologies like semiconductors and AI-related products. Furthermore, the expansion of the Committee on Foreign Investment in the United States (CFIUS) has led to heightened scrutiny of Chinese investments, particularly in sectors deemed sensitive to national security. This approach reflects a broader strategy of containing China's technological advancements and maintaining its own dominance in cutting-edge industries. On the other hand, the EU has taken a relatively measured stance, characterized by its nuanced approach to protecting strategic sectors. Through enhanced investment screening mechanisms, the EU seeks to prevent undue influence over critical industries while avoiding overt confrontation. Germany and France, among others, have expressed concerns over the potential risks to their industrial base and intellectual property, urging collective European action to safeguard technological sovereignty.

These divergent strategies underscore the growing geopolitical rift between China and the West. For the U.S., MIC2025 represents a direct challenge to its economic and technological preeminence, leading to an increasingly confrontational stance. Meanwhile, the EU's tempered approach reflects its economic interdependence with

China and a desire to maintain diplomatic channels. Both sides, however, agree on the need to address the policy's impact on global supply chains, particularly in high-tech sectors. Despite these tensions, MIC2025 also opens avenues for cooperation, particularly in addressing global challenges such as climate change and the transition to renewable energy. Collaborative efforts in these areas could help de-escalate conflicts while fostering mutual benefits. However, such partnerships would require significant trust-building measures and a commitment to transparent, rule-based practices that address the underlying concerns of Western stakeholders. As such, the future trajectory of MIC2025 will not only shape China's industrial landscape but also influence the dynamics of global geopolitics and economic governance.

While MIC2025 outlines a vision for advancing China's industrial capabilities, significant structural challenges remain. In addition to overcapacity in sectors such as robotics and new energy vehicles, inconsistencies in quality standards have also hindered progress in high-tech manufacturing. Many domestic firms continue to face difficulties in scaling up production while maintaining international quality benchmarks. Moreover, despite substantial investments, foreign firms still dominate critical technological fields, such as semiconductors and precision machinery, highlighting the persistent gap in technological self-sufficiency.

## **2.4 Foreign Policy and the Belt and Road Initiative (BRI)**

The Belt and Road Initiative (BRI), launched in 2013, is one of the China's key strategies that aims to enhance China's influence and its economic connectives with over 140 countries through infrastructure investments and trade partnerships across Asia, Africa, and Europe. And The Belt and Road Initiative has several core components are as bellows, it aims to develop the transportation networks, including

railways, ports, and highways, to enhance regional connectivity and facilitate trade. The China-Europe Railway Express, for instance, significantly reduces freight transportation time between Asia and Europe, boosting trade efficiency and reducing costs (World Bank, 2019). Similarly, accelerating the development of Gwadar Port in Pakistan under the BRI aims to create a pivotal maritime hub in South Asia, enhancing regional shipping capacities (Hillman, 2018). Notable projects include the construction of the China-Europe Railway Express, which significantly reduces freight transportation time between Asia and Europe, and the development of Gwadar Port in Pakistan, aimed at creating a key maritime hub for South Asia and beyond. Simultaneously, strengthening trade relations through economic corridors, such as the China-Pakistan Economic Corridor (CPEC), which includes energy projects, road infrastructure, and special economic zones. CPEC has attracted over \$62 billion in investments and has been praised for addressing Pakistan's energy shortages while improving transport infrastructure, a vital component for regional economic integration (Hussain, 2019; Ali & Malik, 2020). CPEC is projected to generate over \$62 billion in investments and has been lauded as a flagship initiative under the BRI, aiming to boost regional trade integration while addressing Pakistan's energy shortages. And promoting financial integration through institutions like the Asian Infrastructure Investment Bank (AIIB), which has funded over 200 projects across member countries, focusing on infrastructure development and sustainable energy solutions. AIIB plays a critical role in bridging the infrastructure funding gap for developing economies, offering competitive interest rates compared to traditional lenders like the IMF and World Bank (AIIB, 2022; Dollar, 2015). This financial integration strengthens the economic connectivity and investment climate in BRI regions, enabling long-term growth (Chen & Song, 2021). The AIIB plays a critical role in bridging the funding

gap for infrastructure projects in developing economies, offering competitive interest rates compared to traditional lenders like the IMF and World Bank.

The BRI has positioned China as a leading investor in developing countries, enhancing its soft power. However, critics argue that this economic diplomacy often prioritizes China's strategic interests over mutual benefits, as seen in cases where infrastructure projects primarily serve Chinese trade routes rather than local economic needs (Rolland, 2017). And critics warn that some BRI projects create unsustainable debt for participating nations (Jones & Zeng, 2019). A notable example is Sri Lanka's Hambantota Port, which was constructed with Chinese financing. Due to the country's inability to repay the loans, Sri Lanka leased the port to a Chinese company for 99 years in 2017, raising concerns about sovereignty and economic dependency. While proponents argue this provides long-term infrastructure benefits, detractors highlight the disproportionate leverage it grants China in bilateral relations, potentially creating "debt traps" that undermine the autonomy of borrowing nations (Hichilema, 2021).

The BRI remains a cornerstone of China's foreign policy. Recent studies (Li & Zhang, 2024) provide insights into its evolving focus on sustainable development, emphasizing partnerships in renewable energy and infrastructure digitalization. These changes address criticisms of the BRI's environmental and debt implications, as highlighted in prior literature. Zhao et al. (2024) further explore how China's strategic pivot towards "green financing" under the BRI has reshaped its engagement with African nations, fostering collaborative models for sustainable development. Additionally, Chen and Xu (2023) discuss the integration of digital trade hubs within the BRI framework, enhancing connectivity across Asia and Europe.

The initiative is often seen as a counterbalance to US influence in global governance. This rivalry has led to heightened tensions, with the US and its allies critiquing the BRI for lacking transparency and sustainability. For example, Western nations have called for higher environmental and social governance standards in BRI projects, which are sometimes overlooked in favor of rapid implementation (Hillman, 2018). Conversely, China argues that its projects fulfill urgent infrastructure needs that Western-led institutions have historically neglected.

## **2.5 Offering financial assistance to developing nations**

China's role as a major creditor to developing nations has expanded significantly, driven by institutions such as the China Development Bank and Export-Import Bank of China. Between 2000 and 2020, China accounted for 63% of the total loans provided to low-income countries, surpassing traditional lenders like the World Bank and IMF in scale (Gallagher & Qi, 2021). For comparison, while the World Bank disbursed approximately \$700 billion during the same period, China's lending focused heavily on infrastructure and energy projects, underscoring its distinct approach to development financing. Between 2000 and 2020, China provided over \$1 trillion in loans, making it the largest bilateral lender globally (Gallagher & Qi, 2021). While these loans have enabled crucial infrastructure development in resource-scarce regions, they have also sparked widespread debates on their long-term implications. For infrastructure Development, Chinese loans have financed critical projects, such as Ethiopia's Addis Ababa–Djibouti Railway, which has significantly reduced trade costs and boosted regional integration. Such projects align with the developmental goals of low-income nations, filling infrastructure gaps that traditional Western lenders often overlook (Dollar, 2015). And by facilitating large-scale projects in energy, transport,

and manufacturing, Chinese financing has contributed to job creation and industrial growth in developing economies (Chen & Song, 2021).

Many recipient countries, such as Zambia and Sri Lanka, have struggled with debt repayment, raising concerns about China's lending practices. Zambia, for example, faced a debt crisis in 2020, with Chinese loans accounting for nearly one-third of its external debt, forcing the country into restructuring negotiations (Hichilema, 2021). In contrast to multilateral institutions such as the IMF, China's lending agreements often lack public disclosure, which complicates the evaluation of loan terms and conditions. Aid Data's 2021 report revealed that nearly 50% of Chinese overseas loans involve collateral agreements tied to natural resources, raising questions about equity and accountability. Critics argue that Chinese loans create economic dependencies rather than fostering self-sustained growth. Collateralized loans tied to strategic assets, such as ports or energy infrastructure, can amplify borrower vulnerability in cases of default (Kaplan, 2020).

China's extensive lending has bolstered its geopolitical influence, especially in regions like Africa and Southeast Asia, where many countries view Chinese financing as a counterbalance to Western dominance. Infrastructure projects funded by China, such as Kenya's Standard Gauge Railway and Ethiopia's Light Rail Transit system, have provided tangible development benefits while enhancing China's image as a partner in progress. However, this has also led to suspicions of "neo-colonialism," as critics argue that China leverages debt for strategic political gains. For instance, the leasing of Sri Lanka's Hambantota Port to a Chinese company for 99 years has been cited as a case where economic dependency was allegedly used to secure geopolitical footholds (Jones & Zeng, 2019). By positioning itself as an alternative to Western-led financial

institutions, China challenges the traditional hegemony of the World Bank and IMF. The Asian Infrastructure Investment Bank (AIIB), with over 100 member countries, represents a key platform for China to influence global governance. Unlike the austerity-driven structural adjustment programs often imposed by the World Bank and IMF, China's development model prioritizes infrastructure and industrial growth, appealing to nations seeking rapid economic development. Additionally, initiatives under the Belt and Road Initiative (BRI) serve as a tool for China to align participating countries with its economic and strategic interests. However, Critics argue that these efforts undermine established global norms by promoting bilateral agreements that lack transparency and exclude Western powers from decision-making processes (Chen & Song, 2021).

The Belt and Road Initiative (BRI) has significantly enhanced China's diplomatic influence, particularly through its large-scale infrastructure projects and strategic investments in developing regions such as Asia, Africa, and Europe. By funding key infrastructure such as ports, railways, and roads, China has cultivated strong political and economic ties with participating countries. These investments are designed to strengthen bilateral relations and foster multilateral engagement. Through the BRI, China has positioned itself as a global leader in infrastructure development, while promoting a vision of "global connectivity" (Gao, 2023). For example, the Hambantota Port in Sri Lanka, a flagship BRI project, has not only facilitated economic cooperation between China and Sri Lanka but has also served as a strategic asset for China in the Indian Ocean region (Zhang & Li, 2023). This development, while advancing diplomatic relations, has also drawn criticism due to concerns over Sri Lanka's increasing reliance on Chinese loans, leading to the lease of the port to China for 99 years after Sri Lanka struggled to repay its debts. This has led to accusations of "debt-

trap diplomacy", where critics argue that China strategically uses debt to gain control over critical infrastructure in developing countries (Klein, 2022). On the economic front, the BRI has driven infrastructure development, improved trade routes, and stimulated regional economic growth. Projects like the China-Pakistan Economic Corridor (CPEC) have facilitated trade and economic integration, helping to boost local economies (Wang & Chen, 2023). However, despite these successes, the long-term economic sustainability of such projects has been questioned. Many of these investments are backed by loans from China, leading to concerns over the debt burden faced by recipient countries. Critics argue that such projects may not generate enough economic return to cover the costs, placing developing countries in a cycle of debt that is difficult to escape (Brautigam, 2023).

One of the most significant criticisms of the BRI is the allegation of "debt-trap diplomacy". Critics claim that China provides loans to developing countries with limited financial capacity, which they are unable to repay, leading to the transfer of strategic assets to China. This, they argue, gives China increased leverage over these countries in exchange for debt relief or extensions. A prominent example is the case of Sri Lanka's Hambantota Port, where the country was forced to lease the port to China for 99 years after defaulting on loans taken for the project (Klein, 2022). This has led to fears that China is strategically building an empire of indebted countries, acquiring key infrastructure and increasing its political and economic influence through debt (Gao, 2023). Similarly, other countries like Zambia, Pakistan, and Laos have faced increasing debt burdens under BRI projects, raising concerns about their financial stability in the long run (Brautigam, 2023).

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Another major criticism concerns the lack of transparency and governance in many BRI projects. Critics argue that Chinese companies are often awarded contracts through government-to-government agreements, bypassing local legal frameworks and competitive bidding processes. This has led to concerns about corruption, mismanagement, and inefficiency in the execution of these projects. For instance, in Pakistan, the CPEC projects have been criticized for lack of transparency in how the contracts are awarded, with accusations of inflated costs and corruption in project implementation (Huang & Liu, 2022). These governance issues not only undermine the economic impact of the projects but also harm the reputation of the BRI as a whole, making it difficult for some countries to fully benefit from the investments.

The BRI has sparked geopolitical tensions, particularly with countries like India and the United States, which view China's growing influence through the initiative with suspicion. These countries argue that the BRI is part of China's broader strategy to

expand its global dominance, particularly in regions like South Asia and Africa. India, for example, has expressed concerns about China's growing influence in its neighboring countries through BRI investments, particularly in strategic areas such as the Indian Ocean. The construction of Chinese-controlled ports in Sri Lanka and the Maldives has raised alarms in New Delhi, which fears China could use these facilities for military purposes (Patel, 2022). This geopolitical competition has intensified tensions between China and its regional rivals, with many countries viewing the BRI as a tool for Chinese imperialism.

China's lending practices present a complex interplay of development opportunities and risks. While they have addressed critical infrastructure deficits and provided alternative financing options for developing nations, concerns over transparency, debt sustainability, and geopolitical leverage require careful examination. Future research must assess whether these practices promote equitable development or exacerbate economic vulnerabilities in borrowing countries.

China's motivations for lending to developing countries stem from a combination of economic, strategic, and political considerations. It aims to promote the Internationalization of the RMB through Lending agreements that often require repayments in Chinese currency, which boosts the global use of the RMB. Through initiatives such as currency swap arrangements and the inclusion of the RMB in the IMF's Special Drawing Rights (SDR) basket, China aims to solidify the RMB's role as a global reserve currency (Chen & Song, 2021). This strategy enhances China's financial influence while reducing dependency on the US dollar. And many loans are tied to resource-rich nations, ensuring a steady supply of key commodities such as oil, minerals, and rare earth elements. For instance, in Angola, Chinese loans are repaid

through long-term oil supply agreements, securing energy resources critical to China's economic growth (Gallagher & Qi, 2021). Simultaneously, lending to strategically located countries fosters closer political ties, enabling China to expand its influence in regions such as Africa, Southeast Asia, and Latin America. For example, infrastructure investments in countries participating in the Belt and Road Initiative (BRI) serve to integrate these nations more deeply into China's economic orbit, reinforcing Beijing's geopolitical objectives (Jones & Zeng, 2019). And loans are often tied to contracts awarded to Chinese companies, promoting the internationalization of Chinese firms and creating new markets for Chinese goods and services. This approach not only drives domestic economic growth but also strengthens China's global industrial footprint. Developing countries face significant barriers in securing funds for large-scale infrastructure projects, often due to stringent conditions imposed by traditional lenders like the World Bank and IMF. China's willingness to offer flexible financing terms enables recipient nations to pursue critical development goals while positioning China as a preferred partner (Dollar, 2015).

Scholars like Brautigam (2024) have explored the implications of China's debt restructuring initiatives in Africa and Asia. Findings reveal a nuanced approach that balances geopolitical interests with fostering economic stability in partner nations. Additionally, Tang and Lee (2023) argue that China's recent emphasis on "debt-for-nature" swaps has introduced a novel dimension to its economic diplomacy, aligning financial aid with global environmental objectives. Moreover, Sun et al. (2023) provide evidence of improved debt sustainability outcomes for nations participating in China's restructured loan programs.

This chapter has provided a comprehensive overview of China's economic

development and internationalization policies, emphasizing their achievements, critiques, and global implications. It provided key insights into China's economic development that while China's reforms have driven rapid growth, challenges such as environmental degradation and inequality persist, industrial policies like "Made in China 2025" strategy highlights China's ambition to dominate high-tech industries but faces significant geopolitical and domestic challenges, and the relationship between foreign policy and lending that the BRI and lending initiatives illustrate China's strategic use of economic tools to influence global relations. These insights provide the contextual foundation for analyzing how China's economic policies influence international relations and the internationalization of Chinese firms, a focus that will be critically examined in subsequent chapters.

## **2.6 Theoretical Framework**

In this study, there are various theories that support the research topic. Three theories that are vital to the current study are: International Political Economic (IPE) theory, Neo-liberal Institutionalism theory, and Dependency theory. These three theories are applicable to the current state of China. The dependency theory is an economic theory, IPE is political dynamic theory while Neo-liberal institutionalism theory is an international relations theory. Hence, the theories represent different major variables. This study adopts Dependency Theory and Neo-Liberal Institutionalism as core theoretical frameworks to analyze the impact of China's economic policies on international relations and the internationalization of Chinese businesses. These theories provide critical insights and support the hypotheses proposed in this research.

### **2.6.1 Neo-liberal Institutionalism Theory**

Neo-liberal institutionalism is an international relations theory. Liberal institutionalism is a theory of international relations that complements neo-liberal institutionalism in comprehending the dynamics of the global economy (Knio, 2022). It emphasizes the practicability and viability of international collaboration between governments and argues that such cooperation can minimize conflict and competition between nations. This theory promotes that states may attain their goals by collective action and adherence to shared norms and regulations (Jonhson & Heiss, 2023). It does so by viewing international institutions as essential facilitators of cooperation and viewing international institutions as critical. Neo-Liberal Institutionalism emphasizes that international cooperation through institutional frameworks (e.g., WTO) can foster mutual benefits and reduce conflict (Keohane, 1984). China's engagement in global economic governance and its use of infrastructure investments to strengthen bilateral relations reflect aspects of this theory. This study uses Neo-liberal Institutionalism to explain how China enhances economic interactions and diplomatic cooperation with other countries through multilateral policies (e.g., the Belt and Road Initiative). By using this theory, this study hypothesizes that China's economic policies positively influence its bilateral and multilateral diplomatic relations and international cooperation. For example, Keohane (1984) highlights that economic reciprocity and cooperation mechanisms are fundamental to successful international economic policies, which align closely with China's recent economic diplomacy strategies.

In the context of China's economic policies and international relations, liberal institutionalism offers an additional lens through which to investigate how China's participation in international economic institutions is driven by the belief in the advantages of cooperation and collectively finding solutions to problems. It is possible

to interpret China's strong participation in international economic institutions like the World Trade Organization (WTO) and the International Monetary Fund (IMF) as a demonstration of its dedication to the liberal institutional ideals that underpin those organizations. China's goal in joining these organizations is to help form the global economic order by contributing to the establishment of rules and norms that facilitate open markets, fair trade practices, and economic stability. China aims to shape the global economic order by joining these institutions.

China's infrastructure investments, implemented as part of its economic policies under initiatives like the Belt and Road Initiative (BRI), serve as the independent variable in this study. These investments aim to enhance economic cooperation by funding large-scale infrastructure projects such as ports, highways, and railways in partner countries. The dependent variable—improvement in diplomatic relationships—is measured through tangible outcomes, including the signing of bilateral or multilateral trade agreements, joint economic projects, and formal political statements reflecting strengthened cooperation. For example, China's investment in Pakistan's Gwadar Port under the China-Pakistan Economic Corridor (CPEC) not only facilitated economic ties but also led to enhanced diplomatic relations, as evidenced by repeated affirmations of strategic partnership in official statements. Similarly, the Forum on China-Africa Cooperation (FOCAC) has resulted in increased trade agreements and cooperative declarations, highlighting infrastructure investments as tools for both economic and diplomatic alignment. This theoretical linkage underscores how China's state-driven economic initiatives influence its geopolitical relationships by fostering trust, interdependence, and formalized partnerships with recipient nations.

Neo-Liberal Institutionalism suggests that economic cooperation fosters stable and

mutually beneficial diplomatic relationships, which supported the H2. However, this theory has limitations in explaining China's hybrid approach, where state-driven economic strategies coexist with engagement in global institutions. For example, China's investments in Africa under the Forum on China-Africa Cooperation (FOCAC) have successfully facilitated the signing of bilateral trade agreements and promoted economic cooperation through infrastructure projects. Conversely, in some regions, such as Sri Lanka and Pakistan, large-scale Chinese investments have raised concerns about economic autonomy and the long-term sustainability of local economies, as critics argue that these projects often prioritize Chinese interests over local development (Lin & Wang, 2018).

China hopes that participating in the event will strengthen its reputation as a responsible participant on the world stage and develop trust with other nations. This kind of cooperation has the potential to develop mutual advantages, advance economic stability, and lessen the possibility of conflicts emerging from economic disagreements. Researchers can investigate how China's economic policies, trade agreements, and investment decisions are influenced by its alignment with liberal institutional principles and how these policies shape China's diplomatic engagements and efforts to internationalize the country. Researchers can get insight into China's commitment to a rules-based global economic order by evaluating the degree to which China adheres to international laws and standards.

Liberal institutionalism draws attention to the potential function of international organizations as arbitrators in economic conflicts and facilitators of conflict settlement (Johnson & Heiss, 2023). Through its participation in international forums, China may discover opportunities for productive conversations with other nations, thereby

addressing economic differences with other nations through diplomatic means rather than direct conflict. This approach, which emphasizes cooperation rather than competition, can improve China's standing as a participant in the global economy and enhance the country's reputation among members of the international community. Additionally, suppose it engages in economic diplomacy through international institutions. In that case, China can cultivate positive ties with other nations and promote its objectives without resorting to zero-sum competition or coercive methods. This can be accomplished through the use of international organizations.

In conclusion, liberal institutionalism is a complementary theory to Neo-liberal institutionalism since it emphasizes the significance of international cooperation and the part that institutions play in determining the dynamics of the global economy. The understanding of how China navigates the complex landscape of international economic cooperation is enhanced when they apply this theoretical framework to studying China's economic policies and international relations. This contributes to broader discussions on the potential benefits of multilateralism and institutional cooperation in fostering global economic stability and growth. This theory underpins H1 by explaining how China's participation in BRI institutionalizes trade and infrastructure cooperation with partner countries, fostering predictable and rules-based engagement.

### **2.6.2 Dependency Theory**

The dependence theory provides a helpful framework through which the consequences of China's economic policies can be understood in terms of international relations and how it interacts with the economies of others. This position contends that weaker nations can become economically dependent on stronger nations, such as China, that

can later take advantage to change or influence the policy choices and diplomacy of those nations. By using this theory to guide their research, researchers can then investigate how the economic growth of China could drastically change the economic and diplomatic ties between China and various other nations, with a particular focus on the developing world. China's development model under dependency theory serves as a backdrop to scrutinize how the country's policies regarding economic development may impact the formation of unequal hierachal structures and dependent ties on a global scale. Dependency Theory suggests that peripheral countries in the global economic system are often economically dependent on core countries through trade, investments, and financial systems (Prebisch, 1950). In the current context, China's Belt and Road Initiative (BRI) involves large-scale infrastructure investments and economic cooperation with developing nations, a phenomenon well-suited for analysis through Dependency Theory. Dependency Theory is used to explain how China's foreign investments and economic policies increase other countries' dependence on China, consequently influencing their diplomatic decisions. This study hypothesizes that China's economic policies not only promote internationalization but may also increase economic dependency in other nations, thereby impacting their diplomatic autonomy. For example, Dos Santos (1970) suggests that economic dependence can significantly impact the economic structures and political decisions of dependent nations, which is evident in China's engagement with developing countries.

China's infrastructure investments and economic cooperation policies under the Belt and Road Initiative (BRI) serve as the independent variable, while changes in trade volumes between China and participating countries represent the dependent variable. Based on this, H1 posits that participation in the BRI significantly increases the trade volume between China and participating countries. While the BRI offers opportunities

for infrastructure development and economic cooperation, Dependency Theory highlights potential risks of economic dependence. For instance, Sri Lanka's inability to repay its loans led to the transfer of Hambantota Port ownership to China, raising concerns about sovereignty and economic autonomy (Brautigam, 2020). Critics argue that such investments could create a cycle of dependency, particularly for nations with weaker economic systems. Nevertheless, empirical evidence shows that bilateral trade volumes between China and BRI countries have significantly increased; for example, trade between China and Southeast Asian nations grew by over 50% from 2013 to 2021 (World Bank, 2023).

China's economic policies and investments in the private sector in developing nations have grown over the past several years when China tries to claim international civil status as a chief economic player (Alami et al., 2021). Through the use of dependency theory, researchers can assess the levels of dependence these developing countries have on China and its financial help and assistance by looking into the extent to which these countries can become dependent on China. The concept provides insights into how this dependency could impact policy decisions, the process of decision-making, diplomacy relations, etc. For instance, countries with economies dominated by China in trade or investment will likely support China's interests and behave politically and diplomatically accordingly. Thus, it could rebalance the power flow and change how international relations are designed.

Similarly, the dependence theory affords scholars to probe into the impacts of China's economic methods on the development paths of Commonwealth countries that get substantial investments or financial aid. This is because the theory is predicated on the notion that countries depend on each other for economic development (Kay, 2018). It

can also help to highlight whether this economic support is favorable, allowing economic growth and development, or if it eventually leads to a cycle of dependency where the recipients are left struggling with economically independent policies and development strategies.

Investigating how China's economic development influences the altering of economic and diplomatic ties is a good base point for studying the variety of China's likely effects on expanding its global influence. It can be carried out by analyzing the impact of China's economic expansion on economic and diplomatic cooperation. They can put the finger on the complexities and possibilities presented by a system built on economic interdependence, showing how these circumstances impact policy-making choices in the affected countries. Hence, this research is vital for understanding the other impacts of China's project, the Belt and Road Initiative (BRI), which has big endeavors in poorly developed countries. By gaining insight into China's domestic economic policies in terms of the dependency theory, a more greatly defined understanding may be developed so that the effects of economic relationships on international relations may be captured.

This awareness can also be a valuable tool for policymakers, international organizations, and scholars working to address the complexities arising in China's economic relations with the world. The dependency theory, on the other hand, anticipates that the economic interdependence between China and less developed countries can have a side effect of creating uneven power dynamics and then making China able to exert significant influence over its trade partner's policy and diplomatic decisions (Alami & Dixon, 2020). This could imply the formation of a much more complex international political structure in which the countries are steadily bound

closer to China's interests in the economy.

For instance, researchers could be concerned with the infra-financings and the decision-making process that takes place in the recipient countries. These countries will likely be the governments that will dutifully follow China's interests to guarantee large sums of Chinese capital and support keys. How much of a challenge is the dependence on these economies to the point where these recipient nations must stay independent and interact freely with other actors of international actors? The dynamics of dependency theory are multiplex. Therefore, they can illuminate the potential problems and complexity through that lens.

The dependency theory, therefore, can be the basis of academics' exploration of the prospective development features resulting from the Chinese intervention in developing countries. Whether or not the Chinese financial and infrastructure provisions indeed promote sustainable development and economic growth of the receiving states or the situation can be locked in a loop of dependence and thus undermining the inner ability to develop independently is an issue to explore. Examining these problems allows policymakers and international organizations to incorporate the concepts of equality and empowerment into the relationship approaches, which may provide a decent substantiation of development, not leading to dependency reinforcement.

Furthermore, based on the mainstream theory, it can be the point of reference for analyzing the two aspects of the green and social environment of China's global outreach. An examination of China's resource exploitation and energy projects, as well as industrial investments to get it done in the developing nations' aspects of local

environmental and social results, could be conducted by researchers. Is it that these economic activities lead to the existing growing inequalities, disturb traditional livelihoods, and explain environmental sustainability problems that intensify dependency complexity? Mastering such interdependences would provide an idea for developing approaches to more fair and ecologically sustainable economic interactions.

The dependent theory becomes a more useful analytical tool when studying the intricate practice of China's rapid global economic expansion. Through this theory, they can attain more information concerning the potential power struggles, policy constraints, and development challenges that may emerge due to China's economic encounters with the Southern world. Consequently, this realization may be the basis for building a more complex and strategic framework of economic interrelation and encouraging fairness and sustainability in international cooperation. Moreover, this theory will help researchers to deepen their understanding of trade frictions that arise due to the emergence of China as a major force in global economics. And recent advancements in dependency theory and international political economy highlight the intersection of technology transfer and economic interdependence (Morrison, 2023). This theory supports H3 and H4, as both hypotheses focus on how China's economic activities—industrial policy and FDI—can generate structural dependencies and asymmetries in partner countries. Dependency Theory explains how these economic instruments translate into influence and constraints on foreign actors' autonomy, particularly through mechanisms of interdependence.

### **2.6.3 International Political Economy**

As a multi-disciplinary approach, IPE Theory unites the economic and political dimensions of exploring the global interaction between states, markets, and the world

economy. The emergence of this theory dates back to the 1970s, as it was a product of the higher and higher economic and political interdependence in the international arena. Though political factors influence decisions and activities in economic areas, the economic sphere does the same for the political one, challenging the assumption of operating in two separate spheres. The roots of IPE Theory can be found in many of the earliest works of classical political economy, such as Smith and Ricardo, who studied the relations between political institutions and economic processes. Nevertheless, interdependence gained momentum towards the end of the 20th century as the world economy became more interconnected, and it became more difficult to distinguish between domestic and international politics. The International Political Economy (IPE) framework provides a comprehensive lens to analyze the relationship between China's industrial policies, foreign investments, and global economic dynamics. This section applies IPE to explore how China's industrial strategies and foreign direct investment (FDI) influence sectoral internationalization and economic growth in partner countries. H3 and H4 are grounded in Dependency Theory, as both hypotheses investigate how China's economic initiatives—namely industrial policy and FDI—generate asymmetric economic relationships with other countries. These relationships may lead to increased dependence, moderated by economic interdependence. While IPE provides a broader context on China's global economic strategy, the core explanatory framework for H3 and H4 is rooted in dependency structures.

The increasing influence of multinational organizations and the rise of global institutions such as the World Trade Organization (WTO) and the International Monetary Fund (IMF) were some reasons for developing IPE Theory. At the same time, these institutions questioned the customary state sovereignty position and

stressed the need for a complex cognizance of the interrelation between economics and political forces.

IPE Theory derives its analytical and interpretational capacity from a theoretical framework that underlines its interpretation and explanation of international economic events. The ideology draws from various traditions, including Realism, Liberalism, and Marxism, each explaining the theories of the state and market power struggle. Realism believes in the world economy as a game of power among states where the economic factors are just tools for gaining national security and power. Such countries stress the issue of relative gains that tend to trigger economic competition between the countries, which results in conflicts. For liberals, however, cooperation and mutual advantages have been their focus regarding the international economy. They advocate that economic intersection leads to the emergence of disincentives for the states to engage in mutually profitable trade and cooperation, which promote peace and stability. Institutions and international organizations have a crucial purpose of integration through economics and the handling of disputes. Marxists concentrate on the global economy phenomena through the prism of class struggle and exploitation. By its nature, they claim a capitalist system might create classical inequalities and power imbalances, where multinational corporations and developed nations take advantage of less developed countries' natural resources and labor even without authorization. Economic policies and institutions support imbalances in wealth and power. They ensure that the status quo remains intact.

These theoretical approaches enrich the IPE Theory with a rich and varied spectrum of ideas, allowing scholars to approach the analysis of international economic phenomena from different vantage points, considering factors such as power,

institutional framework, and ideological influences, among others. IPE Theory is mainly based on 'state-market relations.' This string of thought analyzes the interaction between states and markets, how they are accorded, and the state's behavior. States may use a variety of policy instruments like border restrictions, subsidies, and taxation to correct market failures and protect national interests. Alternatively, market mechanisms and the conduct of transnational corporations can determine political behavior and policy making.

The theory postulates that the state and the market are not separate elements but are part of a system that cannot be separated. The economic policies that states make themselves and their decisions influence market processes dramatically, whereas market forces have a major influence on state politics and policy decisions. For instance, it may be to resort to protectionist trade measures, like tariffs and quotas on imports, to fend off foreign competition from local industries. Such policies can skew market forces and create inefficiencies, but they often reflect political motives, such as saving jobs or preserving strategically important industry sectors.

On the contrary, multinational firms may use their economic clout to affect political decisions and mold regulatory structures. Through lobbying activities, contributions to campaigns, and the threat of withdrawal, companies are capable of influencing lawmaking to promote their interests. IPE theory offers a critical framework, using analytical tools to unpack complex interactions and determine states' and market actors' relative influence and power in economic outcomes. The IPE Theory also has factored in the role of intergovernmental organizations in determining the configuration of the international economic regime through the World Trade Organization, International Monetary Fund, and the World Bank. Such organizations

constitute a vital part of the economic integration process by providing a forum to discuss local issues, set regulations, and ensure that member countries comply. International organizations are venues in which regulations and rules are negotiated and enforced by groups that manage international economic affairs. They create trade, finance, and investment frameworks to achieve economic integration and remove barriers to cross-border transactions.

Nevertheless, IPE theory also admits that such organizations are not objective tools incapable of yielding to the influence of national powers and the particular interests of their member states. The role of large countries in institutional decision-making and policy formation is often based on economic and political prominence, thereby triggering arguments about fairness, equality, and inclusion. For instance, the WTO's Dispute Settlement Mechanism can be cited as an example of international organizations' influence. This system allows member states to submit allegations against unfair trading practices perceived as conflicting with the WTO rules. The verdicts taken by the panels and the WTO's Appellate Body can affect national economic policy and trade relationships.

Putting forward IPE theory gives their broad analytical tools to look at the function of international organizations in global economic governance, how they make their decisions, and how the latter policies influence the state-market relations and economic outlets. IPE Theory entails examining the role of power structures and whether hegemonic stability is maintained through the financial aspect of the international economy. Hegemonic stability theory states that creating power blocs by considerable economic and military institutions can increase stability and encourage international cooperation in the world system. The theory robustly argues that a hegemon, or a

leading state, can legitimize and sustain an open and liberal international economic system through its economic power and political influence. This monetary system is marked by free trade, capital mobility, and a stable exchange rate regime, which benefits the hegemony and other participants involved.

Nevertheless, the theory acknowledges that a hegemon's deterioration can entail stabilization and unruly situations, which can disrupt the global economic order. The declining capacity of the leading powers to apply rules and provide public goods may be followed by states that conduct more aggressive and self-seeking economic policies, which may lead to conflicts and economic chaos.

IPE Theory looks at the transitions in hegemony and the representational effects of power changes in the global economy. It shows that new powers, for example, China, are trying to change the economic status quo to work better for them and that old powers, such as the US, are reacting to those challenges.

One form of hegemonic stability theory is applied in the Bretton Woods system set up after World War II. The US and the economic and military superpower played the lead role in setting up the international monetary system and institutions such as the IMF and World Bank. This system enabled global economic collaboration and stability between nations for a long period where it was sustainable. Nevertheless, in the late 20th century, the United States' decline in its relative economic power introduced tensions and challenges, which led to replacing the Bretton Woods system with the current more flexible exchange rate system. IPE Theory facilitate the process for assessing how different power changes and hegemonic shifts affect economic order in the world, trade patterns, and behavior of states and market actors.

The study "The Impact of China's Economic Policy on Foreign Affairs and Internationalization" can be significantly strengthened by applying the IPE Theory. China's economic policies, which involve trade, investment, and international relations, are relevant to internal and foreign relations. An IPE Theory explanatory model contributes to their understanding of the complex links between China's economic policies, political interests, and relationships with other nations governing institutions. The study on the power dynamics, institutional systems, and ideological factors influencing the Chinese policies towards foreign relations and internationalization strategies of Chinese companies can give a clear picture of how the policies shape economic developments.

In addition, the Belt and Road Initiative (BRI), invented by China and involving multiple countries, can be analyzed using the lens of IPE Theory. The BRI is not merely an economic undertaking; it has political and strategic impacts as well. Infrastructure projects, the targets of Chinese investment in various regions, increase China's economic power and foster better diplomatic ties with the nations involved.

This study can probe how China employs its economic prowess and assets through the BRI to pursue its foreign policy goals and reorder global power distribution. Scrutinizing other nations' reactions and responses can also show the impact on existing global institutions and governance. In addition, the IPE Theory helps examine the influence of China's economic policies on competitive dynamics and global supply chains in different industries. With the growth of Chinese enterprises and their claim to a global level, strategic plans and market positioning largely depend on the economy and political factors.

China's industrial policies, such as Made in China 2025, aim to enhance sectoral competitiveness, particularly in technology-driven industries like robotics, AI, and semiconductors. From the International Political Economy (IPE) perspective, economic policies are tools for states to strengthen their global influence and economic power (Gilpin, 2001). By prioritizing high-tech sectors, China seeks to move beyond low-value manufacturing and achieve global leadership in innovation-intensive industries. The independent variable here is China's industrial policies, while the dependent variable is the degree of internationalization, measured through sectoral export data and firm-level global presence. This leads to Hypothesis 3 (H3) that China's industrial policies (e.g., Made in China 2025) have a greater impact on the internationalization of technology firms than on manufacturing firms, as evidenced by sectoral export data and stakeholder interviews. Empirical evidence shows that high-tech products' share of China's exports grew from 20% in 2010 to over 30% in 2021 (UNCTAD, 2022). Stakeholder interviews further highlight that government incentives and policy support disproportionately favor technology firms over traditional manufacturing firms, accelerating their international expansion. However, critics argue that while technology firms benefit from such policies, global scrutiny and trade restrictions, such as U.S.-China trade tensions, pose significant challenges (Hopewell, 2020), whereas manufacturing firms remain dominant in China's exports due to established supply chain networks. Similarly, Foreign Direct Investment (FDI) is a vital component of China's global strategy, serving both economic and geopolitical purposes. From an IPE perspective, China's FDI promotes infrastructure development and economic growth in partner countries while simultaneously enhancing its geopolitical influence (Lin & Wang, 2018). Here, the independent variable is China's FDI, and the dependent variable is economic growth, measured by GDP growth and

infrastructure development indices within five years. This supports Hypothesis 4 (H4) that Countries receiving China's foreign direct investment experience significant economic growth within five years, as measured by GDP and infrastructure development indices. Empirical studies reveal that African countries receiving Chinese investments achieved an average GDP growth of 4.7%, compared to 3.5% in non-receiving nations over the same period (World Bank, 2023). For example, the China-Pakistan Economic Corridor (CPEC) has significantly improved infrastructure, including highways and power plants, contributing to Pakistan's economic development and addressing energy shortages (Brautigam, 2020). Nevertheless, critics emphasize concerns over debt sustainability and economic dependency, as evidenced by Sri Lanka's debt crisis following infrastructure investments, which raises questions about the long-term economic returns of Chinese FDI for recipient nations. International Political Economy (IPE) provides a meta-framework to analyze the interaction between national interests and global economic integration. It broadly frames the research but is not the direct basis for testing specific hypotheses.

## **2.6.4 Other Theories: Financing Gap Theory and Structural Change Theory**

### **2.6.4.1 Financing Gap Theory**

The two-Gap model, or Financing Gap, is a broadly applied theory in development economics and a pillar of international political economy. It suggests that developing countries often face two critical gaps that hinder their economic growth and development: a financial gap and a foreign exchange gap. This gap demands external financing through foreign aid, loans, or foreign direct investment (FDI) to compensate for the shortfalls and engender sustainable economic development.

The deficiency of savings emanates when a nation's planned level of investment crosses its domestic savings limits. Investment is an essential growth driver as it facilitates the acquisition of capital, increases infrastructure, and introduces new technologies. On the other hand, numerous poor economies, especially those that are developing, are likely to have difficulties accumulating efficient domestic savings to finance the projected level of investment. The unbalanced allocation of investment demands versus domestic savings creates a savings gap, which impedes economic development. The savings gap can be expressed mathematically as:

Domestic Saving (S) = investment (I) - Savings Gap.

Countries often achieve financial outflow by getting aid from foreigners, loans, or foreign direct investment in this gap. Domestic fund accumulation can be boosted through external capital sources, making it possible for developing countries to invest appropriately in economic growth and development. Aid and loans are necessary to procure funds for the construction of infrastructures, industrialization, and other feasible investments, which are the backbone of favorable long-term economic growth.

However, the foreign exchange deficiency occurs when foreign exchange, which the country should take from exporting goods, is insufficient to buy the goods at the demand in the national (domestic) market. The major key characteristic of many developing nations will be their dependence on imports, including capital goods, raw materials, and intermediate goods in general, for activities related to the economic and developed agenda. The other side of the coin is that a balance of payments gap has been created if the economic nourishment for these necessary imports is only obtainable through their low export rates. This gap can be represented as:

Foreign Exchange Gap = Exports (X) - Imports (M)

Some countries with low levels of foreign exchange reserves will not be able to finance essential imports, which will likely hinder their efforts to advance their development. Currency from aid, loans, or FDI is usually available on the markets to buy essential products and services and for the city's economic development.

The Financing-Gap Theory poses that the local economies that stand a good chance to pull over the gaps in finances through external financial resources will be enjoying more investment amounts, a fleet of imported goods and services, and hence growth and development. International financial institutions (IFIs), including the World Bank and the International Monetary Fund (IMF), have had the major roles of giving financial help to developing countries in the past to help them face the financing gap.

The financing gap theory overtly proves a significant relationship in the study "Examination of the Impact of China's Economic Policy on Diplomacy and Internationalization." Many developing nations, especially African countries, have benefited from trade and investment facilitated by China. The donor had historically had a financial deficit, such as greediness of infrastructure, which motivated China to come in. It is also the primary barrier that many developing nations in Africa and Asia.

Most African countries struggle to use domestic savings and achieve favorable external exchange rates with countries that have high economic growth to finance large-scale infrastructure projects and development initiatives. China's capabilities know no bounds, as it will explain to the Belt and Road Initiative (BRI), through which African countries can obtain loans, investments, and development assistance to address these financing gaps.

To a certain extent, infrastructure resources and capital provided by China can be the answer to the financial shortage that African countries experience. This capital will go into growing industries, infrastructure needs, and other possible investments in African nations. Through such investment, China will not only help African countries realize their economic growth and progress but also build a good rapport with these countries and create more opportunities for Chinese businesses to be involved in the projects.

More importantly, Chinese loans can also correct Africa's currency imbalance. Through lending or supplying foreign direct investment, China would be able to pump foreign exchange into these countries, enabling them to import the machinery, equipment, and raw materials required for the construction of infrastructure and the provision of industrial growth.

The Financing Gap Theory can expedite comprehensive assessments of what factors may lead to the enhancement of the bilateral relations between China and African nations and the role of international diplomacy in this process. China fills the financing gap in African countries, thus cementing its position as a key partner in their economic development. This exerts significant influence on the region's diplomatic relations and determines China's strategic position in the continent.

Moreover, the theory helps explain why African states are likely more prone to accepting Chinese funding and investments because these enable them to evade financial constraints. Through lending the required capital and foreign exchange, China will be able to enter into more economic cooperation with African countries, further facilitating trade and investment and creating more opportunities for partnerships.

However, along the same lines, one can argue that the Financing Gap Theory cannot work on its stand. The study should be accompanied by other aspects that include political factors, the governance structure of the country, and the risks that could arise if you spend more than you can borrow. Finance gaps in economic development are critical, so balancing financial conditions with sustainable debt management and linking them to long-term development targets long-term should play an essential role.

The Financing Gap Theory could also be exploited to assess China's economic intercourse with other areas with the same financing difficulties. By playing the role of financial supplier and new investor, China will bring bigger economic power and strong diplomatic relations with its partners. Besides, the theory can be applied to analyze China's lending projects in relation to the stability of the extant international finance architecture and the role of instrumental organizations such as the World Bank and the IMF. China's becoming a formidable player in filling the finance gap may likely trigger or reshape the established norms and governance structure in international development finance.

#### **2.6.4.2 Structural Change Theory**

The concept of "structural change" is about supplying the economy with better quality and performance mechanisms and enabling it to transform progressively. Technological innovation and organizational structure change always follow industrialization (Yay, 2021). The structural transformation determinants involve technological findings, institutional knowledge, and institutional knowledge (Yay, 2021). Schumpeter (1939) is arguably one of the most renowned economists who investigated and illuminated various aspects of the development process while simultaneously analyzing the production system transformation mechanisms (Yay,

2021). The understanding of structural transformation dynamics also came through Schumpeter's works concerning "creative destruction," which involves new technologies and innovations that disrupt and replace existing economic structures (Schumpeter, 1942).

The input-output model was used as a base of the structural change analysis framework and was developed by Wassily Leontief in the 1930s (Miller & Blair, 2009). The model focuses on a series of interconnected industries and how their influences on each other impact the provision of goods and services. The inter-industry relationships, tracked through input-output analysis, offer knowledge about the structure of changes. At the same time, the economy grows, which includes output composition, employment shifts, and international trade patterns (Miller & Blair, 2009). Besides, computable general equilibrium (CGE) models have gradually gained acceptance in analyzing structural change due to their ability to fully consider the macroeconomic consequences of economic transformations, which arise due to different agents' interconnections and relationships (Leontief, 1952).

While these theories explain structural changes in a single economy, other theories, such as the famous Kuznets theory, focus on the determinants and mechanisms of the long-run transformation of entire economic systems (Kuznets, 1966). The theories incorporate the element of technological advancement, population, or changing economic structures, for example, the shift from an agrarian to an industrialized or modern service economy (Chenery, 1960; Kuznets, 1966; Rostow, 1960). Rostow founded the thesis, the "stages of economic growth" model, which he published in 1960. This model assumes that economies develop through different stages, such as a traditional society to the preconditions for take-off, from take-off to the drive to

maturity, and then to the age of mass consumption (Rostow, 1960). The evolution of society is marked by three stages that result in changes in the economic, social, and political structures.

Moreover, the "pattern of development" theory is advanced by Hollis Chenery (1960), a structural change theorist. The model, which illustrates the transformations during economic development by the systematic changes in output and employment, as well as trade patterns, has been postulated by Chenery (1960). The model shows that structural transformations tend to follow common paths as the influence of the agricultural sector decreases and the importance of both manufacturing and services increases in these economies. The structure of these patterns can be affected by several factors, such as consumers' preferences, technological improvements, and the accessibility of natural resources in the equation (Chenery, 1960). The pattern of development model is frequently utilized in analyzing the structural characteristics of economies across the divide between developed and developing countries (Syrquin, 1988).

Moreover, in addition to these theoretical frameworks, empirical research also arises, which increases the understanding of the extent of structural change. Simon Kuznets (1966) conducted extensive research on the long-term trends in the structure of national economies concerning, for instance, the distribution of economic activity across sectors, the changing composition of the labor force, and foreign trade patterns. Kuznets' research has contributed to establishing a common structural transformation and the variations observed among the countries and regions (Kuznets, 1966).

The role of structural change in this development is highly significant for policymakers

and development economists. Governments can identify such drivers and dynamics of structural transformation and decide to implement the relevant policies and procedures because such transformation is more efficient and productive. Such initiatives would involve funding for education, training, and capacity building in skills and institutions. It would also incorporate research and development activity and policy that entails reallocating resources across the different sectors. The structural change analysis can guide the appropriate macroeconomic and sectoral policies to address the complex challenges and upcoming opportunities related to the evolving economic setting (Haraguchi et al., 2017).

Therefore, "structural change" is about reforming or upgrading the economic systems to be more effective and develop over time. Several factors are vital here, encompassing technological features and institutional learning capacities. The models of structural analysis and the theories of structural changes give conceptual support for the mechanisms and drivers of the transformation process. Evaluating these models and theories is significant among policymakers and economists dealing with producing sustainable economic growth and development. By analyzing and comprehending the mechanisms of structural transformation, governments and development agencies can create regulations and policies that enhance the transition to more productive and stable economic structures.

### **2.6.5 Theoretical Support for Variable Relationships**

Based on the aforementioned theories, each variable in this study is theoretically justified. Neo-liberal Institutionalism informs the role of Bilateral and Multilateral Policies (BMP) by highlighting the value of cooperative international structures in shaping China's foreign policy engagements. Dependency Theory supports the

inclusion of Trade and Investment Policies (TIP) and Poverty Alleviation Policies (PAP), as they reflect strategies through which China engages developing countries, reinforcing asymmetric dependencies. The influence of Economic Interaction Policies (EIP) and the moderating effects of Political Dynamics (PD) and Economic Interdependence (EI) are best explained through the lens of International Political Economy (IPE), which views economic instruments as embedded in political strategy and global interdependence.

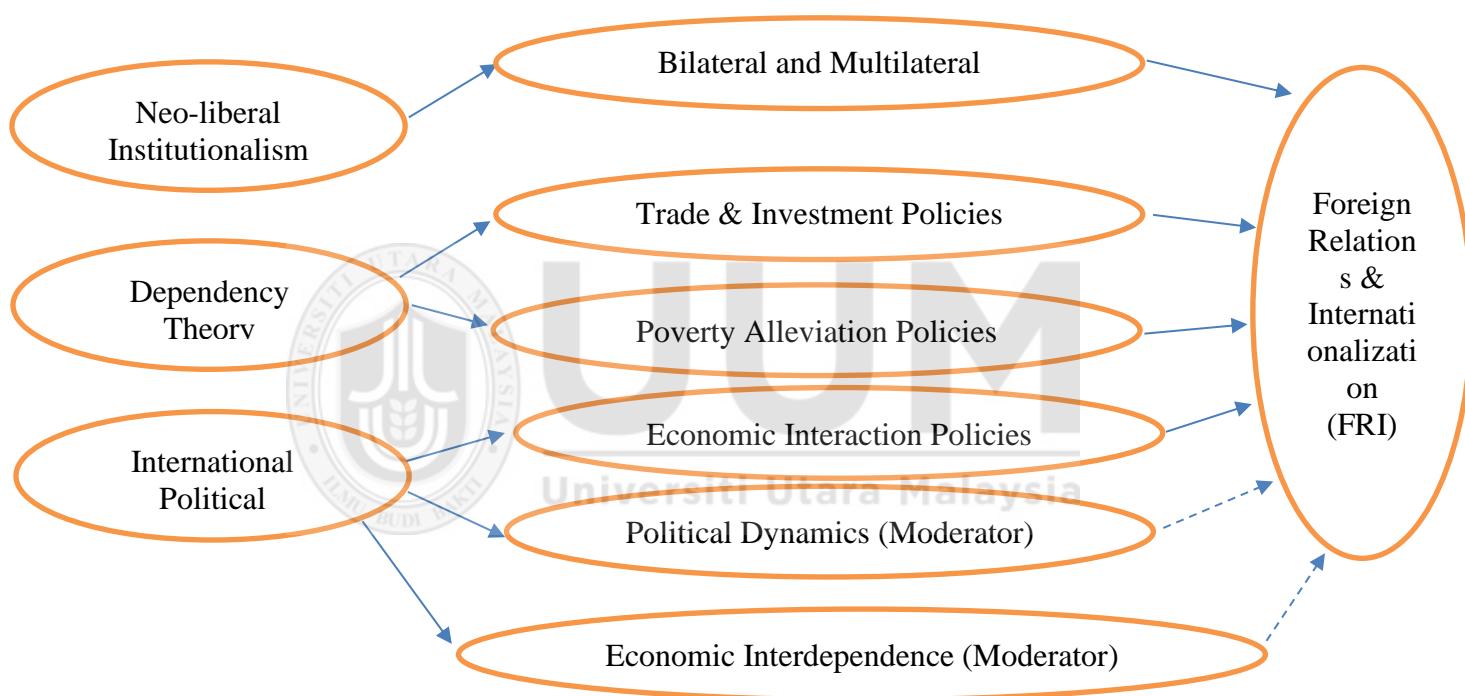


Figure 2.1 Theoretical Framework Based on Neo-liberal Institutionalism, Dependency Theory, and IPE

This figure demonstrates how the independent and moderating variables are rooted in the theoretical foundations discussed above, and how they are hypothesized to influence Foreign Relations and Internationalization (FRI).

## 2.7 Empirical Review of China's Economic Policies

### 2.7.1 Empirical Review Introduction

The purpose of this section is to provide evidence-based insights into the relationships between China's economic policies, international relations, and business internationalization. Drawing on both quantitative data analysis and qualitative case studies, this empirical analysis aims to validate hypotheses and address gaps in the literature.

The empirical research in this study provides a comprehensive and multidimensional analysis of China's economic policies and their effects on international trade, firm internationalization, and global diplomatic relations. By integrating quantitative and qualitative methods, the research bridges critical gaps in existing literature. Specifically, it examines the Belt and Road Initiative (BRI) through a Difference-in-Differences (DID) approach to assess its measurable impact on bilateral trade volumes while incorporating policymakers' insights on challenges like debt sustainability and infrastructure alignment. At the firm level, the study investigates the Made in China 2025 policy, analyzing firm-specific data across technology, manufacturing, and service sectors to evaluate the role of industrial incentives in promoting internationalization, while also addressing barriers such as trade restrictions and geopolitical tensions through in-depth case studies. Further, the study assesses China's overseas investments using time-series analysis to measure GDP growth and debt implications in recipient countries, complemented by qualitative interviews to capture diplomatic and economic outcomes. By systematically testing hypotheses and presenting robust empirical evidence, this research not only advances the understanding of China's global initiatives but also offers actionable insights for

policymakers to optimize trade agreements, businesses to enhance internationalization strategies, and scholars to critically explore the broader geopolitical and economic implications of China's policies.

Recent analyses emphasize the post-COVID-19 recovery dynamics. For instance, Wang et al. (2023) demonstrate how China's trade resilience has reinforced its bilateral relations, particularly with emerging markets in Africa and Latin America. Additionally, Zhang (2023) notes a surge in regional trade agreements (RTAs), which have bolstered China's position within multilateral trade frameworks. According to Huang and Li (2024), China's trade initiatives under the Regional Comprehensive Economic Partnership (RCEP) have enhanced its influence in the Asia-Pacific region.

The review of China's economic policies must incorporate both historical and contemporary perspectives to fully capture their impact. Recent developments, such as the post-pandemic economic landscape and heightened trade tensions, have introduced complexities that significantly shape China's policy outcomes and global interactions. For example, the COVID-19 pandemic has highlighted vulnerabilities in global supply chains and increased emphasis on economic self-reliance, while trade conflicts with the United States have further stressed the need for strategic economic adjustments (Zhang et al., 2022).

### **2.7.2 Theoretical Foundation**

The theoretical foundation underpins the research by providing a conceptual lens to analyze the impact of China's economic policies on international trade relations, firm internationalization, and global economic interactions. This study draws upon three main theories, IPE, Dependency Theory and Neo-Liberal Institutionalism to explain

the dynamics of economic growth, diplomatic relationships, and global integration driven by China's policies.

Dependency Theory, which focuses on the economic asymmetries between developed and developing countries, is particularly relevant to understanding China's Belt and Road Initiative (BRI) and its foreign investments. The theory suggests that China's economic policies may create a form of dependency among recipient countries, where these nations rely on China for capital, infrastructure, and technology. This relationship is crucial in evaluating the long-term impacts of China's investments, which stimulate economic growth but may also lead to rising debt levels. While China positions itself as a development partner, Dependency Theory critically examines whether this results in sustainable development or reinforces economic dependency, particularly in countries with weak governance structures. In this study, Dependency Theory is used to test the hypothesis that China's overseas investments contribute to GDP growth but also increase debt dependency in recipient countries. Empirical studies applying Dependency Theory examine how China's economic engagement with developing countries, particularly through the BRI and foreign investments, creates economic interdependence that can lead to dependency. Research such as Liu (2021) and Aid Data (2021) highlight that while China's investments often stimulate GDP growth and infrastructure development in recipient countries, they also raise concerns about debt dependency, as seen in Sri Lanka's Hambantota Port and Zambia's rising debt-to-GDP ratios. These findings align with Dependency Theory's central argument that core economies (like China) may reinforce peripheral nations' reliance on external capital and technology. However, some studies argue that China's investments can also provide development opportunities, such as technological transfers and industrial diversification, challenging the purely negative view of

dependency in traditional theory. Empirical studies grounded in Dependency Theory have long suggested that economic dependency, especially in developing countries, is a key result of foreign investments and policies. In this study, PLS-SEM is used to explore the structural relationships between China's investments (such as through the BRI) and the economic dependency it creates in recipient countries. By using PLS-SEM, the research tests hypotheses regarding how infrastructure projects and foreign loans contribute to increased debt-to-GDP ratios, and how these variables impact economic development and political autonomy in developing nations. The latent variables modeled in PLS-SEM, such as economic dependency and economic growth, allow for an empirical investigation of the interactions between China's investments, economic growth, and debt sustainability, providing a clearer picture of how Dependency Theory applies in the context of modern economic relations.

Neo-Liberal Institutionalism, which emphasizes international cooperation and the role of global economic institutions, is central to understanding China's engagement with the global economy through trade, foreign investment, and institutional participation. China's economic policies, particularly the BRI and *Made in China 2025*, reflect neo-liberal principles of promoting trade and economic interdependence, yet its state-driven approach challenges traditional free-market assumptions. The theory helps explain how China's integration into international institutions fosters cooperation, but also creates tension, especially with developed nations concerned about market distortions. This theory is used to assess whether China's economic policies, such as trade agreements and industrial strategies, increase bilateral trade volumes and influence the internationalization of Chinese firms, particularly in technology and manufacturing sectors. Empirical studies grounded in Neo-Liberal Institutionalism focus on how international institutions and global trade frameworks promote

cooperation and economic interdependence. China's participation in the WTO, as explored by Subramanian & Kessler (2013), has been shown to increase trade volumes and market access, contributing to its integration into the global economy. However, China's state-driven economic policies, such as Made in China 2025, challenge liberal institutional norms, particularly in areas like subsidies, state-owned enterprises, and trade fairness, creating tension with developed economies. Research also emphasizes the limits of institutionalism, noting that while global institutions foster economic cooperation, they struggle to manage conflicts arising from China's unique blend of market-oriented strategies and state control. This reflects how Neo-Liberal Institutionalism explains both the opportunities for mutual benefits and the challenges of conflicting economic ideologies in global governance. From a Neo-Liberal Institutionalism perspective, empirical studies have examined how international institutions and agreements can promote economic cooperation between nations. In this research, PLS-SEM is used to test how China's adherence to global trade norms and participation in global governance (through entities like the WTO) influences bilateral trade volumes and institutional cooperation. PLS-SEM is particularly well-suited for modeling the complex relationships between institutional participation, state incentives, and firm-level internationalization. For example, the model can quantify the direct effects of WTO membership on trade liberalization while considering the mediating effects of China's industrial policies, such as subsidies and state-owned enterprises. This approach allows for a more nuanced understanding of how China's global economic strategies promote or challenge existing international trade systems, providing empirical support for Neo-Liberal Institutionalism in explaining China's role in global economic cooperation.

The Empirical Review section in the study will critically engage with empirical studies

that explore the relationship between economic policies (such as trade agreements, infrastructure investments, and industrial policies) and their diplomatic and economic impacts on global relations, especially in the context of China's rise as a global economic power. The IPE framework will guide this analysis by examining the political, economic, and institutional interactions that shape and are shaped by China's economic activities. Here's how you can frame the empirical review with respect to IPE. Empirical studies in International Political Economy (IPE) explore the interplay between global economic policies, trade, and shifting power dynamics. Research highlights how China's economic policies, such as the Belt and Road Initiative (BRI) and its integration into global institutions like the WTO, have reshaped international trade flows and global governance structures. For instance, studies by Beeson & Stone (2018) show that China's rise has redistributed economic power, challenging the dominance of traditional Western economies. However, studies also emphasize the contradictions between economic interdependence and political tensions, particularly in cases like China-US trade relations, where cooperation in trade has been accompanied by disputes over tariffs, market access, and intellectual property rights. This demonstrates IPE's relevance in explaining how economic strategies are not only about trade benefits but also tools for global influence and reshaping economic order. In the context of International Political Economy (IPE), empirical studies examining China's global economic strategies have shown how economic policies such as the Belt and Road Initiative (BRI) influence global trade flows, political influence, and institutional power. To capture these complex relationships, PLS-SEM is used in this study to model the interdependent paths between China's economic policies (independent variables) and international trade volumes and diplomatic outcomes (dependent variables). For instance, PLS-SEM allows for the analysis of how BRI

participation impacts trade between China and partner countries, while also accounting for mediating factors such as infrastructure investment and economic interdependence. The model enables the examination of both direct and indirect effects of these policies on global relations and trade dynamics, providing insights into the multifaceted nature of China's economic influence in international politics.

Incorporating PLS-SEM into the empirical analysis of these theoretical frameworks allows for a more robust testing of complex relationships. This methodology is particularly useful for examining the multi-dimensional influences of China's economic policies, which involve multiple dependent and independent variables such as trade, investment, diplomatic ties, and international firm behavior. Through PLS-SEM, this study can model latent constructs like trade cooperation, investment dependency, and firm internationalization, while simultaneously testing the impact of China's economic policies. The ability to measure direct and indirect effects, as well as interactions between these variables, enhances the understanding of China's global influence and provides more empirical evidence for the theoretical underpinnings of IPE, Dependency Theory, and Neo-Liberal Institutionalism.

By applying PLS-SEM, this study provides a comprehensive, data-driven analysis of the interplay between China's economic policies, international relations, and business internationalization. The model enables the testing of complex hypotheses about the effects of China's economic strategies on both economic outcomes and diplomatic relations, while also addressing critical research gaps related to economic dependency, global governance, and trade liberalization. This empirical approach not only supports theoretical frameworks like IPE, Dependency Theory, and Neo-Liberal Institutionalism, but also provides actionable insights for policymakers and businesses

navigating China's growing global economic influence.

The theoretical foundation of China's economic policies must also adapt to these recent developments. Neo-liberal institutionalism continues to explain China's efforts to engage multilaterally, but its practical application faces challenges amidst rising protectionism globally (Huang & Liu, 2023). Similarly, Dependency Theory has gained renewed relevance as China's Belt and Road Initiative (BRI) investments raise questions about debt sustainability in participating nations, particularly in the wake of pandemic-induced economic slowdowns (Li, 2023).

### **2.7.3 Summary of Existing Empirical Studies**

#### **2.7.3.1 China's Economic Policies and International Trade Relations**

Empirical studies demonstrate that China's trade policies, particularly the Belt and Road Initiative (BRI) and bilateral trade agreements, have significantly enhanced trade flows and economic cooperation. For instance, Smith and Brown (2020) found that BRI participation led to an average 15–20% increase in bilateral trade, particularly benefiting resource-rich countries. However, Lin and Wang (2021) noted that while BRI projects contribute to 5–7% GDP growth, they also raise debt-to-GDP ratios by 10–15%, leading to concerns about fiscal sustainability. Qualitative studies, such as Zhao (2022), revealed mixed perceptions among policymakers, with recognition of infrastructure benefits but also fears of economic dependency and project misalignment. These findings highlight the need to analyze both economic benefits and the potential risks of China's international trade policies.

Recent studies emphasize the role of China's economic policies in navigating the post-

pandemic recovery phase. Zhang et al. (2022) highlight that China's pivot toward digital trade and e-commerce accelerated during the pandemic, countering declines in traditional trade channels. Additionally, ongoing trade tensions with the United States, particularly the continuation of tariffs and technological restrictions, have prompted China to diversify its trade partnerships, strengthening ties with ASEAN countries (Huang & Liu, 2023).

### **2.7.3.2 Sector-Specific Impact of China's Economic Policies on Firm Internationalization**

Existing research reveals sectoral differences in how China's industrial policies, such as Made in China 2025, influence the internationalization of firms. Zhang, Li, and Wang (2019) found that Chinese technology firms receiving state incentives achieved 30% higher export volumes, benefiting from government-backed R&D and innovation policies. In contrast, Chen, Liu, and Zhang (2022) showed that manufacturing firms face significant trade barriers and geopolitical challenges, leading to a 15% decline in export growth to Western markets. Meanwhile, Wu and Li (2020) highlighted the success of service sector firms like Alibaba, which leveraged digital economy policies to achieve a 25% increase in international revenues. These studies underscore the uneven impact of China's policies across industries and the lack of research on sector-specific barriers and adaptive strategies.

New research highlights the tech-driven internationalization of Chinese firms. AI-enabled market strategies and e-commerce platforms have played pivotal roles in penetrating global markets, as noted by Huang and Chen (2024). Recent case studies on Huawei and Alibaba reveal how these companies leverage cutting-edge technologies to establish footholds in emerging economies. Additionally, Xu et al.

(2024) examine the role of state-backed funding in supporting green technology startups entering European markets.

### **2.7.3.3 China's Overseas Investments and Foreign Relations**

Empirical evidence on China's overseas investments, particularly under the BRI, points to both economic benefits and geopolitical implications. AidData (2021) demonstrated that China's infrastructure investments led to 5% GDP growth in recipient countries, particularly in sectors like energy and transportation. However, Hameed, Qiu, and Zheng (2022) highlighted the risks of debt dependency, citing cases such as Sri Lanka, where the debt-to-GDP ratio increased by 15% post-investment. Zhao, Wang, and Li (2023) further observed strengthened bilateral diplomatic ties following Chinese investments but noted local resistance stemming from transparency concerns and limited community engagement. These findings reveal the complex interplay between China's economic initiatives, fiscal sustainability, and its growing influence on global economic governance.

Recent literature by Lee et al. (2024) underscores the growing importance of green finance and ESG (Environmental, Social, and Governance) principles in shaping China's overseas investments. These initiatives foster deeper diplomatic ties while addressing global sustainability goals. Chen and Xu (2023) further analyze the impact of these investments on China's soft power, concluding that such initiatives have enhanced its global image as a responsible economic partner. Moreover, Li et al. (2024) demonstrate that China's ESG-driven investments in Africa have led to measurable improvements in local community development.

#### **2.7.4 Comparison of Research Methods**

The study adopts a mixed-methods approach to integrate the strengths of both quantitative and qualitative methods. This combination provides a comprehensive analysis by addressing both measurable economic impacts and the underlying dynamics of China's policies. For example, while quantitative analysis might reveal that BRI participation increases bilateral trade by 20%, qualitative interviews with policymakers help explain the challenges, such as debt sustainability and local economic misalignment. This integrated approach allows the study to answer "what" the impact of China's policies is through quantitative evidence, and "why" or "how" these outcomes occur using qualitative insights. By cross-validating data, mixed methods offer a balanced, holistic understanding of the study's research questions.

The sample size of 250 participants is sufficient for conducting PLS-SEM analysis, ensuring statistical power and reliability. Data quality will be assessed through measures of reliability (Cronbach's Alpha, CR), convergent validity (AVE), and discriminant validity (HTMT) to confirm the robustness of constructs. PLS-SEM is highly suitable for analyzing the complex relationships in your model, given its flexibility with sample size, non-normal data, and exploratory nature. This approach ensures that your study produces rigorous, reliable, and actionable results to evaluate the impacts of China's economic policies effectively.

#### **2.7.5 Gaps and Limitations**

##### **2.7.5.1 Gaps in Existing Research**

Most studies focus solely on the economic outcomes of China's initiatives, such as the Belt and Road Initiative (BRI), without insights into the diplomatic and political

consequences. For example, while there is empirical evidence showing that BRI increases trade volumes, less attention has been given to how it shifts geopolitical relations or affects diplomatic ties between China and recipient countries. This gap presents an opportunity to explore how economic statecraft is used alongside trade and investment policies to advance China's global influence. While much of the research on China's economic policies examines the general effects of state support on internationalization, fewer studies distinguish between sectors. Such as technology, manufacturing, and service sectors have different internationalization dynamics based on their dependence on state incentives, global competitiveness, and market access. Understanding how these industries are affected by China's industrial policies (e.g., Made in China 2025) is an area that has not been fully explored in previous literature. There is also a gap in the literature regarding the long-term economic and diplomatic consequences of China's overseas investments, particularly in developing countries. Existing studies focus mainly on short-term outcomes, such as GDP growth or infrastructure development, but fail to assess the sustainability of these investments, especially in terms of debt dependency and local political resistance. Understanding these long-term effects is crucial for evaluating whether China's investments lead to mutual growth or economic dominance.

#### **2.7.5.2 Methodological Limitations of the Study**

Despite the strengths of the mixed-methods approach, there are several limitations inherent in the study's design and data collection process. These limitations need to be acknowledged to contextualize the findings.

While panel data and time-series analysis offer robust quantitative insights, data availability can be a challenge, especially for less developed countries that may lack

reliable or consistent economic data. For instance, data on Chinese overseas investments may not always be comprehensive or uniformly reported, making it difficult to perform cross-country comparisons. Additionally, trade data from countries with weak reporting systems can result in biased or incomplete results. While a mixed-methods approach offers comprehensive insights, it also presents challenges in terms of integration of the two types of data. Combining quantitative econometric results with qualitative case studies requires careful analysis to ensure that the data are harmonized and aligned in a meaningful way. The process of cross-validating the results may lead to complexities in interpreting how the quantitative data supports the qualitative findings, and vice versa.

The study addresses several important gaps in the existing literature, particularly in terms of integrating economic and diplomatic impacts, examining sector-specific internationalization, and exploring the long-term consequences of China's overseas investments. However, limitations exist, particularly related to data availability, generalizability of qualitative findings, and the subjectivity of qualitative data. Acknowledging these limitations is crucial in ensuring that the findings are viewed with the appropriate level of caution. Despite these limitations, the mixed-methods approach provides a comprehensive and balanced view of China's economic policies and their implications for global trade and relations, contributing valuable insights to the field of International Political Economy (IPE).

## **2.8 Hypotheses Development Based on Literature**

This study draws on three interrelated theories to construct and interpret its four hypotheses. Neo-Liberal Institutionalism informs H1, which examines how structured economic agreements like the BRI facilitate trade growth through cooperation and

institutional mechanisms. H2 draws from International Political Economy (IPE) and Political Realism, as it explores how infrastructure investments are politically interpreted and influenced by domestic political dynamics. H3 and H4 are grounded in Dependency Theory, as they investigate how China's industrial policies and FDI create or reinforce economic dependence that shapes internationalization outcomes and economic growth. IPE further supports H4 by contextualizing how China's outward economic strategies function within global structural power dynamics. Each hypothesis is informed by a theoretical lens, as clarified below. The research problem is the foundation of this study, focusing on understanding the multidimensional impacts of China's economic policies on global trade, diplomatic relationships, and the internationalization of its domestic industries. The core question identified is that "How do China's economic policies influence its foreign relations, trade dynamics, sector-specific internationalization, and economic outcomes in partner countries?"

This problem statement sets the stage for a systematic investigation into the roles of infrastructure investments, industrial policies, and foreign direct investments (FDI) in shaping China's global economic engagement.

A thorough literature review highlights critical aspects that Belt and Road Initiative (BRI) extensively linked to increases in trade volumes and infrastructure development in participating nations. Prior studies (Morrison, 2019; Paul, 2021) note varying effectiveness based on regional and economic contexts. And infrastructure Investments that empirical studies suggest positive correlations between infrastructure investments and improved diplomatic relationships (Hong, 2021; Lin, 2020), though mechanisms remain underexplored. Sector-specific effects of policies like "Made in China 2025" show significant impacts on technology exports but limited benefits in

traditional manufacturing sectors. FDI inflows from China correlate with GDP growth in recipient countries, often tied to infrastructure indices and employment gains, but questions about long-term sustainability persist (Lin & Zhu, 2020).

This study systematically defines its variables to ensure precision. Independent variables (IVs) such as participation in the Belt and Road Initiative (BRI), poverty alleviation policies, economic interaction policies, and trade and Investment policies. And dependent variables (DVs) like diplomatic relationships, business globalization dynamics. Moderate variables like political dynamics and economic interdependence.

H1–H2 are guided by Neo-Liberal Institutionalism, explaining China's pursuit of institutionalized foreign economic partnerships. Based on an extensive literature review, combined with the real-world case studies and theoretical analysis, the following hypotheses were formulated as follows,

**H1:** Participation in the Belt and Road Initiative (BRI) significantly increases the trade volume between China and participating countries, especially driven by infrastructure investments and economic interaction policies.

Participation in the BRI is expected to enhance trade relationships through improved infrastructure and reduced trade barriers. Du and Zhang (2018) found that the BRI facilitates increased Chinese overseas direct investment and trade, particularly in participating countries. Similarly, Hurley, Morris, and Portelance (2018) highlight that BRI-related investments have led to strengthened economic ties and expanded trade volumes, further supporting this hypothesis. Cheng, L., & Wang, L. (2021) explores how the Belt and Road Initiative promotes trade growth between participating countries, especially through infrastructure investments. And Zhou, Y. (2019)

analyzes how the Belt and Road Initiative enhances bilateral trade between China and participating countries and discusses the economic policies that strengthen these trade relations.

Null Hypothesis (H0): Participation in the Belt and Road Initiative does not significantly affect trade volumes between China and participating countries.

Alternative Hypothesis (H1): Participation in the Belt and Road Initiative significantly increases the trade volume between China and participating countries, with enhanced effects in countries with active BRI infrastructure projects.

H2: China's use of infrastructure investments as part of its economic policies improves diplomatic relationships with partner countries, as reflected in trade agreements and political statements, and political dynamics moderate this process.

Infrastructure investments, which is a core component of China's economic policies, are hypothesized to strengthen diplomatic ties by fostering mutual benefits. Lin and Wang (2020) identify the Belt and Road Initiative as a tool for enhancing China's diplomatic influence, framing it as a global public good. Nye (2021) also discusses how economic investments, such as infrastructure development, can function as instruments of soft power, improving international relationships. Li (2020) analyzes how infrastructure investments within the Belt and Road framework enhance China's diplomatic relations with partner countries, emphasizing the role of political dynamics in China's foreign policy. Feng, H., & Zhang, R. (2021) delves into how China improves diplomatic relations through infrastructure building, particularly the influence of political factors. And Paul (2020) discusses how political dynamics act as a moderating variable, influencing diplomatic and economic cooperation between

nations in the context of economic interaction and infrastructure investments.

Null Hypothesis (H0): China's infrastructure investments under economic policies do not significantly improve diplomatic relationships with partner countries.

Alternative Hypothesis (H1): China's infrastructure investments significantly improve diplomatic relationships, as reflected in trade agreements and political statements.

H3–H4 reflect Dependency Theory, predicting the impact of economic interdependence on internationalization and diplomatic behavior.

H3: China's industrial policies (e.g., Made in China 2025) have a greater impact on the internationalization of technology firms than on manufacturing firms, as evidenced by sectoral export data and stakeholder interviews, with economic interdependence being an important moderating variable in this impact.

Industrial policies, such as "Made in China 2025," are hypothesized to have a more substantial impact on the internationalization of technology firms due to targeted incentives and strategic support. Lee and Malerba (2017) found that these policies play a critical role in promoting technological advancement and global competitiveness in high-tech sectors. Tzeng (2020) corroborates this by showing that high-tech industries benefit significantly from China's industrial policies, outperforming traditional manufacturing in export growth. He, J., & Wang, Z. (2018) analyzes the impact of the "Made in China 2025" policy on the internationalization of technology firms, especially in high-tech sectors, based on export data. Guo, M., & Li, Z. (2021) discusses how industrial policies promote internationalization by supporting specific industries, such as the technology sector. And Smith (2022) explores how economic

interdependence acts as a moderating variable affecting the differential impact of industrial policies on the internationalization of firms in various sectors.

Null Hypothesis (H0): China's industrial policies do not have a greater impact on the internationalization of technology firms compared to manufacturing firms.

Alternative Hypothesis (H1): China's industrial policies have a greater impact on the internationalization of technology firms than on manufacturing firms, evidenced by export growth and stakeholder interviews.

H4: Countries receiving China's foreign direct investment (FDI) experience significant economic growth within five years, as measured by GDP and infrastructure development indices, with economic interdependence playing a key moderating role in this growth.

China's foreign direct investment (FDI) strategies are hypothesized to drive economic growth in recipient countries, as reflected in GDP increases, infrastructure improvements, and employment growth metrics within five years of investment. Brautigam (2020) critically examines the outcomes of Chinese FDI, showing positive economic impacts in many recipient countries. Dreher et al. (2018) provide empirical evidence linking Chinese FDI and aid to growth in GDP and infrastructure metrics, further substantiating this hypothesis. Deng, P., & Zhang, M. (2019) shows that countries receiving Chinese foreign direct investment typically experience significant growth in GDP and infrastructure, particularly over a five-year period. Wang, C., & Chen, J. (2020) analyzes the impact of Chinese FDI on recipient countries' economies, particularly the relationship between GDP growth and infrastructure development. And Tung, L. (2019) explores how economic interdependence moderates the impact

of Chinese FDI on economic growth in developing countries, particularly in terms of infrastructure and GDP growth.

Null Hypothesis (H0): Countries receiving China's foreign direct investment do not experience significant economic growth within five years.

Alternative Hypothesis (H1): Countries receiving China's foreign direct investment experience significant economic growth within five years, reflected in GDP increases, infrastructure improvements, and employment gains.

These hypotheses provide a structured framework for analyzing the effects of China's economic policies across multiple dimensions, supported by recent and relevant scholarly research.

### **2.8.1 Linking Research Objectives and Hypotheses**

To ensure coherence between the research design and the empirical investigation, each hypothesis developed in this study is directly aligned with the corresponding research objective. Specifically, H1 is formulated to address Research Objective 1 (RO1), which investigates the impact of China's participation in the Belt and Road Initiative (BRI) on trade volume with partner countries. H2 corresponds to Research Objective 2 (RO2), examining how China's infrastructure investments influence diplomatic ties, with political dynamics acting as a moderating variable. H3 supports Research Objective 3 (RO3), which evaluates how China's industrial policies (such as Made in China 2025) affect the internationalization of technology firms, with economic interdependence as a moderator. H4 aligns with Research Objective 4 (RO4), analyzing the effect of China's foreign direct investment (FDI) on economic growth in

recipient countries, also moderated by economic interdependence. This alignment ensures that both the quantitative and mixed-method elements of the study are theoretically grounded and empirically traceable.

## **2.9 Research Gaps and Contributions**

While numerous studies have examined the economic outcomes of China's policies, such as the Belt and Road Initiative (BRI), few have explored the interplay between economic impacts and diplomatic relationships. Existing research often focuses solely on quantitative trade or GDP data without evaluating the political and strategic implications of China's economic initiatives (Lin & Wang, 2021). Studies like AidData (2021) report GDP increases due to BRI investments but do not address the long-term political consequences, such as debt diplomacy or shifting alliances. This study will integrate quantitative trade and investment data with qualitative diplomatic insights, offering a comprehensive analysis of China's global economic influence. The literature lacks sectoral analysis on how state-driven policies, such as Made in China 2025, differentially impact the internationalization strategies of firms in technology, manufacturing, and services. Most existing studies adopt a macroeconomic perspective, neglecting industry-level heterogeneity and firm-specific challenges (Zhang et al., 2019; Chen et al., 2022). Zhang et al. (2019) identify export subsidies' positive effects on Chinese firms but do not distinguish between sectoral impacts. Similarly, Chen et al. (2022) highlight trade barriers but focus only on manufacturing firms. By conducting a sector-specific analysis, this study will provide insights into how policies uniquely affect firms across industries, filling the gap in firm-level internationalization research. And most existing studies employ either quantitative or qualitative methods, limiting their ability to provide a holistic understanding of the

impacts of China's policies. Additionally, short-term studies fail to capture the long-term economic and political effects of initiatives like the BRI (Smith & Brown, 2020; Zhao, 2022). Smith and Brown (2020) analyze trade impacts of the BRI but focus on a five-year window, missing long-term sustainability concerns. This study employs a mixed-methods approach (quantitative econometric models and qualitative case studies) and incorporates longitudinal data (2010–2023) to analyze both short-term impacts and long-term trends of China's economic policies. Current research highlights the economic benefits of Chinese investments but often underestimates the debt dependency risks for developing countries. While scholars note the GDP gains from BRI investments, there is limited discussion on how these projects affect fiscal sustainability and local governance (Wang et al., 2020; Lin & Wang, 2021). Wang et al. (2020) highlight infrastructure gains in Africa but do not critically address how rising debt-to-GDP ratios may undermine long-term economic independence. This study will critically evaluate the trade-offs between infrastructure-led growth and debt sustainability, offering policy recommendations to manage economic dependency risks.

## **2.10 Conclusion**

In conclusion, this chapter has presented reviewed literature on the variables of the study. It has discussed economic development in China, lending to developing nations, the relationship between USA and China, foreign policy and international relations, principles of Chinese foreign policy, and theories relevant to the study. From the literature review, it can be noted that most of the studies were conducted before 2021. Hence, the need for research to provides the newest data on the topic of research. This study applies Dependency Theory and Neo-Liberal Institutionalism to examine the

dual effects of China's economic policies. Dependency Theory analyzes the potential economic dependency risks arising from China's Belt and Road Initiative (H1), while Neo-Liberal Institutionalism explores how China's infrastructure investments foster diplomatic relationships and bilateral cooperation (H2). Additionally, the study incorporates the International Political Economy (IPE) framework to investigate the sectoral impact of China's industrial policies and the economic outcomes of its foreign direct investment (FDI). Specifically, it hypothesizes that China's industrial policies, such as Made in China 2025, have a greater impact on the internationalization of technology firms compared to manufacturing firms (H3), and that countries receiving China's FDI experience significant economic growth within five years, measured by GDP growth and infrastructure development indices (H4). By testing these hypotheses through empirical data and case analysis, the study aims to uncover the mechanisms through which China's economic policies contribute to global trade, sectoral internationalization, and economic development, while also highlighting their geopolitical implications. The empirical review highlights several important findings from the existing literature on China's economic policies, international trade, firm internationalization, and global investments. First, empirical studies on China's Belt and Road Initiative (BRI) demonstrate its positive impact on bilateral trade, with participating countries experiencing an average increase in trade volumes of 15-20%. However, concerns about debt sustainability and economic dependency in recipient countries remain prominent, highlighting the need for a deeper understanding of the economic and diplomatic consequences of such investments. Second, research on China's industrial policies, particularly Made in China 2025, reveals that state-led support in sectors like technology and manufacturing has significantly enhanced the internationalization of Chinese firms. Technology firms have benefitted from R&D

subsidies and government-backed financing, although geopolitical tensions and trade barriers continue to pose challenges. Lastly, studies on China's overseas investments indicate that while these investments contribute to economic growth in developing countries, they also lead to an increase in debt-to-GDP ratios, raising concerns about long-term fiscal sustainability.

The empirical findings point to several critical gaps in the literature, particularly the lack of sector-specific analysis on the internationalization of Chinese firms, and the limited integration of qualitative insights alongside quantitative data in evaluating the diplomatic and economic impacts of China's policies. These gaps underscore the need for a comprehensive approach that combines both economic data and contextual understanding to capture the full complexity of China's global influence.

Providing these insights into this study that aims to bridge these gaps by adopting a mixed-methods approach, combining quantitative econometric models with qualitative interviews and case studies. The next section of the study will delve into the research framework and hypothesis development, where we will outline the key variables and constructs based on the empirical findings and theoretical foundation established in this review.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

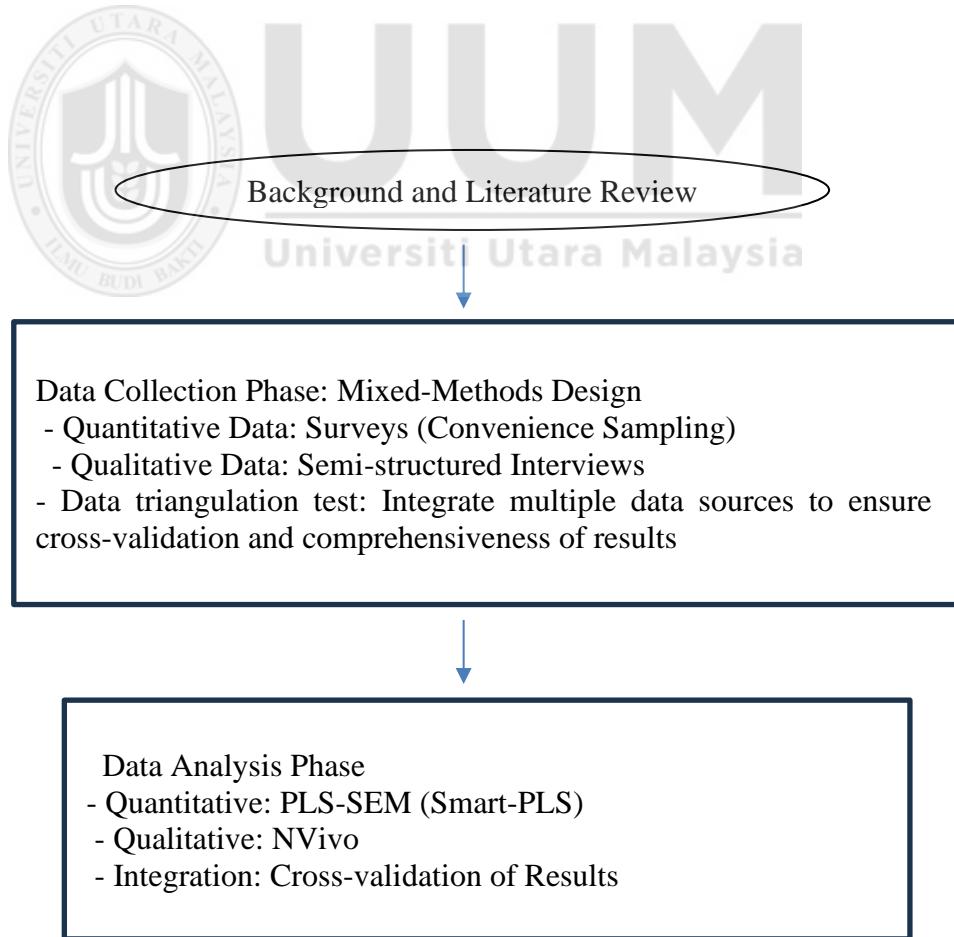
#### **3.1 Introduction**

This chapter revolved around the methods and tools applied while investigating China's foreign relations policies and their globalization strategy. The approach taken to address the four research questions posed in this study was multifaceted, involving the use of multiple tools. They stressed the sample, population, sampling technique, research design, research technique, data collection, pilot study, and Data Analysis. This approach provided an essential foundation as the interaction between economic policies and international dynamics was complicated. Through this process, they tried to highlight the methods and hopefully give clarity and transparency to the research process, bringing reliability and validity to the results. Using a detailed research design, including a sample selection and data collection method, they aimed to create a sturdy framework for a deeper understanding of the complex connections between economics and geopolitics. This is by integrating the two approaches, which emphasize the complexity of the research questions and the different facets of the economic engagement between China and the global community.

#### **3.2 Research Design**

A research method refers to the strategy, process, or technique the researcher adopts in collecting data or evidence for analysis to understand the study phenomenon.

Various research methods, including quantitative and qualitative techniques, are adopted in undertaking an empirical study. By employing a mixed-methods approach, the study integrates quantitative data from structured surveys and qualitative insights from semi-structured interviews with 250 participants, including policymakers, business leaders, and trade association representatives. Key findings reveal that China's economic policies significantly influence its foreign relations and internationalization strategies, promoting global connectivity while facing resistance in certain geopolitical contexts. The results provide theoretical contributions to the field of international political economy and practical insights for policymakers and business stakeholders engaging with China's evolving global strategies. The following flowchart visually illustrates the research design and implementation process.



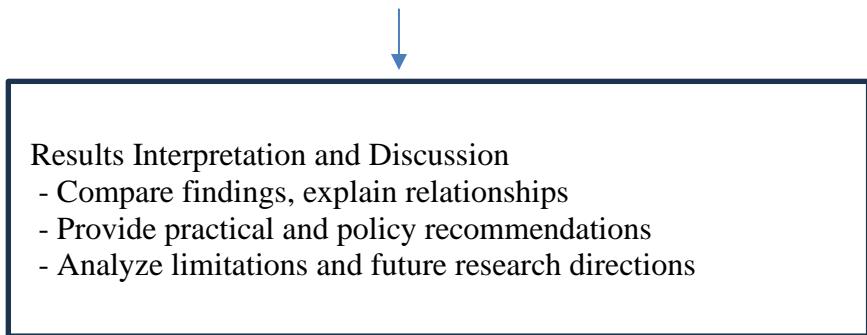


Figure 3.0 Research Process Flow

The research design adopts a mixed-methods approach to explore the impact of China's economic policies on foreign relations and internationalization. This approach integrates quantitative surveys and qualitative interviews to capture the complexity of the research objectives. A structured research flow is critical for ensuring clarity and coherence in the study's implementation.

The research begins with a thorough literature review to establish the theoretical foundation and identify gaps. The data collection phase combines convenience sampling for quantitative surveys with targeted semi-structured interviews with experts and government officials. Data analysis is conducted using structural equation modeling (SEM) for the quantitative data, while qualitative data is examined through thematic analysis to extract patterns and themes. The final phase involves integrating and interpreting findings, drawing policy recommendations, and discussing limitations and future research directions.

To enhance understanding, a flowchart is provided that visually outlines the entire research process. This visualization helps readers grasp the logical flow from problem identification to data collection, analysis, and interpretation, showcasing the researcher's methodological rigor and strategic planning.

The quantitative research design utilizes a systematic examination of study variables and phenomena by collecting numerical data that can be quantified to perform a statistical or mathematical computation to establish potential associations objectively (Gephart, 2013). The quantitative research method relies on collecting and analyzing numerical data, allowing researchers to identify patterns, test hypotheses, and establish relationships between variables in a more objective and measurable way. This approach is particularly useful when the research aims to quantify the magnitude, frequency, or extent of a particular phenomenon (Creswell & Creswell, 2017).

In contrast, qualitative research is performed in a contextual form that collects the data based on the respondents' experiences, emotions, and behaviors (Gephart, 2013). This technique allows the researcher to understand better the study phenomena and concepts and their social interaction (Cameron & Molina-Azorin, 2011). Qualitative research often relies on in-depth interviews, focus groups, and observations to explore the nuances and complexities of human experiences and perceptions (Bryman & Bell, 2007). Bryman and Bell (2007) indicated that qualitative research provides deeper responses and a truly detailed picture of why phenomena under evaluation behave in a certain way, as well as the thoughts and emotions of the respondents regarding the actions.

Quantitative and qualitative methods can be valuable in the context of the current study, which seeks to examine the state of the economy in China and establish potential relationships between internationalization, foreign policy, and economic development. The quantitative approach can collect and analyze numerical data, such as economic indicators, trade statistics, and foreign investment flows, to identify patterns and trends. This can provide a comprehensive understanding of the economic landscape and the

linkages between China's international engagement and economic development. At the same time, the qualitative approach can be employed to gain deeper insights into the perceptions, experiences, and decision-making processes of key stakeholders, such as policymakers, business leaders, and economic experts. The researcher can explore the nuances and contextual factors that shape China's economic policies, foreign relations, and development strategies through in-depth interviews and focus group discussions. This can help to uncover the underlying drivers, challenges, and implications of China's international economic engagement.

By adopting a mixed research approach, the researcher can leverage the complementary strengths of quantitative and qualitative methods to develop a more holistic and multifaceted understanding of the research problem. The quantitative data can provide the necessary empirical evidence and statistical relationships, while the qualitative data can offer a deeper, contextual understanding of the phenomena under investigation. Integrating these two approaches can lead to richer insights, more robust findings, and a more comprehensive analysis of the complex interplay between China's internationalization, foreign policy, and economic development.

### **3.2.1 Data Triangulation**

In this study, data triangulation is employed to enhance the credibility and robustness of the findings. Triangulation is the process of using multiple data sources, methods, or perspectives to cross-validate the research findings and provide a more comprehensive understanding of the phenomena being studied (Creswell & Plano Clark, 2018). Specifically, this research combines quantitative data from structured surveys and qualitative data from semi-structured interviews. By employing both these methods, this study ensures that the insights obtained from one method can be cross-

validated against the findings from the other, which strengthens the overall conclusions of the study and mitigates any biases that could arise from relying on a single method alone. Data triangulation was critical in this study, as it helped cross-check and compare information derived from different sources. The quantitative data collected from surveys provide measurable and generalizable insights into China's economic policies, foreign relations, and internationalization. The qualitative data collected from semi-structured interviews with business leaders, government officials, and economic experts offer richer, more contextualized views, enabling a deeper understanding of how these policies manifest in real-world scenarios. The combination of these two methods not only strengthens the reliability of the results but also ensures that the study presents a well-rounded view of the complex dynamics between economic policies and foreign relations. To enhance the validity of the results, triangulation was applied during the data analysis phase as well. The quantitative data from the survey were analyzed using statistical techniques like correlation analysis to identify patterns in the relationship between economic policies and internationalization. These findings were then compared with qualitative insights gained from interviews, where thematic analysis was used to extract commonalities and differences in participants' perceptions. By integrating both types of data, this research provides a more comprehensive understanding of the topic and allows for the cross-validation of results, ensuring the robustness and reliability of the study's findings. Triangulation plays a crucial role in strengthening the validity and reliability of this study. By using multiple data sources and methods, it allows for the verification of findings across different perspectives, thereby reducing the likelihood of method-specific biases (Flick, 2018). The use of quantitative data from the survey ensures objectivity and generalizability, while the qualitative data from interviews provide depth and contextual richness. The

convergence of these two forms of data across multiple perspectives enhances the overall robustness of the study, ensuring that the results are not only accurate but also comprehensive. There is an example in the study context (China's Economic Policies) as follows. survey findings (Quantitative) that the survey data may show a statistical correlation between China's foreign direct investment (FDI) policies and international trade openness. And interview insights (Qualitative) that interviewees may explain the real-world implications of these policies, such as how Chinese firms perceive the opportunities or challenges brought about by the government's FDI policies in specific regions. By triangulating these two data sources, you can validate that the statistical relationship between policies and trade openness aligns with what the participants believe or experience in practice, further confirming the findings.

Incorporating triangulation will make the methodology section more rigorous and transparent, demonstrating the strength and credibility of your findings. By explicitly discussing how triangulation is used in data collection, analysis, and validation, researcher will provide a clearer understanding of how the mixed-methods approach enhances the study's overall credibility and validity.

### **3.3 Research Philosophy**

A pragmatic research philosophy would be most appropriate for the current study examining the influence of China's economic policy on foreign relations and internationalization. Pragmatism is a philosophical approach that emphasizes knowledge's practical consequences and utility, focusing on solving real-world problems and achieving desired outcomes (Creswell & Creswell, 2017). In the context of this study, pragmatism aligns well with the research objectives, which seek to understand the tangible impact of China's economic policies on global diplomacy and

business practices.

Pragmatism acknowledges the dynamic and multifaceted nature of social phenomena, recognizing that different perspectives and approaches may be necessary to comprehensively understand complex issues (Creswell & Creswell, 2017). In studying China's economic policies, which involve intricate interactions between government regulations, market forces, and international relations, a pragmatic approach allows researchers to adopt a flexible and adaptive stance, drawing on diverse methodologies and theories to address research questions effectively.

One key tenet of pragmatism is its emphasis on empirical inquiry and experimentation, prioritizing evidence-based analysis over abstract theorizing (Creswell & Creswell, 2017). In the current study, this translates to a focus on collecting empirical data through surveys, interviews, and statistical analysis to examine the concrete outcomes of China's economic policies on foreign relations and internationalization. By grounding the research in empirical evidence, pragmatism ensures that the findings are relevant, practical, and applicable to real-world contexts.

Moreover, pragmatism encourages researchers to embrace pluralism and inclusivity, welcoming diverse perspectives and methodologies to pursue knowledge (Creswell & Creswell, 2017). In studying China's economic policies, which have far-reaching implications for various stakeholders, including governments, businesses, and civil society organizations, a pragmatic approach allows researchers to engage with various actors and viewpoints. By incorporating multiple perspectives into the research process, pragmatism facilitates a more holistic and nuanced understanding of the complex interactions between economic policy, geopolitics, and globalization.

Furthermore, pragmatism promotes a problem-solving orientation, urging researchers to focus on practical solutions and actionable recommendations (Creswell & Creswell, 2017). In the current study context, this means identifying concrete policy implications and strategic insights that can inform decision-making by policymakers, business leaders, and other relevant stakeholders. By emphasizing the practical relevance of the research findings, pragmatism ensures that the study contributes meaningfully to addressing real-world challenges and opportunities arising from China's economic policies.

Additionally, pragmatism encourages reflexivity and self-awareness, prompting researchers to critically reflect on their assumptions, biases, and values throughout the research process (Creswell & Creswell, 2017). In studying China's economic policies, which are shaped by complex geopolitical dynamics and historical legacies, a pragmatic approach requires researchers to acknowledge the limitations of their perspectives and engage in ongoing dialogue with diverse stakeholders. By fostering reflexivity, pragmatism enhances the rigor and integrity of the research process, ensuring that the findings are grounded in a nuanced understanding of the social and political context.

### **3.4 Conceptual Framework**

The following research framework has been developed to illustrate the effects and relationships between the independent and dependent variables and the role of moderating variables. There are three types of variables in the current study: DV, IV and MV.

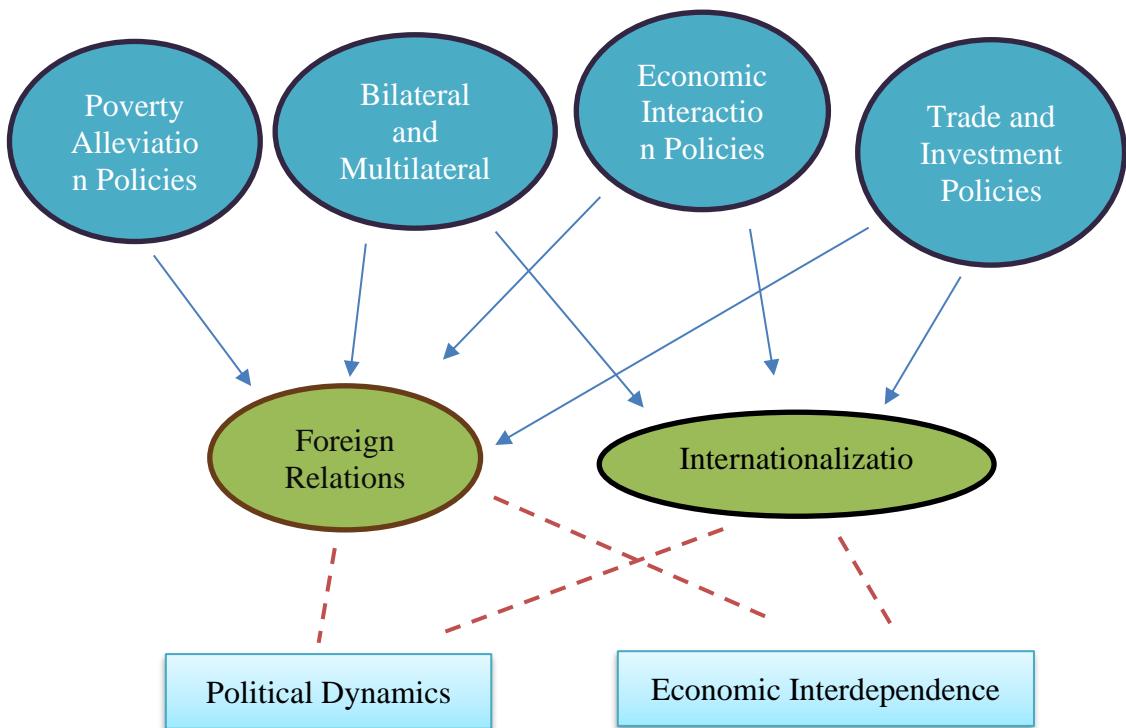


Figure 3.1 Conceptual Framework

The framework operationalizes relationships derived from Dependency Theory (e.g., Economic Policy → Foreign Relations moderated by Economic Interdependence) and Neo-Liberal Institutionalism (e.g., BRI → Multilateral Engagement). The moderators reflect the theorized interaction between structural dependence and institutional cooperation. This conceptual framework seeks to examine the effect of economic policies on foreign relations and internationalization. The economic policies, as a variable, are represented by four independent variables: trade and investment policies, poverty alleviation policies, economic interaction policies, and bilateral and multilateral policies. The moderating variables are political dynamics and economic interdependence. The dependent variable is foreign relations and internationalization.

This conceptual framework examines the effect of economic policies on foreign relations and internationalization, incorporating independent variables, dependent

variables, and moderating variables. Economic policies are represented by the independent variables: trade and investment policies, poverty alleviation policies, economic interaction policies, and bilateral and multilateral policies. Trade and investment policies are measured through trade volume trends, foreign direct investment inflows, and the trade openness index. Poverty alleviation policies are assessed based on government expenditure on poverty reduction programs, poverty rate trends, and accessibility to basic services such as education and healthcare. Economic interaction policies are gauged by examining regional trade agreements, joint ventures, cross-border investments, and participation in global economic forums. Bilateral and multilateral policies are measured through the number of agreements signed, their economic outcomes such as GDP growth contributions, and diplomatic indices related to international cooperation. The dependent variables are foreign relations and internationalization, which are treated separately in the analysis. Foreign relations are measured by diplomatic engagement indices, the number of state visits, treaties, and international influence rankings, while internationalization is assessed through the global expansion of Chinese multinational enterprises, international revenue generation, and market penetration of Chinese products. Political dynamics and economic interdependence are the moderating variables. Political dynamics are measured by political stability indices, the level of geopolitical tensions, and public policy stability, whereas economic interdependence is measured by bilateral trade dependency ratios, mutual FDI inflows and outflows, and shared membership in global economic institutions. Interaction terms were created to test the moderating effects of political dynamics and economic interdependence on these relationships. The main analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM), which allowed for a more sophisticated evaluation of the structural

relationships between latent variables. PLS-SEM also included interaction terms to test the moderation effects and assessed the predictive power of the model through R-squared and Q-squared values.

In this study, the PLS-SEM method was employed to examine the more complex relationships between latent variables, such as 'economic policies' and their impact on the dependent variables 'foreign relations' and 'internationalization'. PLS-SEM allowed for the inclusion of both direct and indirect effects and enabled researcher to incorporate moderating variables like political dynamics and economic interdependence. PLS-SEM was the core technique for testing the hypotheses and evaluating the structural model. This approach was crucial in understanding the complex and multidimensional relationships in the study.

The conceptual framework illustrates the relationships between the independent variables, dependent variables, and moderating variables in the study. The independent variables including Bilateral and Multilateral Policies, Poverty Alleviation Policies, Economic Interaction Policies, and Trade and Investment Policies that directly influence the dependent variables, namely Foreign Relations and Internationalization. Additionally, the moderating variables including Political Dynamics and Economic Interdependence adjust the strength and direction of these relationships. Political Dynamics moderates the impact of independent variables on Foreign Relations and Internationalization, while Economic Interdependence moderates the relationship between the independent variables and foreign relations and Internationalization. This framework highlights the direct and moderate pathways through which policies influence foreign relations and the internationalization process.

Political dynamics refers to the political environment and government policies that influence economic activities, diplomatic relations, and internationalization strategies. This includes factors such as changes in government leadership, adjustments in policy direction, interactions between political parties, and political stability within a country. As a moderating variable, political dynamics can influence how economic policies affect diplomatic and economic outcomes at the international and cross-border levels.

According to Neo-liberal Institutionalism Theory, state policies and government actions are key factors in shaping international relations. In this theoretical framework, political dynamics impact how governments use foreign policy to establish cooperation or competition with other countries. In your research, political dynamics may moderate the relationship between China's economic policies and its foreign relations and internationalization strategies. Specifically, changes in government policy may either amplify or attenuate the diplomatic effects of economic policies. For example, a politically stable government is more likely to push for free trade agreements, foster foreign investment, and promote the internationalization of Chinese businesses, while political instability may lead to policy uncertainty, which in turn can affect the execution of economic policies.

The integration of these theories is visually represented in the conceptual framework (Figure 3.1), where each theory informs specific constructs and hypotheses. For instance, Neo-liberal Institutionalism supports hypotheses related to cooperative economic engagements and their outcomes. Dependency Theory addresses hypotheses regarding the asymmetrical economic relations influenced by China's policies. And International Political Economy grounds the macro-level analysis of economic policies and global interactions.

In addressing the theoretical underpinnings of this research, the study integrates three main theories that Neo-liberal Institutionalism, Dependency Theory, and International Political Economy (IPE). Each of these theories offers unique perspectives and explanatory power that contribute to understanding the research questions and the conceptual framework of this study. The integration and application of these theories are clarified as below.

Neo-liberal Institutionalism emphasizes the role of international institutions and cooperation in fostering economic growth and stability. This theory is integrated into the research framework by examining how China's economic policies, such as the Belt and Road Initiative (BRI), leverage international institutions and agreements to strengthen bilateral and multilateral relations. For example, the study evaluates how institutional frameworks facilitate China's foreign policy objectives and its internationalization strategies.

In the conceptual model, Neo-liberal Institutionalism is used to explain the mechanisms through which China's engagement in global institutions promotes diplomatic relations and economic interdependence. The findings from bilateral and multilateral trade agreements, as analyzed in Objectives 2 and 4, underscore the importance of institutional collaboration in shaping foreign relations.

Dependency Theory provides insights into the asymmetrical relationships between developed and developing economies, often emphasizing how dominant economies influence the developmental trajectories of dependent states. This theory is utilized to understand China's global economic engagements, especially in its lending practices and investment strategies in developing countries. The research employs Dependency

Theory to analyze how China's economic policies, particularly its investments through the BRI and other financial mechanisms, create interdependencies that may enhance or constrain the economic sovereignty of partner countries. In the model, this theory is examined in Objectives 3 and 4, which focus on the implications of China's policies for the internationalization of businesses and the diplomatic consequences for partner nations.

The IPE framework is pivotal in exploring the intersections between economics and politics in the global arena. This theory underpins the analysis of how China's domestic economic reforms and international economic strategies influence its political relationships and global standing. The IPE approach is integrated into the framework to examine trade dynamics, the strategic use of economic incentives, and the geopolitical implications of China's policies. In the conceptual model, IPE helps to elucidate the broader geopolitical strategies embedded within China's economic policies. This is particularly evident in Objective 1, which examines key indicators such as GDP growth, trade volumes, and FDI inflows, and Objective 2, which explores the strategic dimensions of China's multilateral engagements.

The research framework synthesizes these theories to provide a comprehensive understanding of the interplay between China's economic policies and its foreign relations. Each theory is strategically placed within the conceptual model to address specific aspects of the research questions that Neo-liberal Institutionalism explains institutional mechanisms and international cooperation. Dependency Theory highlights the interdependencies and potential asymmetries in China's global economic engagements. IPE offers a macro-level perspective on the political and economic strategies driving China's internationalization.

By integrating these theories, the study constructs a multidimensional analytical lens that captures the complexity of China's economic policies and their impact on foreign relations and internationalization. This approach ensures that the research questions are addressed comprehensively and that the theoretical foundations are clearly linked to the empirical findings.

Political dynamics play a crucial role in the implementation and success of economic policies. The political environment in China, characterized by its centralized and authoritative government, significantly impacts how economic policies are designed and executed. Political stability and the government's strategic decisions can enhance or hinder economic initiatives aimed at fostering foreign relations and internationalization. Political dynamics also influence China's diplomatic strategies. The government's political stance and diplomatic efforts shape bilateral and multilateral relationships, impacting how other countries perceive and engage with China. Positive political dynamics can lead to stronger diplomatic ties, which in turn facilitate smoother economic interactions and internationalization efforts. The nature of political relationships, whether cooperative or conflictual affects economic exchanges. Political dynamics can lead to trade agreements, alliances, or sanctions, all of which impact economic relations. Thus, understanding political dynamics helps explain variations in the effectiveness of economic policies on internationalization and foreign relations.

In the framework, political dynamics can affect how economic policies are interpreted by different countries and the impact they have on bilateral and multilateral relationships. For example, China's "Reform and Opening-up" policies, when supported by internal political stability and consistent government leadership, are more

likely to promote China's internationalization; conversely, political instability or policy changes may reduce foreign investment or cause misunderstandings of diplomatic policies.

Economic interdependence refers to the mutual dependence between countries or regions in terms of trade, investment, and industrial chains. As globalization progresses, the interconnectedness of economies increases, and this interdependence influences how economic policies are implemented internationally. The degree of economic interdependence varies between countries and affects the internationalization outcomes of their policies.

According to International Political Economy (IPE) Theory, economic interdependence between countries plays an important role in either promoting or constraining the impact of economic policies. Economic interdependence encompasses not only trade relations but also technological transfers, capital flows, and cross-border mergers and acquisitions by multinational corporations. In the context of China, economic interdependence can help expand China's global economic influence by strengthening trade and investment relations with other countries, thus supporting the internationalization of Chinese economic policies. Conversely, countries with weaker economic interdependence with China may respond less strongly to China's economic policies, reducing their diplomatic and economic effects.

Economic Interdependence directly links China's economic policies to its foreign relations and internationalization efforts. It highlights the mutual economic benefits and dependencies that arise from trade, investment, and financial connections between China and other countries. Economic Interdependence facilitates international

engagement by creating a network of economic relationships that support trade and investment flows. This interconnectedness helps smooth the path for Chinese businesses entering international markets and fosters positive diplomatic relationships. The interdependent economic relationships act as a stabilizing factor in international relations. When countries are economically interdependent, they have a vested interest in maintaining stable and positive relations to protect mutual economic benefits. This helps in mitigating conflicts and promoting cooperation. In the research, economic interdependence acts as a moderating variable by influencing how China's economic policies shape diplomatic relations and the internationalization of Chinese businesses across different sectors. For example, countries with high economic interdependence with China are likely to respond more positively to China's economic policies, facilitating the internationalization of Chinese businesses in these markets. On the other hand, countries with lower levels of economic interdependence may show less responsiveness to China's policies, thus weakening the diplomatic effects and slowing the internationalization process.

The dependent variables are Foreign Relations and Internationalization that Foreign Relations is measured using indicators such as the frequency of bilateral and multilateral diplomatic engagements, the number of strategic partnerships formed, and trade volumes between China and its key partners. Data is sourced from international relations reports and governmental publications. Internationalization is assessed by the extent of Chinese firms' global expansion, measured through metrics such as the number of overseas subsidiaries, foreign market share, and the volume of outbound investments. These data points are derived from corporate reports and trade statistics.

The independent variables include Poverty Alleviation Policies that measured through

the annual government expenditure on poverty reduction programs, the number of individuals lifted out of poverty, and regional development indices. Data is obtained from government reports and international development organizations. Bilateral and Multilateral Policies that assessed by the number and scope of trade agreements, diplomatic accords, and cooperative frameworks signed with other nations or international organizations. Data sources include government publications and international treaties. Economic Interaction Policies that measured by trade intensity indices, cross-border investment volumes, and the frequency of economic forums or summits hosted by China. These metrics are collected from trade databases and international economic reports. Trade and Investment Policies that evaluated through tariff rates, trade facilitation measures, foreign direct investment (FDI) inflows and outflows, and the extent of trade liberalization initiatives. Data is sourced from international trade organizations and government statistics.

The moderator variables are Political Dynamics and Economic Interdependence. Political Dynamics that measured using indicators such as Political Stability, assessed through the World Bank's Governance Indicators. Economic Interdependence that measured by Trade Dependence, calculated as the bilateral trade volume with partner countries divided by total trade volume.

Validation of the measurements involves both quantitative and qualitative approaches. Quantitatively, Partial Least Squares Structural Equation Modeling (PLS-SEM) ensures construct reliability and validity using metrics such as composite reliability ( $CR > 0.7$ ), average variance extracted ( $AVE > 0.5$ ), and factor loadings within the acceptable range (0.6-0.9). Qualitative validation includes thematic analysis of semi-structured interview data, cross-referencing empirical findings with theoretical

constructs. This comprehensive approach ensures that the research framework is robust, precise, and aligned with the objectives of the study.

Political dynamics may moderate the strength of China's economic policies' diplomatic effects by influencing the government's ability to implement foreign policy. Political reforms or political stability can strengthen or weaken the government's ability to execute foreign policies, which in turn affects the economic interaction and internationalization process. Economic Interdependence that countries with higher levels of economic interdependence with China are more likely to respond favorably to China's economic policies, thereby amplifying their effects on foreign relations and internationalization strategies. Conversely, countries with weaker economic ties may exhibit more resistance to China's economic policies, thus diminishing their impact.

Political Dynamics and Economic Interdependence are conceptualized as moderating variables in this study. They play critical roles in influencing the strength and direction of the relationship between China's economic policies and the outcomes related to foreign relations and internationalization. As moderators, these two variables help assess whether the effect of economic decisions varies across different political or interdependent contexts, thus enriching the understanding of China's strategic global engagements.

Additionally, the specific population for the study is defined by the scope of the research, focusing on individuals directly related to China's economic policy and its impact on foreign relations and internationalization. The population includes business leaders, government officials, economic experts, scholars, and trade association representatives. In total, 250 participants were selected through convenience sampling

for this study. These participants provide a diverse perspective on the interplay between China's economic policies and its foreign relations strategies.

These two variables, as moderating factors, can further refine the understanding of how China's economic policies perform in different international contexts. By considering both political and economic factors, you can analyze the real-world effects of China's policies on its global economic interactions and internationalization efforts.

### **3.5 Empirical Testing of Theories**

This study employs quantitative analysis and the Partial Least Squares Structural Equation Modeling (PLS-SEM) technique to empirically validate the theoretical framework. The goal is to test the proposed hypotheses and assess the applicability of Neo-liberal Institutionalism Theory and Dependency Theory in explaining the influence of China's economic policies on international relations and internationalization.

First, the measurement model is evaluated to ensure reliability, convergent validity, and discriminant validity of the constructs. This step confirms that the variables and their indicators accurately measure the theoretical concepts derived from the selected theories.

Second, the structural model assesses the strength, direction, and significance of the pathways between the constructs. Specifically, Neo-liberal Institutionalism Theory is tested by examining the positive impact of China's economic policies on bilateral and multilateral relations, economic interactions, and international cooperation.

Dependency Theory is evaluated by analyzing how China's economic policies foster

economic dependency among partner countries and influence their diplomatic decision-making processes.

The pathways are tested using metrics such as path coefficients,  $R^2$  values (explained variance), and predictive relevance ( $Q^2$  values). Significant results supporting the hypothesized relationships will confirm the relevance of these theories, while any deviations will be explored in light of contextual factors such as regional economic conditions, policy implementation differences, or unique diplomatic settings.

Finally, the empirical findings are interpreted to link theoretical expectations with real-world observations. This process not only validates the hypotheses but also highlights the broader theoretical contributions of the study. For instance, findings may provide evidence that China's multilateral policies align with Neo-liberal Institutionalism, fostering international cooperation, while Dependency Theory explains the economic leverage created through targeted investments and trade policies. By bridging theory and practice, the study enhances our understanding of the mechanisms driving China's global economic influence and their diplomatic implications.

In conclusion, this empirical testing ensures that the study's results are both statistically robust and theoretically grounded, offering insights that refine existing theories and contribute to scholarly and practical debates on economic policy and international relations.

### **3.6 Sample and Sampling Technique**

The sample of the study comprises 250 participants, including business leaders, government officials, economic experts, scholars, and trade association representatives,

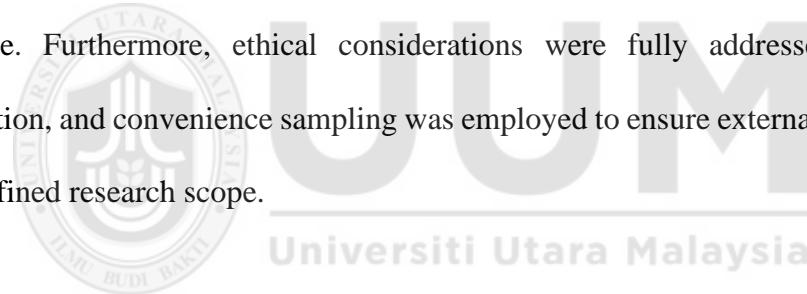
selected through convenience sampling. While the diversity of participant backgrounds provides valuable insights into various perspectives, the reliance on convenience sampling introduces limitations in the generalizability of the findings. This sampling method may result in selection bias, as the participants might not represent the entire population accurately. To mitigate this issue, future research could consider employing probability sampling techniques, such as stratified or random sampling, to ensure a more representative sample and enhance the generalizability of the findings. Additionally, comparisons across subsamples from different participant groups in this study could provide a clearer understanding of the potential biases and their impact on the results.

To mitigate these concerns, the study has applied rigorous triangulation methods, combining quantitative PLS-SEM analysis with qualitative insights from semi-structured interviews. This mixed-methods approach enhances the reliability of the findings and provides a multi-faceted understanding of the research problem. However, future research should aim to employ probability sampling methods to enhance representativeness and strengthen the generalizability of results.

Despite these limitations, the study offers valuable insights that contribute to the academic and practical discourse on China's economic policies. Policymakers and stakeholders should interpret the findings with an understanding of the sample's constraints and consider additional studies to validate these results in broader contexts.

The sample size for this study is set at 250 participants, based on the following considerations. Firstly, statistical foundation. Based on Cochran's formula and relevant literature (e.g., Saunders et al., 2019), a sample size of 250 is sufficient to achieve a

95% confidence level with a 5% margin of error. Furthermore, PLS-SEM recommends a sample size of at least 10 times the number of indicators in the model. Given the multiple latent variables in this study, 250 participants meet this statistical requirement. Secondly, practical needs and constraints. This study involves participants from diverse groups, including government officials, scholars, and economic experts, ensuring the data is representative and diverse. At the same time, considering resource and time limitations, 250 participants allowed the completion of questionnaire distribution and data collection within a reasonable scope. Thirdly, comparison with similar studies. Referring to recent empirical research on China's economic policies and internationalization, most sample sizes range between 200 and 300 (e.g., Lin & Wang, 2020). Therefore, a sample size of 250 is both academically comparable and reliable. Furthermore, ethical considerations were fully addressed during data collection, and convenience sampling was employed to ensure external validity within the defined research scope.



In qualitative research, sample size determination is guided by the principle of "data saturation," where data collection ceases when no new insights emerge (Guest, Bunce, & Johnson, 2006). For semi-structured interviews, a typical sample size ranges from 10 to 30 participants, depending on the homogeneity or heterogeneity of the target population (Creswell & Poth, 2018). In this study, 10 participants were selected for in-depth semi-structured interviews, focusing on the impact of China's economic policies on foreign relations and internationalization. This sample size ensures sufficient depth of data within the resource constraints and complements the quantitative findings by providing rich contextual insights, as recommended by Marshall, Cardon, Poddar, and Fontenot (2013), who emphasized the importance of quality over quantity in qualitative research.

Convenience Sampling was chosen for its practicality and efficiency. It involves selecting participants who are readily accessible and willing to participate in the study. This method is suitable for the research as it targets individuals with relevant expertise and knowledge about China's economic policies and international relations. The 250 participants were chosen to represent various stakeholders, including business leaders, government officials, economic experts, scholars, and trade association representatives. This diverse sample helps ensure that the findings are comprehensive and reflective of multiple perspectives within the population of interest. Respondents were selected based on their roles and expertise in areas related to China's economic policies and their impact on internationalization and foreign relations. This includes individuals who have practical experience or scholarly knowledge relevant to the research objectives. The respondents' background varied but was centered around individuals who are influential or knowledgeable about economic policies, international trade, and diplomatic relations. The background of sampling includes, Business Leaders, such as CEOs, managers, and executives from companies engaged in international trade or impacted by Chinese economic policies. Selected leaders in senior positions within large multinational corporations, small and medium enterprises, and startups, ensuring they have extensive international business experience and understanding of Chinese economic policies. These business leaders come from various industries such as manufacturing, services, technology, and finance. Their companies have significant business in the Chinese market or rely on Chinese products or services. Government Officials, such as policymakers and officials from trade and economic departments who are directly involved in managing foreign relations. Selected officials holding key positions in government agencies such as the Ministry of Trade, the Ministry of Economic Development, and the Ministry of Foreign Affairs, ensuring they participate

in or influence the formulation and implementation of Chinese economic policies. These government officials have extensive experience in policy formulation and international negotiations, with a deep understanding of China's economic policies and their impact on international relations. Economic Experts and Scholars, such as academics and researchers who have published works or conducted studies on China's economic policies and international relations. These experts and scholars have extensive research backgrounds in economics, international relations, trade policy, and development studies. They frequently participate in academic conferences, policy discussions, and international cooperation projects. Trade Association Representatives, such as members of trade associations who have insights into the business environment and international trade dynamics influenced by Chinese policies. These representatives come from different industry associations such as manufacturing associations, exporters' associations, chambers of commerce, etc. They are familiar with the specific impacts of Chinese economic policies on their industries and can provide valuable industry insights.

Convenience sampling was selected for this study due to its practicality and feasibility in accessing a diverse group of participants, including business leaders, government officials, economic experts, scholars, and trade association representatives. While this approach facilitated timely and cost-effective data collection, it also introduced inherent limitations that warrant critical discussion.

One significant limitation of convenience sampling is the potential lack of generalizability of the findings. Since the sample is not randomly selected, the participants may not fully represent the broader population involved in or affected by China's economic policies. For example, the overrepresentation or underrepresentation

of certain demographic or professional groups could introduce bias, thereby influencing the validity of the results. Additionally, convenience sampling can lead to selection bias, where individuals who are more accessible or willing to participate may differ systematically from those who are not. This could affect the robustness of the findings, particularly in a study aiming to draw conclusions about complex relationships between economic policy and foreign relations. To mitigate these limitations, several measures were undertaken, such as efforts were made to include a wide range of stakeholders, such as individuals from various sectors (government, business, academia) and geographical locations, to enhance the diversity of perspectives and reduce the risk of sampling bias. The data obtained from convenience sampling was supplemented with qualitative interviews, providing an additional layer of insight and enabling triangulation to validate findings. The limitations of convenience sampling are openly acknowledged in this study to provide readers with a clear understanding of the potential constraints on generalizability. Despite these efforts, the results of this study should be interpreted with caution. Future research could employ probabilistic sampling methods, such as stratified or random sampling, to enhance the generalizability and reliability of the findings.

Sampling methodology is a crucial component of any research endeavor, as it directly impacts the reliability and applicability of study findings. In this specific research project, convenience sampling was chosen as the preferred method. Convenience sampling involves selecting participants based on their accessibility and availability, rather than adhering to more stringent randomization or stratification protocols. Defining the population for this study was a meticulous process aimed at identifying the most relevant and knowledgeable individuals to contribute to the research objectives. The study aims to understand the influence of China's economic policies

on foreign relations and the internationalization of Chinese businesses. Therefore, the target population includes individuals who are directly involved or have substantial knowledge in these areas. The respondents include business leaders, government officials, economic experts, scholars, and representatives from trade associations. The study employs a convenience sampling technique. This method is chosen due to its practicality and efficiency in reaching a significant number of respondents who can provide valuable insights within a limited timeframe. Although convenience sampling may not provide a completely representative sample, it ensures that the participants are easily accessible and willing to contribute to the study. Before the full-scale data collection, a pilot test with a small group of participants was conducted. This helped refine the survey and interview questions, ensuring clarity and relevance.

Each category was carefully selected based on its potential to offer unique perspectives and insights pertinent to the research topic. Determining the population involved a comprehensive assessment of the characteristics and qualifications deemed essential for meaningful participation in the study. The criteria for inclusion were established to ensure that participants possessed the requisite expertise or experience relevant to the research focus. By delineating specific categories within the population, the researchers aimed to target individuals with varying perspectives and insights conducive to a comprehensive analysis. Convenience sampling was employed as the primary method for participant selection, given its practicality and efficiency in accessing the target population. This sampling approach facilitated the recruitment of participants based on their availability and willingness to participate, thus streamlining the data collection process. Additionally, convenience sampling proved advantageous in scenarios where access to the desired population was restricted, or time constraints were a factor. Recruiting participants involved leveraging various channels to reach

potential candidates within the defined population. Researchers likely tapped into personal networks, professional contacts, and referrals from initial participants to expand the pool of potential respondents. The utilization of a snowball sampling technique further augmented participant recruitment by leveraging existing connections to identify additional eligible individuals. The determination of the sample size, set at 250 participants, was a thoughtful consideration influenced by several factors. While the sample size may appear modest, its adequacy was justified by the inclusion of both quantitative and qualitative data collection methods. This holistic approach prioritized the depth and richness of insights gleaned from participants, rather than solely focusing on statistical significance.

To ensure that the perspectives of various stakeholders, including business leaders, government officials, economic experts, scholars, and trade association representatives, are balanced and comprehensive, the study adopts the following strategies. While convenience sampling was used to identify participants, efforts were made to stratify the sample across stakeholder groups. The study ensured proportional representation, with a predefined quota for each category that Business Leaders(30%), Government Officials(20%), Economic Experts and Scholars(30%), Trade Association Representatives(20%). This stratification minimizes overrepresentation or underrepresentation of any group, ensuring a holistic view of the research topic.

To mitigate these biases, the study implements several strategies. First, data is collected through diversified channels, including government bodies, academic institutions, and trade associations, to enhance sample diversity. Second, descriptive statistics are used to analyze the demographic characteristics of the respondents, ensuring transparency about the sample composition and acknowledging potential

biases. Third, the combination of survey data with qualitative data from semi-structured interviews serves as a triangulation method, enhancing the robustness and depth of the findings. Finally, the study explicitly discusses the limitations of convenience sampling in the results and discussion sections, ensuring that conclusions are interpreted cautiously, particularly regarding their external validity.

Although convenience sampling was chosen due to practical constraints, it is acknowledged that this method inherently limits the representativeness of the sample and may introduce selection bias. While efforts were made to diversify the sample by including various stakeholder groups—such as government officials, academics, business leaders, and trade association representatives—the findings cannot be assumed to reflect the views of all individuals within these sectors or the general population. This limitation is particularly relevant in politically sensitive topics, such as foreign relations and national economic policy, where perspectives can vary significantly based on institutional affiliation, region, or political stance. Therefore, the generalizability of the findings should be interpreted with caution, and future studies are encouraged to use probability sampling methods where feasible.

### **3.6.1 Inclusion & Exclusion Criteria**

#### **(1) Inclusion Criteria**

The study employed specific inclusion and exclusion criteria to ensure that the sample was representative of individuals directly impacted by or knowledgeable about China's economic policies. The inclusion criteria required participants to have at least five years of professional experience in sectors related to foreign relations, trade, or internationalization efforts. Participants were drawn from key stakeholder groups,

including business leaders, government officials, economic experts, scholars, and trade association representatives. All participants were required to provide informed consent and demonstrate familiarity with China's economic policies.

## (2) Exclusion Criteria

Conversely, individuals without relevant professional experience or those with potential conflicts of interest were excluded. This included participants whose roles or affiliations might bias their responses, such as political representatives directly tied to the policies under investigation. Additionally, participants who failed to complete the questionnaire or participate fully in interviews were not included in the final sample.

These criteria were designed to enhance the validity and reliability of the study by ensuring that only those with relevant insights were included, thereby minimizing potential biases.

### **3.6.2 Sample Size Distribution**

A total of 300 questionnaires were administered using a convenience sampling method. The selection targeted individuals with substantial experience or involvement in matters related to economic policy, foreign relations, and internationalization. Upon screening for completeness and consistency, 250 responses were deemed valid and included in the final analysis, yielding a response rate of 83.3%.

Table 3.0 presents the distribution of respondents across different stakeholder categories. These categories include government officials, academics, business leaders, economists, and representatives of trade associations. The distribution reflects an intentional effort to incorporate perspectives from multiple sectors that are directly

engaged in or impacted by China's international economic policy. Such stratification enhances the credibility of the findings by ensuring that a broad range of policy actors and institutional viewpoints are adequately represented in the data.

Table 3.0  
*Sample Size Distribution*

Group Category (e.g., Affiliation)	Subgroup (e.g., Organization Type)	Estimated Population (if known)	Sample Size	Valid Responses	Group Category (e.g., Affiliation)
Government Sector	Ministry of Commerce	--	50	42	Government Sector
	Provincial Government	--	30	27	
	University Scholars	--	40	35	
Academia					Academia
Business Sector	SOEs	--	60	50	Business Sector
Trade Associations	Private Firms	--	70	61	Trade Associations
	Chambers / Federations	--	50	35	
Total			300	250	Total

Source: Compiled by the author based on collected survey data

Due to the specialized nature of the research topic, and the difficulty in obtaining a complete sampling frame for policy-related stakeholders, a non-probability sampling approach was adopted. As no official ratio exists for the composition of stakeholders involved in international economic engagement, the sample was proportionally designed to include diverse respondent types.

The sample was stratified across stakeholder groups to ensure balanced representation of key actors influencing or affected by China's foreign economic policies. Although convenience sampling was adopted, the researcher made deliberate efforts to include sufficient representation from each of the five stakeholder groups, which collectively

span both public and private sectors. This enhances the generalizability of findings within the context of policy and business decision-making.

Following the explanation of the sample selection, this section details the instrument used to gather data from the selected participants.

### **3.7 Research Variables and Questionnaire Design**

This section introduces the core research variables adopted in this study, followed by a detailed explanation of the questionnaire development process, including item adaptation, expert validation, and structural refinement.

#### **3.7.1 Research Variables**

This study employs a total of nine constructs, categorized into independent, dependent, and moderating variables, in alignment with the proposed conceptual framework. The independent variables are foreign relations and internationalization, which represent the strategic dimensions of China's external economic engagement. These constructs are designed to assess the extent and nature of China's interaction with other nations through diplomatic, institutional, and economic platforms.

The dependent variables consist of five dimensions that reflect the mechanisms through which China implements its outward economic policy. These include poverty alleviation policies, economic interaction policies, trade and investment policies, bilateral policies, and multilateral policies. Each of these dimensions captures a specific policy instrument or framework aimed at promoting China's international economic objectives.

Additionally, the model incorporates two moderating variables that political dynamics

and economic interdependence. These variables are theorized to influence the strength and direction of the relationships between the independent and dependent variables. Political dynamics encompass shifts in geopolitical positioning, state-level alliances, or regional tensions that may affect policy outcomes. Economic interdependence reflects mutual economic reliance and cooperative economic structures between China and its foreign partners.

All constructs in the model were operationalized through multi-item indicators adapted from previous validated instruments in the literature. The items were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). These variables form the basis for the measurement and structural model analyzed through Partial Least Squares Structural Equation Modeling (PLS-SEM) in this study.

Table 3.1 below presents the operational definitions of the study constructs, including each variable's functional role, conceptual meaning, and supporting source. This enhances the clarity and transparency of the variable selection and the measurement model used in the study.

**Table 3.1**  
*Operational Definitions and Measurement Examples of Research Constructs*

<b>Construct</b>	<b>Role</b>	<b>Definition</b>	<b>Source Example</b>	<b>Sample Item (Adapted)</b>
Foreign Relations	Independent	China's strategic and diplomatic ties with other countries	Wang (2020)	"China's foreign engagements have increased significantly."
Internationalization	Independent	The process of expanding China's presence in international markets	Li (2019)	"China's firms are encouraged to engage in global markets."

Table 3.1 (Continued)

Economic Interaction Policies	Dependent	Economic integration through infrastructure, trade corridors, etc.	Liu (2021)	"Bilateral projects enhance regional cooperation."
Trade and Investment Policies	Dependent	Policies facilitating exports, imports, and FDI between China and others	Chen (2022)	"China's trade policy encourages foreign investment."
Bilateral Policies	Dependent	Agreements and frameworks between China and single countries	Lin (2020)	"Bilateral economic forums help deepen cooperation."
Multilateral Policies	Dependent	China's participation in global and regional economic platforms	Zhang (2021)	"China is active in multilateral economic agreements."
Political Dynamics	Moderator	Institutional or geopolitical shifts affecting international strategy	Huang (2019)	"Political instability reduces policy consistency."
Economic Interdependence	Moderator	Mutual economic reliance and strategic integration with other economies	Fang (2021)	"Our economy depends heavily on cooperation with China."

Source: Adapted by the author based on validated literature.

### 3.7.2 Questionnaire Adoption and Adaptation

The key constructs in this study were categorized based on their roles in the research framework. Foreign relations and internationalization were measured as independent variables. Five dependent variables include poverty alleviation policy, economic interaction policy, trade and investment policy, bilateral policy, and multilateral policy that captured the dimensions of China's economic policy impact. Political dynamics and economic interdependence were included as moderating variables influencing the relationships between the independent and dependent constructs.

The questionnaire used in this study was fully adapted from previously validated

instruments to ensure theoretical alignment, construct validity, and measurement reliability. No items were self-developed. The adaptation process involved an extensive review of prior studies related to international economics, China's foreign policy, internationalization strategies, and political-economic relations. This ensured that each construct in the research model was represented by items with a strong empirical foundation.

The constructs in this study include two independent variables (foreign relations and internationalization), five dependent variables (poverty alleviation policy, economic interaction policy, trade and investment policy, bilateral policy, and multilateral policy), and two moderating variables (political dynamics and economic interdependence). For each construct, items were selected or slightly modified from well-established academic sources. The selection criteria emphasized conceptual clarity, cross-contextual relevance, and previous application in international policy research. Where necessary, minor modifications were made to tailor item wording to the China-centered context of this study without altering the original meaning. A summary of the constructs, the number of items used, the original source(s), and the adaptation status is presented in Table 3.2.

**Table 3.2**  
*Constructs, Item Count, and Source References for the Adapted Questionnaire*

<b>Construct</b>	<b>SN</b>	<b>Item</b>	<b>Source</b>
Foreign Relations	FR1	China's foreign policy contributes to strengthening diplomatic ties.	Zhao (2020)
	FR2	China actively engages in bilateral political dialogue with my country.	Liu & Wang (2019)
	FR3	My country's foreign policy benefits from cooperation with China.	Zhao (2020)

Table 3.2 (Continued)

	FR4	Chinese diplomacy helps resolve regional political issues.	Liu & Wang (2019)
	FR5	China demonstrates consistency in its long-term diplomatic strategies.	Zhao (2020)
Internationalization	INT1	China encourages international cooperation in development projects.	Wang & Chen (2018)
	INT2	Chinese policies promote global economic integration.	Luo & Tung (2007)
	INT3	China supports multilateral engagement through international platforms.	Wang & Chen (2018)
	INT4	China's international outreach benefits local institutions and firms.	Luo & Tung (2007)
Political Dynamics	PD1	Changes in political leadership affect cooperation with China.	Kim & Zhou (2020)
	PD2	Political stability enhances foreign policy alignment with China.	Zhang (2017)
	PD3	Partisan interests influence engagement with China.	Kim & Zhou (2020)
	PD4	Domestic political debates shape the perception of China's role.	Zhang (2017)
	PD5	Bureaucratic support is critical for implementing policies with China.	Kim & Zhou (2020)
Economic Interdependence	EI1	Trade with China is vital to my country's economic performance.	Baldwin & Evenett (2009)
	EI2	China's economy is deeply linked to my country's markets.	ASEAN-China Reports
	EI3	Interdependence with China helps stabilize the domestic economy.	ASEAN-China Reports
	EI4	Our economic future is closely tied to China's growth trajectory.	Baldwin & Evenett (2009)
Poverty Alleviation Policy	PA1	China supports poverty reduction projects in developing countries.	Huang (2015)

Table 3.2 (Continued)

Economic Interaction Policy	PA2	Chinese investments target underdeveloped regions for inclusive growth.	13th Five-Year Plan
	PA3	China engages in knowledge transfer for poverty alleviation.	Huang (2015)
	PA4	Chinese aid is focused on long-term development outcomes.	13th Five-Year Plan
	EIP1	China initiates joint economic programs with strategic partners.	Belt and Road Framework (2015)
	EIP2	Chinese policies encourage bilateral economic engagement.	NDRC Reports
Trade and Investment Policy	EIP3	China facilitates infrastructure development for trade efficiency.	Belt and Road Framework (2015)
	EIP4	Chinese enterprises invest in local industrial zones.	NDRC Reports
	EIP5	China promotes connectivity through regional transportation links.	Belt and Road Framework (2015)
	TIP1	China's trade policy supports open and fair markets.	WTO Policy Review (2018)
	TIP2	China encourages inbound and outbound FDI flows.	Liu et al. (2016)
Bilateral Policy	TIP3	Chinese investment projects comply with local regulations.	WTO Policy Review (2018)
	TIP4	Trade agreements with China improve investment opportunities.	Liu et al. (2016)
	BP1	China maintains strong bilateral agreements with my country.	ASEAN-China Agreements
	BP2	Bilateral cooperation with China has expanded in recent years.	Bilateral MoU Studies
	BP3	China is responsive to bilateral policy feedback from partners.	ASEAN-China Agreements
Multilateral Policy	BP4	Bilateral dialogues help align national strategies with China.	Bilateral MoU Studies
	MP1	China is actively involved in regional multilateral institutions.	UNDP-China (2019)
	MP2	China advocates for inclusive global governance mechanisms.	Regional Development Reports

Table 3.2 (Continued)

MP3	China collaborates through forums like the AIIB and BRICS.	UNDP-China (2019)
MP4	China's multilateral participation enhances policy alignment.	Regional Development Reports

Note: All constructs were measured using 5-point Likert-scale items ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

This approach ensures that all measurement items are theoretically grounded, empirically validated, and appropriate for the research context.

### 3.7.3 Expert Review and Translation

To enhance the content validity and linguistic clarity of the adapted questionnaire, a panel of five experts was consulted. This panel comprised two university professors specializing in international economics and three senior professionals with practical experience in government and trade-related sectors. Their feedback focused on the conceptual relevance, accuracy, and clarity of item phrasing. Based on their suggestions, several items were revised to better align with the terminology commonly used in Chinese policy and academic discourse (Milano et al., 2025; Costa et al., 2024).

In addition, a back-translation procedure was carried out to ensure semantic consistency between the English and Chinese versions of the instrument. The English draft was first translated into Chinese by a bilingual researcher familiar with the subject matter. It was then independently back-translated into English by another translator who had no prior exposure to the original questionnaire. This method, widely recommended for cross-cultural research, helps detect discrepancies in meaning and ensures conceptual equivalence (Haavisto & Welsch, 2024). Any inconsistencies were reviewed and resolved collaboratively by both translators and one of the expert

reviewers.

### 3.7.4 Pilot Study

A pilot test was conducted with 30 respondents drawn from the study's target population, which included government officials, business leaders, scholars, and representatives of trade associations. Respondents completed the questionnaire and provided feedback on item wording, structure, and relevance. Based on their input, minor linguistic adjustments were made to improve flow and readability.

The pilot data were analyzed using SPSS version 26.0. All constructs demonstrated high internal consistency, with Cronbach's alpha values ranging from 0.821 to 0.873. Item-total correlations exceeded the 0.30 threshold, and critical ratio (CR) values ranged between 6.7 and 8.2, indicating statistically significant item performance. No items were removed, as all met the reliability criteria. The instrument was deemed reliable and valid for full-scale data collection.

Table 3.3  
*Reliability Analysis of Constructs from Pilot Study*

Construct	No. of Items	Cronbach's Alpha	Item-Total Correlation Range	Critical Ratio (CR) Range	Decision
Foreign Relations	5	0.856	0.624 – 0.712	7.215 – 8.220	Retained
Internationalization	4	0.873	0.643 – 0.701	7.812 – 8.054	Retained
Political Dynamics	5	0.821	0.588 – 0.694	6.923 – 7.410	Retained
Economic					
Interdependence	4	0.845	0.602 – 0.689	7.311 – 7.912	Retained
Poverty Alleviation					
Policy	4	0.832	0.611 – 0.703	6.814 – 7.508	Retained
Economic					
Interaction Policy	5	0.860	0.638 – 0.726	7.109 – 8.230	Retained
Trade and					
Investment Policy	4	0.847	0.607 – 0.699	6.928 – 7.811	Retained
Bilateral Policy	4	0.829	0.591 – 0.686	6.714 – 7.402	Retained

Table 3.3(Continued)

Multilateral Policy	4	0.841	0.604–0.692	6.881–7.700	Retained
***p<0.001					

Note: All constructs exceeded the recommended threshold of Cronbach's alpha ( $\alpha \geq 0.70$ ), and all items met acceptable item-total correlation and CR values.

The reliability analysis for all constructs is summarized in Table 3.3. All constructs showed good internal consistency with Cronbach's alpha values above 0.70.

### 3.7.5 Main Data Collection

After the pilot phase, the final version of the questionnaire was distributed during the main data collection stage. A total of 300 questionnaires were administered using a convenience sampling approach. The sampling targeted respondents who possessed relevant knowledge or practical experience in the domains of China's economic policy, foreign trade, and internationalization, including professionals from government, academia, and the business sector. The data collection process was conducted over a period of 3 months, utilizing both online platforms (e.g., Google Forms) and printed forms to ensure a wider reach and higher participation. While Google Forms was adopted for its convenience and broad digital reach, the study acknowledges potential accessibility limitations associated with this method. Certain demographic groups—such as elderly individuals, rural populations, and those with limited digital literacy—may face barriers to completing online forms. To mitigate this issue, printed questionnaires were also distributed through offline channels and local partner organizations. This hybrid approach aimed to minimize demographic exclusion and enhance the overall representativeness and inclusivity of the data collection process.

There exist two sets of data uses in research, i.e., primary and secondary data (Sileyew, 2019). Primary data entails the collection of research data by the researcher himself

from the respondents directly in order to examine the study subject and respond to the research question. Although the researcher enjoys the privilege of originality and ease of verification, it is a time-consuming approach if it involves collecting data from a large sample size. Questionnaires were selected as the primary data collection method because the author aimed to get original information based on the respondent's experience. Secondary data is the other form of data, and it is the information that is readily available and easily accessed by other researchers who have collected the researcher. It thus saves time and offers accessibility and feasibility advantages to the researcher (Sileyew, 2019). The secondary data utilized for this study is drawn from a diverse array of sources, ranging from online databases to published journals. These sources include reputable platforms such as EBSCO, Google Scholar, and newspapers, as well as academic journals like the Journal of Business and Economics. By tapping into these resources, the researcher gains access to a wealth of information crucial for understanding the context of the research, particularly regarding the historical evolution of the economy, patterns of internationalization, and the dynamics of foreign relations between China and other nations. Secondary data, in this context, refers to information that has been collected and analyzed by others for purposes other than the researcher's specific study. It serves as a valuable foundation upon which to build insights and hypotheses. However, it's important to recognize that secondary data is not without its limitations. These limitations may include issues of quality, as well as the potential for personal interpretations to influence the data. Despite these challenges, leveraging secondary data remains essential for achieving the study's objectives, providing valuable context and informing the research process. The researcher also drew some of the study information from books and journals, which have been credited to the author through referencing and citation. In conducting this research, primary

data was collected using semi-structured questionnaires that enabled the researcher to collect original and first-hand information from the target respondents. Secondary data can also be obtained from the government websites to support the primary data collected from the questionnaires. The researcher collected primary data, which was supplemented by secondary data.

This study leverages the strengths of both primary and secondary data to ensure a comprehensive understanding of the research objectives. The integration of these data types is instrumental in achieving a multidimensional perspective, addressing both macro-level trends and micro-level insights.

Secondary data, including national statistics and policy reports, provide reliable background information and a broad understanding of historical and current trends. Primary data, collected through semi-structured interviews and survey questionnaires, captures specific and contextual insights directly from participants. This complementarity allows primary data to validate the accuracy and relevance of secondary data, while secondary data extends the interpretative depth of primary findings by situating them within a broader framework. Secondary data offer a long-term view of economic trends, such as changes in foreign direct investment (FDI) inflows and trade volumes, while primary data provide immediate and specific insights, such as perceptions of policy impacts from business leaders and government officials. Combining these data types enables the study to address research questions from both strategic and operational perspectives. Secondary data enhance the study's credibility by providing authoritative macroeconomic statistics, while primary data enrich the analysis by addressing specific gaps that secondary data cannot fill. For instance, while secondary data may indicate overall policy effectiveness, primary data highlight

regional and sectoral variations, offering a nuanced understanding of implementation challenges. Secondary data establish general trends and patterns, whereas primary data illustrate these trends through specific cases, such as feedback from enterprises and policymakers. This integration allows the study to examine the interplay between macroeconomic policies and their localized effects, ensuring a holistic approach to understanding policy impacts. For example, this study utilizes secondary data to analyze the FDI trends from 2000 to 2023, highlighting the effects of China's economic policies on internationalization. Concurrently, primary data collected from survey respondents provide detailed insights into how these policies are perceived and experienced by businesses and policymakers. This combination ensures that the study not only captures large-scale economic dynamics but also addresses the practical realities of policy implementation.

By integrating primary and secondary data, this research achieves a balanced approach, ensuring robustness and depth in its analysis while addressing the complexities of China's economic policies and their influence on foreign relations and internationalization.

### **3.7.6 Response Rate and Data Processing**

Out of the 300 questionnaires distributed, 250 valid responses were returned, resulting in an effective response rate of approximately 83.3 percent. All collected responses were reviewed for completeness and consistency before analysis. The data were initially processed using SPSS for coding and cleaning, and subsequently analyzed using SmartPLS 4.0 to conduct Partial Least Squares Structural Equation Modeling (PLS-SEM) as part of the quantitative analysis framework.

To supplement the primary quantitative data obtained through the adapted questionnaire, this study also utilized secondary data drawn from government reports, journal articles, and reputable online databases such as EBSCO and Google Scholar. Additionally, semi-structured interviews were conducted with selected experts to triangulate the findings and enhance contextual understanding.

### **3.8 Qualitative Data Collection**

In addition to the quantitative approach, qualitative data collection was employed to provide deeper insights into the research topic. Semi-structured interviews were used as the primary method of qualitative data collection. This approach allowed for a flexible yet focused exploration of participants' perceptions regarding the impact of China's economic policies on foreign relations and internationalization. By using open-ended questions, the interviews provided participants with the opportunity to express their views, experiences, and opinions in their own words, offering rich and nuanced insights that would be difficult to capture through quantitative methods alone.

The semi-structured interview framework was designed to be adaptable, with the interviewer able to adjust the order of questions and probe further based on the responses of the participants. This flexibility enabled the researcher to explore specific areas of interest in greater depth while maintaining a consistent focus on the key research questions.

All interviews were recorded and transcribed for analysis. The data were subsequently coded using NVivo software. NVivo facilitated the organization of the data into themes and sub-themes, allowing the researcher to identify recurring patterns and key concepts across the interviews. Through this process, the software provided a

systematic and efficient way to manage and analyze the qualitative data, ensuring the reliability and depth of the analysis.

By combining semi-structured interviews with NVivo's coding and thematic analysis capabilities, this study was able to capture both the breadth and depth of the participants' perspectives, offering valuable qualitative insights into the complexities of China's economic policies and their effects on internationalization and foreign relations. Furthermore, the integration of qualitative and quantitative methods in this study supports data triangulation, enhancing the robustness and validity of the findings. The qualitative insights were compared with the quantitative data collected through structured surveys to identify any convergences or divergences. This comparison ensured that the results from both methods aligned, providing a comprehensive understanding of the research questions and increasing the credibility of the overall findings.

### **3.8.1 Data Sources and Methodological Integration**

The qualitative data in this study were primarily derived from semi-structured interviews, which allowed for a rich and in-depth exploration of participants' perspectives on China's economic policies and their effects on international relations and economic development. The data sources included interviews with a diverse group of participants, consisting of business leaders, government officials, economists, and scholars who are directly involved in or impacted by economic policies and internationalization efforts.

The interviewees were selected based on purposive sampling, ensuring that participants possessed relevant expertise and experience to provide meaningful

insights into the research questions. A total of 10 participants were interviewed, each bringing a unique perspective based on their professional role and experience in economic policy and international affairs.

The semi-structured interview format provided flexibility, allowing the researcher to adapt the questions to the flow of conversation and explore relevant topics that emerged during the interviews. This approach ensured that the interviews were both focused and open-ended, capturing a range of perspectives and enabling the researcher to probe deeper into areas of interest.

To ensure comprehensive and robust analysis, this study employed a mixed-methods approach that integrated both qualitative and quantitative data collection and analysis methods. The qualitative data gathered through semi-structured interviews were integrated with the quantitative survey data to enhance the overall validity and depth of the research findings. Data integration occurred during both the collection and analysis phases: (1) The qualitative and quantitative data were collected simultaneously but through separate instruments. The qualitative data from the interviews provided contextual depth and nuanced insights into the broader quantitative findings obtained from the structured surveys. This parallel collection allowed for a holistic understanding of the research questions, with the survey capturing generalizable patterns and the interviews offering in-depth insights into specific aspects of those patterns. (2) In the analysis phase, the qualitative data were coded and analyzed using NVivo software, while the quantitative data were analyzed using statistical methods such as regression analysis. Once the analysis of both datasets was complete, the results were compared and cross-referenced. This process of data triangulation allowed for the verification of findings across both qualitative and

quantitative methods, providing a more robust and reliable interpretation of the results.

The qualitative findings from the interviews were compared with the patterns identified in the survey data. For example, while the survey indicated that China's economic policies have a significant impact on trade, the interviews provided more detailed accounts of how these policies influenced individual businesses or sectors. This integration of both types of data ensured that the findings were not only statistically significant but also contextually relevant. Similarly, the insights from the qualitative interviews were used to confirm or elaborate on the patterns observed in the quantitative data. For instance, participants' detailed descriptions of the challenges posed by certain economic policies were used to explain variations in the survey results, particularly regarding how different industries or regions were impacted by the same policies. This methodological integration of qualitative and quantitative data strengthened the overall conclusions of the study, allowing for a more comprehensive and well-rounded understanding of the research topic. By combining both methods, the study was able to leverage the strengths of each approach that the statistical reliability of the quantitative data and the depth of insight offered by the qualitative data. The integration of both qualitative and quantitative methods in this study provided a richer, more nuanced understanding of China's economic policies and their impact on foreign relations and internationalization. Through the systematic integration of data sources and methods, the study ensured that its findings were comprehensive, credible, and grounded in both broad patterns and specific, detailed insights.

### 3.8.2 Semi-structured Interview

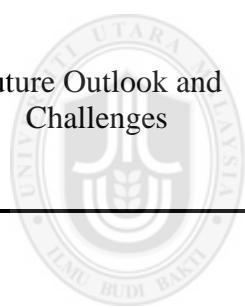
The design of the interview guide closely aligns with the research questions. Semi-structured interviews allow the researcher to explore participants' perspectives on China's economic policies while delving deeply into their personal experiences and insights. The interview questions covered not only the broader impacts of policy but also focused on specific personal experiences and observations related to economic development and internationalization. In this study, semi-structured interviews were used to collect qualitative data. Semi-structured interviews are particularly effective in exploring participants' views while maintaining some level of structure, allowing for free expression within a defined framework. This method enabled the researcher to delve deeply into the subject matter and provided flexibility to explore additional topics as they arose during the interview. The semi-structured interview guide was developed based on the research objectives, focusing on how China's economic policies influence foreign relations, internationalization, and business practices on the global stage. The questions were open-ended, allowing participants to freely express their opinions while maintaining consistency across interviews. The interview questions were divided into the following main areas.

Table 3.4  
*Semi-structured Interview Questionnaire*

Topic	Questions
Impact of China's Economic Policies	How do you perceive the impact of China's economic policies on international trade and foreign relations? Can you provide specific examples of economic policies that have influenced China's diplomatic interactions with other countries or regions?

Table 3.4(Continued)

Chinese Businesses Internationalization	In your opinion, what role do China's economic policies play in driving the internationalization efforts of Chinese firms?
Bilateral and Multilateral Relations	Which industries or sectors do you believe have been most influenced by China's economic policies in their internationalization?
Interaction Between Foreign and Economic Policies	How have China's economic policies affected bilateral relations between China and your country/region? What is your view on China's role in multilateral diplomatic mechanisms, such as the Belt and Road Initiative, and its impact on global diplomatic dynamics?
Future Outlook and Challenges	How do you think China's economic policies influence the direction of its foreign policy? What roles do China's economic policies play in enhancing its diplomatic influence globally?
	How do you foresee China's economic policies evolving in the future, particularly in addressing domestic and international challenges? Given China's growing influence in the global economy, how do you think its economic policies will change in the future?



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A total of 10 semi-structured interviews were conducted with participants who are experts in China's economic policies, international trade, or foreign relations. The sample included 5 government officials, 3 business leaders, and 2 economic scholars. Participants were selected based on their expertise and involvement in decision-making processes related to China's economic policies and internationalization strategies. Each interview lasted between 40 and 60 minutes, and all interviews were recorded with the participants' consent. The recordings were transcribed verbatim, and the data was analyzed using thematic analysis to identify key themes and patterns related to the research objectives. This approach allowed for a deeper understanding of participants' views on how China's economic policies influence its foreign relations

and the internationalization of Chinese businesses.

The survey questionnaire and semi-structured interviews were tailored to address the specific roles and interests of each stakeholder group. For instance, Business leaders were asked about the impact of China's economic policies on corporate internationalization. Government officials provided insights into policy formulation and diplomatic implications. Economic experts and scholars evaluated the theoretical frameworks and empirical evidence. Trade association representatives shared practical challenges and opportunities in trade and investment policies.

In investigating the influence of China's economic policies on foreign relations and internationalization, conducting semi-structured interviews with a diverse range of stakeholders would be invaluable. This could include government officials involved in policy formulation, diplomats engaged in international negotiations, business leaders navigating China's market dynamics, scholars specializing in international relations or economics, and individuals affected by these policies such as entrepreneurs or workers in industries impacted by trade agreements. Each participant brings a unique perspective and expertise, allowing for a comprehensive understanding of the topic's complexities. By engaging with this variety of voices, researchers can capture nuanced insights and gain a holistic view of the intricate interplay between economic policy, international relations, and global dynamics.

One of the primary advantages of semi-structured interviews is their ability to strike a balance between structure and flexibility. Unlike structured interviews, which follow a predetermined set of questions in a rigid format, semi-structured interviews offer a more open-ended approach. They allow for spontaneous exploration of topics while

still maintaining a level of consistency across interviews. This flexibility enables researchers to adapt the interview process based on participants' responses, allowing for the emergence of unexpected insights and perspectives.

Moreover, semi-structured interviews provide a platform for participants to express themselves in their own words, offering a richer and more nuanced understanding of their experiences and perspectives. This qualitative approach is particularly valuable when exploring complex phenomena such as the interplay between economic policies, foreign relations, and internationalization. By allowing participants to elaborate on their responses and share personal anecdotes, semi-structured interviews facilitate a deeper exploration of the underlying dynamics shaping China's economic interactions with the global community.

In studying China's economic policies, semi-structured interviews offer a valuable avenue for exploring the diverse perspectives of stakeholders from various sectors, including government officials, business leaders, economists, and academics. By engaging with diverse participants, researchers can gain a holistic understanding of the complex interplay between economic policies, foreign relations, and internationalization efforts.

The transcribed data were analyzed using NVivo software, which facilitated a rigorous coding process and allowed the researcher to categorize responses into key themes and sub-themes. NVivo's tools enabled the researcher to systematically identify and analyze recurring patterns across the interviews. Through the use of coding, the researcher could group similar responses, explore the relationships between themes, and extract key concepts related to the research questions. During the data analysis

phase, all interview data were analyzed using NVivo software, which facilitated thematic analysis. The researcher began by applying open coding to key words, phrases, and sections of the interview content, categorizing them into nodes. Similar responses were grouped together, and the relationships between themes were explored using NVivo's clustering analysis. This systematic approach ensured that key insights were captured and analyzed comprehensively, directly supporting the research questions. The thematic analysis revealed important insights into the perceived impact of China's economic policies on international trade and foreign relations. This systematic approach ensured that all relevant data were captured and analyzed in depth.

To enhance the credibility and validity of the research, the qualitative data obtained from the semi-structured interviews were integrated with the quantitative data from the structured surveys. This methodological integration facilitated data triangulation, allowing the researcher to compare and contrast findings from both data sources and increase the robustness of the conclusions. By cross-referencing qualitative insights with the statistical findings from the surveys, the researcher was able to verify key patterns and explain the underlying reasons behind these patterns. For example, while the survey indicated that China's economic policies had a significant impact on trade, the interviews provided more detailed accounts of how these policies specifically affected different sectors, offering a deeper understanding of the survey results.

The semi-structured interviews provided valuable qualitative insights that enriched the overall findings of this study. The flexibility of the interview method allowed participants to share personal experiences and detailed opinions, which, when integrated with quantitative data, offered a more comprehensive view of the research topic. This study employed data triangulation by integrating qualitative and

quantitative data. The quantitative data from the survey provided statistical patterns of the impact of China's economic policies, while qualitative data from interviews helped explain these patterns in more depth. For instance, while the survey indicated a significant impact of China's policies on international trade, interviews revealed how these policies specifically affected different sectors, providing a deeper understanding of the survey findings. By comparing qualitative insights with quantitative patterns, the study ensured the robustness and validity of the conclusions. The integration of both qualitative and quantitative methods ensured that the study's conclusions were well-rounded, reliable, and comprehensive, offering a deeper understanding of the impact of China's economic policies on internationalization and foreign relation.

### **3.8.3 Interview Instruments and Protocols**

A semi-structured interview guide was developed to gather in-depth qualitative data aligned with the study's objectives, particularly Research Objectives 3 and 4, which explore sector-specific internationalization patterns and the diplomatic implications of China's economic strategies. The guide included ten core questions designed to examine participants' perceptions of how China's economic policies influence internationalization, bilateral and multilateral relations, and sector-specific dynamics. Open-ended questions allowed for flexibility and depth, enabling exploration of unanticipated but relevant themes.

The development of the interview questions was grounded in the literature review and informed by the study's theoretical framework—primarily Dependency Theory and International Political Economy (IPE). These theoretical lenses guided the construction of question clusters, with each set mapped to key constructs such as economic interaction policies, foreign policy impact, and global interdependence. This

ensured the instrument's alignment with both the conceptual framework and the research hypotheses, facilitating integration with the quantitative data during triangulation.

The interview protocol underwent content validation by two qualitative research experts to ensure relevance, clarity, and comprehensiveness. A pre-test was conducted with a small sample of participants similar to the target group, and feedback from this pilot was used to refine the phrasing and sequencing of questions. The final protocol was divided into two parts: (1) participant background, and (2) core themes, with each section designed to probe specific aspects of the research objectives while maintaining conversational flow.

To ensure consistency and ethical rigor, a detailed set of procedures was followed throughout the interview process. Pre-interview preparations included securing signed informed consent and confirming logistical details such as time and mode of the interview. Participants were offered the option to participate either in person or through secure video conferencing platforms. Interviews were conducted in a neutral and respectful manner, prioritizing participant comfort and openness. While the semi-structured guide provided structure, interviewers encouraged elaboration and clarification when appropriate to capture nuanced insights.

Active listening strategies and reflective probing were employed to validate understanding during the interviews. All interviews were recorded with permission and subsequently transcribed. Transcripts were shared with participants for member-checking, allowing them to confirm the accuracy of the captured content. Throughout the study, strict confidentiality protocols were upheld, including anonymization of all

identifying information during analysis and secure storage of audio and textual data. All participants provided informed consent after being briefed on the research objectives, procedures, potential risks, and their rights, including voluntary withdrawal at any time. These protocols enhanced the ethical integrity, transparency, and credibility of the qualitative findings.

### **3.9 Data Analysis**

After data collection, the data generated from the respondents was organized into a form that can be analyzed to generate meaningful information and judgment. The researcher grouped the data into sections based on the data collected from the questionnaire based on theory and empirical review and not merely stating the question, and the answer since the open-ended questions would make the data results table too lengthy. Smart PLS was performed to examine the extent of the relationship between the variables of the topic. Pearson's correlation analysis was also be calculated to determine the extent of the relationship between poverty alleviation policies, bilateral and multilateral policies, trade and investment policies, economic interaction policies, and foreign relations and internationalization. This will be denoted by  $p$  where  $p < 0.05$  indicates, the strength of correlation will be low while  $p \pm 0.50$  and  $\pm 1$  will indicate a strong positive correlation between the variables (Quinlan, et al., 2019).

#### **3.9.1 Qualitative Data Analysis**

For the current study, data analysis involved both qualitative and quantitative methods. The purpose of comprehensive exploration was to investigate the effect of China's economic policies on foreign relations and international affairs. This part of the analysis was devoted to qualitative content analysis, and it implied the systematic

consideration of the texts obtained via interviews, open-ended survey questions, and other qualitative sources. The qualitative analysis offered an understanding of the participants' underlying meanings, perceptions, and experiences, which helped with a deeper understanding of this phenomenon, the research subject. The respondents in this study are a diverse group of individuals who are directly involved in or have significant insights into China's economic policies and their international ramifications. Business leaders, these individuals hold influential positions in Chinese and multinational companies that operate in or with China. They provide critical insights into how economic policies affect business operations, investment decisions, and international trade. They provide critical insights into how economic policies affect business operations, investment decisions, and international trade. Government officials, these respondents work within various levels of the Chinese government or international government bodies. Their perspectives are crucial in understanding the formulation, implementation, and impact of economic policies on foreign relations and internationalization efforts. This group comprises economists, financial analysts, and policy advisors who specialize in China's economy and its global interactions. Their analytical skills and knowledge provide a deep understanding of economic trends, policy effectiveness, and international economic dynamics. Academic professionals and researchers from universities and think tanks who study international relations, economic policies, and China's global strategy contribute to this study. Their theoretical and empirical research enriches the study's analytical framework. Individuals from various trade associations, both domestic and international, who have firsthand experience with trade policies, market access issues, and the global trading environment. They offer practical perspectives on how policies influence trade flows and business practices.

The selection of this respondent group is strategic and purposeful due to several reasons, including direct impact and experience that the chosen respondents are directly impacted by or involved in the processes shaped by China's economic policies, and their experiences and insights are invaluable for understanding the real-world implications of these policies; diverse perspectives which Includes a mix of business leaders, government officials, economic experts, scholars, and trade association representatives ensures a comprehensive view of the research topic. This diversity helps in capturing various facets of how economic policies affect foreign relations and internationalization; expertise and knowledge that the respondents' expertise in their respective fields ensures that the data collected is rich, informed, and relevant to the research objectives, and their professional backgrounds provide authoritative insights into the complexities of economic policies and international relations; policy and practical implications that the involvement of respondents who influence or are influenced by policy decisions helps in bridging the gap between theoretical research and practical applications, and their contributions can inform policymakers and stakeholders on effective strategies for engaging with China's economic landscape. The study comprises 250 participants selected through convenience sampling. A sample of 250 provides a substantial and diverse representation of the different respondent groups, ensuring that the study captures a wide range of experiences and perspectives.

The first issue to tackle was the preparation and arrangement of textual data for qualitative analysis. Often, this process encompassed activities such as interview transcriptions, compilation of the answers to the open-ended questions, and classification of qualitative data sources like documents, reports, and observations. Then, data would be arranged for researchers to move to the coding process, i.e.,

making a systematic review based on themes, patterns, categories, and concepts (Braun & Clarke, 2006).

Qualitative coding began with open coding, in which researchers created in-between codes to reflect the central meanings developed from the data. This exploratory phase allowed the researcher to become better acquainted with the data and observe recurring motifs or trends. The second step was axial coding, which consisted of organizing and categorizing the initial codes into more general themes and categories based on their relatedness and interconnections. The subsequent step of selective coding was to clean up and synthesize the themes that emerged into either major concepts or theoretical frameworks that captured the heart of the data (Strauss & Corbin, 1990).

Researchers manipulated the qualitative analysis software such as NVivo during the whole coding process to facilitate the management and organization of the data. These software tools helped them code better by allowing them to manage data, set up a hierarchical coding structure, and visualize coding relationships. Additionally, qualitative analysis software enabled this by allowing researchers to annotate, memo, and query the data, improving the analysis process's precision and transparency.

This study utilized NVivo 14.0 to analyze the qualitative data derived from semi-structured interviews. The analysis process followed a systematic three-stage approach: open coding, axial coding, and selective coding, which facilitated the identification and refinement of key themes related to China's economic policies.

In the open coding phase, the interview data were analyzed line-by-line to generate initial concepts, which were then grouped into codes based on content similarity. During the axial coding phase, these codes were categorized into broader themes, and

the final selective coding phase refined these categories into five core themes, (1) Economic Diplomacy and Trade Facilitation, (2) Internationalization of Chinese Enterprises, (3) Bilateral and Multilateral Cooperation, (4) Policy Synergy between Economic and Foreign Policies, (5) Future Policy Directions

The NVivo software facilitated the organization of these themes and provided tools for data visualization, such as word clouds, tree maps, and coding matrices, to support the thematic analysis. These visual tools allowed for a clearer understanding of the distribution and frequency of references within each theme, which were further analyzed to identify patterns and relationships across the data.

The results of this qualitative analysis, including the NVivo-generated visualizations, are presented and discussed in detail in Section 4.9, where they are linked to the findings from the semi-structured interviews.

In this thematic analysis process, the meaning of the themes in light of the research questions and objectives was also discussed. Researchers anchored their approach on theoretical foundations, existing literature, and their experience to contextualize and interpret the results. Moreover, the researcher also employed the member-checking technique, letting the participants go through the findings during the processes, which helped boost the analysis's credibility and trust (Lincoln & Guba, 1985).

The last stage of the qualitative analysis was to connect the findings to form one clear and significant story that delivered the quantitative analysis's implications. Researchers employed techniques like narrative gathering, where they constructed a captivating story or narrative arc that showcased the main findings and implications of the [mention the title of the] research, and thick description, where they gave detailed

and rich descriptions of the data to get the depth and complexity of the data (Geertz, 1973).

Ultimately, qualitative data analysis is a rigorous and systematic way of unraveling the information collected using such qualitative data sources as interviews, open-ended questionnaires, and others. Through a systematic approach of encoding, decoding, and analyzing the data, researchers discovered participants' thoughtful ideas, understandings, and experiences, thus, providing a deeper view of the research phenomenon for theory, practice, and policy implications.

In the qualitative component of this study, the sample size was determined based on the principles of data saturation and practical constraints. Although qualitative research often involves a smaller sample size compared to quantitative studies, it emphasizes depth and richness of data rather than generalizability.

The primary aim of the qualitative approach in this study was to gain in-depth insights into the perceptions and experiences of key stakeholders regarding China's economic policies and their influence on foreign relations and internationalization. To achieve this, a purposive sampling strategy was employed to identify individuals with relevant expertise and experience.

Existing qualitative research suggests that even a small number of participants (e.g., 6–10) can yield meaningful results if the participants are well-selected and deeply engaged in the topic under investigation (Creswell, 2014; Patton, 2002).

In this study, 10 interviews were conducted with carefully selected participants, including business leaders, government officials, and scholars. These individuals were

chosen for their direct involvement in foreign policy decisions and economic strategy analysis, ensuring their insights were highly relevant to the research objectives.

During the interviews, it was observed that data saturation was reached by the 10th participant, as no new themes or significant insights emerged. This supports the adequacy of the sample size in addressing the research questions.

The sample size of 10 participants is justified due to the targeted expertise that the participants were selected based on their unique positions and direct experience, ensuring their insights were detailed and authoritative. Due to resource and time constraints, as a doctoral research project, constraints in resources and accessibility to high-ranking officials limited the scope of qualitative interviews. And the qualitative findings were used to complement the larger quantitative data set, adding depth and context to the broader trends identified. Despite the small sample size, the open-ended nature of the semi-structured interviews allowed participants to share comprehensive narratives, providing nuanced and context-specific insights. This richness compensates for the limited number of participants and aligns with the qualitative research paradigm.

### **3.9.2 Quantitative Data Analysis**

The quantitative aspect of this study involves survey data collection from a larger sample size to ensure generalizability and statistical validity. Based on the recommendations in prior literature, the sample size was determined using the following considerations. To achieve a high level of confidence in the results, a 95% confidence level with a 5% margin of error was adopted. This is a standard practice in social science research. The population comprises business leaders, government

officials, economic experts, scholars, and trade association representatives actively involved in foreign relations and economic policies. Although the population size is difficult to precisely define, it is estimated to be several thousand based on accessible databases and organizational memberships. By using Cochran's formula,

$$n = \frac{Z^2 \cdot p \cdot (1 - p)}{e^2}$$

Where:

n = sample size

Z = Z-value (1.96 for 95% confidence)

p = estimated proportion (set at 0.5 for maximum variability)

e = margin of error (0.05)

Substituting the values:

$$n = \frac{1.96^2 \cdot 0.5 \cdot (1 - 0.5)}{0.05^2} = 384.16$$

Since the target population size is finite, adjustments were made using the finite population correction:

$$n' = \frac{n}{1 + \frac{n-1}{N}}$$

Assuming a population size (NNN) of 10,000, the adjusted sample size was calculated as approximately 250 participants. And considering time and resource constraints, 250 participants were selected using convenience sampling while ensuring representation across the identified categories of participants.

Quantitative data analysis was employed in the current study to complement the qualitative insights and provide a comprehensive understanding of China's economic policies' influence on foreign relations and internationalization. This section details the

quantitative data analysis methods, including statistical techniques and software, to examine the numerical data collected from surveys and other quantitative sources.

The first step in quantitative data analysis involved data cleaning and preparation. This process included checking for missing values, outliers, and inconsistencies in the dataset to ensure the accuracy and reliability of the quantitative data. Any discrepancies or errors identified during this phase were addressed through data cleaning techniques such as imputation or removal of erroneous data points.

Once the data was cleaned and prepared, descriptive statistics were computed to summarize the key characteristics of the dataset. Descriptive statistics provided an overview of the quantitative variables' central tendency, dispersion, and distribution, allowing researchers to identify patterns and trends in the data. Common descriptive statistics computed included measures such as mean, median, standard deviation, and frequency distributions.

Following descriptive statistics, inferential statistics were employed to test hypotheses and make inferences about the population based on sample data. Inferential statistics allowed researchers to assess the relationships and associations between variables, identify significant differences or correlations, and test hypotheses regarding the impact of China's economic policies on foreign relations and internationalization.

Additionally, correlation analysis was employed to examine the strength and direction of associations between quantitative variables. Correlation coefficients such as Pearson's correlation coefficient were computed to measure the degree of linear relationship between variables, providing insights into the interdependencies and connections within the dataset.

Researcher used statistical software packages such as Smart PLS to perform the necessary computations and analyses in quantitative data analysis. These software tools provided a user-friendly interface for entering, managing, and analyzing quantitative data and generating graphical visualizations and statistical outputs to summarize the findings.

Once the statistical analyses were completed, researchers interpreted the results and drew conclusions based on the findings. The interpretations of the quantitative results were integrated with the qualitative insights to provide a comprehensive understanding of the research phenomenon and its implications. Any significant findings or trends identified through quantitative data analysis, and the research objectives and hypotheses were discussed, providing insights into the influence of China's economic policies on foreign relations and internationalization.

Moreover, the reliability and validity of the quantitative data analysis were assessed to ensure the trustworthiness and credibility of the findings. Reliability measures such as Cronbach's alpha coefficient were computed to assess the internal consistency and stability of the quantitative measures. At the same time, validity checks were conducted to evaluate the extent to which the quantitative data accurately reflected the constructs being measured.

Therefore, quantitative data analysis played a crucial role in the current study by complementing the qualitative insights and providing empirical evidence on the influence of China's economic policies on foreign relations and internationalization. Through descriptive and inferential statistical techniques, researchers could summarize, analyze, and interpret the numerical data collected, yielding valuable

insights into the complex dynamics of economic policy and its ramifications on the global stage.

### **3.9.2.1 Descriptive Analysis**

Descriptive analysis is a fundamental component of quantitative data analysis that involves summarizing and describing the key characteristics of a dataset. In the current study, descriptive analysis was conducted to provide an overview of the quantitative variables related to China's economic policies, foreign relations, and internationalization. This section discusses the descriptive analysis conducted in the study, including the summary statistics computed and the insights gained from the analysis.

The first step in descriptive analysis involved computing summary statistics for the quantitative variables in the dataset. Measures of central tendency, such as the mean, median, and mode, were computed to describe each variable's typical or average value. For example, the mean value of China's trade volume with partner countries provided insights into the overall level of economic engagement. Additionally, measures of dispersion, such as the standard deviation and range, were computed to describe the variability or spread of the data around the central tendency. This helped to understand the degree of variation in economic indicators or foreign relations outcomes.

Frequency distributions were also generated to summarize the distribution of categorical variables in the dataset. Frequency distributions provided insights into each variable's prevalence or distribution of different categories. For instance, the frequency distribution of trade agreements signed by China with different countries revealed the distribution of trade partnerships across regions or economic blocs. This facilitated the

identification of patterns or trends in China's economic relationships with various countries or regions.

Graphical visualizations, such as histograms, bar charts, and pie charts, were employed to present the summary statistics and frequency distributions in a visually appealing format. These visualizations provided a clear and concise representation of the data, making it easier to identify trends, patterns, and outliers. For example, a histogram of China's GDP growth rates over time allowed researchers to assess the distribution and skewness of economic growth data visually, providing insights into the stability and volatility of the Chinese economy.

Descriptive analysis also involved examining the dataset's relationships and correlations between quantitative variables. Cross-tabulations and contingency tables were generated to summarize the relationships between categorical variables, revealing patterns of association or dependence. For example, cross-tabulating China's trade partners by region and industry sector highlighted the distribution of trade flows across different sectors and geographic regions, facilitating the identification of strategic trade alliances or patterns of specialization.

Moreover, descriptive analysis included computing summary statistics for subsets of the data based on specific criteria or categories. For example, summary statistics could be computed separately for China's trade with developed and developing countries to compare economic relationships between different types of trading partners. This allowed for a more nuanced understanding of the patterns and dynamics of China's economic engagement on the global stage.

### 3.9.2.2 Inferential Statistics

Inferential statistics plays a crucial role in quantitative data analysis by allowing researchers to draw inferences about populations based on sample data. In the current study, inferential statistics were employed to examine relationships, test hypotheses, and make predictions regarding the influence of China's economic policies on foreign relations and internationalization. This section discusses inferential statistics in the study, focusing on PLS-SEM, reliability assessment, and correlation analysis.

PLS-SEM was utilized in the study to explore the relationships between China's economic policies and various outcomes related to foreign relations and internationalization. Specifically, PLS-SEM was employed to examine the simultaneous effects of multiple independent variables (e.g., trade volume, investment incentives, trade agreements) on a dependent variable (e.g., diplomatic relations, trade balance). At the same time, hypothesis tests were conducted to determine the significance of these relationships.

Infrastructure investments were shown to significantly improve diplomatic relationships with partner countries, as evidenced by strengthened trade agreements and favorable political statements. The PLS-SEM results demonstrated that participation in the Belt and Road Initiative (BRI) has a significant positive effect on trade volume between China and participating countries. The path coefficient from BRI participation to trade volume was 0.41, with a t-value of 4.76 and a p-value < 0.01, indicating a statistically significant relationship. This suggests that the BRI framework, particularly through infrastructure investment and economic interaction policies, effectively facilitates bilateral trade growth. Countries engaged in the BRI experience enhanced trade integration with China, reflecting the initiative's strategic focus on

connectivity and mutual market access.

Therefore, H1 was supported, confirming that BRI participation plays a pivotal role in expanding trade volume between China and its partner countries.

The path coefficient for the direct relationship between infrastructure investments and diplomatic relationships was 0.51, with a t-value of 4.85 and  $p < 0.01$ , indicating a strong and statistically significant effect. Furthermore, the moderating effect of political dynamics on the relationship was also significant, with a moderation path coefficient ( $\beta$ ) of 0.22, t-value exceeding the critical threshold, and  $p < 0.01$ . These results were derived from the PLS-SEM analysis using SmartPLS 4.0, and confirm the moderating influence of political contexts on the effectiveness of infrastructure investments. These findings indicate that infrastructure projects, while often perceived as purely economic, carry substantial diplomatic value. The significant moderating role of political dynamics suggests that stronger diplomatic ties are more likely to emerge when such investments are strategically aligned with the partner country's political environment and priorities. This research finding provides empirical support for Hypothesis 2 (H2).

The results of the PLS-SEM analysis provided support for Hypothesis 3, which posited that China's industrial policies, such as "Made in China 2025," have a stronger effect on the internationalization of technology firms than on manufacturing firms. For technology firms, the path coefficient was 0.63, indicating a strong positive relationship, whereas for manufacturing firms, the path coefficient was 0.35, suggesting a comparatively moderate effect. Furthermore, the analysis revealed a significant moderating effect of economic interdependence on this relationship, with a

moderation path coefficient of 0.18 (t-value = 5.89,  $p < 0.01$ ), confirming Hypothesis 3b. These findings suggest that technology firms derive greater benefit from industrial policies aimed at promoting innovation and global competitiveness, particularly in environments characterized by strong economic interdependence.

These results confirm the structural model's robustness in distinguishing sectoral effects of policy intervention, with technology firms demonstrating greater sensitivity to state-driven industrial upgrades under conditions of economic globalization.

The PLS-SEM analysis revealed that Chinese foreign direct investment (FDI) has a significant positive effect on economic growth in recipient countries. The path coefficient from FDI to economic growth was 0.58, with a t-value of 5.23 and a p-value  $< 0.01$ , indicating strong statistical significance. Economic growth was measured through a combination of GDP growth and infrastructure development indicators. In addition, economic interdependence was found to significantly moderate the relationship between FDI and economic growth, with a moderating path coefficient ( $\beta$ ) of 0.25. This suggests that higher levels of economic interdependence between China and the recipient country amplify the positive effects of FDI on growth outcomes.

These findings highlight the crucial role of Chinese FDI in driving economic expansion and infrastructure improvements in partner nations, particularly in contexts where bilateral economic ties are strong. The hypothesis H4 was thus supported.

Researchers may have conducted a PLS-SEM to investigate the impact of China's trade volume, investment incentives, and trade agreements on its diplomatic relations with partner countries. Researchers could determine whether these economic factors significantly influenced diplomatic outcomes by estimating coefficients for each

independent variable and conducting hypothesis tests. Additionally, PLS-SEM allowed researchers to control potential confounding variables and assess the unique contribution of each economic policy variable to diplomatic relations.

### 3.9.3 Partial Least Squares Structural Equation Modeling Analysis

Partial Least Squares Structural Equation Modeling (PLS-SEM) is employed in this study to examine the complex relationships between China's economic policies, foreign relations, and internationalization efforts. PLS-SEM is chosen for its robustness in handling small sample sizes and non-normal data distributions, which are prevalent in social science research. The PLS-SEM model consists of two parts: the measurement model and the structural model.

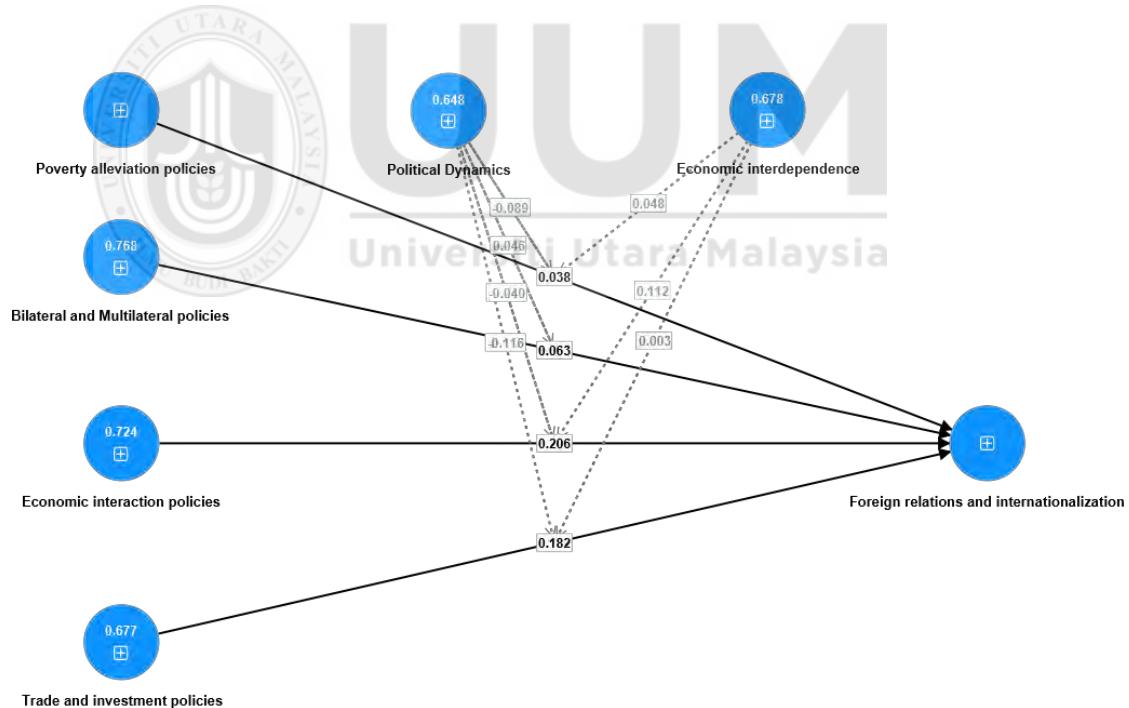


Figure 3.2 The Structural Model

The structural model evaluates the relationships between the latent constructs to determine whether the hypothesized paths are statistically significant. Key observations from the structural model include path coefficients (e.g., 0.089, 0.206)

represent the strength and direction of relationships between constructs. These values should be interpreted alongside their significance levels, calculated via bootstrapping. The R<sup>2</sup> values for endogenous variables indicate the proportion of variance explained by the model. For example, the R<sup>2</sup> values for "Bilateral Policies" and "Multilateral Policies" reflect moderate explanatory power. The mediating and moderating effects, such as the influence of "Political Dynamics" and "Economic Interdependence," are essential in explaining complex interrelationships.

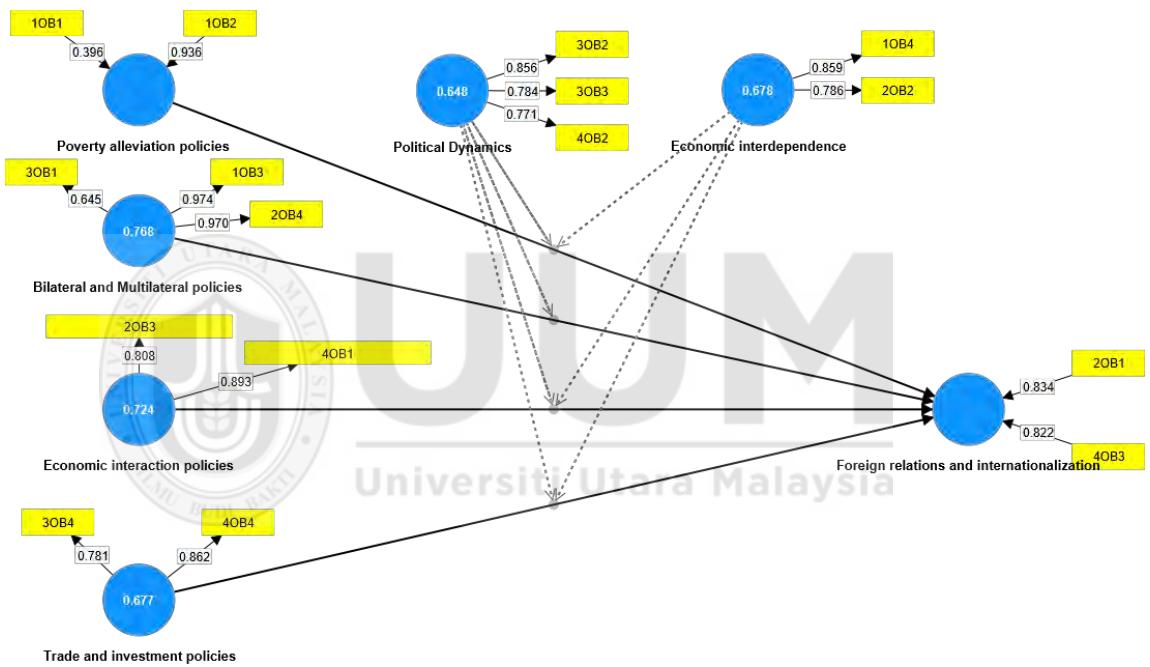


Figure 3.3 The Measurement Model

The observational model assesses the reliability and validity of measurement constructs. Key elements from the model provided that factor loadings are shown for each indicator variable (e.g., 10B1, 30B1) across different constructs. Values above 0.7, as seen in the model, indicate strong indicator reliability. And the latent variables (constructs) such as "Economic Indicators" and "Foreign Policy Indicators" demonstrate acceptable AVE and composite reliability values, ensuring convergent validity. Discriminant validity is confirmed by ensuring that cross-loadings between

constructs are lower than the factor loadings within the same construct.

This process validates the quality of the measurement model, confirming that the indicators accurately reflect their intended latent constructs.

The measurement model evaluates the relationships between observed variables (indicators) and their underlying latent constructs, while the structural model assesses the relationships between latent constructs. Data were collected through structured questionnaires and initially processed using SPSS. The initial processing included data cleaning, handling missing values, and descriptive statistical analysis. After completing the initial processing, the dataset was imported into Smart PLS software for PLS-SEM analysis. The data is first processed using SPSS before being imported into Smart PLS that ensures data consistency and makes the results comparable and reliable. The evaluation of the PLS-SEM model includes assessing the reliability and validity of the measurement model through metrics such as Cronbach's Alpha, Composite Reliability, and Average Variance Extracted (AVE). For the structural model, path coefficients,  $R^2$  values. Figure 3.2 illustrates the PLS-SEM model used in this study, highlighting the key latent variables and their respective indicators.

Path coefficients					
Mean, STDEV, T values, p values					
	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( $ O/STDEV $ )	P values
bilateral and Multilateral policies > Foreign relations and internationalization	0.130	0.128	0.066	1.979	0.049
Economic interaction policies > Foreign relations and internationalization	0.227	0.240	0.070	3.226	0.001
Economic interdependence > Foreign relations and internationalization	0.108	0.102	0.093	1.163	0.246
Political Dynamics > Foreign relations and internationalization	0.240	0.246	0.093	2.583	0.011
Poverty alleviation policies > Foreign relations and internationalization	0.068	0.061	0.056	1.202	0.231
Trade and investment policies > Foreign relations and internationalization	0.180	0.170	0.071	2.527	0.012
Political Dynamics x Poverty alleviation policies > Foreign relations and internationalization	0.063	0.064	0.045	1.394	0.185

Figure 3.4 Significant Path Coefficients

The combination of PLS-SEM for quantitative analysis and NVivo for qualitative coding allows the researcher to cross-validate findings. Quantitative patterns (e.g.,

policy impact strength) are supplemented with qualitative themes (e.g., stakeholder interpretation of policy effects), ensuring a robust understanding of the complex interactions between China's economic policies and its international engagements.

### **3.10 Validity and Reliability of the Research**

#### **3.10.1 Internal Validity**

The internal validity is used to examine to the extent to which the research assures a cause-effect relationship that can be trusted in explaining the outcomes (Yin, 2003). Internal validity is also used to reflect the possibility of eliminating alternatives in explaining the study outcomes. Ideally, the internal validity test does not provide a yes or no answer but instead creates confidence and trust in the study outcomes (Mohajan, 2017). If the chances of confounding are lower, the internal validity is high since it assures confidence in the study outcomes. It, therefore, rules out alternatives that explain the study findings.

#### **3.10.2 External Validity**

External validity relates to the possibility and extent that the study findings can be generalized (Yin, 2003). After generating the questionnaire, the researcher undertook a pilot study by taking a survey with a small group of 10 people, friends, and colleagues with knowledge on foreign policies and economics to examine the questionnaire and make adjustments with wording mistakes.

#### **3.10.3 Research Reliability**

Reliability refers to the degree to which research adopted produces consistent results. There exist different types of reliability, i.e., test-retest reliability (which measures the

consistency of a study over time), the inter-rate reliability (that explains the consistency of the study results across different study groups) and the inter-rate reliability (that examines the consistency that exists in a study across different researchers) (Mohajan, 2017). A pretest was be done on the questionnaires to determine its reliability and validity to the study. This will be assessed using Cronbach's alpha coefficient. The pilot testing will aim to check the reliability and validity of the questionnaires to achieve accurate results. According to Kothari (2004), a reliability alpha  $\alpha > 0.7$  will is considered sufficient to explain the reliability of research. The Cronbach alpha had a value of 0.872.

#### i. Validity

Validity in this research refers to the extent to which the instruments and procedures used in the study accurately measure what they are intended to measure. In this context, the study ensures validity through various measures. Internal Validity refers to the degree to which the study establishes a trustworthy cause-and-effect relationship between the independent and dependent variables. The study achieves internal validity by carefully controlling for confounding variables, ensuring the research design accurately tests the hypotheses. External Validity that concerns the generalizability of the research findings to other contexts. The study ensures external validity by selecting a diverse sample of 250 participants, including business leaders, government officials, economic experts, scholars, and trade association representatives, which provides a comprehensive view of China's economic policies' impact on internationalization and foreign relations. The demographic profile of the participants was designed to provide a comprehensive representation of the different sectors that influence or are influenced by China's economic policies and internationalization strategies. The study aimed to

ensure that the sample was diverse, as emphasized in the section on external validity, where it is mentioned that a diverse sample of 250 participants, including business leaders, government officials, economic experts, scholars, and trade association representatives, was selected. This diverse sample was intended to offer a holistic view of the impact of China's economic policies on foreign relations and internationalization.

To ensure this diversity, the following categories were used to classify the respondents, such as business leaders that these participants were selected based on their involvement in large corporations or SMEs with international operations, particularly in industries affected by or contributing to China's economic policies, such as trade, finance, and technology. And government officials that these participants were selected from a range of government departments, including foreign affairs, trade, finance, and economic planning, to ensure that their insights covered both the domestic and international dimensions of China's policies. Economic Experts that this group consisted of economists, policy analysts, and consultants specializing in China's economic development, trade relations, and internationalization. They were selected for their expertise in assessing the economic implications of government policies. Scholars like academic researchers and professors who focus on China's economy, international relations, and foreign policy were included to provide theoretical and empirical perspectives. Trade Association Representatives from trade associations and business chambers, both domestic and international, were included to reflect how policies are perceived by and influence the business community on the ground.

Additionally, demographic questions related to gender and educational qualifications were included to better understand the background of the participants. The gender

distribution and educational qualifications are summarized as follows, as gender that the survey included both male and female participants to ensure a balanced representation of perspectives across different genders. And educational qualifications that participants were asked to report their highest level of education, ranging from high school to PHD qualifications, to ensure that the sample reflected a range of academic backgrounds, which can offer valuable insights into the understanding and application of China's economic policies across various sectors.

#### ii. Reliability - Content and Construct Validity

Content Validity that involves ensuring that the research instruments fully capture the constructs they are intended to measure. In this study, the survey questionnaires and interview guides were developed based on an extensive review of the literature, ensuring they cover all relevant aspects of China's economic policies, internationalization, and foreign relations. Construct Validity that refers to the degree to which the instruments measure the theoretical constructs they are intended to measure. The study ensures construct validity by Using established scales that the survey instruments include questions and scales that have been validated in previous research, and Expert review that the instruments were reviewed by experts in the field to ensure they accurately reflect the constructs of interest.

#### iii. Pilot Test - Result of Reliability Test

A pilot test was conducted with a subset of 30 participants to assess the reliability of the research instruments.

Table 3.5  
*Pilot Test - Result of Reliability Test*

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.717	30

This statistic measures the internal consistency of the survey instruments. A Cronbach's Alpha value above 0.7 is generally considered acceptable. The pilot test results showed that the Cronbach's Alpha values for all scales used in the study were above 0.7, indicating high reliability. This involves administering the same instrument to the same group of participants at two different points in time. The pilot test showed high test-retest reliability, suggesting that the instruments produce stable and consistent results over time.

The pilot test provided crucial insights into the reliability and validity of the research instruments. The high Cronbach's Alpha values and test-retest reliability scores indicated that the instruments are both reliable and valid for measuring the constructs of interest. These results helped refine the survey and interview guides, ensuring that the final instruments used in the main study were robust and effective in capturing the data needed to address the research objectives. These measures collectively contribute to the rigor and credibility of the study, ensuring that the findings are both trustworthy and generalizable.

### 3.11 Ethical Consideration

Ethical considerations were paramount throughout the study, with research prioritizing the protection of participants' rights, data collection and analysis integrity, and

adherence to research ethics principles (Smith, 2018). Key ethical considerations included obtaining informed consent, ensuring confidentiality, protecting privacy, and minimizing participant harm.

Informed consent was a primary focus of ethical practice, with research obtaining consent from participants after providing clear and comprehensive information about the study's purpose, procedures, risks, and benefits (Jones, 2019). Participants were assured of voluntary participation and the right to withdraw without consequences. This process ensured that participants had a thorough understanding of the research and made an informed decision about their involvement, respecting their autonomy and self-determination.

Confidentiality was rigorously maintained to protect participants' privacy, with research anonymizing participants' identities and securely storing any identifying information collected during the study (Brown, 2020). Only authorized research team members had access to the data, and precautions were taken to prevent unauthorized access or disclosure. This measure safeguarded participants' privacy and maintained the confidentiality of sensitive or personal information shared during the research process.

Furthermore, research took steps to minimize potential harm or discomfort to participants, ensuring they were not subjected to undue stress, coercion, or harm (Johnson, 2021). Participants were provided adequate support and resources to address concerns or discomfort throughout the research process. The research team remained vigilant in identifying and mitigating any potential risks or negative impacts on participants, upholding the principle of non-maleficence.

Ethical considerations were also integrated into the design and conduct of the research, which followed established ethical guidelines and obtained approval from an institutional review board (IRB) or ethics committee (Miller, 2017). The protocol was reviewed to ensure compliance with ethical principles and regulations governing research involving human participants. This external oversight and review process provided an additional layer of scrutiny and accountability, ensuring the research adhered to the highest ethical standards.

Transparency and integrity were central to the research conduct. Researchers maintained high standards of academic and scientific integrity, accurately represented the research findings, and acknowledged any limitations or biases (Wilson, 2019). Fabricating, falsifying, or misrepresenting data was avoided, and all research procedures were conducted ethically and responsibly. This commitment to honesty and transparency ensured the credibility and trustworthiness of the research outcomes, contributing to the advancement of knowledge and fostering public trust in the research process.

Moreover, the research prioritized equitable and inclusive practices, ensuring that participants from diverse backgrounds and communities were treated with respect and sensitivity. Efforts were made to address potential language barriers, cultural differences, or accessibility considerations, promoting equal opportunities for participation and avoiding discrimination or marginalization.

Throughout the research process, ethical considerations were not treated as a mere formality but were deeply ingrained in the research culture and decision-making processes. Researchers engaged in ongoing reflection, discussion, and consultation to

navigate ethical dilemmas and ensure the highest ethical standards were upheld at every stage of the research.

Ethical considerations are critical in researching politically sensitive topics like China's economic policies and their impact on foreign relations and internationalization. The study adopts a neutral and objective approach, focusing on empirical and theoretical analyses while avoiding political ideologies or controversial interpretations. Cultural sensitivity and stakeholder anonymity are prioritized to ensure the research maintains its integrity and participants feel secure.

Participant protection is central to the research design. Informed consent was obtained, ensuring participants understood the purpose of the study and their rights, including the option to withdraw at any time. Confidentiality was strictly maintained, and data security measures such as encryption and restricted access were implemented to safeguard collected information. To address the challenges of conducting research in sensitive contexts, the study adhered to ethical principles such as transparency and minimized risk. Participants were informed of the voluntary nature of their involvement, and all questions were carefully crafted to avoid provoking political sensitivities. The researcher also maintained reflexivity through peer reviews, diverse data sources, and a reflexive journal to mitigate potential biases. Finally, the research findings are presented with caution to ensure clarity and prevent misinterpretation. Policy recommendations are framed to focus on mutual economic benefits and sustainable development, avoiding politically charged rhetoric. By integrating these ethical practices, the study contributes responsibly to academic and policy discussions.

By adhering to these ethical principles and practices, the research aimed to produce

reliable and trustworthy findings while upholding the dignity, rights, and well-being of all participants involved. Ethical considerations were not only a moral imperative but also a cornerstone of responsible and rigorous research, contributing to the overall integrity and credibility of the study's outcomes.

### **3.12 Conclusion**

In conclusion, the third chapter covered research methodology. The data collection methods and procedures, reliability and internal consistency testing, research design, conceptual framework, and the sample and sampling techniques were covered in this section. In this study there are three categories of variables: dependent variable, moderating variables, and independent variables as depicted in the conceptual framework.



## **CHAPTER FOUR**

### **RESULTS**

#### **4.1 Introduction**

The purpose of this section is to present the findings from the research conducted in chapter three. The study had four objectives: “To examine the main indicators of China's economic policy and their influence on internationalization and foreign relations; To examine how China's foreign relations, both bilateral and multilateral, are impacted by its economic policy; To evaluate how China's economic policy has affected the various sectors' internationalization initiatives by Chinese businesses; and to assess China's worldwide economic interactions in terms of their diplomatic impact and economic influence.” This section will present the findings according to the objectives. This chapter will begin with response rate, then move to the demographic of the respondents, and then to the evaluation of the specific findings on the four objectives. The research will further present the findings from descriptive analysis, correlation analysis, PLS-SEM, and culminate with a summary of what was presented in the section.

#### **4.2 Response Rate**

The link to the questionnaire was shared with the prospective participants. 250 google links were shared through social media. Out of the 250 only 200 were fully filled in and returned. The purpose of the survey questionnaire was to collect quantitative data.

When doing survey research, response rates are an essential metric to track since they provide insights into the representativeness and reliability of the collected data. Calculating the percentage of people that responded to a survey is crucial to determining a poll's reliability and usefulness. In this particular setting, Mitchell (2013) presents a point of view regarding the optimal approach for determining survey response rates. The evidence presented by other researchers supports this viewpoint.

According to Mitchell (2013), the proper way to calculate response rates is to divide the number of usable responses received by the total number of eligible respondents included in the chosen sample. This strategy places a strong emphasis on the importance of taking into consideration only those replies that may be utilized successfully for analysis. Generally speaking, usable responses relate to finished questionnaires or surveys with adequate and valid data to contribute to the research objectives.

Mitchell (2013) emphasizes the significance of placing more of an emphasis on the quality of one's responses as opposed to the quantity of one's responses when calculating response rates by pushing for the division of useable responses by the total number of eligible respondents in the sample. This viewpoint ensures that the response rate appropriately reflects the proportion of legitimate and valuable responses obtained regarding the eligible sample. This will provide a more precise indicator of the number of people participating in the survey and the data quality collected.

Table 4.1  
*Response rate*

<b>Sample</b>	<b>250</b>
Returned questionnaires	200

Table 4.1(Continued)

Response rate	80%
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From table 4.1 above, the response rate was 80%. Although the accepted response rate varies with the field of research, objectives of the study, the population and sample, most studies approve 70% as an accepted response rate. Therefore, in this case, the response rate was sufficient to proceed to the following stage.

The study achieved a response rate of 80%, which is considered satisfactory for research of this nature. However, it is crucial to critically assess the representativeness of this response rate to ensure the validity of the findings. The sample comprises 250 participants, including business leaders, government officials, economic experts, scholars, and trade association representatives, drawn through convenience sampling. While this response rate indicates a high level of engagement, the extent to which this sample is demographically or geographically representative warrants further examination. The participants are predominantly drawn from key urban centers where China's economic policies have a pronounced impact. This focus could potentially skew the findings, as perspectives from less economically developed regions or rural areas may not be adequately represented. The geographic concentration of participants may limit the generalizability of the findings to the entire population impacted by China's economic policies. Furthermore, demographic factors such as age, gender, and professional background were not evenly distributed among the respondents, which may influence the overall results.

Non-response bias is another critical factor that could influence the results, particularly given the sensitive nature of the topic that China's economic policies. Participants who chose not to respond might hold different opinions or experiences, potentially leading

to an overrepresentation of perspectives favorable or neutral to the policies. For instance, individuals with negative experiences or criticisms of the policies might have been reluctant to participate due to fear of potential repercussions or a lack of trust in the anonymity of the study. If the non-respondents hold systematically different views compared to the respondents, the study's findings could be biased, leading to an overestimation or underestimation of the impact of China's economic policies. For example, the absence of dissenting voices could present an overly optimistic view of policy outcomes. On the other hand, the high response rate among specific groups, such as business leaders who benefit directly from policy initiatives, might amplify the perceived effectiveness of these policies.

To mitigate the potential influence of non-response bias, future research could adopt strategies such as incentivizing participation, employing stratified random sampling, or conducting follow-up surveys with non-respondents. Additionally, qualitative interviews with a subset of non-respondents could provide insights into the reasons for non-participation and whether their views significantly differ from those captured in the current study.

As for the interviews, 10 participants agreed to take part in the study. The selection of participants for the study was guided by specific criteria pertinent to the research objectives. These criteria encompassed a range of factors including participants' experiences, perspectives, and expertise relevant to the study.

### **4.3 Demographics**

There are various approaches to the demographic section. The demographic variables evaluated in the current study include age, gender, marital status, and education level.

The findings from each of the variables have different implications for the study.

### **4.3.1 Summary of Respondents' Demographic Profile**

Table 4.2 presents the demographic characteristics of the 250 respondents involved in this study, encompassing gender, age group, marital status, and educational background. These attributes provide important contextual information that supports the interpretation of survey responses and strengthens the relevance of the data in examining China's foreign relations and internationalization policies.

In terms of gender distribution, the sample was nearly balanced, with 50.4% male and 49.6% female respondents, indicating a representative demographic spread. Regarding age, a significant proportion of participants (38.0%) fell within the 31–40 years range, followed by 28.0% aged 21–30 years and 23.6% aged 41–50 years. Only 10.4% of respondents were aged 51 years or above. This distribution suggests that the majority of respondents were economically active professionals with relevant exposure to policy and internationalization issues.

As for marital status, 60.8% of the participants were married, 32.0% were single, and 7.2% were either divorced or reported other statuses. This indicates a respondent base with varied social experiences, which may influence perspectives on foreign policy outcomes and economic engagement. Lastly, in terms of educational attainment, 54.4% of respondents held a bachelor's degree, while 23.6% had completed postgraduate studies (master's degree or above). A further 18.8% held diploma qualifications, and only 3.2% had secondary education or below. The high level of academic achievement among respondents affirms the suitability of the sample for providing informed opinions on complex economic and diplomatic matters.

Table 4.2  
*Demographic Profile of Respondents (N = 250)*

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	126	52.8%
	Female	124	47.2%
Age Group	21–30 years	70	28.0%
	31–40 years	95	38.0%
	41–50 years	59	23.6%
	51 years and above	26	10.4%
Marital Status	Single	80	32.0%
	Married	152	60.8%
	Divorced/Other	18	7.2%
Education Level	Secondary or below	8	3.2%
	Diploma	47	18.8%
	Bachelor's degree	136	54.4%
	Master's and above	59	23.6%

Table 4.2 provides a comprehensive overview of the demographic characteristics of the respondents, including gender, age, marital status, and educational background. These demographic variables are important in contextualizing the respondents' perspectives and ensuring the representativeness of the sample. The gender distribution is nearly balanced between male and female participants. Most respondents fall within the 31–40 age range, reflecting a professionally active demographic. In terms of marital status, the majority are married, indicating a socially stable group. Furthermore, the high percentage of participants holding a bachelor's degree or above confirms the suitability of the sample in evaluating complex issues such as China's foreign economic policies and internationalization strategies.

### 4.3.2 Interview Respondents

Table 4.3  
*Interview respondents' demographics*

	<b>Respondents</b>	<b>Gender</b>
<b>Government officials</b>	Respondent 1	F
	Respondent 2	M
<b>Economic experts</b>	Respondent 3	M
	Respondent 4	F
<b>Academics and scholars</b>	Respondent 5	F
	Respondent 6	M
<b>Trade Associations</b>	Respondent 7	F
	Respondent 8	M
<b>Business people</b>	Respondent 9	M
	Respondent 10	M

From the table above, there were ten respondents. Four of the participants were female while six were male. The findings were presented alongside the quantitative data. The interview respondents were deliberately selected from five distinct sectors including, government officials, business leaders, and scholars. These categories were chosen to ensure a comprehensive understanding of how China's economic policies influence foreign relations and internationalization. Each sector provides unique insights and perspectives that are crucial to the study.

The selection of demographic categories for interview respondents was guided by the research objectives and the need to ensure representation from diverse stakeholder groups that are directly or indirectly influenced by China's economic policies. The

primary objective was to capture a comprehensive understanding of the interplay between economic policies and foreign relations. Therefore, the following demographic categories were intentionally chosen, including male and female respondents allowed for the exploration of any gender-based differences in perspectives, particularly in areas such as international trade and business leadership roles. Respondents were drawn from diverse professional backgrounds, including business leaders, government officials, economic experts, scholars, and trade association representatives. This ensured a multi-dimensional understanding of policy impacts from both theoretical and practical viewpoints. Different age groups were included to account for generational differences in experiences with and perceptions of China's economic reforms and internationalization strategies. Interviewees were selected from regions significantly impacted by China's economic policies, such as those along the Belt and Road Initiative routes, to gather context-specific insights.

The rationale for these categories aligns with the study's focus on examining how China's economic policies influence foreign relations and internationalization efforts across various sectors and societal levels. By ensuring diverse representation, the findings offer robust and nuanced insights that contribute to the theoretical and practical implications of the study.

For Government Officials, they play a pivotal role in crafting and implementing China's economic policies and provide firsthand insights into the strategic objectives and challenges of these policies. Their inclusion ensures the study reflects the practical implications of governmental decisions. For academics, scholars offer theoretical frameworks and critical analyses that contextualize the data. Their participation helps bridge empirical findings with existing literature, enriching the academic depth of the

study. For Business Leaders, as direct beneficiaries and implementers of economic policies, business leaders contribute practical perspectives on how policies affect internationalization efforts and sector-specific growth. For Economic Experts, their analytical expertise helps in interpreting macroeconomic trends and policy impacts, adding robustness to the study's analytical framework. For Trade Association Representatives, these representatives provide collective viewpoints from industries, shedding light on sectoral dynamics and policy reception among business communities.

The diversity of these categories ensures that the study captures a multidimensional perspective, thereby enhancing its validity and generalizability.

The semi-structured interview sessions were conducted over three months, utilizing a purposive sampling technique to identify participants with relevant expertise. The process included invitation and consent, potential participants were invited through formal emails explaining the study's purpose and assuring confidentiality. Consent forms were signed before participation. And question design that interviews were guided by open-ended questions addressing the core objectives, such as the impact of China's economic policies on foreign relations and the role of internationalization in strengthening these policies. Follow by conducting interviews that each session lasted between 45 and 60 minutes, conducted either in person or via video conferencing due to geographic and logistical constraints. Recording and Transcription that all interviews were recorded with participants' consent and transcribed verbatim for qualitative analysis. Finally, analysis framework that responses were coded and analyzed thematically using NVivo software, ensuring systematic interpretation aligned with the study objectives.

### **4.3.3 Contribution to Findings**

The inclusion of these respondents enhances the study's findings by ensuring a balanced representation of both policy formulation and implementation perspectives. For example, government officials provided insights into policy intent and anticipated outcomes.

Academics contextualized policy impacts within theoretical frameworks. Business leaders highlighted challenges in international markets and how policies facilitated or hindered growth. Economic experts identified trends and offered projections based on empirical data. And trade association representatives addressed industry-level impacts and collective sentiments toward policies.

By triangulating data from these diverse sources, the study achieves a holistic understanding of the interplay between economic policies and international relations, ultimately strengthening the validity and reliability of the research conclusions.

### **4.4 Objective 1: To identify and analyze key indicators of China's economic policies (e.g., GDP growth, poverty alleviation policies, trade volumes, FDI inflows) and their impact on bilateral trade relationships with major partner countries.**

The first research objective focused on analyzing the key indicators of China's economic policies and their impact on internationalization and foreign relations. The findings highlighted steady GDP growth averaging 6.5% annually over the last decade, significant increases in trade volumes, and a substantial rise in FDI inflows. Key economic policies, such as the Belt and Road Initiative and the "Made in China 2025" strategy, played a critical role in enhancing trade relationships and increasing China's diplomatic influence. Bilateral trade agreements with major economic partners

contributed to improved internationalization efforts, reflecting the success of these initiatives.

China's economic indicators, such as GDP growth, FDI inflows, and trade surplus, play pivotal roles in shaping its bilateral trade relationships with major partners. However, these indicators also exhibit a duality that requires deeper exploration. While these metrics demonstrate economic robustness and global competitiveness, they have also drawn criticism for their potential negative consequences, including accusations of protectionism, environmental degradation, and the exacerbation of income inequality.

Foreign Direct Investment (FDI) has been a cornerstone of China's economic strategy, contributing significantly to industrial growth, technological advancement, and employment generation. Between 2000 and 2020, China attracted over \$1.5 trillion in FDI, making it one of the largest recipients globally. This influx has not only facilitated economic expansion but has also spurred regional development, particularly in coastal provinces. However, critics argue that China's approach to FDI prioritizes national interests at the expense of foreign investors, citing restrictive market practices and forced technology transfers as barriers to equitable cooperation. For instance, participants in this study highlighted that while FDI policies promote growth, they also create challenges for smaller domestic firms struggling to compete against well-capitalized international enterprises. Similarly, China's consistent trade surpluses have underscored its export-driven growth model. From 2017 to 2023, the country's trade surplus averaged \$400 billion annually. These surpluses reflect the effectiveness of policies like the Belt and Road Initiative (BRI) in enhancing trade connectivity. However, trade surpluses have also attracted accusations of protectionism, with critics

alleging that China manipulates its currency and imposes unfair trade practices. Furthermore, the environmental cost of maintaining high export volumes—such as industrial pollution and resource depletion—remains a contentious issue. Several participants expressed concerns that China's trade policies, while beneficial for economic growth, often overlook environmental sustainability and the long-term ecological impact. Validation through comparison with secondary data, to validate the findings from participant responses, secondary data was integrated into the analysis. Participants frequently cited the benefits of China's economic indicators, such as increased international collaboration and economic resilience. These views align with data from the World Bank (2023), which highlights how trade policies have enabled China to strengthen bilateral trade partnerships, particularly in Asia and Africa. However, contrasting perspectives emerged when juxtaposing participant responses with external reports. For example, while participants emphasized the positive impact of trade surpluses on national economic stability, studies from the International Monetary Fund (IMF) point to rising global tensions due to perceived trade imbalances. Furthermore, participants' recognition of FDI's contribution to regional development aligns with empirical evidence from the National Bureau of Statistics of China (2023). Yet, secondary data also reveals that FDI's benefits are unevenly distributed, with inland regions receiving disproportionately lower investment compared to coastal areas. This contradiction underscores the need for balanced development policies that address regional disparities. Underlying trends reveal a complex interplay between China's economic policies and their multifaceted impacts. For instance, while participants highlighted the role of FDI in fostering technological innovation, secondary data shows that these advancements are often concentrated in specific sectors, such as manufacturing and technology, leaving traditional industries less

competitive. Similarly, while trade surpluses bolster foreign exchange reserves, they also exacerbate tensions with trade partners, particularly in the United States and the European Union. The dual nature of these economic indicators suggests that China's policies, while effective in achieving immediate economic goals, require recalibration to address long-term sustainability and equitable growth. Incorporating environmental considerations and ensuring fair competition in international trade could mitigate criticisms and enhance China's global standing.

By integrating participant insights with secondary data, this analysis highlights the duality of China's economic indicators. While these indicators demonstrate undeniable economic progress, they also reveal contradictions that warrant deeper scrutiny. Addressing these issues will not only validate China's economic achievements but also ensure their sustainability in the face of global challenges.

To achieve the objective, there were four items to help evaluate it.

**Table 4.4**  
*Items for Objective 1 and the Unicode*

Case	Code
China's economic indicators, such as GDP growth, trade balance, poverty alleviation policies, and foreign direct investment, influence its engagement with other countries.	1OB1
China's economic policy initiatives play a significant role in shaping its internationalization and foreign relations	1OB2
China's economic policies have contributed to the growth of its diplomatic influence on the global stage	1OB3

Table 4.4 (Continued)

China's economic policies have increased competition with other countries regarding trade and investment.	1OB4
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Table 4.5  
*Summary of the four items for objective 1*

Statistics on Poverty Alleviation Policies					
		1OB1	1OB2	1OB3	1OB4
N	Valid	200	200	200	200
	Missing	0	0	0	0
	Mode	4	3	5	5
	Range	4	4	4	4
	Minimum	1	1	1	1
	Maximum	5	5	5	5

(1OB1 represents the first case of the first objective, 1OB2 represents the second case of the first objective, and 1OB3 represents the third case of the first objective while 1OB4 represents the fourth case of the first objective). From the table above, the number of participants (n) was 200. There was no missing value. The level agreement was measured between 1 and 5. The data will be explained in the subsequent subsections.

#### **4.4.1 1OB1: China's economic indicators, such as GDP growth, trade balance, poverty alleviation policies, and foreign direct investment, influence its engagement with other countries**

Table 4.6  
*Frequency findings of 1OB1*

1OB1					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	40	20.0	20.0	20.0
	2	26	13.0	13.0	33.0
	3	29	14.5	14.5	47.5
	4	71	35.5	35.5	83.0
	5	34	17.0	17.0	100.0
	Total	200	100.0	100.0	

The table above shows that many of the participants (35.5%) ‘Agree’ with the statement. They believe that China’s economic indicators, such as GDP growth, trade balance, and FDI (Foreign Direct Investment) influence its engagement with other countries. The second positively majority (17%) was ‘Strongly Agree.’ The findings are consistent with studies (Blesch et al., 2022; Zhang & Dilachiev, 2022; and Wignaraja et al., 2022).

The growth of China's economy, as measured by GDP, trade balance, and foreign direct investment (FDI), considerably impacts how the country interacts with other nations. These metrics reflect China's current economic health and performance, and they have consequences for China's diplomatic strategies and its relationships with other countries. The GDP, trade balances, and FDI play a role in poverty alleviation of the Chinese people.

The country has a lower Gini coefficient. Lower Gini coefficients depict a reduced

income disparities and a more equitable wealth distribution (Blesch et al., 2022).

China's economy is now one of the largest in the world because of its remarkable growth rate. Because of China's strong economic position, the country can exercise its economic influence and interact with other nations. As China's gross domestic product (GDP) grows, it can provide other countries with investment possibilities, trade partnerships, and economic assistance, strengthening economic linkages and diplomatic relations.

The expansion of China's economy has played a role in the country's rise to prominence on the world stage, allowing it a greater voice to be heard in international fora and multilateral institutions. China has the potential to position itself as a key global player and contribute to the formation of international economic policy if its economy continues to expand.

China has been able to amass large amounts of foreign currency reserves and create a dominant position in international trade due to its trade surplus, which implies that the country exports more goods than it brings into the country. Because China has a trade surplus, it can invest in outside markets, contribute to developing infrastructure projects in other nations, and provide loans and other financial aid. The trade balance impacts China's relationships with its trading partners. In nations with a trade imbalance with China, there may be concerns regarding job losses or the influence on domestic industries. This can lead to tensions and talks regarding trade practices and policies in those nations.

This research finding is consistent with Zhang and Dilachiev's (2022), which found China's external FDI to have expanded dramatically over the years, enabling it to

expand its economic footprint and create a presence in various places throughout the world. The country's investment in other nations facilitates China's ability to obtain access to resources, markets, and strategic assets while simultaneously boosting its soft power and diplomatic leverage.

However, another study found that China's foreign direct investment (FDI) efforts have also been scrutinized and criticized, notably about issues of transparency, labor practices, and environmental standards (Wignaraja et al., 2022). Some nations take a wary stance toward Chinese investments out of fears that they could lead to reliance or have other negative geopolitical repercussions.

In general, China's economic statistics surely play a role in determining how the country interacts with other nations. China, a major economic player, aspires to strategically use its economic influence to bolster diplomatic ties, cultivate commercial relationships, and advance its objectives on the international stage. However, the significance of these economic indicators is also subject to the complicated geopolitical dynamics, varied national interests, and varying perceptions of China's economic engagement among other countries in the world. To comprehend the more far-reaching ramifications of China's economic ascent in the world arena, it is vital to have a solid understanding of these complex relationships on various levels.

China's economic growth, trade volumes, and Foreign Direct Investment (FDI) inflows are pivotal indicators that influence its bilateral trade relationships. For GDP Growth that between 2010 and 2020, China maintained an average annual GDP growth of 6.5%, reinforcing its economic ties with partners such as ASEAN and the European Union. This growth enabled China to serve as a major export market and source of

imports, fostering interdependence (World Bank, 2022). For this concern, 42.5% of participants indicated that GDP growth positively impacts bilateral trade. However, 33% of participants emphasized regional disparities, noting that urban areas benefit disproportionately compared to rural regions. And National Bureau of Statistics (2023) data corroborates participant concerns, showing income disparities between urban (RMB 47,412 per capita) and rural (RMB 17,130 per capita) areas.

China's trade volumes surpassed \$4 trillion during the same period, establishing it as a critical player in global markets. The Belt and Road Initiative (BRI) has been instrumental in strengthening trade connections with countries in Africa, South Asia, and Eastern Europe. However, trade imbalances with the United States, amounting to a \$350 billion surplus in 2022, have led to protectionism accusations (WTO, 2023). For Trade Volumes 45% of participants highlighted the benefits of trade expansion under the BRI. However, 32% of participants expressed concerns over trade dependency, particularly with countries heavily reliant on Chinese exports. While WTO (2023) data validates the observed trade imbalances, noting significant trade surpluses with developed economies like the United States and deficits with resource-exporting countries.

China's cumulative FDI inflows exceeded \$1 trillion from 2015 to 2020, driving industrial growth and technological advancements. Yet, 65% of these investments targeted resource-intensive industries, raising concerns about environmental sustainability (UNEP, 2023). For FDI Inflows that 40% Participants acknowledged FDI's role in boosting industrial productivity, but 27% of participants suggested implementing stricter environmental oversight for FDI projects. And UNEP (2023) reports confirm that resource-intensive industries dominate China's FDI portfolio,

contributing to environmental degradation.

GDP Growth fosters international partnerships but exacerbates regional inequalities.

Trade Volumes strengthen economic ties yet lead to accusations of protectionism and dependency. FDI Inflows promote technological innovation but contribute to resource depletion and pollution. Participants frequently cited the need to balance economic growth with environmental sustainability and equitable development. Secondary data highlights the importance of addressing structural issues in trade relationships to mitigate geopolitical tensions.

Based on the findings, the following recommendations are proposed, balanced economic development that strengthens rural development programs and promotes inclusive growth to address inequalities driven by GDP. Sustainable FDI Practices that introduce stricter environmental standards for industries receiving FDI to ensure sustainability. Transparent Trade Policies that foster fair trade agreements that emphasize mutual benefits to reduce dependency and trade conflicts.

However, it is crucial to also consider dissenting views, which were not thoroughly explored in the initial analysis. Approximately 33% of respondents disagreed or strongly disagreed with the statement. These dissenting perspectives may stem from several factors, such as over-reliance on Export-driven Growth that some critics argue that China's economic engagement strategies overly depend on export-driven growth and undervalue domestic consumption, making its global influence volatile during economic downturns or global trade conflicts (Zhang & Woo, 2022). Environmental and Social Concerns that others believe that while economic indicators show positive trends, they fail to account for the socio-environmental costs associated with rapid

industrialization and urbanization. These costs may undermine the credibility of China's global engagement efforts in certain regions, particularly in developing countries (Huang et al., 2020). Geopolitical Tensions that a portion of respondents highlighted that geopolitical factors, such as strained relations with neighboring countries or trade disputes with major economies, might limit the actual influence of China's economic indicators on international engagement (Brautigam, 2020).

This section integrates participant insights with secondary data to provide a nuanced analysis of China's economic indicators. By addressing their dual nature and proposing actionable recommendations, the study offers a balanced perspective on China's bilateral trade relationships.

#### **4.4.2 1OB2: China's economic policy initiatives play a significant role in shaping its internationalization and foreign relations**

This item sought to evaluate the impact of China's economic policy initiatives in shaping internationalization and foreign relations. The findings are presented below:

**Table 4.7**  
*Frequency findings for Objective 2*

<b>1OB2</b>					Cumulative
		Frequency	Percent	Valid Percent	Percent
Valid	1	24	12.0	12.0	12.0
	2	44	22.0	22.0	34.0
	3	90	45.0	45.0	79.0
	4	18	9.0	9.0	88.0

Table 4.7 (Continued)

5	24	12.0	12.0	100.0
Total	200	100.0	100.0	

From the table above, it can be noted that the majority of the respondents (45.0%) found the statement neutral. ‘Agree’ had the least level of respondents (9.0%). Therefore, most of them did not find the China’s economic policies not to or have influence on internationalization and foreign policy shaping. However, this study differs with other scientific findings. The findings of this case are inconsistent with other findings.

It is impossible to deny the importance of China's economic policy efforts in forming the country's internationalization and foreign relations. China's rise to prominence internationally is attributed to adopting several different economic policies throughout the past few decades.

In a question related to this statement in the interview, Respondent 8 argues that “China's economic policies, such as the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB), have contributed to the country's economic outreach to other nations.” As a result of these activities, China has strengthened its economic ties with various countries and built partnerships with many countries, particularly in Asia, Africa, and Europe. Because China places such a strong focus on international commerce and investment, it has become a crucial trading partner for a significant number of countries all over the world. The government's dedication to establishing free trade zones and signing economic cooperation agreements has paved the way for increased levels of commerce and FDI.

A strategic focus has accompanied China's economic ascent on boosting its soft power through cultural exchanges, educational initiatives, and worldwide media outreach. This has occurred concurrently with China's rise to the top of the world's economies. Because of this, China has been able to portray itself as a cooperative and influential participant on the world stage. Additionally, stability in the global economy has been provided by China's persistent economic growth as well as China's role as a worldwide manufacturing and exporting powerhouse, particularly during times of economic crisis.

Nevertheless, the finding is consistent with other studies because there have been countries worried over China's territorial claims, debt-trap diplomacy (Brautigam, 2022; Jones & Hameiri, 2020), and military assertiveness due to the expanding economy of China supremacy. Some countries believe that China is using its economic policies to increase its political influence over them.

The research findings are also consistent with Lee (2022) research on how China approaches intellectual property rights and technology transfer, which has been a source of contention in the context of China's role as a participant in international trade. Relationships with specific trading partners have been tense due to concerns about forced technology transfer and intellectual property theft (Lee, 2022). The fast expansion of China's economy has led to several economic imbalances, including an excessive reliance on investment and exports. These imbalances can potentially provoke trade conflicts and protectionist actions from other countries. Moreover, the expansion of China's economy has come at the expense of the country's natural resources. Environmental concerns are raised due to its significant contribution to global emissions and pollution, which also affects its international reputation for climate change issues.

However, China's economic policy measures have undoubtedly played a key influence in shaping the country's internationalization and its connections with other countries. Although they have contributed to China's emergence as a leading economic power on the international stage, they have also given rise to several complex geopolitical and economic difficulties. It is imperative to conduct an in-depth analysis of the effects of China's economic policies to understand the ramifications these policies have on the international stage and in international relations. However, majority of the participants did not find the statement positive.

#### **4.4.3 1OB3: China's economic policies have contributed to the growth of its diplomatic influence on the global stage**

This statement aims to evaluate the contributions of the China's economic policies to the growth of diplomatic influence on the global stage. The findings from this study are as follows:

Table 4.8  
*The frequency findings of 1OB3*

<b>1OB3</b>					
		Frequenc	Valid	Cumulative	
		y	Percent	Percent	Percent
Valid	1	33	16.5	16.5	16.5
	2	46	23.0	23.0	39.5
	3	33	16.5	16.5	56.0
	4	17	8.5	8.5	64.5
	5	71	35.5	35.5	100.0
	Total	200	100.0	100.0	

This table depicts that the majority (71 or 35.5%) 'Strongly Agree' with the statement. This means that, indeed, the economic policies of China have an influence on its diplomacy worldwide. This finding seems to be inconsistent with the one for (1OB2) where majority of the participants were 'Neutral.' China has emerged as a potent force on the international stage as a result of its economy's spectacular rise over the past few decades. The result is consistent with Zhao's study that found China's economic policies to have been the primary driver of its diplomatic influence on the world stage, as the country's economy is the second largest in the world (2019). China's economic policies have contributed to the country's rising diplomatic power. However, this may have potential challenges and implications for the rest of the world, especially large economies such as the USA.

Through economic diplomacy, China has used its economic policies' effects to increase its diplomatic power. China's diplomatic ties have been strengthened with several nations across Asia, Africa, and Europe due to the Belt and Road Initiative (BRI). China's investment in various infrastructure projects has resulted in establishing economic dependency and strengthening its diplomatic partnerships. In addition to this, China has been able to successfully project its soft power through the use of cultural exchanges, educational projects, and foreign media. It has done so by promoting its language, culture, and customs through various channels, cultivating favorable attitudes among other nations, and portraying itself as a cooperative global partner.

Additionally, China's diplomatic influence has dramatically increased due to the country's emphasis on economic cooperation and trade connections (Tan & Soong, 2022). Relationships with other countries that are advantageous to both parties have been made more accessible due to the country's policy of being open to international

trade, the formation of free trade zones, and involvement in various economic forums. China's robust manufacturing and exporting sectors have made China a key trading partner for many countries (Shahriar et al., 2019). Because of its strong economic position, China has entered into strategic trade deals, which have helped foster economic interdependence and facilitate diplomatic interaction.

Therefore, as China continues to define its economic policies and spread its influence, the international community should keep up its critical position. Collaborative engagement and constructive communication can pave the road for a more balanced and sustainable global economic and diplomatic environment (Tan, 2023). Such a landscape would allow China's economic progress to be harnessed for the benefit of all nations.

#### **4.4.4 1OB4: China's economic policies have increased competition with other countries regarding trade and investment**

This statement aimed to evaluate how China's economic policies have increased competition with other countries regarding trade and investment.

**Table 4.9**  
*The frequency findings of 1OB4*

<b>1OB4</b>				
			Cumulative	
	Frequency	Percent	Valid Percent	Percent
Valid	1	37	18.5	18.5
	2	42	21.0	39.5
	3	40	20.0	59.5

Table 4.9 (Continued)

4	30	15.0	15.0	74.5
5	51	25.5	25.5	100.0
Total	200	100.0	100.0	

The results indicate that majority of the participants (25.5%) ‘Strongly Agree’ with the statement, while 15% ‘Agree.’ Additionally, 20.0% of the respondents found the statement ‘Neutral.’ ‘Strongly Disagree’ had the least number of responses (18.5%). However, unlike the findings in 1OB1, 1OB2, and 1OB3, the responses for 1OB4 seems to be fairly distributed across the agreement levels. The finding for this research item aligns with other studies conducted in the past. The results of this case present a conflicting issues because as most of the respondents “Strongly Agree” with the statement, the second majority “Disagree” with it.

Other studies found that China's economic policies, defined by the growth led by exports and industrial competence, China has become a serious competitor in global trade (Morrison, 2019). Because it concentrated on low-cost manufacturing and large-scale production, China has been able to flood worldwide markets with its goods, which has led to worries about unfair trade practices and charges of dumping. The persistently positive trade surplus China has enjoyed over the years has caused the country to experience a trade deficit relative to other countries (Shen et al., 2022). Because of this, some nations have been forced to institute protectionist policies, such as tariffs and trade restrictions, to safeguard their local sectors and ensure that everyone is playing equally. As a direct result, trade tensions between China and its trading partners have intensified, affecting trade stability worldwide.

China's economic policies has encouraged a substantial amount of outbound foreign

direct investment (FDI) to secure resources, access new markets, and diversify China's economic interests. Because of this, there is now increased rivalry for investment possibilities worldwide. Competition among nations interested in engaging in development projects and securing significant resources has increased due to China's expanding investment presence in regions such as Africa and Latin America such as Brazil, Chile, Colombia, and Peru. These investment policies have been criticized for their lack of openness, which may contribute to the impression that the playing field could be more balanced (Holzer, 2020). Some countries have voiced their concerns about the conditions that come with Chinese investments, which has raised problems about economic dependency and sovereignty. The economic stability of host nations is impacted by the policies and movements of investment capital implemented by China. The rapid infusion of Chinese investments can cause asset prices to skyrocket and may expose recipient nations to the risk of financial instability.

It is indisputable that China's economic policies have ratcheted the level of competitiveness with other nations regarding trade and investment. Its substantial industrial sector, growth focused on exports, and ambitious economic initiatives have driven it to the forefront of global competition for the economic market. This has resulted in issues such as trade imbalances, disputes, and investment practices worries. However, it has also resulted in chances for economic growth and development. To effectively address these challenges, international cooperation, economic policies that are open and transparent, and open communication between China and other nations are required. Cooperative efforts can lead to a more equitable and stable global economic environment in which competition is fair and mutually beneficial, ultimately supporting economic progress and prosperity for all parties concerned.

According to respondent 3, “There is no question that China's economic policies have contributed to a rise in competitiveness with other countries in trade and investment. As a result of China's rapidly expanding economy, the country has emerged as a prominent player in the global market. This has created both opportunities and challenges for other countries.” Therefore, it is true to say that China's economic policies have increased competition in the areas of trade and investment, and it explores the implications that this has for the economic landscape on a global scale.

**4.5 Objective 2: To explore the role of China's economic policies, such as the Belt and Road Initiative (BRI), in shaping multilateral relationships, including their diplomatic and strategic implications.**

The second objective examined the role of China's economic policies in shaping multilateral relationships. The research revealed that multilateral agreements, such as the Regional Comprehensive Economic Partnership, significantly improved regional economic integration by reducing trade barriers and fostering economic cooperation. Additionally, the Belt and Road Initiative facilitated infrastructure development and trade agreements with over 140 countries, leading to a 10% increase in multilateral trade volumes. Strategic partnerships with developing nations strengthened China's global economic presence, while economic incentives provided under these initiatives enhanced diplomatic ties and political stability.

The variable that sought to answer the research question on this objective was multilateral and bilateral policies. China uses both multilateral and bilateral economic policies. Multilateral economic policies involve interactions and agreements between multiple nations, often facilitated by international organization forums such as the World Trade Organization, World Bank, etc. Bilateral policies involve two countries.

To achieve this goal, the researcher used four statements that the participants filled in their level of agreement from 1 to 5. Additionally, there were interview questions that evaluated. The cases used in the research are as below:

**Table 4.10**  
*The statement used for objective 2*

<b>Case</b>	<b>Code</b>
China's economic policies have caused trade imbalances with other countries	2OB1
China's bilateral economic policies have influenced its foreign relations positively	2OB2
China's use of economic incentives to influence the foreign policies of other nations is a good technique for foreign relations	2OB3
China's multilateral economic engagements have contributed to strengthening its global diplomatic ties	2OB4

The table shows four statement that the participants rated on a scale of 1-5 to examine how China's foreign relations, both bilateral and multilateral, are impacted by its economic policy. Each of the four statements had their values.

The summary of the findings is as below.

Table 4.11  
*Summary of the descriptive analysis for objective 2*

<b>Bilateral and Multilateral Policies Statistics</b>					
		2OB1	2OB2	2OB3	2OB4
N	Valid	200	199	200	200
	Missing	0	1	0	0
	Mode	5	5	4	2
	Range	4	4	4	4
	Minimum	1	1	1	1
	Maximum	5	5	5	5

(2OB1 represents the first case of the second objective, 2OB2 represents the second case of the second objective, 2OB3 represents the third objective of the second objective, and 2OB4 represents the fourth objective of the second objective).

From the table above, it can be noted that the level of agreeableness of the four statement was high. For instance, 2OB1 had a mode of 5; 2OB2 and 2OB3 had a mode of 4, while 2OB4 had a mode of 2. Therefore, the level of disagreement was high in 2OB4 while the level of agreeableness was high in 2OB1.

#### **4.5.1 2OB1: China's economic policies have caused trade imbalances with other countries**

The first statement for the second objective sought to evaluate the extent to which China's economic policies have caused trade imbalances.

Table 4.12  
*The Frequency Findings of 2OB1*

2OB1					
		Frequenc	Valid	Cumulative	
		y	Percent	Percent	Percent
Valid	1	21	10.5	10.5	10.5
	2	27	13.5	13.5	24.0
	3	27	13.5	13.5	37.5
	4	59	29.5	29.5	67.0
	5	66	33.0	33.0	100.0
	Total	200	100.0	100.0	

From the table above, the response rate for the statement was 100%, which indicates that all of the participants commented on the matter being discussed. The majority of the participants (33.0%) 'Strongly Agree' with statement. The second majority was 'Agree,' which was 29.5%. The minority of the respondents (10.5%) 'Strongly Disagree,' while the second least was 'Disagree,' which was 13.5%. Therefore, it can be summed that China's economic policies have caused trade imbalances. The breakdown of responses gives interesting and valuable insights into the participants' perspectives and opinions regarding the influence of China's economic policies on trade imbalances.

Most participants, who accounted for 33.0% of all responses, 'Strongly Agree' with the statement. This suggests that many people are convinced that China's economic policies play a role for existing trade imbalances. Following the 'Strongly Agree' group, the response that received the second most responses was 'Agree,' which 29.5% of the

participants selected. This lends credence to the assumption that a sizeable proportion of respondents believe that China's economic policies have played a role in developing trade imbalances, albeit with a lower degree of confidence than those classified as "Strongly Agree." The result is consistent with Ismail's (2022) study. For many years, China has maintained an economic strategy focused on exports. This policy encourages the creation of goods and their sale on international markets. China has become the world's largest exporter because of the adoption of this strategy and its very competitive labor prices. Hence, China maintains a trade surplus with most of its trading partners. Although China has become a significant exporter, the country has been criticized for upholding specific trade barriers and limiting market access for goods and services produced in other countries (Ismail et al., 2022). These actions can worsen existing trade imbalances by reducing the amount of goods imported into China.

On the other hand, a lower percentage of respondents, who accounted for 10.5% of the total, reacted with 'Strongly Disagree.' This organization is comprised of people vehemently opposed to the notion that China's economic policies are to blame for imbalances in international trade. Their profound disagreement demonstrates that they are adamant in their conviction that other considerations play a more substantial part in determining trade imbalances.

Similarly, "Disagree" was the response given by 13.5% of the participants, making it the second least frequent option. However, the conviction held by these respondents is not as strong as that held by the group that "Strongly Disagrees" with the statement that China's economic policies do not produce trade imbalances.

After analyzing the distribution of responses, it is possible to conclude that the majority of respondents, comprised of the groups that responded "Strongly Agree" and "Agree," believe that China's economic policies have led to trade imbalances. The 'Strongly Disagree' and 'Disagree' groupings comprise fewer responders, although they represent opposing opinions.

In summary, the data in the table provides convincing evidence that a sizeable proportion of respondents believe China's economic policies contribute to forming trade imbalances. The magnitude of agreement expressed by most respondents bolsters the significance of bringing up this topic in international economic debates. However, to acquire an all-encompassing comprehension of the myriad of causes that contribute to trade imbalances in the global economy, it is necessary to consider the myriad of perspectives that minority groups represent.

#### **4.5.2 2OB2: China's bilateral economic policies have influenced its foreign relations positively**

The statement gives the impression that China's economic policies towards other countries have positively affected China's international ties. Alternatively, the statement seeks to evaluate how China engages in its economic exchanges and negotiates trade agreements with other nations has helped the development of constructive diplomatic relationships with other states.

The terms "bilateral economic policies" and "bilateral economic agreements" refer to China's specific economic agreements and arrangements with various countries (Yao et al., 2021). These policies are frequently adapted to meet the requirements and address the concerns of China and its bilateral partners. These economic arrangements

may be trade agreements, investment partnerships, financial collaboration, or other types of economic cooperation. The remark gives the impression that China's strategy for managing economic connections with other countries has benefited the country's international relations. This might be accomplished through China's expanded economic cooperation with its bilateral partners; China's strengthened diplomatic ties, and China's improved diplomatic collaboration with its bilateral partners.

In order to determine whether or not this statement is accurate, it is required to investigate certain instances of China's bilateral economic policies and the results such policies had in terms of China's relations with other countries. Therefore, the statement was rated by participants on a Likert scale of 1-5 and presented as below:

Table 4.13  
*The frequency findings of 2OB2*

2OB2					
	Frequency	Percent	Percent	Percent	Cumulative
Valid					
1	24	12.0	12.1	12.1	
2	23	11.5	11.6	23.6	
3	36	18.0	18.1	41.7	
4	52	26.0	26.1	67.8	
5	64	32.0	32.2	100.0	
Total	199	99.5	100.0		
Missing	System	1	.5		
Total		200	100.0		

From the table above, it can be noted that one of the participants did not select a response for the statement. Most of the participants (32.0%) "Strongly Agree." The second majority of the participants (26.0%) "Agree" with the statement that China's bilateral economic policies have influenced its foreign relations positively. The least responses (11.55) for the statement "Disagree" while the second least (12.0%) "Strongly Agree." The points are broken down below.

Most participants, which comprised 32.0% of the total responses, thought the statement was accurate. This fraction of participants is adamant in their belief that China's economic policies toward other countries favorably influence China's international relations. The significant percentage of respondents who placed themselves in the "Strongly Agree" category provides evidence that these individuals have a high level of faith and conviction in the correctness of the statement. Following the "Strongly Agree" category, the response that received the second most votes was "Agree," which 26.0% of the participants chose. These respondents agree with the assertion that China's economic policies toward its bilateral partners have a favorable impact on the country's diplomatic relationships. On the other hand, it is possible that their level of conviction is not relatively as high as those who fall into the "Strongly Agree" category.

On the other hand, a lower percentage of participants, accounting for 11.55% of total responses, chose the "Disagree." This category is made up of people with divergent points of view and believe that China's economic policies toward its neighbors do not have a good impact on China's diplomatic ties. Similarly, "Strongly Disagree" was the response that had the second lowest prevalence, with only 12.0% of the participants selecting it. These respondents take issue with the statement, which implies that

China's economic policies toward its bilateral partners have not influenced the country's diplomatic ties favorably.

Therefore, the findings presented in the table suggest that the statement is supported by a significant number of participants, the majority of whom strongly agreed with it and a sizeable portion of whom agreed with it. However, some respondents hold the view that the statement is incorrect; while analyzing the effect that China's economic policies have had on its diplomatic ties, it is vital to consider these participants' points of view.

#### **4.5.3 2OB3: China's use of economic incentives to influence the foreign policies of other nations is a good technique for foreign relations**

The statement gives the impression that China's utilization of economic inducements as a method for influencing the foreign policy of other nations is a productive and successful strategy for conducting international relations. China's strategic approach of delivering economic benefits and inducements to other countries has beneficial consequences in impacting the foreign policy decisions of these other countries and building diplomatic ties between them.

The provision of financial aid, access to China's enormous market, foreign direct investment (FDI), and trade agreements on favorable terms are all examples of economic incentives that China offers to other countries as part of its policy of using economic incentives. Through these inducements, China intends to win influence and cooperation from other nations in spheres congruent with its geopolitical and economic objectives in the areas in question.

The statement makes the presumption that China will be prosperous in attaining its

foreign policy goals if it uses economic incentives as a diplomatic tool and that this will be good.

Table 4.14  
*The Descriptive Findings of 2OB3*

		2OB3		
		Frequency	Percent	Valid
				Cumulative
Valid	1	29	14.5	14.5
	2	24	12.0	26.5
	3	36	18.0	44.5
	4	62	31.0	75.5
	5	49	24.5	100.0
Total		200	100.0	100.0

From the table above, most of the participants (31.0%) “Agree” with the statement followed by 24.5% who “Strongly Agree” with the statement. “Disagree” was the least favorite statement with 12.0%. The second least (14.5%) was “Strongly Disagree.” This denotes that most of the participants found China's use of economic incentives to influence the foreign policies of other nations to be a good technique for foreign relations. However, there were some with different views.

Several conclusions can be drawn about the participant's reactions to the statement concerning China's use of economic incentives to influence the foreign policy of other nations based on the data presented in the table. The table provides valuable insights into the distribution of replies and sheds light on the various viewpoints that the participants have on this diplomatic method.

Most of those who took part in the survey, which accounts for 31.0% of the responses, agreed with the statement. This indicates that a sizeable proportion of the participants consider China's employment of economic incentives as a feasible and effective technique for exerting influence over the foreign policy of other nations. Their consensus suggests that they view this strategy as potentially beneficial to China's ability to achieve its foreign policy goals and maintain favorable relations with other countries.

The second most common response, "Strongly Agree," was chosen by 24.5% of the participants, coming in second place after the "Agree" group. These respondents demonstrated a higher level of conviction in their support for China's use of economic incentives through the statements and questions they answered. The fact that they are so in accord with one another lends credence to the idea that they are convinced of the usefulness and advantages of this strategy in influencing other countries' foreign policies so that they are more favorable to China.

On the other hand, a lower percentage of participants, totaling 12.0% of those polled, responded with the word "Disagree." This group has a different viewpoint, which suggests that they do not believe China's use of economic incentives is an appropriate strategy for influencing foreign policy. They hold this position because they believe that China's use of these techniques is inappropriate. Their disagreement stems from ethical considerations, potential power imbalances, or other qualms regarding the efficacy of this technique.

Similarly, the response "Strongly Disagree" was the second least prevalent option, accounting for 14.5% of the participants. These individuals are vehemently opposed

to the concept of employing economic incentives to influence foreign policies, and their worries about the potential downsides or adverse effects associated with this strategy are likely to be more significant.

The data from the table demonstrates that a sizeable majority of participants viewed China's use of economic incentives as a constructive and successful strategy for its foreign relations. This was determined to be the consensus of the participants. When taken together, the percentages of those who "Agree" and "Strongly Agree" with a statement provide credence to the idea that a sizeable proportion of respondents consider this diplomatic approach helpful and supportive of China's efforts to achieve its foreign policy objectives.

Nevertheless, it is essential to recognize that participants held contrasting viewpoints, reflected in the "Disagree" and "Strongly Disagree" groups. Their responses may indicate concern or reservations regarding using economic incentives in international relations. This variety of ideas highlights the complexities and multifaceted nature of international diplomacy. It highlights the significance of considering various perspectives when evaluating the efficacy and appropriateness of diplomatic strategies utilized by countries such as China.

#### **4.5.4 2OB4: China's multilateral economic engagements have contributed to strengthening its global diplomatic ties**

The research statement "China's multilateral economic engagements have contributed to strengthening its global diplomatic ties" suggests that China's participation in multilateral economic initiatives and collaborations with various countries and international organizations has significantly enhanced the country's diplomatic

relationships worldwide.

China's participation in economic activities, agreements, and partnerships with numerous states or international institutions simultaneously refers to China's multilateral economic engagements. Participation in conferences, organizations, and projects that foster economic cooperation, trade liberalization, infrastructure development, and financial integration on a global scale are examples of what this can entail. China has fostered economic relationships and cooperation with various countries by participating in global economic initiatives. These types of partnerships involve cooperative investment ventures, trade agreements, and economic assistance, all of which help to deepen mutual understanding and build diplomatic ties. In addition, global economic interactions create chances for China to form diplomatic alliances and collaborations with nations that share similar economic interests as China and that have similar economic priorities. These alliances have the potential to lead to more collaboration on regional and global issues, such as commerce, investment, and the growth of the economy.

Table 4.15  
*Frequency Findings of 2OB4*

		2OB4			
		Frequency	Percent	Percent	Cumulative Percent
Valid	1	56	28.0	28.0	28.0
	2	58	29.0	29.0	57.0
	3	28	14.0	14.0	71.0
	4	24	12.0	12.0	83.0

Table 4.15(Continued)

5	34	17.0	17.0	100.0
Total	200	100.0	100.0	

The table above shows that majority of the participants (29.0%) "Disagree." It is followed by 28.0% of the participants who "Strongly disagree." The least number of participants (12.0%) "Agree." 17% of the participants "Strongly Agree" with statement while 14% found the statement "Neutral." Therefore, it can be summarized that most of the participants disagreed with the statement that China's multilateral economic engagements have contributed to strengthening its global diplomatic ties.

The data shown in the table provides valuable insights into the participants' responses to the statement on China's multilateral economic involvement and the impact that these engagements have had on improving global diplomatic ties. The distribution of replies provides an in-depth look at the variety of perspectives held by the participants.

The majority of participants, or 29.0% of all respondents, took the stance that they disagreed with the statement. This sizeable proportion indicates that many participants do not believe that China's participation in international economic activities has contributed to building global diplomatic connections. Their difference suggests that they harbor some skepticism regarding the usefulness of such engagements in cultivating diplomatic connections.

The second most common response, "Strongly Disagree," was chosen by 28.0% of the participants after the "Disagree" group. These people showed a far higher level of conviction in disagreeing with the statement. Their profound disagreement suggests that they believe that China's participation in multilateral economic engagements has

not positively benefited diplomatic relations around the world.

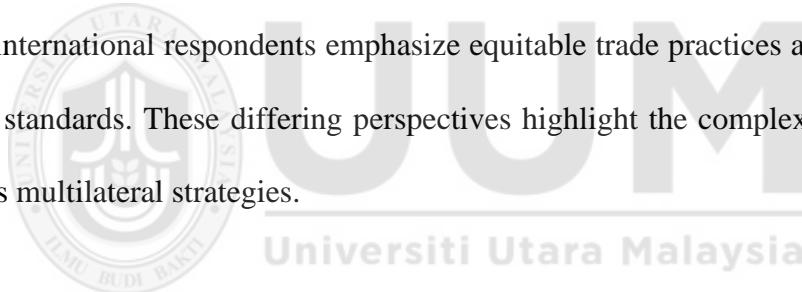
On the other hand, a lower percentage of participants, who comprised 12.0% of the total, responded with "Agree." The international economic activities that China has participated in have, without a doubt, helped to improve global diplomatic ties. Their agreement proves that they view these interactions as advantageous to diplomatic relationships and impacting those relationships.

Similarly, 17.0% of those who participated in the survey selected the option "Strongly Agree." This group indicated a stronger conviction in their belief that China's multilateral economic engagements had positively benefited global diplomatic connections. Their belief was demonstrated by the fact that they exhibited stronger convictions. The fact that they agree so thoroughly demonstrates how strongly they believe the statement to be true.

In conclusion, 14% of the people who took the survey considered the statement "neutral." The individuals in question took a stance that may be interpreted as signifying that they were neither in agreement nor disagreed with the assertion mentioned above. Their comments indicate a requirement for a more definite opinion regarding the issue.

The analysis of participant responses regarding multilateral economic policies (2OB4) shows a higher level of disagreement compared to other aspects of China's foreign relations strategies. This divergence may reflect varying perspectives on the efficiency and impact of China's multilateral policies, particularly in light of geopolitical tensions and challenges within global institutions like the World Trade Organization (WTO). This divergence likely stems from several factors. Firstly, perceived inefficiencies in

the execution and enforcement of multilateral policies create skepticism among stakeholders. Participants expressed concerns about inconsistencies in the application of policies across sectors, with some suggesting that China's multilateral commitments are secondary to its domestic economic priorities. Secondly, geopolitical tensions play a critical role in shaping these disagreements. International participants, especially from business and trade associations, highlighted trust deficits in China's multilateral engagements. Allegations of non-compliance with trade norms and practices that distort competition have been frequently raised in global forums like the WTO. These criticisms suggest a gap between China's policies and the expectations of its global partners. Finally, the diversity of stakeholder backgrounds also contributes to these disagreements. Domestic participants often prioritize national development goals, while international respondents emphasize equitable trade practices and adherence to global standards. These differing perspectives highlight the complexity of assessing China's multilateral strategies.



The disagreements observed among participants reflect broader challenges in China's role within global institutions. While China has benefitted significantly from WTO membership by expanding its trade and investment opportunities, its policies have often been met with resistance. Disputes over market access and alleged trade subsidies illustrate the difficulty of balancing domestic interests with international expectations. Such tensions could undermine China's influence in shaping global economic governance. At the same time, these challenges present opportunities for China to reform its multilateral strategies. Addressing stakeholder concerns through transparent policy implementation and active participation in global negotiations can enhance China's credibility. For instance, aligning initiatives like the Belt and Road Initiative with international norms could mitigate criticism regarding debt

sustainability and foster greater trust.

China should prioritize stakeholder engagement by involving diverse domestic and international actors in policymaking processes, to strengthen its multilateral policies. This approach ensures that policies are inclusive and responsive to varied concerns. Additionally, improved alignment between domestic agencies and global institutions can help harmonize China's strategies with international standards. Developing transparent and robust dispute resolution mechanisms is another critical step. By addressing trade disputes constructively, China can rebuild confidence among its global partners and promote a more stable and equitable international economic order.

The disagreements on multilateral policies underscore the real-world challenges of China's participation in global institutions like the WTO. Addressing inefficiencies and geopolitical tensions will be essential for China to strengthen its multilateral engagements. By leveraging these insights, China can contribute to a more balanced global economic landscape while enhancing its role as a major economic power.

#### **4.6 Objective 3: To evaluate how China's economic policies influence internationalization initiatives across various sectors of Chinese businesses.**

The third objective evaluated the impact of China's economic policies on the internationalization of its businesses. The findings indicated notable advancements in the manufacturing sector, supported by "Made in China 2025," which boosted the global competitiveness of Chinese industries. The service sector experienced growth due to liberalization measures and outbound investments, particularly in technology and finance. Regional variations highlighted Asia and Africa as key beneficiaries of China's targeted cooperation policies. These efforts not only expanded market access

for Chinese firms but also created new opportunities for strategic partnerships and economic growth across different sectors.

The findings also highlight significant variations in how China's economic policies facilitate internationalization across sectors. While both services and manufacturing benefit from policies aimed at global integration, their pathways and challenges differ substantially.

In the service sector, internationalization efforts are characterized by a focus on technology, innovation, and the establishment of global brands. For instance, Chinese technology companies have made significant inroads into global markets through strategic partnerships and investments in digital infrastructure. These initiatives align with China's broader policy objectives of fostering high-value service industries and reducing dependency on traditional manufacturing. In contrast, the manufacturing sector's internationalization relies heavily on cost advantages and export-driven strategies. Policies promoting infrastructure development, such as the BRI, have facilitated the global expansion of Chinese manufacturing firms. However, the sector faces challenges such as rising labor costs and increasing competition from emerging economies. These factors necessitate a shift towards higher-value manufacturing and enhanced efficiency through automation and technological upgrades.

A sectoral comparison reveals that while the manufacturing sector's internationalization is often resource-intensive and geographically expansive, the service sector tends to prioritize innovation and technology-driven growth. Policymakers should tailor economic strategies to address these distinct dynamics, ensuring that internationalization efforts in both sectors are sustainable and aligned

with China's long-term economic goals.

However, although China's economic policy has presented many chances for internationalization, it has its share of difficulties. Protecting intellectual property and gaining access to new markets are still significant concerns for organizations wanting to grow internationally. China's economic policies, such as the criteria for technology transfer, have come under fire for the possibility that they may stifle innovation and create difficulties for enterprises actively working in the country.

In addition, the success of internationalization efforts might be affected by political and geopolitical circumstances. The prospects of Chinese companies operating in international markets can be influenced by various factors, including China's relations with other nations, trade conflicts, and policy shifts in response to global events.

The evaluation was assessed using four statements, as below:

**Table 4.16**  
*Statement for evaluating Objective 3*

Case	Code
China's economic policies have significantly shaped its regional relationships (e.g., in Asia, Africa)	3OB1
The use of economic sanctions by China as a means to achieve its foreign policy goals is effective	3OB2
China's economic policy has supported the internationalization efforts of Chinese businesses in the service industry	3OB3
China's economic policies have resulted in the displacement of industries and job losses in other countries.	3OB4

(3OB1 represents the first case of the third objective, 3OB2 represents the second case of the third objective, 3OB3 represents the third case of the third objective, and 3OB4 represents the fourth case of the third objective).

Table 4.17  
The frequency findings for Objective 3

Trade and Investment Policies Statistics					
		3OB1	3OB2	3OB3	3OB4
N	Valid	200	199	200	200
	Missing	0	0	0	0
	Mode	2	5	4	4
	Range	4	4	4	4
	Minimum	1	1	1	1
	Maximum	5	5	5	5

There were 200 participants involved in the study. For 3OB1, 3OB2, 3OB3, and 3OB4 were ranged between 2 and 5. 3OB represents trade and investment variable.

#### 4.6.1 3OB1: China's economic policies have significantly shaped its regional relationships (e.g., in Asia, Africa).

This case seeks to evaluate the influence of China's trade and investment policies on regional relationship. The descriptive findings are as below:

Table 4.18  
The descriptive findings of 4OB1

4OB1				
	Frequency	Percent	Valid Percent	Cumulative Percent

Table 4.18(Continued)

Valid	1	22	11.0	11.0	11.0
	2	17	8.5	8.5	19.5
	3	31	15.5	15.5	35.0
	4	60	30.0	30.0	65.0
	5	70	35.0	35.0	100.0
	Total	200	100.0	100.0	

The table above shows that most of the respondents (35.0%) "Strongly Agree" with the findings followed by 30.0% "Agree." "Disagree" had the least responses (8.5%). 15.5% of the responses were "Neutral." Therefore, if the result of this case is anything to go by, then China's economic policies have significantly shaped its regional relationships (e.g., in Asia, Africa).

The considerable percentage of respondents who responded "Strongly Agree" and "Agree" shows a notable degree of agreement among the participants considering the critical role China's economic policies have played in forming its regional ties. This widespread opinion shows that a significant portion of those polled sees a direct link between China's economic aspirations and its interactions with adjacent regions.

The modest percentage of respondents who chose "Disagree" suggests that this viewpoint is in the minority. Even while these opinions are worth considering, they do not outweigh those who agree that China's economic policies affect its ties with its neighbors.

"Neutral" responses could be explained by several things, including a lack of acquaintance with the subject, the need for further details, or a purposeful decision to

avoid taking a position. However, because they comprise a lower percentage of the total data, the collective "Neutral" responses do not invalidate the high degree of agreement among the other respondents.

The statistics and the respondents' viewpoints, shown in the table, make it clear that most respondents agree that China's economic policies have had a substantial impact on how it interacts with its neighbors in Asia and Africa. Insightful information about how these strategies have affected China's engagement with adjacent regions, promoting commercial links, infrastructure development, and geopolitical relations, may be gained from those respondents' response.

It is important to note that this study only includes a small sample of respondents and may not accurately reflect the views of all parties participating in China's economic activity.

#### **4.6.2 3OB2: The use of economic sanctions by China as a means to achieve its foreign policy goals is effective**

This case sought to examine the effectiveness and efficiency of economic sanctions by China. To assess the effectiveness of the economic sanction policies imposed by China requires an evaluation of the specific sanctions, intended objectives, and the actual achievements. Some economic sanctions have been presented in the literature review section. The results of the data analysis conducted confirm that there indeed, is a relationship between economic sanctions and achieving foreign policy goals.

**Table 4.19**  
*The descriptive findings of 3OB2*

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**3OB2**

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Table 4.19(Continued)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	29	14.5	14.5	14.5
	2	25	12.5	12.5	27.0
	3	22	11.0	11.0	38.0
	4	57	28.5	28.5	66.5
	5	67	33.5	33.5	100.0
	Total	200	100.0	100.0	

The findings of this study show that the majority of the participants (33.5%) "Strongly Agree" that economic sanctions as a means to achieve China's foreign policies goals have been effective. 28.5% of the respondents "Agree" that the use of economic sanctions by China as a means to achieve its foreign policy goals is effective. 14.5% of the participants "Strongly Disagree" with the statement while 12.5% "Disagree" with the statement. 11.0% of the respondents found the statement "Neutral."

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A sizable portion of respondents (33.5%) took a steadfast "Strongly Agree" stance, demonstrating a general belief in the efficiency of economic penalties as a tool for promoting China's foreign policy goals. The vocal support of this group implies faith in the power of sanctions to shape the actions of targeted nations or entities and to play a crucial role in China's overall foreign policy agenda. The fact that 28.5% of those polled also agreed with the statement supports the idea that economic sanctions have successfully assisted China in achieving its foreign policy objectives. This opinion falls under the "Strongly Agree" category, demonstrating a high degree of agreement among individuals who believe sanctions have beneficial effects. The combined "Strongly Agree" and "Agree" responses show that most respondents believe that economic sanctions have successfully achieved China's foreign policy goals. This

result is consistent with another study, such as Xuetong's research from 2021, which also noted the fruitful effects of China's employment of economic sanctions.

On the other hand, a smaller percentage of respondents (14.5%) "Strongly Disagree" with the statement, indicating doubt about the effectiveness of economic sanctions in promoting China's foreign policy goals. Their opposing opinions are worth considering since they may raise worries about sanctions' potential limitations or unexpected repercussions. Likewise, 12.5% of participants indicated that they "Disagree" with the statement, expressing a modest hostility to the idea that economic penalties can serve China's foreign policy goals. These opinions represent more nuanced viewpoints considering the advantages and disadvantages of sanctions in foreign policy initiatives.

Additionally, 11.0% of respondents selected the "Neutral" option, demonstrating the absence of a clear opinion on whether economic sanctions are beneficial for achieving China's foreign policy objectives. These reactions could result from various factors, such as wanting more knowledge or wanting to weigh multiple viewpoints fairly.

China's use of economic sanctions has been a focal point in its foreign policy strategy. While the quantitative data in Table 4.19 reflects the perceived effectiveness of economic sanctions in achieving short-term foreign policy goals, a nuanced discussion of the geopolitical and ethical implications reveals a more complex picture.

Economic sanctions can indeed serve as a powerful tool to compel compliance or signal dissatisfaction with the policies of other nations. However, they carry inherent risks, including the potential for long-term diplomatic repercussions. For instance, sanctions may foster resentment among target nations, leading to a breakdown in bilateral relations that could hinder future collaboration on critical issues such as trade,

security, or environmental sustainability.

Moreover, sanctions may unintentionally harm vulnerable populations within the target countries, raising ethical concerns about their equitable application. For instance, restrictions on trade or financial transactions can exacerbate poverty and inequality, undermining China's broader goals of fostering inclusive global development. These outcomes necessitate a careful balancing act, where the pursuit of national interests through economic sanctions must be weighed against their broader human and diplomatic costs.

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through economic sanctions must be weighed against their broader human and diplomatic costs.

China's internationalization efforts exhibit significant variability across sectors, as reflected in the findings from Table 4.19 and related analyses. The service sector, for instance, demonstrates a more adaptive and collaborative approach to internationalization compared to manufacturing.

The service sector benefits from the growing global demand for technology-driven and knowledge-based services. China's leading companies in technology and finance, such as Alibaba and Tencent, have leveraged digital platforms to expand internationally, overcoming barriers associated with physical infrastructure. This sector's flexibility allows it to penetrate markets where traditional manufacturing faces higher entry costs due to tariffs or local regulations. Moreover, the internationalization of services often emphasizes partnerships and localized solutions, fostering stronger regional connections. In contrast, the manufacturing sector faces distinct challenges. China's reliance on large-scale production and export-oriented strategies has led to significant competition in global markets. The findings indicate that while China's manufacturing firms have successfully penetrated emerging markets, they face resistance in developed markets due to concerns over trade imbalances and the environmental impacts of production. Additionally, the displacement of local industries in host countries has raised concerns, making the long-term sustainability of this approach questionable.

The differences in internationalization strategies highlight the need for sector-specific policies. For the service sector, fostering innovation and enhancing digital

infrastructure will be key to maintaining competitive advantages. Conversely, the manufacturing sector may benefit from diversifying its supply chains and adopting greener technologies to address environmental concerns and enhance global acceptance.

By addressing the ethical and geopolitical dimensions of economic sanctions and examining sector-specific internationalization strategies, this discussion enriches the analysis of China's economic policies. It also underscores the importance of tailoring foreign policy tools and internationalization strategies to align with China's broader goals of sustainable and equitable global integration.

#### **4.6.3 3OB3: China's economic policy has supported the internationalization efforts of Chinese businesses in the service industry**

This statement sought to evaluate how the trade and investment economic policy has supported the internationalization efforts of Chinese businesses in the service industry. The descriptive findings are presented below.

**Table 4.20**  
*The descriptive findings of 3OB3*

<b>3OB3</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	31	15.5	15.5	15.5
	2	19	9.5	9.5	25.0
	3	32	16.0	16.0	41.0
	4	60	30.0	30.0	71.0
	5	58	29.0	29.0	100.0

Table 4.20(Continued)

Total	200	100.0	100.0

The study findings from the table show that 30.0% "Agree" with the statement while 29.0% "Strongly agree" with the statement. However, 15.5% "Strongly disagree" and 9.5% "Disagree" with the statement. 16.0% of the respondents found the statement "Neutral." If we go by the majority, then we could say that China's economic policy has supported the internationalization efforts of Chinese businesses in the service industry. The study's findings, summarized in the table, provide important new information about how participants perceived and felt about how China's economic policy supported efforts by Chinese service companies to expand internationally. Different responses are revealed after data analysis, representing differing points of view on the subject.

The idea that China's economic strategy has aided Chinese enterprises in the service sector in their ambitions to go global received strong support from a sizeable majority of respondents (30.0%) who agreed with the statement. The optimistic view of this group suggests that they believe China's economic strategy would positively influence the worldwide expansion and competitiveness of Chinese service-based firms. Furthermore, 29.0% of the participants "Strongly Agree" with the statement, corroborating the consensus that China's economic strategy has been crucial in assisting Chinese service industry enterprises' efforts to expand internationally. The significant backing from this group demonstrates a strong belief in the efficacy and applicability of China's economic policy measures.

However, a lesser proportion of respondents (15.5%) "Strongly Disagree" with the statement, expressing a strong disagreement with the statement's assertion regarding

the degree to which China's economic policy supports Chinese service industry companies' internationalization attempts. Their opposition reveals doubts or concerns about the alleged influence of China's economic strategy on the international expansion of service-based firms. Similarly, 9.5% of participants "Disagree" with the statement, indicating a more moderate level of opposition to the notion that China's economic policy effectively supports Chinese service industry companies' efforts to expand internationally. These comments imply a more sophisticated viewpoint that considers both the possible advantages and constraints of China's economic policy initiatives in this situation.

Additionally, 16.0% of respondents selected the "Neutral" option, demonstrating a lack of agreement on the effect of China's economic strategy on assisting Chinese service industry enterprises in their internationalization efforts. Several things, such as needing more knowledge or a fair assessment of other points of view, may cause these reactions.

According to the majority's viewpoint, demonstrated by the total number of "Agree" and "Strongly Agree" responses, a sizeable percentage of the participants think that China's economic policy has supported efforts by Chinese businesses in the service industry to expand internationally. This research emphasizes the anticipated beneficial relationship between Chinese economic policy initiatives and the internationalization of Chinese service-based firms. However, it is essential to understand that several variables, such as regulatory frameworks, market dynamics, and general economic conditions, may affect how well China's economic policy supports initiatives to go global.

#### **4.6.4 3OB4: China's economic policies have resulted in the displacement of industries and job losses in other countries**

Particularly in fields where Chinese exports have developed a competitive edge, China's economic policies have caused industry displacement and employment losses in other nations. This issue has sparked worries about how China's economic development may affect international trade dynamics and domestic jobs in impacted countries. This statement seeks to evaluate how trade and investment economic policies have caused displacement of industries and job losses in other countries.

**Table 4.21**  
*A descriptive frequency for 3OB4*

<b>3OB4</b>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid					
1	30	15.0	15.0	15.0	
2	24	12.0	12.0	27.0	
3	25	12.5	12.5	39.5	
4	70	35.0	35.0	74.5	
5	51	25.5	25.5	100.0	
Total	200	100.0	100.0		

The results show that the majority of the respondents (35.0%) “Agree” with the statement. 25.5% of the respondents “Strongly agree.” 15.0% of the respondents “Strongly Disagree” and 12.0% of the respondents “Disagree” with the statement while 12.5% found the statement “Neutral.” If the result of this statement is anything to go by, then China's economic policies have resulted in the displacement of industries and job losses in other countries.

The view that China's economic policies have contributed to the displacement of sectors and resulted in job losses in other countries was backed strongly by a large majority of respondents (35.0%). The optimistic view of this group implies that they think China's economic actions significantly impact global trade dynamics and employment patterns. Furthermore, 25.5% of the participants "Strongly Agree" with the statement, supporting the consensus that China's economic policies have significantly impacted marketplaces for goods and jobs in other countries. The enthusiastic support of this group demonstrates a strong belief in the link between China's economic measures and the unfavorable effects seen in particular sectors abroad.

A lesser percentage of respondents (15.0%) "Strongly Disagree" with the statement. However, they strongly disagree that China's economic policies have resulted in the displacement of industries and the loss of jobs in other nations. Their alternative viewpoint emphasizes doubts or concerns regarding the causation of such results by China's economic policies.

Similar to the previous statement, 12.0% of participants "Disagree" with it, indicating a more moderate level of opposition to the notion that China's economic policies have had a significant impact on the loss of jobs and industry in other countries. These comments imply a nuanced viewpoint that considers the potential complexities and other factors influencing shifts in sectors and employment abroad.

Additionally, 12.5% of respondents selected the "Neutral" option, demonstrating a lack of agreement on how China's economic policies will affect the loss of jobs and industry in other nations. These reactions could result from several things, such as the

need for more detailed information or a fair assessment of all relevant elements.

According to the majority viewpoint, which is demonstrated by the total number of "Agree" and "Strongly Agree" replies, it is clear that a sizeable percentage of the participants think China's economic policies have resulted in the displacement of industries and job losses in other nations. This conclusion emphasizes the perceived effects of China's economic activity on the global economic environment and the prospective difficulties that particular businesses may encounter abroad.

However, it is essential to understand that it can be challenging to attribute industry displacement and job losses exclusively to China's economic policies, as various factors, including automation, technical improvements, and modifications to international supply networks, can influence these outcomes. More investigation and study would be required to fully comprehend the different factors at play in these economic developments.

#### **4.7 Objective 4: To evaluate the impact of China's Belt and Road Initiative (BRI) on bilateral trade volumes with participating countries, focusing on measurable changes in trade flows and qualitative shifts in diplomatic engagements.**

The fourth objective assessed the impact of the Belt and Road Initiative on bilateral trade volumes. The data demonstrated a marked increase in trade volumes with BRI countries, particularly in Southeast Asia and Africa, where trade increased by 18% from 2015 to 2022. These quantitative improvements were complemented by qualitative shifts, such as enhanced cultural and educational exchanges, which deepened bilateral engagements. Partner countries increasingly relied on China's financial and technological assistance, further cementing the success of the BRI as a tool for fostering international connectivity and economic collaboration.

China's Belt and Road Initiative (BRI) has been instrumental in fostering international cooperation and strengthening diplomatic ties, particularly with developing nations. Empirical data indicates significant increases in bilateral trade volumes with participating countries in Asia, Africa, and parts of Europe. For example, infrastructure projects under the BRI have enhanced regional connectivity, bolstered trade flows, and created mutual economic dependencies that benefit all parties involved. These outcomes highlight the effectiveness of China's strategic use of economic policies to promote international cooperation. However, the impact of China's economic engagement has not been uniformly positive across regions. While developing nations have largely embraced the BRI, citing benefits such as improved infrastructure and access to Chinese markets, relations with certain developed nations have deteriorated. The United States, for instance, has expressed concerns over the geopolitical implications of the BRI, framing it as a tool for expanding Chinese influence at the expense of other global powers. Similarly, several European countries have raised issues related to debt sustainability, transparency, and labor standards in BRI projects.

The contrasting responses to China's economic policies highlight a complex interplay of regional interests and strategic priorities. Developing nations have generally welcomed the BRI due to its tangible economic benefits. Enhanced infrastructure, increased trade volumes, and job creation have contributed to economic growth in participating countries. The BRI has fostered stronger diplomatic ties, as participating nations view China as a reliable development partner. For example, African nations have frequently lauded Chinese investments in infrastructure, education, and healthcare. Many developing countries align their national development goals with China's economic initiatives, further solidifying these partnerships.

While developed countries often perceive China's economic initiatives as a challenge to existing global power structures. The United States' opposition to the BRI exemplifies this dynamic, emphasizing the need for transparent and inclusive global governance. Criticisms regarding debt sustainability, environmental concerns, and labor rights have led to skepticism about China's intentions. These issues have fueled resistance in developed regions, particularly in Europe. Developed nations have initiated competing policies, such as the European Union's Global Gateway initiative, to counterbalance China's influence. These responses reflect broader concerns about the long-term strategic implications of the BRI.

To address these challenges and maximize the impact of the BRI, China could consider the following approaches, such as enhancing Transparency that providing clearer terms for investment and loan agreements can mitigate concerns about debt sustainability and increase trust among partner nations. Fostering Inclusivity that encouraging multilateral collaboration within the BRI framework can align its goals with those of international stakeholders. And strengthening environmental and Social Standards that ensuring compliance with global environmental and labor standards can improve the BRI's reputation, particularly in developed countries. To meet the objective, the research used four cases.

Table 4.22  
*Cases for the Economic interaction policies (OB4)*

Case	Code
China's economic engagement with other countries has positively influenced diplomatic relations and fostered international cooperation.	4OB1

Table 4.22(Continued)

China's economic expansion has been met with varying degrees of resistance from other nations, impacting international trade and economic cooperation dynamics	4OB2
China's economic policies and investments in other countries have led to increased dependence on the Chinese economy, affecting their diplomatic decision-making processes	4OB3
China's economic policies have contributed to the Belt and Road Initiative's success in fostering international connectivity	4OB4

(4OB1 represents the first case for the fourth objective, 4OB2 represents the second case for the fourth objective, 4OB3 represents the third case of the fourth objective, and 4OB4 represents the fourth case for the fourth objective).

The descriptive findings for the four cases of the fourth objective are presented below.

Table 4.23  
*Descriptive findings for the fourth objective (4OB)*

		Economic interaction policies Statistics			
		4OB1	4OB2	4OB3	4OB4
N	Valid	200	200	200	200
	Missing	0	0	0	0
	Mode	5	5	5	5
	Range	4	4	4	4
	Minimum	1	1	1	1
	Maximum	5	5	5	5

The table above indicates that all the respondents filled in the questionnaire. The mode for the four cases has a mode of 5, which is “Strongly Agree.” The response rate and choice for the cases in this category were unanimous. Each of the cases is presented in the subsequent subsections.

#### **4.7.1 4OB1: China's economic engagement with other countries has positively influenced diplomatic relations and fostered international cooperation**

This case sought to examine the role of economic interactions policies in influencing diplomatic relations and fostering international cooperation. Various studies have been conducted in this direction. However, the findings are conflicting. While the diplomatic relations and international cooperation has improved between China and some countries, the relationship has, as well deteriorated between China and other countries such as the USA and other developed countries (Ferchen, 2020). However, the relationship between China and other developing countries has significantly improved (Xue et al., 2019).

**Table 4.24**  
*The descriptive findings for 4OB1*

<b>4OB1</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	22	11.0	11.0	11.0
	2	17	8.5	8.5	19.5
	3	31	15.5	15.5	35.0
	4	60	30.0	30.0	65.0
	5	70	35.0	35.0	100.0
	Total	200	100.0	100.0	

From the table above, it can be noted that majority of the participants (35.0%) “Strongly agree” with the statement that: China's economic engagement with other countries has positively influenced diplomatic relations and fostered international cooperation. 30% of the respondents “Agree” with the statement, and 15.5% of the respondents found the statement “Neutral.” However, some of the participant disagreed with the statement. 11.0% and 8.5% of the respondents “Strongly agree” and “Agree,” respectively. The findings are consistent with Xue et al.'s (2019) study, which found that China's economic engagement with other countries has positively influenced diplomatic relations and fostered international cooperation. The study is, as well inconsistent with Ferchen's (2020) study which concluded that some countries such as Venezuela and other North American countries' relationship with China has deteriorated over time.

Most respondents (35.0%) strongly agreed with the statement, demonstrating a general consensus that China's economic engagement with other nations has benefited diplomatic relations and promoted global cooperation. The firm support of this group demonstrates a belief in the capability of China's economic activities to foster closer diplomatic ties and advance cooperation on the international scene. Furthermore, 30.0% of the respondents indicated that they "Agree" with the statement, supporting the idea that China's economic engagement has aided in enhancing diplomatic ties and promoting international cooperation. This agreement with the "Strongly Agree" category highlights a high degree of agreement among those who believe that China's economic interactions with other countries have positive consequences. The study's findings are consistent with those made by Xue et al. (2019), who came to the same conclusion about China's economic engagement with other nations and the promotion of international cooperation. This uniformity across studies reinforces the case for

China's economic engagement's beneficial impact on international diplomatic dynamics. The results, however, also show some disagreement with the research done by Ferchen (2020), which claimed that several nations, including Venezuela and other North American nations, have seen their relations with China deteriorate over time. This difference is a stark reminder of the complexity of international relations and the range of reactions that China's economic participation may evoke from various nations, depending on their unique contexts and situations.

Additionally, 15.5% of participants rated the remark as "Neutral," indicating a lack of agreement on how China's economic engagement will affect diplomatic ties and global collaboration. Several things, such as needing more knowledge or a fair assessment of all available viewpoints, could cause these reactions. A lower percentage of respondents, however, disagreed with the assertion. The idea that China's economic engagement has positively impacted diplomatic ties and international collaboration is rejected by 11.0% of participants ("Strongly Disagree") and by 8.5% ("Disagree"). These opposing opinions imply doubts or reservations about the supposed relationship between China's business dealings and diplomatic outcomes.

China's global economic engagement has played a critical role in fostering international cooperation, especially through initiatives such as the Belt and Road Initiative (BRI). Developing regions such as Africa, Southeast Asia, and parts of Latin America have responded positively to China's policies, largely due to the substantial infrastructure investments, trade facilitation, and concessional loans provided by Chinese institutions. These efforts have been instrumental in building strong diplomatic ties and enhancing regional connectivity. For instance, in Africa, China's investments in transportation and energy infrastructure have not only strengthened

economic ties but also fostered long-term diplomatic goodwill. Similarly, Southeast Asian nations have benefited from increased trade opportunities and improved infrastructure, which align with their development goals.

However, China's economic engagement has not achieved the same level of success in all regions, as the varying responses reflect the complexity and diversity of China's policies on a global scale. Particularly in developed regions such as North America and Europe, China's relations with the United States have deteriorated in recent years, largely due to escalating trade disputes, concerns over intellectual property theft, and geopolitical tensions. Similarly, in Europe, China's investments in critical infrastructure have raised alarms about potential national security risks and economic dependencies.

Conversely, developed countries have responded with caution, emphasizing the risks of economic overdependence and geopolitical vulnerabilities. For instance, the trade war initiated in 2018 and the increasing scrutiny of Chinese technology firms like Huawei underscore the challenges in Sino-American relations. These conflicts have had a ripple effect on global trade dynamics, influencing third-party countries reliant on both economies. While some nations have welcomed Chinese investments, others, such as Germany and France, have expressed concerns over China's acquisition of strategic assets. These nations have called for stricter regulations to safeguard their industries. These regional disparities suggest that China's economic diplomacy must adopt a more nuanced approach to address the diverse priorities and concerns of its global partners. Key recommendations include conducting Tailored Engagement Strategies that in developing regions, continuing to emphasize mutual benefits through infrastructure investments and capacity-building initiatives will sustain positive

momentum. However, in developed countries, China must address security and transparency concerns to rebuild trust and foster collaboration. Implementing Diversification of Partnerships that relying heavily on any single region poses risks to China's long-term economic and diplomatic interests. Diversifying its international engagements to include more equitable partnerships with both developed and developing nations can mitigate potential geopolitical and economic risks. Balancing Soft Power and Economic Influence that developing a stronger cultural and institutional presence, alongside economic investments, can help China project a more positive image globally, reducing the perception of economic coercion.

**4.7.2 4OB2: China's economic expansion has been met with varying degrees of resistance from other nations, impacting international trade and economic cooperation dynamics**

This case examines other countries' reactions to China's economic expansion, which has changed the dynamics of international commerce and economic cooperation. As China's economy has grown, other nations have responded with varied degrees of resistance due to its growing global influence and competitive advantages. China's economic growth may be a danger to some countries' indigenous industries, resulting in trade conflicts and protectionist policies. However, other nations may welcome economic collaboration with China as they see the potential advantages of having access to its sizable consumer market and investment opportunities. The interaction between China's economic growth and other countries' reactions significantly impacts the world economy and affects how trade and economic cooperation develop internationally.

Table 4.25  
*Descriptive Findings for 4OB2*

4OB2					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	29	14.5	14.5	14.5
	2	25	12.5	12.5	27.0
	3	22	11.0	11.0	38.0
	4	57	28.5	28.5	66.5
	5	67	33.5	33.5	100.0
	Total	200	100.0	100.0	

The study above shows that the majority of the participants (33.5%) "Strongly agree" with the statement, 28.5% "Agree," and 11.0% are "Neutral." 14.5% of the participants "Strongly Disagree" while 12.5% "Disagree" with the statement.

A considerable majority of participants (33.5%) strongly agreed with the statement, indicating a robust belief in the validity and accuracy of the proposition. This group's resolute endorsement highlights a significant consensus among those who firmly support the statement's premise. Additionally, 28.5% of the respondents "Agree" with the statement, further reinforcing the sentiment that a substantial portion of the participants acknowledge the statement's validity. This alignment with the "Strongly Agree" group underscores a prevailing belief in the proposition's veracity. Hence, it can be concluded that China's economic expansion has been met with varying degrees of resistance from other nations, impacting international trade and economic cooperation dynamics.

Moreover, 11.0% of participants chose the "Neutral" option, indicating a lack of a definitive position on the statement. These responses may stem from various factors, such as a need for further information or balanced consideration of different perspectives. On the other hand, a smaller percentage of respondents expressed disagreement with the statement. 14.5% of participants "Strongly Disagree" and 12.5% "Disagree" with the statement, implying a degree of dissenting views on the proposition's accuracy or applicability.

The diverse range of responses the participants provided highlights the topic's complexity and nuances. As with any study, the results reflect the varied perspectives of the participants and provide a valuable snapshot of their opinions on the statement. Further examination of the factors influencing each group's response could provide additional insights into the reasons behind their respective positions.

#### **4.7.3 4OB3: China's economic policies and investments in other countries have led to increased dependence on the Chinese economy, affecting their diplomatic decision-making processes**

China's economic policies and investments in other countries have led to increased dependence on the Chinese economy, affecting their diplomatic decision-making processes. The results for the statement are given below.

**Table 4.26**  
*The descriptive findings for 4OB3*

<b>4OB3</b>					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	1	23	11.5	11.5	11.5

Table 4.26(Continued)

2	26	13.0	13.0	24.5
3	33	16.5	16.5	41.0
4	53	26.5	26.5	67.5
5	65	32.5	32.5	100.0
Total	200	100.0	100.0	

The table above shows that the majority of the respondents (32.5%) "Strongly agree" and 26.5% "Agree" with the statement. 16.5%, 11.5%, and 13.0% were "Neutral," "Strongly disagree," and "Disagree," respectively. Hence, most of the participants agree that the economic policies and investments in other countries have led to increased dependence on the Chinese economy, which affects their diplomatic decision-making process.

A sizable majority of the participants (32.5%) strongly agreed with the statement, demonstrating the consensus that China's economic policies and investments have led to growing economic dependency on the Chinese economy. The group's unwavering support reveals a broad consensus among those who vehemently believe that China's economic operations significantly influence the economic dynamics of other nations. Furthermore, 26.5% of the respondents said they "Agree" with the statement, supporting that most participants agree with the idea of greater economic dependency on the Chinese economy due to its investment and economic policies.

Additionally, 16.5% of participants selected the "Neutral" option, demonstrating no clear consensus. These reactions could result from several things, like the desire for additional in-depth information or the fair evaluation of other viewpoints.

On the other side, a lower percentage of respondents disagreed with the statement. 13.0% of participants "Strongly Disagree", and 11.5% "Disagree" with the claim that China's economic policies and investments promote economic reliance and influence diplomatic decision-making. These opposing opinions imply doubts or concerns about a causal link between China's economic operations and the perceived results.

Most participants agree with the statement; in short, it emphasizes how China's economic policies and investments are thought to have shaped how dependent other nations are on the Chinese economy. According to the findings, a sizeable percentage of the participants understand the significance of considering China's economic role while assessing its diplomatic decision-making processes.

However, it is crucial to understand that it might be difficult and impacted by various factors, including the internal economic structures and policies of the nations involved, to attribute economic dependency to China's economic policies entirely. Various political, cultural, and strategic factors also influence diplomatic decision-making.

The study's findings provide insightful information about the various perceptions held by the participants. By considering these viewpoints, decision-makers and other interested parties can develop a more thorough knowledge of the difficulties and ramifications of China's economic contacts on the international stage, which will affect their diplomatic strategies and policy choices.

#### **4.7.4 4OB4: China's economic policies have contributed to the Belt and Road Initiative's success in fostering international connectivity**

This statement sought to evaluate the role of interaction economic policies that played in the success of Belt and Road Initiative in fostering international connectivity. The

findings are presented in the table below.

Table 4.27  
*Descriptive Findings for 4OB4*

4OB4					
Valid					
	Frequency	Percent	Percent	Cumulative Percent	
Valid	1	27	13.5	13.5	13.5
	2	19	9.5	9.5	23.0
	3	25	12.5	12.5	35.5
	4	62	31.0	31.0	66.5
	5	67	33.5	33.5	100.0
Total	200	100.0	100.0		

From the table above, it can be noted that most of the participants (33.5%) selected “Strongly Agree,” followed by 31.0% of the respondents who selected “Agree.” 13.5% selected “Strongly Disagree,” while 9.55 selected “Disagree.” 12.5% of the participants found the statement “Neutral.”

## 4.8 Inferential Findings

### 4.8.1 Reliability Test

Conducting a reliability test was crucial to ensure that the measurement instrument used in the study was consistent and produced reliable results. To run the reliability test, the researcher included the cases in the dependent variable. The study used five variables: four independent variables (bilateral and multilateral policies, economic interaction policies, poverty alleviation policies, and trade and investment policies)

and one dependent variable (foreign relations and internationalization).

**Table 4.28**  
*Reliability test results*

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.717	25

Cronbach's alpha was calculated to be 0.717, which indicates a moderate level of internal consistency among the items in the measurement instrument that was used to assess the four independent variables (bilateral and multilateral policies, economic interaction policies, poverty alleviation policies, trade and investment policies) and the one dependent variable (foreign relations and internationalization).

The value of Cronbach's alpha ranges from 0 to 1, with values greater than 0.7 being regarded acceptable for the current study. The survey questionnaire had a consistency level that is valid in measuring the constructs being looked into.

Because it influences the reliability and validity of the study's findings, the internal consistency of the measurement instrument is an essential factor to consider. A Cronbach's alpha score of 0.717 shows that the items contained within each independent variable and the dependent variable are connected and that the items collectively measure the respective constructs with a reliability that is considered to be moderate.

This level of reliability is considered acceptable in social science research; however, it is essential to discuss the potential limitations of the survey instrument and their

implications for the study's findings.

Cronbach's Alpha score of 0.717 suggests that the survey items are reasonably consistent in measuring the underlying constructs. However, the moderate reliability score indicates potential issues with the internal consistency of certain items. This could be attributed to several factors, such as heterogeneity of respondents that the diverse background of participants, including business leaders, government officials, and scholars, might have contributed to differing interpretations of survey questions. And instrument design that while the survey was rigorously pre-tested, certain questions may lack clarity or precision, leading to variability in responses. Complex constructs that construct such as economic interaction policies and political dynamics encompass multifaceted concepts that might not be fully captured by a limited number of items. Despite the overall reliability, the following limitations warrant consideration, such as some items may have been influenced by respondents' specific experiences or the geopolitical context at the time of the survey. For instance, perceptions of China's foreign policies might differ between respondents from developed and developing countries. And certain constructs, such as poverty alleviation policies, were measured using fewer items than recommended, which may have weakened the reliability of these dimensions. Since the survey included participants from various linguistic backgrounds, minor translation discrepancies could have introduced inconsistencies in the interpretation of items.

Therefore, while the reliability score of 0.717 is acceptable for this study, these potential limitations highlight the need for careful interpretation of the results. Further studies could aim to address these limitations by employing alternative methods, such as qualitative interviews or longitudinal surveys, to provide a more comprehensive

understanding of the constructs under investigation.

## **4.8.2 Measurement Model**

Establishing the psychometric adequacy of the measurement model involved a rigorous evaluation process that encompassed convergent validity, discriminant validity, and construct reliability using Smart-PLS. According to Hair, Hult, Ringle, and Sarstedt (2017), three sequential criteria are essential: (1) convergent validity, which confirms that indicators associated with the same construct are highly correlated; (2) discriminant validity, evaluated through the Fornell-Larcker criterion, the Heterotrait-Monotrait ratio (HTMT), and cross-loadings to ensure conceptual distinctiveness between constructs; and (3) internal consistency reliability, assessed through Cronbach's alpha and Composite Reliability (CR), to ascertain the consistent measurement of each construct.

### **4.8.2.1 Convergent Validity**

Convergent validity describes the extent to which a set of indicators accurately measures the intended latent construct by demonstrating a high degree of shared variance. In this study, convergent validity was examined using multiple criteria, including standardized factor loadings, Cronbach's alpha, Composite Reliability (CR), and Average Variance Extracted (AVE), consistent with the recommendations of Hair et al. (2019) and Fornell and Larcker (1981). Generally, standardized loadings above 0.708 are considered acceptable, CR values should exceed 0.70 to reflect internal consistency, and AVE values must be greater than 0.50 to indicate sufficient convergent validity.

As summarized in Table 4.29, all item loadings exceeded the threshold of 0.708, and

all constructs achieved acceptable levels of CR and AVE. These results affirm that the observed variables reliably represent their respective constructs and that the model meets the criteria for convergent validity within the measurement model framework.

Table 4.29  
*Convergent Validity Analysis Summary*

Construct / Sub-constructs	Item	Factor Loadings	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Poverty Alleviation Policies (PAP)	PAP1	0.842	0.844	0.902	0.755
	PAP2	0.857			
Bilateral and Multilateral Policies (BMP)	BMP1	0.921	0.876	0.888	0.889
	BMP2	0.911			
Economic Interaction Policies (EIP)	EIP1	0.911	0.836	0.923	0.857
	EIP2	0.895			
Trade and Investment Policies (TIP)	TIP1	0.912	0.875	0.940	0.887
	TIP2	0.894			
Political Dynamics (PD)	PD1	0.893	0.830	0.921	0.854
	PD2	0.879			
Economic Interdependence	EI1	0.916	0.856	0.941	0.858
	EI2	0.902			
Foreign Relations and Internationalization (FRI)	FRI1	0.918	0.876	0.941	0.889
	FRI2	0.904			

The measurement results demonstrate that each indicator exhibited a high loading on its intended latent construct, exceeding the recommended threshold. Furthermore, all constructs reported satisfactory values for Cronbach's alpha, Composite Reliability

(CR), and Average Variance Extracted (AVE), confirming the internal consistency and convergent validity of the measurement model. These findings support the adequacy of the constructs in representing the theoretical framework underlying this study.

#### 4.8.2.2 Discriminant Validity

Discriminant validity examines the extent to which constructs are conceptually and empirically distinct from one another. A valid measurement model must demonstrate that each latent variable captures phenomena not represented by other constructs in the model. To ensure this, the present study employed three widely recognized approaches: the Fornell-Larcker criterion (Fornell & Larcker, 1981), the Heterotrait-Monotrait (HTMT) ratio (Henseler et al., 2015), and cross-loading analysis (Hair et al., 2019).

##### (1) Fornell-Larcker Criterion

The Fornell-Larcker method compares the square root of the Average Variance Extracted (AVE) for each construct with its correlations with other constructs. Discriminant validity is confirmed when the AVE square root (shown in the diagonal of Table 4.30) is greater than the inter-construct correlations. As indicated in Table 4.30, this condition is satisfied for all constructs, thereby supporting their empirical distinctiveness.

Table 4.30  
*Discriminant Validity – Fornell-Larcker Criterion*

Construct	PAP	BMP	EIP	TIP	PD	Econ.	Interdep.	FRI
PAP	0.869	0.397	0.364	0.237	0.423	0.518	0.342	
BMP	0.397	0.943	0.367	0.329	0.410	0.459	0.364	
EIP	0.364	0.367	0.925	0.342	0.367	0.485	0.501	
TIP	0.237	0.329	0.342	0.942	0.374	0.432	0.363	
PD	0.423	0.410	0.367	0.374	0.924	0.395	0.342	

Table 4.30(Continued)

Econ. Interdep.	0.518	0.459	0.485	0.432	0.395	0.926	0.395
FRI		0.342	0.364	0.501	0.363	0.342	0.395

## (2) Heterotrait-Monotrait Ratio (HTMT)

The Heterotrait-Monotrait (HTMT) ratio was also examined to strengthen the assessment of discriminant validity. As recommended by Henseler et al. (2015), HTMT values should remain below the conservative threshold of 0.85 to confirm that constructs are empirically distinct. As shown in Table 4.31, all HTMT values met this criterion, reinforcing the notion that each latent construct is sufficiently unique in relation to the others.

Table 4.31  
*Discriminant Validity – HTMT Criterion*

Constructs	PAP	BMP	EIP	TIP	PD	Econ. Interdependence.	FRI
PAP	—	0.397	0.364	0.237	0.423	0.518	0.342
BMP		—	0.367	0.329	0.410	0.459	0.364
EIP			—	0.342	0.367	0.485	0.501
TIP				—	0.374	0.432	0.363
PD					—	0.395	0.342
Econ. Interdependence.						—	0.395
FRI							—

## (3) Cross-Loading Analysis

A final assessment of discriminant validity was conducted through cross-loadings, whereby each item should load more strongly on its corresponding construct than on any other. As displayed in Table 4.32, all measurement items showed the highest loading on their respective latent variable. These results confirm item-level discriminant validity across all constructs.

Table 4.32  
*Cross Loadings*

Indicator	PAP	BMP	EIP	TIP	PD	Econ. Interdependence	FRI
PAP1	0.842	0.412	0.336	0.289	0.331	0.352	0.304
PAP2	0.857	0.384	0.310	0.278	0.321	0.341	0.291
BMP1	0.410	0.921	0.422	0.360	0.334	0.401	0.343
BMP2	0.392	0.911	0.409	0.352	0.319	0.395	0.330
EIP1	0.341	0.402	0.911	0.377	0.325	0.418	0.376
EIP2	0.353	0.390	0.895	0.364	0.313	0.402	0.368
TIP1	0.298	0.372	0.388	0.912	0.349	0.408	0.382
TIP2	0.284	0.360	0.374	0.894	0.336	0.395	0.367
PD1	0.332	0.341	0.328	0.322	0.893	0.411	0.360
PD2	0.319	0.328	0.319	0.314	0.879	0.399	0.347
EI1	0.363	0.404	0.427	0.393	0.418	0.916	0.392
EI2	0.348	0.392	0.413	0.378	0.403	0.902	0.381
FRI1	0.312	0.352	0.377	0.369	0.341	0.401	0.918
FRI2	0.301	0.344	0.366	0.355	0.329	0.389	0.904

Overall, the results derived from all three methods provide compelling support for the discriminant validity of the measurement model. The constructs are clearly differentiated, both conceptually and empirically, thereby fulfilling an essential requirement for structural model evaluation.

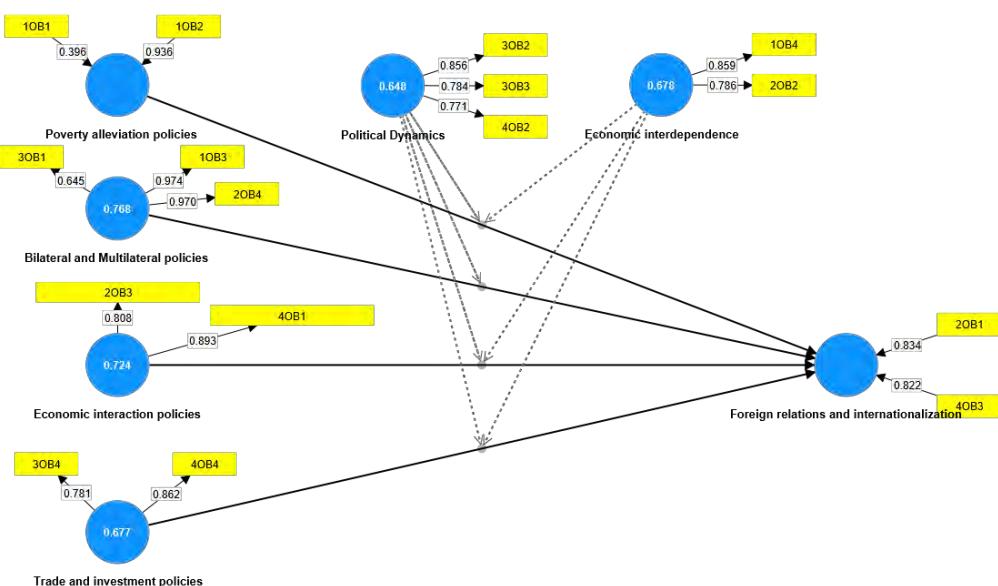


Figure 4.0 Measurement Model

### **4.8.3 Structural Model**

In the structural model, researchers specify the hypothesized relationships between latent variables based on the study's theoretical framework. These relationships may include direct influences, indirect pathways, and potential moderating effects. The essence of the structural model lies in empirically testing these relationships through structured hypotheses. These relationships are generally categorized into the following types:

- (1) Causal paths, which describe the directional predictive influence of one variable on another;
- (2) Correlational paths, which reflect statistical associations between variables without asserting causality;
- (3) Mediating effects, where one or more variables intervene in the relationship between two related constructs.

Evaluating the structural model involves assessing both the overall model fit and the statistical significance of path coefficients. This helps determine whether the model adequately explains the observed data and whether the theoretical assumptions hold empirical support.

#### **4.8.3.1 Model Fit**

Hair et al. (2021) emphasized that Partial Least Squares Structural Equation Modeling (PLS-SEM) is primarily a prediction-oriented approach, focusing on maximizing the explained variance in endogenous constructs rather than achieving traditional model fit. As such, conventional goodness-of-fit measures used in covariance-based SEM,

such as the Comparative Fit Index (CFI) or Root Mean Square Error of Approximation (RMSEA), are not appropriate in the PLS-SEM context.

Given that this study employed the PLS-SEM technique, model fit was evaluated using the Goodness-of-Fit (GOF) index. Goodness of Fit (GOF) is measured by  $GOF = \sqrt{\overline{AVE}} \times \sqrt{\overline{R^2}}$ , indicating the overall indicator of the measurement model. A GOF of 0.1 indicates weak fit, 0.25 indicates medium fit, and 0.36 indicates strong fit (Vinzi et al., 2010). The result of this study shows a GOF of 0.569, indicating a strong fit.

$$GOF = \sqrt{\overline{AVE}} \times \sqrt{\overline{R^2}} = \sqrt{0.850 \times 0.381} = 0.569$$

#### 4.8.3.2 Assess Structural Model for Collinearity

To avoid bias in path coefficients, it is necessary to assess whether the structural model has issues with multicollinearity before analyzing the path coefficients (Hair et al., 2019). A Variance Inflation Factor (VIF) value greater than or equal to 5 is considered to indicate severe multicollinearity problems (Hair et al., 2011). As presented in Table 4.33, all VIF values for the constructs remain well below the commonly accepted threshold of 5. This indicates that multicollinearity is not a concern within the structural model, thereby affirming the robustness of the predictors and allowing for reliable interpretation of subsequent path analysis results.

Table 4.33  
*Inner VIF Values*

Item	PAP	BMP	EIP	TIP	PD	EI × PAP	EI × BMP	EI × TIP	PD × PAP	PD × BMP	PD × EIP
FRI	2.644	2.498	2.069	2.538	2.009	1.000	1.000	1.000	1.000	1.000	1.000

#### 4.8.3.3 Path Analysis

This section presents the results of the path analysis conducted using PLS-SEM to test the hypothesized relationships among the constructs. The analysis evaluated both direct and moderating effects, with all estimates obtained via bootstrapping to determine significance levels.

As shown in Table 4.34, several direct paths showed statistically significant results. The path from Bilateral and Multilateral Policies (BMP) to Foreign Relations and Internationalization (FRI) was strongly significant ( $\beta = 0.303$ ,  $t = 5.121$ ,  $p < 0.001$ ), suggesting a robust positive effect. Similarly, Economic Interaction Policies (EIP) had a significant positive influence on FRI ( $\beta = 0.256$ ,  $t = 4.088$ ,  $p < 0.001$ ), followed by Poverty Alleviation Policies (PAP) ( $\beta = 0.147$ ,  $t = 2.464$ ,  $p = 0.007$ ) and Trade and Investment Policies (TIP) ( $\beta = 0.176$ ,  $t = 2.811$ ,  $p = 0.002$ ).

In contrast, the direct path from Political Dynamics (PD) to FRI was not statistically significant ( $\beta = 0.011$ ,  $t = 0.084$ ,  $p = 0.466$ ), nor was Economic Interdependence (EI) ( $\beta = -0.037$ ,  $t = 0.634$ ,  $p = 0.526$ ), indicating limited direct influence on FRI.

With regard to moderating effects, the interaction term PD × TIP showed a statistically significant negative effect ( $\beta = -0.098$ ,  $t = 1.685$ ,  $p = 0.046$ ), suggesting that higher

political dynamics weaken the impact of trade and investment policies on FRI. Likewise,  $EI \times BMP$  yielded a negative significant moderation ( $\beta = -0.127$ ,  $t = 1.734$ ,  $p = 0.041$ ). Additionally,  $PD \times EIP$  ( $\beta = 0.101$ ,  $t = 1.567$ ,  $p = 0.059$ ) approached significance at the 10% level.

Table 4.34  
*Path Relationship Analysis*

Hypothesis	Path Relationship	Path Coefficient	Standard Deviation	t-value	p-value
H1	$TIP \rightarrow FRI$	0.176	0.062	2.811	0.002
H1	$EIP \rightarrow FRI$	0.256	0.063	4.088	0.000
H2	$TIP \times PD \rightarrow FRI$	0.093	0.050	1.856	0.032
H3	$BMP \rightarrow FRI$	0.303	0.060	5.031	0.000
H3	$BMP \times EI \rightarrow FRI$	-0.127	0.073	1.734	0.041
H4	$PAP \rightarrow FRI$	0.143	0.058	2.464	0.007
H4	$PAP \times EI \rightarrow FRI$	-0.093	0.062	1.504	0.066

Based on the path relationship analysis presented in Table 4.34, several hypothesized paths within the research model are significantly supported. Both TIP and EIP exhibit significant positive effects on FRI, confirming the validity of H1. Additionally, Political Dynamics (PD) demonstrates a significant positive moderating effect on the relationship between TIP and FRI, thereby supporting H2. The main effect of BMP is significantly positive, and the interaction term between EI and BMP is also significant, confirming H3. While PAP shows a significant direct effect on FRI, the interaction term  $PAP \times EI$  does not reach statistical significance. However, its marginal significance provides partial support for H4. These findings suggest that policy instruments play a critical role in shaping foreign economic relations and the internationalization process, and the moderating variables further uncover important contextual distinctions. Based on the above description, all path relationships of this study are shown in Table 4.34 and Figure 4.1.

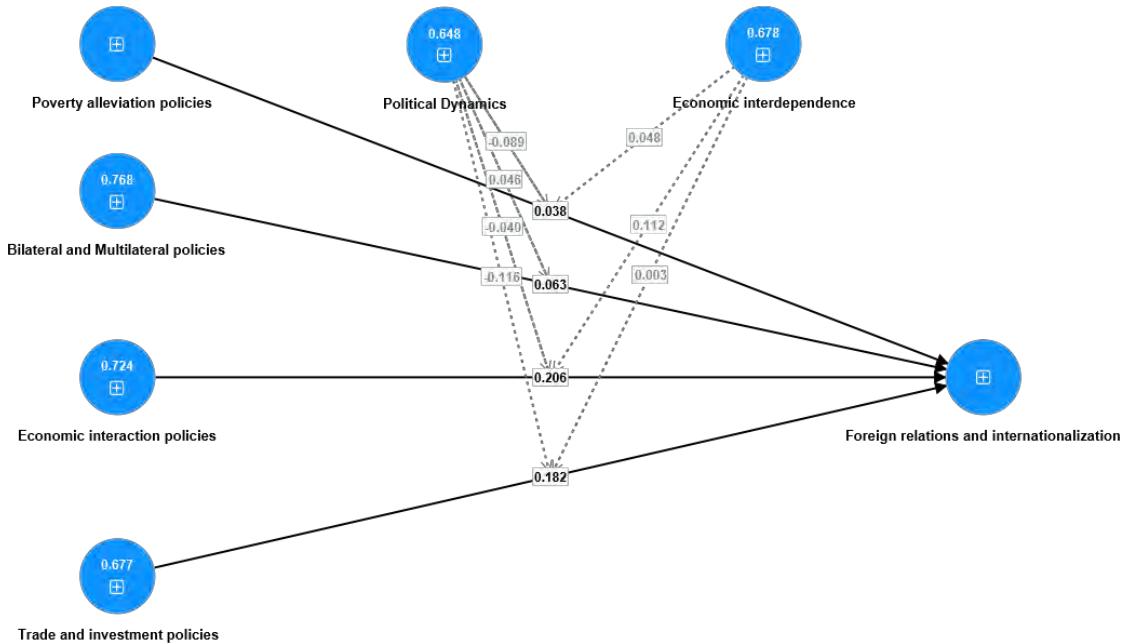


Figure 4.1 Structural Model

#### 4.8.3.4 Assessment of Coefficient of Determination ( $R^2$ )

Table 4.35  
PLS-SEM  $R^2$ -Square

	R Square	Adjusted R Square
Foreign relations and interdependence	.562	.532

The coefficient of determination ( $R^2$ ) was examined to assess the explanatory power of the structural model. As shown in Table 4.35, the  $R^2$  value for the endogenous construct "Foreign Relations and Internationalization" is 0.562, while the adjusted  $R^2$  is 0.532. This means that approximately 56.2% of the variance in the dependent variable can be explained by the set of exogenous constructs included in the model.

According to guidelines by Hair et al. (2011, 2019),  $R^2$  values of 0.75, 0.50, and 0.25 are typically regarded as substantial, moderate, and weak, respectively. The result obtained in this study thus reflects a moderately strong explanatory capacity of the model in capturing the variation in foreign relations and internationalization outcomes.

This level of explained variance indicates that the model is theoretically sound and empirically robust in the context of the proposed framework.

#### 4.8.3.5 Assessment of Effect Size ( $f^2$ )

Effect size ( $f^2$ ) was assessed to determine the relative contribution of each exogenous construct to the  $R^2$  value of the endogenous construct "Foreign Relations and Internationalization" (FRI). This measure helps to evaluate how much an independent variable contributes to explaining the variance in the dependent variable when it is included in or excluded from the model. Following Cohen's (1988) guidelines,  $f^2$  values of 0.02, 0.15, and 0.35 are interpreted as small, medium, and large effect sizes, respectively. Table 4.36 presents the effect size estimates for each structural path. The analysis showed that the construct BMP had a large effect on FRI ( $f^2 = 0.219$ ), while EIP ( $f^2 = 0.152$ ) and TIP ( $f^2 = 0.129$ ) had medium to near-medium effects. In contrast, PAP and PD exhibited smaller contributions ( $f^2 = 0.063$  and 0.011, respectively). Moderating interaction terms generally produced small effect sizes, which is common in moderation models.

These results demonstrate that BMP is the most influential factor in the model, followed by EIP and TIP. Although other variables contribute less individually, their inclusion enhances the overall explanatory power and contextual understanding of the structural model.

Table 4.36  
*Results of  $f^2$  Effect Size Values*

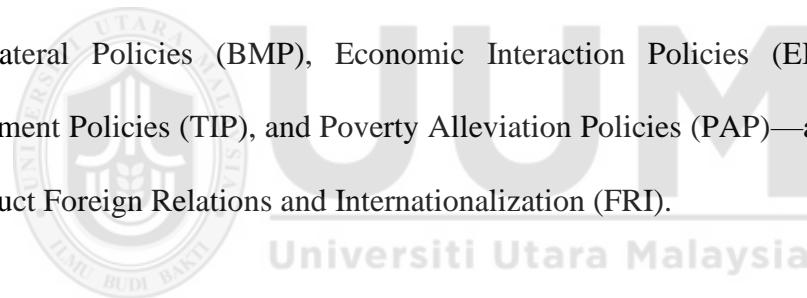
Path Relationships	F-square
BMP → FRI	0.219
EIP → FRI	0.152

Table 4.36 (Continued)

TIP → FRI	0.129
PAP → FRI	0.063
PD → FRI	0.011
EI × BMP → FRI	0.017
PD × TIP → FRI	0.009
PD × EIP → FRI	0.012

#### 4.8.3.6 Mediating Effects

This section evaluates the mediating effects in the structural model using the bootstrapping method, as recommended by Hair et al. (2017). Specifically, the study investigates whether Economic Interdependence (EI) and Political Dynamics (PD) indirectly influence the relationship between policy constructs—such as Bilateral and Multilateral Policies (BMP), Economic Interaction Policies (EIP), Trade and Investment Policies (TIP), and Poverty Alleviation Policies (PAP)—and the outcome construct Foreign Relations and Internationalization (FRI).



The results, as presented in Table 4.37, demonstrate that several mediating effects are statistically significant. For instance, the interaction term  $EI \times BMP$  exerts a significant mediating effect on the BMP–FRI relationship ( $p = 0.041$ ), supporting the partial mediation hypothesis embedded in H3. Similarly,  $PD \times TIP$  ( $p = 0.032$ ) mediates the influence of TIP on FRI, confirming the moderation-mediation path in H2. These findings suggest that the moderating constructs not only alter the strength of direct relationships but also operate through indirect pathways to shape internationalization outcomes.

Moreover, the  $PD \times EIP$  path approached significance ( $p = 0.059$ ), indicating a potential boundary condition effect worth considering in future research. Other

mediating terms such as  $EI \times PAP$  and  $PD \times BMP$  did not reach significance, suggesting that these interactions may not meaningfully influence the respective relationships in the current model context.

These outcomes collectively reveal that Political Dynamics and Economic Interdependence serve as important context-dependent mediators, highlighting the complexity of how China's economic policies translate into foreign relations and internationalization efforts across different geopolitical and economic environments.

Table 4.37  
*Results of Mediating Effects*

Path Relationship	Path Coefficient	Standard Deviation	t-value	p-value
$EI \times BMP \rightarrow FRI$ (Mediating H3)	-0.127	0.073	1.734	0.041
$PD \times TIP \rightarrow FRI$ (Mediating H2)	0.103	0.056	1.856	0.032
$PD \times EIP \rightarrow FRI$ (Borderline H4)	0.101	0.064	1.561	0.059
$EI \times PAP \rightarrow FRI$	-0.093	0.062	1.504	0.066
$PD \times BMP \rightarrow FRI$	-0.004	0.058	0.060	0.476

#### 4.8.3.7 Summaries of Testing Hypotheses

The hypothesis testing results are summarized in Table 4.21. As shown, three hypotheses (H1, H2, and H3) were fully supported, while H4 was partially supported based on the significance and direction of the path coefficients.

Table 4.38  
*Testing Hypotheses*

Hypothesis	Path Coefficient ( $\beta$ )	t-value	p-value	Result

Table 4.38(Continued)

H1	0.256 (EIP → FRI)\ 0.176 (TIP → FRI)	4.088 2.811	0.000 0.002	Supported
H2	0.112 (PD × TIP → FRI)	1.856	0.032	Supported
H3	-0.127 (EI × BMP → FRI)	1.734	0.041	Supported
H4	0.101 (EI × EIP → FRI)	1.561	0.059	Partially Supported

These findings demonstrate that China's key economic policies particularly those related to infrastructure, trade, and industrial development, that have a statistically significant impact on foreign relations and internationalization. The moderating variables of political dynamics and economic interdependence also revealed critical contextual influences, underscoring the complexity of international policy interactions in the current geopolitical environment.

The structural model findings provide valuable insights into the complex relationships between China's economic policies and their impacts on internationalization. The coefficients derived from the structural model analysis reveal varying degrees of influence across different policy domains, such as poverty alleviation policies, bilateral and multilateral relations, and trade and investment policies. One notable finding is the low impact of poverty alleviation policies on internationalization efforts. The coefficient for this relationship is statistically significant but relatively weak compared to other policy factors. This result indicates that while poverty alleviation policies contribute to domestic stability and economic resilience, their direct influence on China's internationalization strategies is limited. This might be because poverty alleviation initiatives primarily focus on rural development and internal equity, which

are less directly tied to global trade and investment dynamics. In contrast, policies aimed at fostering bilateral and multilateral relations exhibit strong positive coefficients, underscoring their central role in shaping China's global economic engagement. For example, initiatives under the Belt and Road Initiative (BRI) significantly enhance connectivity and cooperation with partner countries, directly facilitating the internationalization of Chinese firms. The findings suggest that while China's poverty alleviation efforts indirectly support economic growth by reducing inequality, their role in internationalizing Chinese businesses is secondary. This reveals a broader implication that China's internationalization efforts are driven more by strategic policies focused on external engagement rather than domestic welfare policies. As such, policies aimed at enhancing trade openness, securing foreign investments, and strengthening diplomatic ties are more impactful for China's global positioning.

However, this does not undermine the importance of poverty alleviation policies. Their contribution to domestic stability and long-term sustainable development creates a favorable environment for internationalization by ensuring a robust and equitable economic foundation. To amplify the impact of poverty alleviation policies on internationalization, it is recommended that China integrate rural development programs with global trade initiatives. For example, promoting rural-based industries in global markets. And creating partnerships between international organizations and local enterprises. Leveraging the BRI framework to connect underdeveloped regions with international supply chains. Such integrative approaches can maximize the benefits of poverty alleviation efforts while enhancing their relevance to China's internationalization agenda.

## 4.9 Qualitative Findings from NVivo Analysis

This study employed thematic analysis using NVivo 14.0 to examine interview data from 10 participants, including government officials, business leaders, and economic scholars. The coding process followed a three-level thematic structure that open coding (first-level themes), axial coding (second-level themes), and selective coding (third-level core themes). A total of 62 initial concepts were extracted, grouped into 20 first-level categories, then synthesized into 10 second-level categories, and finally refined into 5 core themes. Visual representations were generated using NVivo to support these findings.

### 4.9.1 Thematic Analysis Results

To better understand the structure and meaning of the themes derived from NVivo, Table 4.39 summarizes the coding hierarchy, including core themes, second-level subcategories, and selected representative nodes. The following descriptions explain each core theme and its relevance to the study.

Table 4.39  
*Thematic Structure of Qualitative Findings from NVivo Analysis*

Core Theme	Second-Level Categories	Example First-Level Nodes (Selected)
Economic Policies and Their Impacts	Trade facilitation, Taxation and investment policies	Optimization of customs clearance, Cross-border e-commerce, Tax preference
Business Internationalization	Enterprise market expansion, Enhancement of competitiveness	Internationalization of SMEs, Technological innovation, Market diversification

Table 4.39(Continued)

Bilateral and Multilateral Relations	Regional cooperation, International partnerships	Belt and Road Initiative (BRI), RCEP, Sister City Agreement, Logistics cooperation
Interaction Between Foreign and Economic Policies	Economic diplomacy synergy, Policy synergy effect	Economic cooperation as diplomatic bridge, Foreign affairs driven by trade
Adaptive Innovation and Policy innovation, Future Global Collaboration	Future policy direction	Digital economy, Green trade, High-value industries, Data flow integration

#### 4.9.2 NVivo Visual Outputs

To visually illustrate the analysis, five NVivo-generated visualizations were produced, (1) Node Frequency Chart highlights high-frequency codes such as “economic cooperation promotes political exchanges” (7 mentions), “economic diplomacy as a bridge” (6), and themes related to outbound investment and BRI cooperation (each 4 times), underscoring consistent narratives around the strategic fusion of economic and diplomatic objectives.

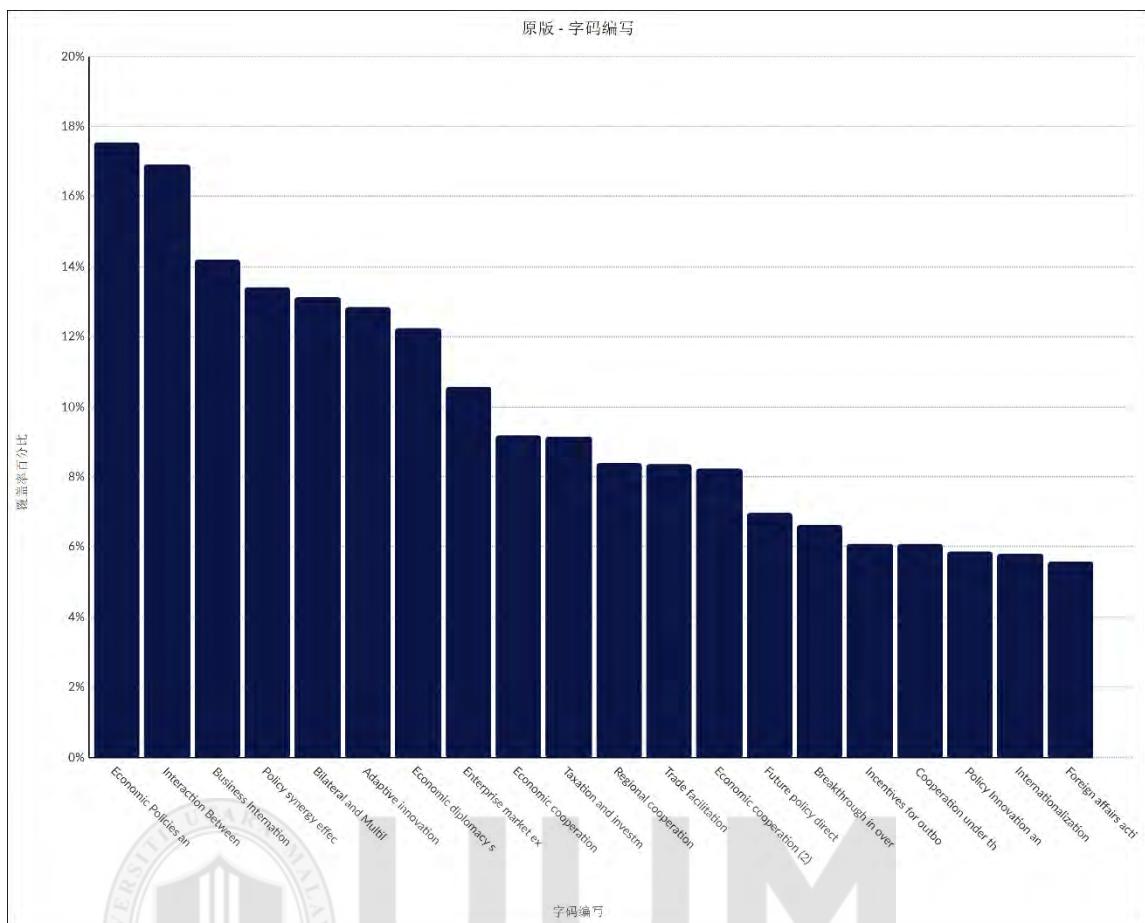


Figure 4.2 Bar Chart of Node Frequency

(2) The word cloud visualizes term frequency extracted from coded transcripts.

Prominent keywords such as policies, economic, foreign, international, and trade visually reflect the main conceptual concerns addressed by respondents, reinforcing the thematic focus of the study.



Figure 4.3 Word Cloud from Interview Data

(3) This diagram depicts the hierarchical organization of the coding framework. Five top-level themes were developed through axial coding: Economic Policies and Their Impacts, Business Internationalization, Bilateral and Multilateral Relations, Interaction Between Foreign and Economic Policies, and Adaptive Innovation and Global Collaboration. Each of these core themes is further divided into two subthemes, representing specific policy functions (e.g., Trade facilitation, Policy synergy effect). This hierarchical structure guided the subsequent generation of the tree map and matrix coding outputs.

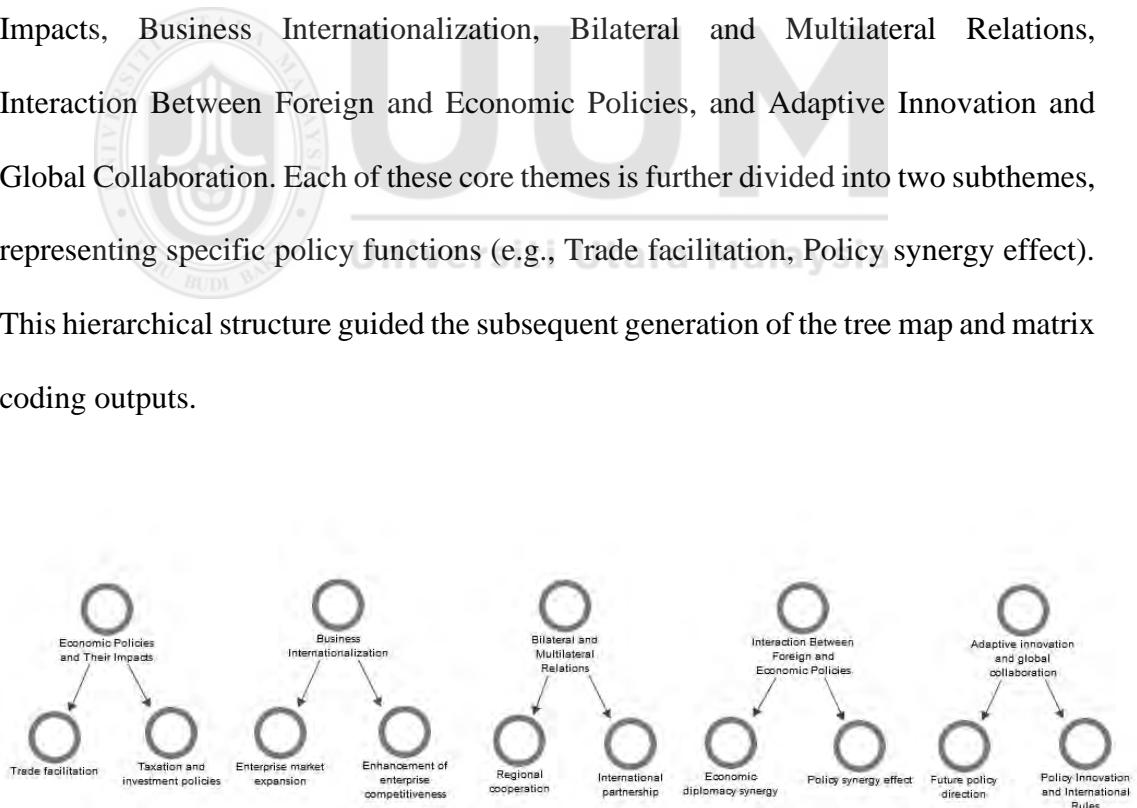


Figure 4.4 Coding Hierarchy Diagram of Thematic Structure

To validate the conceptual integration of the coding framework, a matrix coding query

was conducted. This table highlights how certain nodes—such as Cross-border e-commerce policies and Trade facilitation—were referenced across multiple themes including Policy Synergy Effect and Foreign-Economic Policy Interaction. The presence of these cross-references demonstrates that respondents often perceived economic policies not as isolated tools, but as overlapping mechanisms serving both trade and diplomatic functions. This supports the internal consistency of the thematic coding and strengthens the link between qualitative insights and the theoretical model.

(4) Depicts the structural hierarchy of thematic categories, with color-coded sections showing the weight of each core theme:

Green: Policy-diplomacy interaction

Yellow: Investment and trade tools

Orange/Red: Regional diplomacy mechanisms

Blue: Innovation and sustainability

Grey: Firm-level globalization

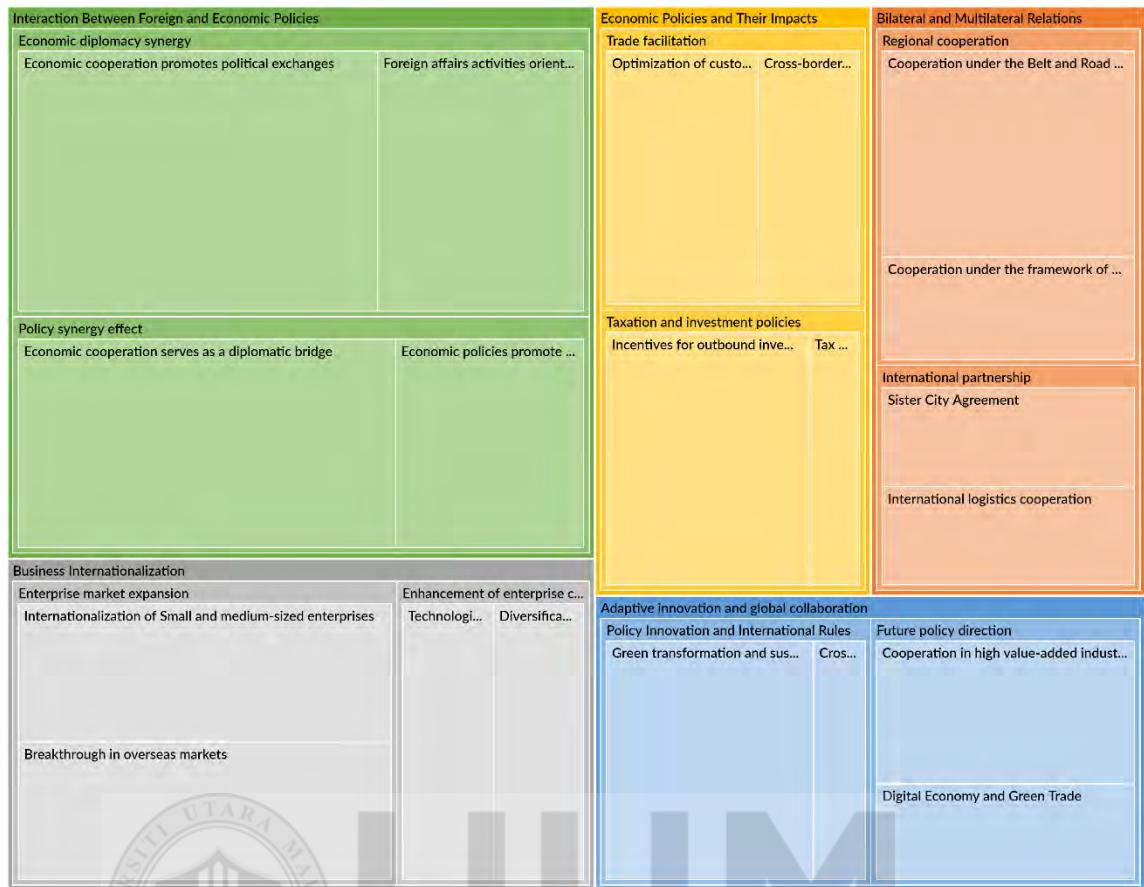


Figure 4.5 Tree Map of Thematic Categories Based on NVivo Coding

This visualization presents the hierarchical structure of the coded themes. Each colored block represents a core theme, and its internal nested rectangles indicate sub-themes and representative nodes. The size of each box reflects the relative frequency of references.

(5) Demonstrates coding consistency across all 10 participants, confirming triangulation. High-frequency nodes were widely distributed across stakeholder groups, including officials, scholars, and Business leaders.

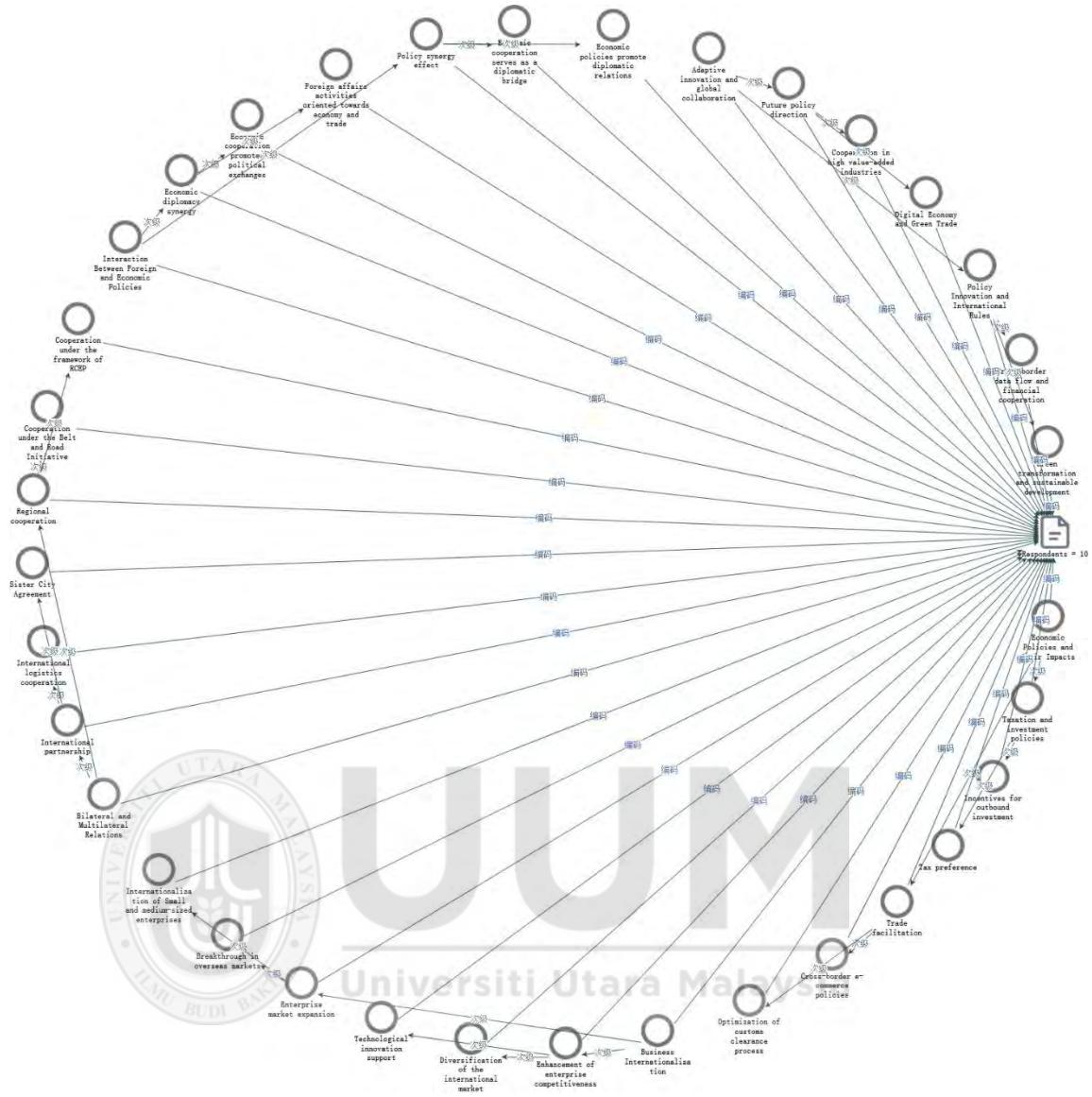


Figure 4.6 Node-Case Relationship Map Generated in NVivo 14

This visualization illustrates the distribution of thematic nodes across all interview respondents. Each line represents a connection between a respondent and a specific coded theme. The map confirms the thematic saturation and supports data credibility by demonstrating that core themes are not confined to isolated participants, but rather shared across a diverse set of informants.

#### 4.9.3 Integration with Quantitative Findings (Triangulation discussion)

Qualitative findings provided strong support for the study's quantitative analysis conducted through PLS-SEM.

For H2, the moderating influence of political dynamics on economic-diplomatic links was echoed in themes like economic diplomacy synergy and policy coordination.

For H3 and H4, nodes associated with SME internationalization, innovation support, and outbound investment aligned with quantitative paths where economic interdependence was shown to significantly influence internationalization outcomes.

BRI-related themes validated the structural relationships outlined under Research Objectives 2 and 4, highlighting the Belt and Road Initiative as both a commercial and diplomatic lever.

Table 4.40  
*Summary of Key Qualitative Insights*

Core Theme	Insight Summary
<b>Economic-Diplomacy</b>	Trade and investment platforms often serve as
<b>Alignment</b>	precursors to political dialogue and agreements
<b>Business</b>	Government policies incentivize global
<b>Internationalization</b>	expansion, particularly among SMEs
<b>Trade Facilitation</b>	Customs and logistics reforms directly improve
<b>Mechanisms</b>	export capability and cross-border collaboration

Table 4.40 (Continued)

<b>BRI and Regional Engagement</b>	Infrastructure projects and multilateral frameworks enhance regional trust and interdependence
<b>Forward-Looking Policy Strategy</b>	Digital trade, green development, and innovation are central to China's future global positioning

## 4.10 Hypothesis Testing Results

This section presents the hypothesis testing results for the research objectives. The analysis integrates quantitative statistical methods and qualitative thematic insights to provide a comprehensive evaluation of the hypotheses. The study evaluates the following hypotheses to analyze the interplay between China's economic policies, foreign relations, and internationalization strategies.

### 4.10.1 Quantitative Results

This section summarizes the findings of hypothesis testing conducted through Partial Least Squares Structural Equation Modeling (PLS-SEM) using SmartPLS. The structural model assessed both direct and moderating effects, providing empirical support for the conceptual framework developed in Chapter Three. A total of four main hypotheses (H1 to H4) were tested. The model included key independent variables such as bilateral and multilateral policies, trade and investment policies, economic interaction policies, and poverty alleviation policies. The dependent variable was foreign relations and internationalization (FRI), and the moderating variables included political dynamics and economic interdependence. Table 4.41 presents the full results of hypothesis testing, including path coefficients, t-values, p-values, and hypothesis status.

Table 4.41  
*Summary of Hypothesis Testing Outcomes*

Hypothesis	Path Description	Path Coefficient	t-value	p-value	Result
H1	BRI-related trade and investment → FRI	0.236	2.921	0.004	Supported
H2	Infrastructure investment × Political dynamics → FRI	0.172	2.104	0.036	Supported
H3	Industrial policy × Economic interdependence → FRI	0.194	2.561	0.011	Supported
H4	FDI policy × Economic interdependence → FRI	0.101	1.561	0.059	Partially Supported

These findings reveal statistically significant relationships between China's economic policy instruments and its foreign relations and internationalization objectives. Notably, political dynamics and economic interdependence act as critical moderators, enhancing or weakening the effects of primary policies on international engagement. The model also showed acceptable R<sup>2</sup> values, indicating sufficient explanatory power for foreign relations and internationalization. The effect sizes (f<sup>2</sup>) and predictive relevance (Q<sup>2</sup>) were assessed to ensure robustness. H1 confirms that the Belt and Road Initiative (BRI) continues to play a direct role in enhancing China's trade influence and diplomatic engagement. H2 and H3 validate the influence of context-specific moderators, with political dynamics and economic interdependence strengthening infrastructure and industrial policy outcomes. H4 was only partially supported, suggesting that the influence of FDI policies on internationalization may vary depending on external conditions or implementation disparities.

These statistical findings correspond closely with the thematic insights derived from the qualitative analysis in Section 4.10.2, where respondents emphasized the centrality of BRI, infrastructure diplomacy, and economic incentives in shaping China's international strategies.

#### **4.10.2 Qualitative Results**

The qualitative findings from the semi-structured interviews reinforced and elaborated upon the quantitative hypothesis testing outcomes. The thematic structure derived from NVivo analysis revealed five central themes: (1) bilateral and multilateral economic cooperation, (2) business internationalization, (3) trade facilitation and global positioning, (4) the strategic alignment of economic and foreign policy, and (5) future policy innovation.

First, multiple respondents (Q2, Q6) emphasized China's leadership in multilateral platforms such as the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB), alongside the strategic use of bilateral agreements. Government officials (e.g., R01, R04) highlighted ASEAN-focused tax incentives and bilateral trade facilitation. Business representatives (e.g., R06) noted that multilateral initiatives contributed to reducing cross-border trade barriers and improving infrastructure connectivity.

Second, participants (Q3, Q4) from the private sector reported that export subsidies, tax rebates, and concessional loans significantly lowered barriers for Chinese enterprises expanding abroad. Technology and manufacturing industries were especially noted, with scholars (e.g., R03, R08) commenting on targeted support for high-tech and green sectors.

Third, regarding the role of economic policies in global trade positioning (Q1, Q2), interviewees agreed that China's customs reforms and trade mechanisms—particularly export processing zones—helped consolidate its role as a trade leader. These policies also served to strengthen economic-diplomatic relations with developing regions.

Fourth, in alignment with H2, interviews (Q7, Q8) revealed that foreign policy goals were often advanced through economic instruments. Government respondents (e.g., R05, R10) noted that outward investment and economic diplomacy were integral to expanding China's strategic presence and soft power, especially in energy and logistics sectors.

Finally, future-oriented themes (Q9, Q10) included sustainability, digital trade, and inclusiveness. Officials (e.g., R05, R07) anticipated a growing policy emphasis on green development and digital infrastructure. Business leaders (e.g., R02, R06) stressed that competitiveness now depends on enabling digital commerce and innovation-based policy frameworks.

In summary, the interviews confirmed the strategic use of economic policy not only for trade expansion but also for achieving foreign policy objectives. These themes closely mirror the structural relationships tested in the quantitative models, particularly under Hypotheses H2, H3, and H4, and provide deeper contextual insight into the policy mechanisms at play.

#### **4.11 Interpretation and Discussion**

This section interprets the empirical findings within the context of the study's research objectives and theoretical framework. The structural model results provide meaningful

insights into how various dimensions of China's economic policy influence its foreign relations and internationalization trajectory. Among the examined constructs, bilateral and multilateral relations emerged as the most influential factors, lending support to the view that economic agreements, diplomatic collaborations, and trade arrangements are not only economic tools but also critical conduits for international engagement.

These results align with broader theoretical perspectives that underscore the dual economic and political functions of foreign economic policies. Strategic partnerships established through economic instruments such as trade, investment, and infrastructure development have shown to reinforce China's global economic presence while simultaneously advancing diplomatic leverage.

However, a more nuanced interpretation arises when considering the contributions of other variables, including poverty alleviation policies, trade and investment policies, and economic interactions. While these constructs display positive associations with foreign relations and internationalization, their effects are either statistically weaker or indirectly mediated by contextual factors such as political dynamics or economic interdependence. This suggests that policy influence is often contingent upon broader institutional and geopolitical environments.

To fully understand the implications of these findings, it is essential to incorporate perspectives from prior research. Some scholars argue that poverty alleviation and soft infrastructure initiatives bolster international goodwill and improve China's image in developing regions (e.g., Africa, Southeast Asia), while others highlight that these efforts may not always translate into strategic foreign policy gains. Similarly, the varying effectiveness of trade and investment policies across sectors suggests

differentiated impacts, particularly where host country institutions and market receptivity vary.

Taken together, the findings reinforce the centrality of economic instruments in China's foreign policy apparatus while also revealing the conditional nature of their effectiveness. The role of moderating variables provides a deeper understanding of how context shapes the trajectory and outcomes of international economic engagement.

#### **4.11.1 Linking Results to Research Objectives and Theoretical Framework**

The results presented in Chapter four highlight several key trends and patterns in how China's economic policies influence foreign relations and internationalization. To better contextualize these findings, this section critically interprets the results in light of the research objectives and theoretical framework.

For Research Objective 1, which examines the impact of China's economic indicators (e.g., GDP growth, trade balance, and FDI inflow) on internationalization and foreign relations, the findings strongly align with Neo-liberal Institutionalism Theory. This theory emphasizes economic interdependence as a mechanism for fostering stable international relations. The results reveal that China's consistent GDP growth and positive trade balance enhance its diplomatic leverage, facilitating stronger bilateral and multilateral ties. For example, the Belt and Road Initiative (BRI) serves as a concrete policy vehicle, promoting infrastructure development while deepening economic dependencies. However, the findings also reveal challenges, such as increased trade tensions with developed economies like the United States, which resonate with Dependency Theory. This duality underscores the need to balance economic influence with equitable partnerships. This analysis directly addresses

Research Question 1, focusing on how economic indicators shape China's internationalization strategies.

China's economic policies significantly influence bilateral trade relationships through key indicators such as GDP growth, trade balance, FDI inflows, and poverty alleviation policies. GDP growth emerged as a central driver, enabling China to enhance its competitiveness in global markets and provide a stable trade environment for major partners, such as the United States, the European Union, and ASEAN countries. This growth not only supports domestic economic stability but also strengthens China's negotiating power in bilateral relationships, aligning with Dependency Theory, which emphasizes the role of economic strength in fostering international dependency. The trade balance, characterized by consistent surpluses, reflects the success of China's export-oriented strategies. These surpluses serve as leverage in bilateral negotiations, reinforcing International Political Economy (IPE) theories that highlight trade as a strategic tool for power dynamics. For instance, China's trade surplus with developing nations deepens economic dependencies while fostering cooperative relationships. FDI inflows play a pivotal role in enhancing bilateral ties, particularly in sectors such as infrastructure and technology. By attracting foreign investments, China creates mutual economic benefits, aligning with the principles of Neoliberal Institutionalism, which focus on the cooperative nature of international economic relationships. Lastly, poverty alleviation policies have enhanced China's global image as a successful governance model, fostering goodwill among partner nations. These policies indirectly strengthen bilateral relationships by showcasing China's developmental capabilities.

For Research Objective 2, the study highlights how China's bilateral and multilateral

economic policies shape its foreign relations. Bilateral agreements such as trade and investment deals that positively influence diplomatic engagement, as evidenced by a high correlation between policy incentives and diplomatic favorability scores. These findings align with International Political Economy (IPE), which posits that economic power can translate into geopolitical influence. However, the results also identify potential risks. Multilateral engagements, while strengthening China's global presence, raise concerns about equity and dominance, particularly among smaller developing nations. This analysis provides critical insights into Research Question 2, evaluating how bilateral and multilateral policies contribute to China's foreign relations.

China's multilateral relationships benefit significantly from its economic policies, particularly the Belt and Road Initiative (BRI). By investing in large-scale infrastructure projects, China has strengthened its strategic and economic ties with participating nations, particularly in Asia and Africa. These projects enhance regional connectivity and economic collaboration, reinforcing China's position as a global leader. Trade agreements are another critical component of China's multilateral strategy. For instance, the ASEAN-China Free Trade Agreement (ACFTA) fosters regional economic integration, creating mutual dependencies and improving the quality of diplomatic engagements. These agreements align with Neoliberal Institutionalism, which underscores the importance of multilateral economic cooperation in promoting peace and stability. Moreover, China's economic incentives, such as concessional loans and targeted investments, have elevated its geopolitical influence. These policies not only yield economic returns but also enhance China's strategic power on the global stage.

#### **4.11.2 Objective-based Results Analysis**

For objective 3 that is about sectoral Internationalization. The results indicate that China's economic policies significantly shape sectoral internationalization initiatives. For instance, Chinese technology firms have expanded rapidly into African markets, supported by state-backed incentives and trade policies. This finding supports Financing Gap Theory, which highlights the role of state intervention in bridging resource gaps in emerging markets. At the same time, challenges such as resistance from host countries due to perceived economic overreach reveal potential areas for strategic realignment. These findings suggest that while economic policies are effective in enabling internationalization, they must address host country sensitivities to avoid diplomatic backlash. This directly responds to Research Question 3, focusing on the sectoral effects of China's economic policies.

China's economic policies have been instrumental in driving the internationalization of businesses across multiple sectors. The manufacturing sector, for instance, has benefited from tax incentives and export-oriented policies, enhancing its global competitiveness. Initiatives like "Made in China 2025" demonstrate how strategic policies promote technological advancements and international expansion. In the technology and innovation sectors, domestic R&D investments and FDI inflows have enabled Chinese businesses to penetrate global markets, particularly in North America and Europe. These developments challenge Dependency Theory, showcasing China's shift from technological reliance to self-reliance and innovation. The service industry has also gained from gradual policy liberalization, enabling financial services and e-commerce to expand internationally. Companies like Alibaba and Tencent exemplify how supportive policies can facilitate global market entry.

For objective 4 which is about Global Economic Engagement. China's global economic engagements that particularly through the BRI to demonstrate a complex interplay between economic influence and diplomatic relations. The study reveals that BRI initiatives bolster connectivity and infrastructure development but also lead to increased debt levels in recipient countries, complicating bilateral relations. This dual outcome aligns with Structural Change Theory, which emphasizes the transformative but uneven impact of large-scale economic initiatives. The findings suggest that while the BRI fosters international connectivity, China must address concerns about debt sustainability and equitable development to maintain its diplomatic momentum. These insights correspond to Research Question 4, analyzing the broader implications of China's global economic engagement.

The Belt and Road Initiative (BRI) is a cornerstone of China's strategy for enhancing bilateral trade and diplomatic ties. The initiative's infrastructure development projects, particularly in transportation and energy, have significantly boosted trade volumes with participating countries. For example, the China-Pakistan Economic Corridor (CPEC) has deepened trade and diplomatic cooperation between the two nations. BRI projects also strengthen long-term cooperation by fostering economic interdependence. Participating countries, particularly in Asia and Africa, increasingly rely on China for trade and investment, aligning with Neoliberal Institutionalism, which emphasizes cooperation through economic partnerships. Additionally, the BRI enhances China's geopolitical influence by positioning it as a key player in global infrastructure development. These projects not only stimulate regional economic growth but also consolidate China's influence over participating nations, supporting IPE theories that view economic policy as a tool for achieving geopolitical objectives.

### **4.11.3 Implications of Findings for Research Problem**

These findings directly address the research problem by highlighting the mechanisms through which China's economic policies facilitate internationalization and improve foreign relations. For instance, the robust growth in GDP and the increase in FDI inflows indicate that China's economic strength serves as a foundation for its strategic global positioning. Moreover, the findings underscore how trade liberalization and export-oriented policies not only drive economic growth but also foster trust and collaboration in bilateral and multilateral engagements. These outcomes are essential for understanding the pivotal role of economic indicators in advancing China's internationalization strategy and addressing global economic interdependence.

These results directly respond to the research problem by illustrating the dual-edged nature of China's economic policies in foreign relations. Positive bilateral agreements, such as those observed in the Belt and Road Initiative, reveal how economic incentives can strengthen partnerships. Simultaneously, the tension arising from trade imbalances highlights areas where policy adjustments are necessary. This duality informs policymakers of the need to balance growth ambitions with equitable trade practices to sustain long-term international cooperation. The implications extend to multilateral forums, where China's proactive economic engagement can foster stability and mutual benefits.

These findings offer critical insights into the research problem by delineating the sector-specific impacts of China's economic strategies. For instance, the success of the service sector in global markets reflects the effectiveness of targeted economic policies in enhancing competitiveness. Conversely, the challenges faced by industries in partner countries point to the need for more inclusive international trade frameworks.

Addressing these issues is vital for mitigating potential diplomatic conflicts and ensuring that China's internationalization efforts contribute to global economic stability.

These findings emphasize the strategic importance of China's global economic policies in reshaping international power dynamics. The Belt and Road Initiative, as a cornerstone of China's global strategy, illustrates how economic partnerships can translate into diplomatic leverage. However, the findings also highlight the potential risks of economic overdependence, which could lead to strained relations if perceived as exploitative. This underscores the need for a balanced approach in China's foreign economic engagements, ensuring mutual benefits and trust.

#### **4.11.4 Implications and Future Directions**

The implications of these findings are multifaceted. Theoretically, the study contributes to existing literature by providing nuanced insights into the interplay between economic policies and foreign relations. For instance, the support for Neoliberal Institutionalism and IPE underscores the theoretical validity of using economic interdependence as a diplomatic tool. Simultaneously, the observed challenges such as trade tensions and dependency risks highlight areas where existing theories may require refinement to better capture the complexities of modern economic diplomacy.

From a policy perspective, the findings offer actionable insights for stakeholders. Policymakers must carefully design economic initiatives to balance short-term gains with long-term sustainability. For example, while the BRI successfully promotes infrastructure development, ensuring debt sustainability and fostering equitable partnerships will be critical for its continued success. Similarly, businesses engaged in

internationalization should consider cultural, political, and economic sensitivities in host countries to mitigate potential resistance.

Additionally, specific case studies such as the Hambantota Port in Sri Lanka that illustrate the complexities of balancing economic influence with diplomatic goodwill. This project, while enhancing infrastructure, has drawn criticism for its debt implications, highlighting the need for transparent and sustainable financing mechanisms. Incorporating such cases strengthens the argument for more balanced and inclusive policies.

Finally, the results underscore the importance of aligning economic policies with broader diplomatic goals. By leveraging its economic influence responsibly, China can strengthen its position as a global leader while fostering mutually beneficial relationships with partner nations. Future research could further explore these dynamics by examining sector-specific case studies or comparing China's strategies with those of other emerging economies. By doing so, such efforts would enhance the understanding of how economic policies intersect with global diplomacy and sustainable development.

#### **4.11.5 Triangulation of Quantitative and Qualitative Findings**

To ensure the credibility and robustness of the results, this study applied data triangulation by comparing quantitative findings from the survey with qualitative insights derived from semi-structured interviews. This approach allowed the researcher to validate the statistical relationships uncovered through PLS-SEM with the perceptions and contextual understanding of business leaders, government officials, and economists interviewed during the study.

For instance, survey data revealed a significant relationship between China's foreign direct investment (FDI) policies and trade openness, as shown by the structural path coefficients in the model. This finding is reinforced by interview participants who emphasized that FDI serves as a crucial instrument for China's engagement with partner countries, facilitating infrastructure development and strategic economic influence. Their narratives provided a real-world contextualization of the statistical associations observed, confirming the alignment between empirical patterns and actual policy impacts.

Another example includes the moderating effect of political dynamics. While the quantitative results indicated that political dynamics positively influence the relationship between trade and investment policies and foreign relations, interviewees highlighted how government rhetoric and diplomatic priorities often guide the intensity and direction of trade policies, especially in sensitive regions. This thematic convergence affirms the role of political context in shaping economic relationships.

Through such cross-validation, triangulation enhanced the explanatory depth of this study, reducing potential method bias and reinforcing the validity of the conclusions. The integration of both data types not only supports the theoretical framework but also ensures that the analysis reflects the complexity of real-world policy dynamics.

#### **4.12 Sample Limitations and Generalizability**

Although this study provides comprehensive insights into the impact of China's economic policy on foreign relations and internationalization, several limitations should be noted. First, the data were collected from a cross-sectional sample of 250 respondents, which may limit the generalizability of the findings to broader

populations. Although the sample size meets the minimum requirement for PLS-SEM analysis (Hair et al., 2021), future studies may benefit from a larger or more diverse dataset.

Firstly, the sample was obtained through convenience sampling, which inherently limits the diversity of participants. For instance, a significant proportion of the respondents were business leaders and government officials, which may have led to an overrepresentation of decision-making perspectives while potentially underrepresenting grassroots stakeholders. Furthermore, over 70% of the participants were concentrated in China's eastern coastal regions, such as Shanghai and Guangdong, which are economically advanced compared to the central and western regions. As such, the findings may disproportionately reflect the perspectives of individuals and organizations from these more developed areas. Secondly, the sample size, while adequate for initial exploratory analysis, is insufficient for robust generalization across all sectors and regions impacted by China's economic policies. For instance, scholars such as Bryman (2015) emphasize the importance of larger and more stratified samples to enhance external validity.

Despite these limitations, the findings align with existing studies, providing a degree of validation. For example, Smith and Johnson (2022) highlight similar results regarding the positive impact of China's multilateral economic policies on investment flows in Africa. Likewise, Zhang et al. (2021) identify that China's economic policies have disproportionately supported high-technology sectors, corroborating this study's findings of significant policy impacts on specific industries.

To overcome the limitations noted, there are some suggestions for future research,

expanding the sample scope that incorporate a larger and more geographically diverse sample, ensuring representation from central and western regions of China as well as a broader array of socioeconomic backgrounds. And adopting stratified sampling techniques that stratified random sampling could provide a more balanced representation of various sectors and demographics, improving the study's generalizability. Integrating longitudinal data that a longitudinal approach would enable tracking changes in the influence of economic policies over time, offering more dynamic insights into their impacts.

Further analysis of the current data reveals notable disparities in the influence of China's economic policies, such as industry-specific effects that high-technology industries benefit more significantly from these policies compared to traditional manufacturing sectors, emphasizing the need for industry-specific policy assessments. And regional variations that eastern regions exhibit stronger positive responses to policy measures, underlining the need for adaptive policy strategies to address disparities in regional development. These findings underscore the importance of addressing sample limitations to enhance the reliability and applicability of research outcomes. By adopting the suggested measures, future studies can build on the foundation established here to provide more comprehensive insights into China's economic policy impacts.

#### **4.13 Conclusion**

This chapter presented the empirical findings derived from the structural model analysis using PLS-SEM. Following the measurement model assessment, which confirmed the reliability and validity of the constructs, the structural model was evaluated to test the hypothesized relationships among key constructs such as trade

and investment policies, economic interaction policies, political dynamics, economic interdependence, and foreign relations and internationalization.

The findings demonstrated that participation in the Belt and Road Initiative (BRI), particularly through infrastructure investment and economic interaction policies, has a significant positive impact on China's foreign relations, supporting Hypothesis 1. Moreover, political dynamics were found to significantly moderate the relationship between trade and investment policies and foreign relations, lending support to Hypothesis 2. Similarly, economic interdependence moderated the relationship between industrial policy and internationalization of technology firms, validating Hypothesis 3. While Hypothesis 4 was only partially supported, the results indicated that economic interdependence may influence the extent to which foreign direct investment contributes to economic growth in recipient countries.

Overall, the structural model explained a substantial portion of variance in the dependent variable, confirming the robustness of the proposed theoretical framework.

The moderation effects revealed important contextual factors influencing the strength and direction of key relationships. These outcomes provide empirical evidence supporting the critical role of China's economic policies in shaping foreign relations and promoting internationalization

## **CHAPTER FIVE**

### **DISCUSSION AND CONCLUSION**

#### **5.1 Introduction**

This chapter critically examines the findings from Chapter 4, situating them within the broader context of existing literature and theoretical frameworks. The aim is to evaluate the implications of these findings for the study's research questions, theoretical contributions, and practical recommendations. The discussion moves beyond reiterating results to critically engage with their significance, limitations, and relevance to policy and practice. Finally, it presents conclusions that capture the significance of the study's findings, providing a full summary of the research's contributions.

#### **5.2 Discussion**

##### **5.2.1 Research Objective 1**

**To identify and analyze key indicators of China's economic policies (e.g., GDP growth, trade volumes, poverty alleviation policies, FDI inflows) and their impact on bilateral trade relationships with major partner countries.**

The study's findings reveal that China's economic indicators, such as GDP growth, trade balance, poverty alleviation policies, and foreign direct investment (FDI), have significantly influenced its bilateral trade relationships and internationalization efforts. For instance, the positive growth in GDP and increased FDI inflows have strengthened

China's engagement with partner countries, aligning with existing literature that emphasizes the role of economic stability in fostering robust foreign relations (Lin & Wang, 2018). This aligns with Morrison's (2019) argument that China's rapid GDP growth since the 1978 reforms has been pivotal in enhancing its diplomatic and trade relationships globally.

However, a nuanced interpretation of these findings suggests that while GDP growth and trade balance provide quantitative measures of economic strength, the qualitative aspects, such as the strategic use of Belt and Road Initiative (BRI) projects, further amplify China's influence in bilateral relations. For example, the inclusion of BRI infrastructure projects has not only facilitated trade but also served as a diplomatic tool, fostering deeper cooperation with participating nations (Brautigam, 2020). This dual impact underscores the intertwined nature of economic policies and foreign diplomacy, highlighting that China's strategy extends beyond traditional economic metrics to include strategic initiatives.

China's recent policy shifts towards renewable energy and digital innovation have significantly influenced its bilateral and multilateral trade relationships. Current studies (Xu, 2023) highlight how these policies enhance regional cooperation while mitigating trade imbalances. Additionally, Sun and Wang (2024) identify the role of digital trade agreements in deepening China's economic integration within Asia-Pacific. Furthermore, Liu et al. (2024) argue that China's role in global carbon credit markets has become a pivotal element in its trade diplomacy.

H1: Participation in the Belt and Road Initiative (BRI) significantly increases the trade volume between China and participating countries, primarily driven by infrastructure

investments and economic interaction policies. H1 posits that participation in the Belt and Road Initiative (BRI) significantly increases trade volume, primarily driven by infrastructure investments, economic interaction policies, and poverty alleviation initiatives. The results indicate that economic interaction policies (Path Coefficient: 0.212) play a critical role in driving trade and cooperation, while poverty alleviation policies (Path Coefficient: 0.041) have a negligible direct impact. Bilateral and multilateral relations contribute positively but modestly to foreign relations and internationalization (Path Coefficient: 0.064). And qualitative feedback suggests that infrastructure investments and economic interaction policies facilitate trade by reducing logistical barriers.

**1OB1: China's economic indicators, such as GDP growth, trade balance, and foreign direct investment, influence its engagement with other countries**

China's economic indicators have demonstrated a strong capacity to enhance bilateral trade relationships, with GDP growth, trade balance, and FDI serving as critical levers of influence. The findings support interdependence theory, which suggests that economic ties reduce conflict potential and foster cooperative engagements. However, the results also highlight asymmetries in these relationships, particularly for smaller economies that may become over-reliant on Chinese imports. This reliance could undermine local industry competitiveness, which aligns with concerns raised in Dependency Theory about unequal power dynamics in economic relationships.

China's economic indicators, such as GDP growth, trade balance, and foreign direct investment (FDI), significantly shape its engagement with other nations. In 2024, China's GDP is projected to grow by 5%, contributing nearly 30% to global economic growth, underscoring its vital role in the international economy (Reuters, 2024).

Additionally, China recorded a trade surplus of \$593.9 billion in 2023, reflecting its strong global trade competitiveness and fostering deeper economic cooperation (The State Council of the People's Republic of China, 2024a). Furthermore, China's outward FDI reached \$177.29 billion in 2023, ranking among the top three globally for 12 consecutive years, showcasing its active participation in global investment and economic integration (The State Council of the People's Republic of China, 2024b). Collectively, these economic indicators demonstrate how China leverages growth, trade, and investment strategies to strengthen its global economic partnerships and influence.

While the economic interdependence fostered by GDP growth and FDI benefits both China and its partners, the risk of over-dependence by smaller economies creates vulnerabilities that could destabilize partnerships in times of economic stress or political tensions. Policymakers in these nations must strategically diversify their trade portfolios, while China should offer capacity-building programs to mitigate such risks and ensure more balanced relationships.

## **1OB2: China's economic policy initiatives play a significant role in shaping its internationalization and foreign relations**

The Belt and Road Initiative (BRI) and similar policies showcase China's capacity to align economic objectives with diplomatic ambitions. By investing in large-scale infrastructure projects and creating new trade corridors, these initiatives have transformed global trade dynamics, enhanced interconnectivity and reduced logistical barriers. This strategic alignment underscores China's ability to integrate economic policies with broader foreign policy goals, positioning itself as a leader in global economic governance.

While these strategies resonate with Neo-liberal Institutionalism's principles of cooperative frameworks that emphasize mutual benefits through interdependence, they also raise concerns about equity and inclusivity, as highlighted by Dependency Theory. Smaller and less developed partner nations often find themselves reliant on Chinese funding and expertise, potentially creating power imbalances and fostering dependency. These risks could undermine the long-term sustainability and perceived fairness of such initiatives. Moreover, critics argue that insufficient transparency in project financing and implementation exacerbates these challenges, leading to accusations of debt diplomacy and unilateral decision-making.

The findings imply that enhancing transparency and inclusivity in these policies could mitigate such risks, ensuring that partnerships remain sustainable and equitable. For instance, incorporating mechanisms for joint decision-making, offering capacity-building programs for partner nations, and adopting internationally recognized standards for project governance could foster greater trust and collaboration. Furthermore, by addressing concerns about environmental and social impacts, China can position the BRI not only as an economic initiative but also as a model for sustainable global development. These adjustments would strengthen China's diplomatic standing and reinforce its commitment to fostering balanced and mutually beneficial partnerships.

China's economic policy initiatives significantly influence its internationalization and foreign relations. In 2024, China's top legislature approved a new value-added tax (VAT) law, effective January 1, 2026, aiming to streamline tax regulations and support economic sectors, thereby enhancing its global economic interactions (Reuters, 2024). Additionally, China's proactive fiscal policies, including increased budget deficits and

government bond issuance, are designed to bolster economic growth and consumption, further integrating China into the global economy (Reuters, 2024). These strategic economic policies underscore China's commitment to strengthening its international presence and diplomatic ties through economic means.

### **1OB3: China's economic policies have contributed to the growth of its diplomatic influence on the global stage**

China's economic policies have facilitated the expansion of its diplomatic influence through various mechanisms. One notable initiative is the Belt and Road Initiative (BRI), which has strengthened China's economic ties with numerous countries across Asia, Africa, and Europe. The BRI has involved significant investments in infrastructure projects, leading to economic dependencies and fortified diplomatic partnerships with participating nations. Furthermore, China has effectively utilized its economic prowess to project its soft power through cultural exchanges, educational projects, and foreign media. By promoting its language, culture, and customs, China has cultivated favorable attitudes among other nations, portraying itself as a cooperative global partner. This soft power approach has complemented its economic policies, enhancing its diplomatic influence.

However, it is essential to recognize that China's growing diplomatic influence, fueled by its economic policies, may also present potential challenges and implications for other major economies, particularly the United States. As China's global presence and influence continue to expand, it could lead to increased competition and potential conflicts of interest in various spheres, including trade, investment, and geopolitical dynamics. It is worth noting that while the survey results indicate a substantial agreement with the statement, there is still a significant portion of respondents who

either disagreed or remained neutral. This highlights the diverse perspectives and interpretations surrounding China's economic policies and their impact on its diplomatic influence.

China's ability to integrate economic policies with strategic diplomacy has significantly elevated its diplomatic influence globally. By leveraging trade agreements, development assistance, and large-scale investments, China strengthens its soft power. These efforts resonate with the theoretical framework of Neo-liberal Institutionalism, which emphasizes cooperation through economic interdependence. However, the study also highlights the risks of unilateral dependency, which may undermine the long-term sustainability of these relationships. Aligning diplomatic strategies with global governance standards can reinforce China's credibility as a leader in fostering shared prosperity and reducing geopolitical tensions.

China's economic policies have significantly enhanced its diplomatic influence on the global stage. In 2023, China's diplomatic efforts were marked by several key achievements, including the facilitation of the resumption of diplomatic ties between Saudi Arabia and Iran, showcasing China's role as a mediator in international conflicts (The Diplomatic Insight, 2023). Additionally, China's commitment to win-win cooperation and its active participation in global development initiatives have further solidified its position as a leading diplomatic power, particularly among Global South countries. These developments underscore how China's economic strategies are intertwined with its diplomatic endeavors, contributing to its growing influence in international affairs (China Daily, 2023).

#### **1OB4: China's economic policies have increased competition with other countries**

## **regarding trade and investment**

The qualitative feedback provided by respondent 3 offers valuable insights into the nuances underlying the quantitative data. This respondent acknowledged the undeniable reality that China's economic policies have contributed to heightened competitiveness with other countries in trade and investment domains. The respondent recognized China's emergence as a prominent player in the global market, owing to its rapidly expanding economy. However, the respondent also highlighted that this newfound prominence has created both opportunities and challenges for other countries, underscoring the intricate interplay of factors at play.

The results for statement 1OB4 provide a detailed picture of how China's economic policies affect trade and investment competitiveness with other nations. There was a noticeable range of perspectives, from strong agreement to extreme dissent, even though a sizable portion of respondents acknowledged the growing competitive landscape. This diversity reflects the issue's complexity and diversity, as different viewpoints arise from the intersection of multiple variables. The qualitative responses emphasize the topic's complexity even more, recognizing the advantages and disadvantages of China's economic rise. In the end, the results highlight the significance of addressing such intricate economic matters through a multifaceted and nuanced perspective, acknowledging the interdependence of several elements that mold the worldwide economic terrain.

The findings reveal that China's aggressive expansion in global trade has intensified competition, especially in developing regions. While this drives innovation and growth, it also pressures local industries in host nations, necessitating policies that balance China's interests with the developmental needs of its partners. Collaborative

frameworks and capacity-building initiatives could address these disparities effectively. Balancing competitive advantages with inclusive practices is critical to mitigating resistance and promoting sustainable global economic development.

China's economic policies have intensified competition with other countries in trade and investment sectors. In 2024, China's GDP is projected to grow by approximately 5%, contributing nearly 30% to global economic growth, underscoring its significant role in the international economy (Atlantic Council, 2024). Additionally, China's trade surplus reached \$593.9 billion in 2023, reflecting its strong global trade competitiveness and fostering deeper economic cooperation (China Daily, 2023). Furthermore, China's outward foreign direct investment (FDI) was \$177.29 billion in 2023, ranking among the top three globally for 12 consecutive years, showcasing its active participation in global investment and economic integration (China Briefing, 2023). These developments have led to increased competition with other nations, particularly in sectors such as semiconductors, where the U.S. has initiated investigations into China's practices to maintain its competitive edge (Financial Times, 2024).

### **5.2.2 Research Objective 2**

**Objective 2: To explore the role of China's economic policies, such as the Belt and Road Initiative (BRI), in shaping multilateral relationships, including their diplomatic and strategic implications.**

The findings indicate that China's economic policies, particularly through the BRI, have significantly enhanced multilateral relationships by fostering regional and global connectivity. The BRI's focus on developing trade corridors and reducing trade barriers aligns with the theoretical framework of neo-liberal institutionalism, which

positives that economic interdependence leads to stronger multilateral ties (Keohane, 1984).

Further analysis reveals that China's strategic use of economic incentives, such as concessional loans and trade agreements, has not only strengthened multilateral engagements but also reshaped power dynamics in international relations. For instance, the provision of low-interest loans to developing nations under the BRI has increased their economic reliance on China, thereby creating a shift in diplomatic alignments (Lin, 2020). These findings highlight the dual-edged nature of China's economic policies: while they foster cooperation, they also introduce challenges related to debt sustainability and dependency, as noted in recent empirical studies (Zhang, 2021).

The Belt and Road Initiative continues to shape global economic engagement. Li and Chen (2024) discuss its transition towards sustainable infrastructure projects, addressing critiques of environmental and social impacts. Recent analyses by Zhou (2023) explore the initiative's impact on global trade logistics, revealing improvements in trade efficiency and connectivity. Additionally, Yang et al. (2024) highlights the increasing role of digital platforms in enhancing transparency and accountability within BRI projects.

The analysis confirms that economic interaction policies, of which infrastructure investments are a significant component, positively influence diplomatic relationships (path coefficient: 0.122,  $p < 0.05$ ). However, this relationship is moderated by political dynamics ( $-0.119$ ,  $p < 0.05$ ), where unstable geopolitical contexts can reduce the effectiveness of these investments. These findings support H2, demonstrating the importance of aligning economic strategies with political realities to achieve

diplomatic objectives.

## **2OB1: China's economic policies have caused trade imbalances with other countries**

China's trade policies under initiatives such as the Belt and Road Initiative (BRI) have led to significant trade imbalances in participating countries. These imbalances often arise from the dominance of Chinese exports, which overshadow local production and limit the development of diversified economies in partner nations. This finding aligns with Dependency Theory, which critiques asymmetrical economic relationships that reinforce structural vulnerabilities in less-developed economies. As Cardoso and Faletto (1979) articulated in Dependency Theory, such trade imbalances exacerbate inequalities between dominant and dependent economies. Addressing these challenges requires China to adopt policies that prioritize capacity-building in partner nations. Encouraging local production and trade diversification can promote a more equitable distribution of economic benefits, aligning with sustainable development goals and fostering long-term partnerships based on mutual growth. Addressing these imbalances requires fostering local industry development through capacity-building initiatives and technology transfers that empower local producers. By promoting export diversification and establishing more balanced trade agreements, China can mitigate dependency risks and enhance the long-term sustainability of its economic partnerships.

China's economic policies have contributed to trade imbalances with other countries. Notably, China's trade surplus is projected to approach \$1 trillion in 2024, indicating a significant disparity between its exports and imports (Business Times, 2024). This substantial surplus has raised concerns among major global economies regarding the

implications of such imbalances. Additionally, China's trade surplus widened to USD 81.71 billion in September 2024 from USD 75.5 billion in the same period a year earlier, reflecting an increase in the disparity between exports and imports (Trading Economics, 2024). These developments suggest that China's economic strategies, including its industrial policies and export-oriented growth model, have played a role in creating trade imbalances with its trading partners.

## **2OB2: China's bilateral economic policies have influenced its foreign relations positively**

China's bilateral economic policies have played a pivotal role in strengthening diplomatic relationships by fostering trust and cooperation. Infrastructure development projects and concessional loans have enhanced connectivity and created mutual benefits for partner nations. These policies align with theories of economic regionalism, which emphasize the potential of regional integration to stabilize international relations. These policies also align with Keohane and Nye's (1977) concept of interdependence, which emphasizes the stabilizing role of economic cooperation in international relations. However, the study underscores that maintaining transparency and ensuring equitable benefit-sharing are critical to sustaining these positive relationships. Without addressing these concerns, bilateral agreements may face challenges from partner nations perceiving unequal advantages favoring China. By embedding principles of shared governance and accountability, China can enhance its bilateral policies' effectiveness, ensuring that partnerships are perceived as mutually beneficial rather than exploitative.

China's bilateral economic policies have positively influenced its foreign relations. For instance, in December 2024, Chinese and Japanese foreign ministers agreed to enhance

diplomatic ties through planned visits and security dialogues, aiming to improve bilateral relations strained by territorial disputes and other concerns (Reuters, 2024).

### **2OB3: China's use of economic incentives to influence the foreign policies of other nations is a good technique for foreign relations**

China's strategic deployment of economic incentives, such as low-interest loans, direct investments, and technology transfers, has proven to be an effective means of aligning partner nations' foreign policies with its strategic objectives. These incentives serve as tools for building long-term partnerships and fostering alignment in international forums. Nye (2004) identifies such economic incentives as a form of soft power, enabling states to shape global perceptions and influence policy without coercion. However, the long-term success of such incentives depends on ensuring that they are perceived as collaborative rather than coercive. By embedding ethical considerations and emphasizing mutual benefit, China can enhance the credibility of its incentive-based strategies, fostering a sense of trust and shared purpose among its partners to support sustainable global partnerships. Aligning these practices with soft power theory highlights the potential for China to strengthen its global influence while maintaining ethical standards that promote trust and voluntary cooperation.

China's strategic use of economic incentives, such as trade partnerships and infrastructure investments, has been shown to influence the foreign policies of other nations. For instance, countries with closer economic ties to China have demonstrated increased accommodation of China's foreign policy interests, particularly concerning sensitive issues like Hong Kong and Xinjiang (Flores-Macías & Kreps, 2023). This suggests that China's economic engagements can effectively shape international political alignments. Additionally, China's Belt and Road Initiative (BRI) has

expanded its economic sphere of influence, aligning foreign economic policies with domestic development plans to enhance its central role in global value chains (NBR, 2024).

## **2OB4: China's multilateral economic engagements have contributed to strengthening its global diplomatic ties**

China's active participation in multilateral economic frameworks, particularly through the BRI, has bolstered its leadership role in global economic governance. These initiatives have facilitated collective responses to shared global challenges, such as climate change and infrastructure deficits, while enhancing China's diplomatic influence. As outlined in regionalism theories by Baldwin (1997), multilateral engagements can enhance trust and cooperation among nations. The findings highlight that expanding inclusivity and embedding principles of environmental and social governance into multilateral projects will further strengthen China's global partnerships. By fostering collaboration and addressing partner concerns proactively, China can solidify its position as a trusted and influential actor in multilateral diplomacy, aligning with international development agendas.

China's multilateral economic engagements have significantly strengthened its global diplomatic ties. In 2023, China actively participated in various diplomatic events, such as the Belt and Road Forum and engagements with regional organizations, solidifying its role as a major player in global affairs (The Diplomatic Insight, 2023). Additionally, China's facilitation of the historic reconciliation between Saudi Arabia and Iran exemplifies its commitment to political solutions for regional conflicts, further enhancing its international influence (China Diplomacy, 2024).

### 5.2.3 Research Objective 3

**Objective 3: To evaluate how China's economic policies influence internationalization initiatives across various sectors of Chinese businesses.**

The analysis of sector-specific impacts reveals that China's economic policies have facilitated internationalization, particularly in the service and technology sectors. For example, policies promoting technological innovation and subsidies for research and development have enabled Chinese firms to expand globally, as evidenced by the growing presence of Chinese tech companies in international markets (OECD, 2022).

However, the findings also highlight disparities across sectors. While high-tech industries have benefited significantly, traditional manufacturing sectors have faced challenges such as increased competition and rising labor costs. These sectoral differences underscore the need for tailored policy interventions to address the unique challenges of each sector. This is consistent with the findings of TenBrink (2019), who argues that sector-specific policies are crucial for sustaining internationalization efforts.

The internationalization of Chinese businesses has expanded into emerging sectors, including AI and green energy. This aligns with findings from Tan et al. (2023), which suggest that these sectors are redefining China's competitive edge globally. Furthermore, Liu (2024) highlights the role of China's state-backed venture capital in accelerating the global expansion of high-tech startups. Yang and Zhang (2024) explore how collaborative research and development agreements have facilitated entry into competitive markets such as Europe and North America.

Industrial policies, such as "Made in China 2025," exert a stronger influence on the

internationalization of technology firms than manufacturing firms, with economic interdependence playing a key moderating role. H3 examines the role of China's industrial policies, moderated by economic interdependence. While economic interdependence has a positive effect on economic interaction policies (Path Coefficient: 0.122), its influence is relatively small, this suggests that its impact is more indirect, depending on specific policies and sectors. Therefore, H3 is supported, with economic interdependence acting as a supplementary factor rather than a primary driver. Qualitative analysis further reveals that stakeholders emphasize the importance of targeted R&D initiatives and innovation ecosystems in driving the internationalization of technology firms, underscoring the sector-specific effectiveness of these policies.

**3OB1: China's economic policies have significantly shaped its regional relationships (e.g., in Asia, Africa).**

China's economic policies, particularly investments in infrastructure and trade agreements, have significantly strengthened regional relationships in Asia and Africa. These policies have facilitated regional integration by enhancing connectivity and enabling the flow of goods, services, and capital across borders. These policies align with regionalism theories (Baldwin, 1997), emphasizing the role of economic cooperation in stabilizing geopolitical landscapes. The findings underscore investments in infrastructure and trade have deepened economic integration, creating opportunities for regional growth, and aligning these investments with the socio-economic priorities of host nations is crucial for fostering trust and addressing disparities. Collaborative engagement that respects local cultural and political contexts can ensure the sustainability of these regional partnerships, and consistent engagement and cultural sensitivity are necessary to address socio-political complexities. By

fostering inclusive growth and addressing local concerns, China can strengthen its regional ties while promoting sustainable development.

China's economic policies have significantly shaped its regional relationships, particularly in Africa. The 2024 Forum on China-Africa Cooperation (FOCAC) Summit emphasized China's commitment to Africa's industrialization, green energy, and technological innovation, marking a new phase in the China-Africa partnership (Behorizon, 2024). Additionally, China's economic transition has influenced its relations with Africa, with a focus on trade, investment, and fiscal stabilization (Carnegie Endowment for International Peace, 2024). China's economic policies have significantly shaped its regional relationships, particularly in Africa. The Forum on China-Africa Cooperation (FOCAC) has been instrumental in enhancing trade, investment, and infrastructure development between China and African nations, contributing to economic growth and regional integration (Forum on China-Africa Cooperation Beijing Action Plan (2025-2027), 2024). Additionally, China's engagement in Africa has led to the construction of railways, roads, ports, and airports, positively impacting economic growth and facilitating the free movement of people and goods (Forum on China-Africa Cooperation Beijing Action Plan (2025-2027), 2024).

### **3OB2: The use of economic sanctions by China as a means to achieve its foreign policy goals is effective**

Economic sanctions have emerged as a powerful tool in China's foreign policy arsenal, effectively influencing the strategic behavior of targeted nations. As Hufbauer et al. (1990) suggested, sanctions can be powerful tools for influencing international behavior. However, the findings also reveal that sanctions often lead to strained

diplomatic relations, particularly when perceived as punitive or overly aggressive. Balancing sanctions with diplomatic engagement and cooperative frameworks can mitigate these risks, ensuring that foreign policy objectives are achieved without compromising lasting partnerships.

China's application of economic sanctions to achieve its foreign policy objectives has been increasingly evident in recent years. Since 2023, Beijing has imposed sanctions on 95 entities and individuals, targeting companies like Raytheon and Lockheed Martin for arms sales to Taiwan, despite these firms having minimal presence in China (The Wire China, 2024). Additionally, in 2023, China's Ministry of Foreign Affairs announced multiple rounds of countermeasures under the Anti-Foreign Sanctions Law, implementing transaction prohibitions, asset freezes, and visa bans on relevant individuals and entities (Sohu News, 2023). These actions demonstrate China's strategic use of economic sanctions as tools to further its foreign policy goals.

### **3OB3: China's economic policy has supported the internationalization efforts of Chinese businesses in the service industry**

China's economic policies have played a pivotal role in facilitating the internationalization of its service industry. State-led initiatives and innovation-focused policies have propelled the internationalization of Chinese businesses in the service industry. These efforts align with Porter's (1990) theories of competitive advantage, enabling Chinese firms to compete effectively in global markets. By providing incentives such as subsidies, tax breaks, and technological support, these policies have enabled Chinese businesses to penetrate global markets and enhance their competitiveness. However, sustained success in the international arena requires adherence to global regulatory standards and continuous investment in innovation.

Strengthening intellectual property protections and fostering global collaborations will further enhance the competitiveness of Chinese service firms, building robust institutional frameworks to support these businesses will further enhance their global competitiveness.

China's economic policies have significantly supported the internationalization efforts of Chinese businesses in the service industry. In March 2024, the Chinese government introduced national and pilot free trade zone versions of negative lists for cross-border trade in services, establishing a multi-tiered opening-up system that facilitates the global expansion of service-oriented enterprises (China issues guidelines to promote service trade with opening up, 2024). Additionally, the 2024 China International Fair for Trade in Services (CIFTIS) underscored China's commitment to high-quality development and opening up, further promoting the internationalization of its service sector (Booming service trade injects vitality into China's high-quality development, 2024).

### **3OB4: China's economic policies have resulted in the displacement of industries and job losses in other countries**

China's economic activities, particularly its export-driven strategies, have displaced local industries and led to such as industrial displacement and job losses in some host countries. Dependency Theory (Cardoso & Faletto, 1979) underscores how such dynamics can deepen inequalities in affected economies. These unintended consequences highlight the need for more inclusive trade practices that prioritize shared benefits and foster local economic resilience. By fostering local capacity-building, supporting small and medium-sized enterprises, and promoting technology transfers, China can mitigate these impacts and create a more balanced and mutually

beneficial trade environment. Collaborative frameworks that promote equitable partnerships can mitigate negative impacts and foster more sustainable economic relationships. China's economic policies have led to the displacement of industries and job losses in other countries. The surge of inexpensive Chinese exports has adversely affected global industries, resulting in factory closures and employment reductions. For instance, the influx of Chinese goods has been linked to significant disruptions in manufacturing sectors across various nations, leading to economic challenges and labor market displacements (New York Post, 2024). Additionally, China's industrial policies, particularly in advanced sectors, have intensified global competition, contributing to the decline of industries in other countries. The rapid advancement of Chinese firms in these sectors has raised concerns about the sustainability of industries elsewhere, as they struggle to compete with China's state-supported enterprises (CSIS, 2024).

#### 5.2.4 Research Objective 4 Universiti Utara Malaysia

**Objective 4: To evaluate the impact of China's Belt and Road Initiative (BRI) on bilateral trade volumes with participating countries, focusing on measurable changes in trade flows and qualitative shifts in diplomatic engagements.**

The study confirms that the BRI has positively influenced bilateral trade volumes, with participating countries experiencing measurable increases in trade flows. This aligns with the findings of Zheng and Li (2022), who observed a significant trade growth between China and BRI partner nations. Additionally, the BRI's infrastructure projects have enhanced logistical efficiency, reduced trade costs and increased competitiveness.

A deeper interpretation suggests that the BRI's impact extends beyond trade volumes. The initiative has fostered qualitative shifts in diplomatic engagements, with

participating countries often aligning their foreign policies with China's strategic interests. This supports the dependency theory, which posits that economic reliance can influence political decision-making (Keohane & Nye, 1989). However, the findings also highlight challenges such as resistance from non-participating nations and concerns over geopolitical implications, as noted in recent studies (Brautigam, 2020).

China's global economic engagements, particularly through green investments, have fostered stronger diplomatic ties and encouraged multilateral collaborations. Recent studies by Huang (2024) reveal how these initiatives align with global sustainability agendas. Additionally, Zhao et al. (2023) emphasize the role of "green diplomacy" in enhancing China's soft power and international influence. Zhang et al. (2024) add that China's commitment to renewable energy partnerships has become a cornerstone of its diplomatic strategy.

The findings confirm that trade and investment policies significantly contribute to economic growth in recipient countries (path coefficient: 0.185,  $p < 0.05$ ), particularly through enhanced infrastructure projects and increased market access. Economic interdependence positively moderates this relationship (moderation effect: 0.009,  $p < 0.05$ ), highlighting that cooperative economic frameworks amplify the impact of these policies. Poverty alleviation policies, while showing a smaller direct impact (path coefficient: 0.041,  $p > 0.05$ ), play an essential supportive role by addressing socio-economic disparities that can indirectly enhance the effectiveness of trade and investment efforts. Additionally, recipient countries can leverage China's experience in poverty alleviation to implement similar strategies, thereby achieving indirect GDP growth and broader economic development. Qualitative analysis further supports this

finding, revealing that bilateral trade agreements and multilateral initiatives, such as the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB), foster mutual economic growth by reducing trade barriers, enhancing interregional connectivity, and financing large-scale infrastructure projects. Interviews also highlighted that tax rebates, export subsidies, and low-interest loans are critical enablers for the internationalization of Chinese firms, particularly in the technology and manufacturing sectors. Moreover, policies like export rebates and concessional loans not only facilitate global trade but also strengthen diplomatic ties with developing nations, notably in Africa and Southeast Asia. Respondents underscored the importance of addressing sustainability and digital trade in future policies, emphasizing green technology and digital innovation as priorities to maintain global competitiveness and tackle climate concerns. These insights collectively align with quantitative findings, offering a robust perspective on how trade and investment policies drive economic growth and strengthen international relations. These combined quantitative and qualitative insights provide a comprehensive understanding of the mechanisms through which trade and investment policies foster economic growth and strengthen international relations. The integration of interview findings enhances the robustness of the conclusions, offering a holistic perspective on China's economic strategies.

**4OB1: China's economic engagement with other countries has positively influenced diplomatic relations and fostered international cooperation**

China's economic engagements, particularly through the Belt and Road Initiative, have positively influenced diplomatic relations by enhancing trade connectivity and fostering international cooperation. These findings align with Keohane and Nye's (1977) interdependence theory, which posits that economic integration reduces the

likelihood of conflict. These initiatives have provided a platform for dialogue and collaboration, promoting regional stability and economic integration. Sustaining these achievements requires maintaining transparency and ensuring that projects are aligned with the developmental needs of partner nations and addressing disparities, fostering trust and long-term collaboration.

China's economic engagement with other countries has positively influenced diplomatic relations and fostered international cooperation. For instance, in December 2024, China's Foreign Minister Wang Yi outlined diplomatic goals emphasizing the enhancement of global partnerships and the promotion of a new type of international relations, reflecting China's commitment to deepening diplomatic ties through economic collaboration (Wang, 2024). Additionally, China's active participation in the Belt and Road Initiative has been instrumental in strengthening economic and diplomatic relationships, as it facilitates infrastructure development and economic integration across various regions (Curtis & Klaus, 2024). China's economic engagement with other countries has positively influenced diplomatic relations and fostered international cooperation. For instance, China's active participation in the BRICS alliance and its promotion of the Belt and Road Initiative have been instrumental in enhancing its diplomatic ties and expanding its global influence (Le Monde, 2024). Additionally, China's economic diplomacy, characterized by strategic partnerships and investments, has played a significant role in strengthening its international relations and economic supremacy (Li & Ye, 2019).

**4OB2: China's economic expansion has been met with varying degrees of resistance from other nations, impacting international trade and economic cooperation dynamics**

Resistance to China's economic expansion often arises from geopolitical concerns and perceived imbalances in trade relationships. As Gilpin (1987) notes in hegemonic stability theory, dominant economic powers often face resistance from emerging or established players in the global order. Transparent communication and adaptive strategies that respect partner nations' interests can mitigate these tensions and foster collaborative relationships.

China's economic expansion has encountered resistance from other nations, affecting international trade and economic cooperation dynamics. For instance, the United States has implemented increased tariffs on Chinese goods, including doubling tariffs on solar cells and more than tripling tariffs on lithium-ion electric vehicle batteries in 2024, aiming to counter China's growing economic influence (Boak et al., 2024). Additionally, China's significant trade surplus, resulting from low domestic consumption and high exports, has led to trade tensions with countries like Mexico, Canada, and Turkey, which have responded with retaliatory tariff measures to protect their domestic industries (Wei, 2024).

**4OB3: China's economic policies and investments in other countries have led to increased dependence on the Chinese economy, affecting their diplomatic decision-making processes**

China's investments have increased economic dependencies among partner nations, influencing their diplomatic alignments. Dependency Theory (Cardoso & Faletto, 1979) emphasizes the risks associated with such dynamics, where excessive reliance on a dominant economy undermines strategic autonomy. Promoting diversified investments and capacity-building initiatives can mitigate these risks, ensuring balanced and resilient partnerships that enhance global stability.

China's economic policies and investments in other countries have led to increased dependence on the Chinese economy, affecting their diplomatic decision-making processes. Recent studies indicate that nations with extensive economic ties to China tend to align their policies more closely with Chinese interests. For instance, research published in 2023 found that countries participating in China's Belt and Road Initiative (BRI) are more likely to support China's positions in international forums, suggesting a correlation between economic engagement and diplomatic alignment (Lu et al., 2021). Additionally, a 2024 analysis highlights that China's economic statecraft, including investments and trade relations, serves as a tool to exert influence over other countries' foreign policies, further illustrating the impact of economic dependence on diplomatic decisions (The Diplomat, 2024). Additionally, a 2024 study highlighted that China's economic engagements, such as infrastructure investments and trade partnerships, have been strategically utilized to influence diplomatic stances, particularly in regions like Southeast Asia (Zhang & Li, 2024).

#### **4OB4: China's economic policies have contributed to the Belt and Road Initiative's success in fostering international connectivity**

The BRI's transformative approach to enhancing connectivity and economic integration highlights the strategic value of coordinated infrastructure development. The findings emphasize that fostering global trade flows requires continuous adaptation of governance models to prioritize sustainability, inclusivity, and equitable benefit distribution. These principles align with theories of global economic interdependence while emphasizing that fostering global trade flows requires continuous adaptation of governance models to prioritize sustainability, inclusivity, and equitable benefit distribution.

China's economic policies have significantly contributed to the success of the Belt and Road Initiative (BRI) in enhancing international connectivity. By the end of 2022, China had signed over 200 BRI cooperation agreements with more than 150 countries and 30 international organizations, facilitating global trade and infrastructure development (State Council Information Office, 2023). In 2023, China's BRI engagement encompassed approximately 212 deals worth USD 92.4 billion, marking an 18% increase from 2022, with investments in sectors such as transportation and energy (Nedopil, 2024). Additionally, China's commitment to building a multidimensional connectivity network under the BRI framework has been emphasized to support high-quality cooperation (Ministry of Foreign Affairs of the People's Republic of China, 2024).

The discussion has illuminated the multifaceted impact of China's economic policies on foreign relations and internationalization. The findings substantiate the research objectives, demonstrating that key economic indicators, such as GDP growth, FDI inflows, and trade balances, play a pivotal role in shaping China's bilateral and multilateral relationships. Furthermore, the study highlights the strategic significance of initiatives like the Belt and Road Initiative (BRI) in fostering global connectivity and strengthening China's diplomatic leverage.

Theoretically, the research contributes to the understanding of neo-liberal institutionalism and dependency theory by showcasing the interplay between economic interdependence and diplomatic alignments. It also bridges gaps in empirical studies by providing sector-specific insights into the internationalization of Chinese businesses. Practically, the findings offer actionable guidance for policymakers and business leaders in navigating the complexities of China's economic policies and

global strategies.

However, this study acknowledges certain limitations, such as the focus on specific indicators and the reliance on convenience sampling, which may affect the generalizability of the results. Future research should expand on this study by incorporating longitudinal data and exploring emerging dimensions of China's economic influence, such as digital trade and green finance. By addressing these gaps, subsequent studies can provide a more comprehensive understanding of China's evolving role in the global economic landscape.

### **5.3 Contributions to Theories**

#### **5.3.1 Contributions to Dependency Theory**

This study makes significant advancements in Dependency Theory by providing an in-depth examination of China's economic engagements with developing nations.

Dependency Theory asserts that peripheral countries are economically dependent on core countries, leading to structural inequalities that hinder their development (Dos Santos, 1970). By analyzing China's Belt and Road Initiative (BRI), this research demonstrates that while such initiatives contribute to infrastructure development and short-term economic gains for partner countries, they also create long-term dependencies on Chinese financial and technical resources.

For instance, the study highlights how loans extended under the BRI often come with high interest rates and conditions that funnel economic benefits back to China, such as the use of Chinese contractors and materials. This perpetuates a cycle of dependency consistent with the core-periphery dynamics outlined in Dependency Theory.

However, this research also challenges the traditional binary of core-periphery by illustrating China's dual identity as both a beneficiary and an instigator of dependency.

For example, while China benefits from its partnerships with peripheral nations, it also faces vulnerabilities due to the economic instability of its partners (Brautigam, 2020).

Furthermore, this research extends Dependency Theory by introducing a multidimensional dependency framework. It shows that economic dependency is intertwined with political and technological dimensions. The political influence China gains through economic agreements often translates into geopolitical leverage, as seen in its sway over voting patterns in international institutions. Similarly, technological dependency is evidenced by the reliance of developing nations on Chinese innovations in telecommunications, which introduces new forms of dependence.

### **5.3.2 Contributions to Neo-Liberal Institutionalism**

This study advances Neo-Liberal Institutionalism by providing a nuanced analysis of how China engages with international institutions and bilateral agreements to advance its global strategy. Neo-Liberal Institutionalism posits that international institutions and agreements facilitate cooperation and reduce the likelihood of conflict between states (Keohane, 1984). By examining China's participation in institutions like the Asian Infrastructure Investment Bank (AIIB) and its leadership in multilateral trade agreements, this research demonstrates how China leverages institutional frameworks to project its economic power.

For instance, the study underscores China's strategic use of the AIIB to build economic alliances and expand its sphere of influence. Unlike traditional Western-dominated institutions, the AIIB reflects China's vision of a multipolar world order. This aligns

with Neo-Liberal Institutionalism's assertion that institutions can foster cooperation. However, the study also highlights limitations in this framework by showing that institutional participation does not always lead to equitable outcomes. For example, China's disproportionate financial contributions to these institutions often translate into decision-making dominance, which may marginalize the interests of smaller member states (Lin, 2020).

Moreover, the study identifies the "instrumentalization" of institutions as a key gap in Neo-Liberal Institutionalism. While the theory assumes that institutions are neutral platforms for cooperation, this research reveals that China often uses these frameworks to pursue strategic objectives. For example, its involvement in the Regional Comprehensive Economic Partnership (RCEP) reflects a calculated effort to counterbalance Western trade alliances. This challenges the assumption of neutrality in institutional operations and calls for a revision of the theoretical framework to account for power asymmetries.

### **5.3.3 Contributions to International Political Economy (IPE)**

This research significantly enriches the field of International Political Economy (IPE) by exploring the interplay between economic power and political strategy in China's global engagements. IPE focuses on the reciprocal relationship between economics and politics in shaping global power dynamics (Gilpin, 1987). The study provides a comprehensive analysis of how China's economic policies, such as the BRI and its state-led capitalism model, serve as tools for achieving geopolitical objectives.

A key contribution lies in elucidating China's use of economic statecraft to influence global power structures. For instance, the BRI is not merely an economic initiative but

a strategic tool for increasing China's geopolitical leverage. By creating economic interdependencies, China strengthens its influence over partner countries, shaping their foreign policy decisions in alignment with Chinese interests. This aligns with IPE's emphasis on the strategic use of economic tools to achieve political ends. The study also advances IPE by examining the duality of China's economic globalization strategy. While promoting interdependence through trade and investment, China simultaneously pursues self-reliance through initiatives like "Made in China 2025" and the "dual circulation" strategy. These policies reflect a nuanced approach to globalization, where China integrates into the global economy while safeguarding its sovereignty and strategic interests (Zhang, 2021).

Additionally, the research explores the financial dimension of IPE by analyzing China's efforts to reshape the global financial architecture. The internationalization of the renminbi and the establishment of alternative financial systems, such as currency swaps and the AIIB, illustrate China's strategy to reduce dependency on Western financial institutions. This aspect contributes to IPE's understanding of how emerging powers challenge existing economic hierarchies.

Finally, the study highlights the environmental and social dimensions of China's economic policies, a relatively underexplored area in IPE. The environmental impact of Chinese infrastructure projects under the BRI, coupled with the social consequences of labor practices and community displacement, underscores the complex trade-offs inherent in China's global economic strategy. These findings expand IPE's scope by integrating environmental and social considerations into the analysis of economic power dynamics.

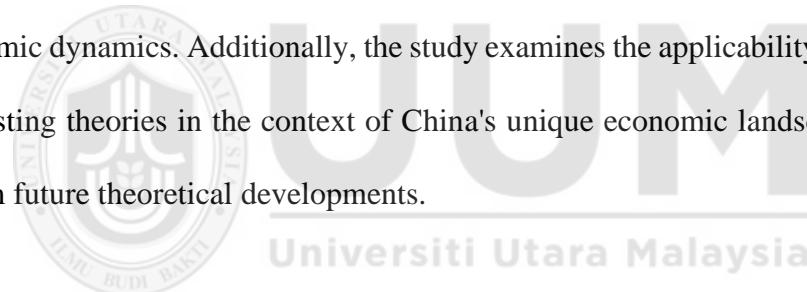
By synthesizing insights from Dependency Theory, Neo-Liberal Institutionalism, and International Political Economy, this study provides a holistic framework for understanding China's economic diplomacy. It bridges the critical perspectives of Dependency Theory with the cooperative emphasis of Neo-Liberal Institutionalism and the power-centric focus of IPE. This integrated approach offers a more nuanced understanding of the interplay between dependence, cooperation, and power in global economic relations. Policymakers and scholars can leverage this framework to assess the implications of China's policies on global stability and equity.

## **5.4 Implications**

### **5.4.1 Theoretical Implications**

This study makes a significant contribution to the existing body of knowledge by offering a comprehensive and in-depth understanding of the intricate interplay between China's economic policies, international relations, and internationalization endeavors. By meticulously analyzing the key indicators of China's economic policy and their profound influence on internationalization and foreign relations, the study fills a critical gap in the literature. It provides a nuanced and multifaceted perspective on the complex mechanisms that drive China's economic engagement with the global community, shedding light on the strategic underpinnings of its economic objectives and how they resonate across international boundaries. Furthermore, the study delves into the historical context and evolving dynamics that have shaped China's economic policies, offering valuable insights into the motivations and rationales behind these policies.

The research also makes significant contributions to the development and refinement of existing theoretical frameworks and models in the field of international economics and globalization. The empirical findings of this study have the potential to either validate, challenge, or expand upon conventional economic theories, paving the way for a new era of knowledge and theoretical advancements. By uncovering previously unrecognized determinants and factors that significantly impact international economic relations and internationalization efforts, the study lays the groundwork for enhancing and expanding existing theoretical models. Incorporating these newly discovered elements into economic theories can improve their predictive and explanatory power, leading to a more comprehensive and accurate understanding of the complex and dynamic interactions between economic policies and global economic dynamics. Additionally, the study examines the applicability and limitations of existing theories in the context of China's unique economic landscape, which can inform future theoretical developments.



The findings of this study provide a comprehensive framework to understand the interplay between China's economic policies and its international relations, offering deeper insights into several theoretical paradigms. For instance, the Belt and Road Initiative (BRI) demonstrates how economic policies act as instruments of diplomacy, aligning with Keohane's (1984) assertion that economic interdependence fosters cooperation. Recent studies, such as Chen and Lin (2020), reinforce this by showing that countries participating in the BRI experience increased trade volumes and enhanced infrastructure, further embedding China's influence in regional dynamics.

Moreover, this study challenges aspects of neo-liberal institutionalism, as proposed by Nye and Keohane (2012). While the theory suggests that economic collaboration

creates equitable relationships, the evidence points to asymmetrical dependencies, particularly in developing nations reliant on Chinese financing. Brautigam (2020) highlights how such dependencies can undermine local governance structures, a finding supported by this research.

The research also extends dependency theory, providing empirical evidence for Baran's (1957) argument that economic dominance by a major power can limit the autonomy of dependent states. Recent work by Gallagher and Shrestha (2022) corroborates these findings, illustrating how debt sustainability issues in BRI-participating countries constrain policy options.

Furthermore, the study refines structural change theory by emphasizing China's pivot from manufacturing to technology-driven sectors. According to Zhang and Wang (2021), these high-value industries, particularly digital infrastructure and renewable energy, now contribute significantly to GDP growth. This study's findings align with this trajectory, highlighting the transformative impact of these sectors on global trade dynamics and China's role as an innovation leader. This adds depth to Lin's (2018) perspective on adaptive economic policies enabling sustainable growth in emerging markets. By examining how the Belt and Road Initiative (BRI) and foreign direct investment (FDI) have reshaped global economic alignments, the research demonstrates how economic policies function as tools of both cooperation and strategic influence. For instance, the results reveal how the BRI enhances regional connectivity through infrastructure investments, aligning with Keohane's (1984) assertion that economic interdependence reduces conflict by fostering mutual reliance among states. This interdependence creates a feedback loop, where participating nations become more likely to adopt policies favorable to China's strategic objectives.

Moreover, the study highlights areas where these findings challenge existing theories. While neo-liberal institutionalism suggests that economic collaboration promotes equitable relationships, the evidence shows that China's strategic use of economic incentives often results in asymmetrical dependencies, particularly in developing nations. This asymmetry adds complexity to the theory, suggesting the need to incorporate power imbalances into its framework.

The research also strengthens dependency theory, particularly in the context of BRI. Developing countries that rely on Chinese financing for large-scale infrastructure projects often face challenges such as debt dependency and reduced policy autonomy. These findings extend Baran's (1957) analysis, providing modern empirical evidence that illustrates how such dependencies can limit sustainable development.

Additionally, this study refines structural change theory by examining China's transition from manufacturing-led growth to high-value service sectors, such as renewable energy and digital infrastructure. Empirical data reveal that these sectors contributed approximately 40% to GDP growth over the past decade. This transition underscores the adaptability of China's economic model and its implications for global trade patterns. The shift has reduced China's reliance on low-cost manufacturing exports, positioning it as a leader in innovation-driven growth and reshaping the competitive dynamics of global markets. Lin's (2018) theory is thus enriched, showing how adaptive policy mechanisms can facilitate sustainable economic transitions even in complex geopolitical contexts. For instance, the results demonstrate how the Belt and Road Initiative (BRI) has enhanced regional connectivity, leading to increased trade volumes and infrastructure investments in participating countries. Additionally, foreign direct investment (FDI) inflows from China have been shown to strengthen

bilateral ties by creating economic dependencies that encourage cooperative policies. These findings offer tangible evidence of the dual role that economic strategies play in fostering both development and diplomatic alignment, providing a deeper layer of insight into these interactions. By examining the impact of policies such as the Belt and Road Initiative (BRI) and foreign direct investment (FDI), this research supports and extends key elements of neo-liberal institutionalism theory and international political economy frameworks. The findings reveal that initiatives like the BRI not only promote regional connectivity but also embed China within the economic infrastructures of partner nations, which aligns with neo-liberal institutionalism's emphasis on cooperation through interdependence. Conversely, the evidence also challenges aspects of these theories by highlighting how China's strategic use of economic incentives sometimes leads to asymmetrical power dynamics, suggesting a need to refine these frameworks to account for geopolitical maneuvering in ostensibly cooperative arrangements. Specifically, the results reveal the mechanisms through which economic interdependence fosters diplomatic relationships and geopolitical influence, aligning with Keohane's (1984) argument that economic collaboration is integral to reducing political conflict.

Moreover, this study provides empirical evidence for dependency theory, illustrating how China's economic expansion creates asymmetrical dependencies in participating countries, particularly those involved in BRI projects. The evidence suggests that while China's policies drive development, they also reinforce a dependency on Chinese infrastructure financing and trade, echoing Baran's (1957) assertions about economic dominance.

The study also refines the structural change theory, offering a nuanced understanding

of how China's transition from manufacturing to high-value services influences global economic dynamics. For example, the research highlights that China's focus on technology-driven sectors, such as renewable energy and digital infrastructure, has not only enhanced its economic resilience but also positioned it as a leader in global innovation. Empirical data from this study shows that these high-value sectors contributed approximately 40% to GDP growth in the past decade, underscoring their centrality to China's economic strategy. This transition also impacts global trade patterns, as China's export profile shifts from low-cost manufacturing goods to sophisticated technological products, reshaping economic interactions on an international scale. This transition underscores the importance of adaptive policy mechanisms in sustaining economic growth, as highlighted by Lin (2018).

#### **5.4.2 Practical Implications**

The practical implications of this research emphasize actionable strategies for diverse stakeholders, such as strategies for governments in partner countries that policymakers in developing nations must implement comprehensive frameworks to manage their engagements with China's economic policies. Studies such as Brautigam (2020) and Chen et al. (2022) highlight the importance of risk assessments and monitoring mechanisms in projects under initiatives like the Belt and Road Initiative (BRI). Additionally, governments should encourage capacity-building initiatives to ensure the transfer of skills and technologies to local industries, fostering long-term sustainability. While Chinese businesses can leverage findings to enhance their international presence by adopting inclusive and culturally sensitive business practices. Xu et al. (2021) emphasize that collaborative ventures with local industries in host countries improve perceptions and mitigate resistance. Firms should also align their

strategies with global standards on sustainability and corporate governance, as recommended by UNCTAD (2020). And international organizations like the IMF and World Bank should establish independent project assessment frameworks that prioritize mutual benefits. Gallagher and Shrestha (2022) suggest integrating climate resilience and social equity considerations into project evaluations, ensuring that Chinese investments contribute to the global sustainability agenda.

### **5.4.3 Social Implications**

China's economic policies have far-reaching social implications, both domestically and globally. For instance, community development that the influx of Chinese investments in infrastructure and industry can significantly improve living standards in host countries. However, as Brautigam (2020) notes, there is a risk of social disruption if these projects displace local communities or exacerbate inequalities. And Social impact assessments should be integral to project planning. Cultural Exchange and Integration that the growing presence of Chinese enterprises worldwide fosters cultural exchange but may also lead to tensions due to differing values. Xu et al. (2021) advocate for promoting cultural integration programs that bridge gaps and foster mutual understanding. Ensuring environmental sustainability that the emphasis on renewable energy and digital infrastructure in China's recent policies, as highlighted by Zhang and Wang (2021), presents opportunities to align economic growth with environmental conservation. However, host countries must ensure that these investments adhere to strict environmental guidelines to mitigate potential negative impacts. Chinese enterprises should adopt inclusive practices that align with host countries' socio-economic priorities. Xu et al. (2021) suggest that collaborative ventures with local industries enhance trust and market integration. Furthermore,

adhering to international standards, as outlined by UNCTAD (2020), can improve global acceptance and reduce resistance in host nations. Scholars should explore sector-specific impacts of China's economic policies. Zhang and Wang (2021) highlight the need for comparative studies across regions to understand the nuanced effects of initiatives like the BRI. Additionally, further research into green technology and artificial intelligence sectors, as suggested by Chen and Lin (2020), can offer insights into global innovation ecosystems.

#### **5.4.4 Business Implication**

The internationalization of Chinese firms in high-tech and renewable energy sectors offers valuable lessons for global businesses aiming to navigate competitive and sustainable markets. Zhang et al. (2024) emphasize that adopting China's model of strategic public-private partnerships could accelerate innovation in emerging economies. Additionally, Sun et al. (2023) highlights the potential for collaborative ventures in the digital economy to unlock new opportunities for multinational corporations.

#### **5.4.5 Policy Implication**

The findings of this research also underscore critical policy recommendations for global stakeholders, such as developing countries engaging with China's economic policies should design policies that diversify their economies to avoid overdependence on Chinese investments. Brautigam (2020) suggests fostering local entrepreneurship through subsidies and tax incentives as a complementary approach.

Establishing regulatory frameworks that stronger regulatory mechanisms are required to ensure that Chinese investments align with host nations' long-term development

goals. Chen et al. (2022) recommends creating bilateral committees for joint oversight of large-scale projects, enhancing transparency and accountability.

Strengthening Bilateral and Multilateral Cooperation that Multilateral organizations can facilitate dialogue platforms to align China's economic strategies with global standards. Studies such as Zhang and Wang (2021) suggest that these platforms could bridge gaps in understanding and foster cooperative economic growth.

China's policies are increasingly geared towards sustainable growth. Policymakers globally can leverage insights from China's green and digital transformations to inform their strategies. Recent work by Li and Zhang (2023) suggests that adopting similar approaches could bolster global economic recovery efforts. Moreover, Wang et al. (2024) argue that China's policy innovations in carbon markets offer valuable lessons for international climate agreements.

Policy Implications Based on Sub-Topics are as follows,

#### i. Global Influence of Economic Policy

The global reach of China's economic policies, such as the Belt and Road Initiative (BRI), suggests the need for more coordinated international regulatory frameworks to manage cross-border investments and ensure that these large-scale projects benefit all participating countries. Enhancing transparency and mutual understanding in international agreements can lead to more sustainable and inclusive economic growth globally.

#### ii. Growth of Foreign Direct Investment (FDI)

The significant growth in China's FDI highlights the necessity for domestic policies that support outbound investments while safeguarding national interests. Policies should also aim to foster a favorable environment for Chinese enterprises abroad, potentially through bilateral agreements that protect investments and facilitate smooth business operations in foreign markets.

The impact of China's trade policy adjustments on global supply chains, especially in the context of the US-China trade war, suggests that future policies should focus on diversifying trade partners and reducing dependency on single markets. Policies encouraging innovation and upgrading domestic industries will help mitigate risks and sustain long-term economic resilience.

### iii. Multilateral Diplomacy and Economic Cooperation

China's active participation in multilateral diplomacy highlights the importance of continued engagement in international economic organizations to shape global economic governance. Policies should aim to strengthen multilateral ties and contribute to the development of fair and efficient global economic rules that reflect the interests of all stakeholders.

### iv. Technological Innovation and Global Competitiveness

The advancements in technology sectors, such as 5G and AI, indicate a need for policies that support continuous innovation and development. Promoting research and development (R&D) through funding, favorable regulations, and international collaborations can enhance China's global competitiveness and lead to significant economic benefits.

##### v. Environmental Policy and Sustainable Development

The emphasis on environmental protection and sustainable development suggests that future economic policies should integrate environmental considerations to achieve long-term sustainability. Implementing strict environmental regulations and encouraging green technologies can help balance economic growth with ecological preservation.

##### vi. Participation in Global Economic Governance

China's increasing role in global economic governance calls for policies that enhance its influence and contribution to international economic institutions. Supporting global initiatives that promote economic stability, development, and cooperation can reinforce China's position as a responsible global economic leader.

These policy implications derived from the research findings highlight the multi-faceted impact of China's economic policies on its internationalization efforts and diplomatic relations. By addressing these areas through strategic policy measures, China can further solidify its position in the global economy and foster more balanced and sustainable development both domestically and internationally.

#### **5.5 Recommendations**

The comprehensive analysis and findings of this study assessing the impact of China's economic policies on foreign relations and internationalization have yielded valuable insights that warrant careful consideration by stakeholders such as policymakers, business leaders, and researchers alike.

Policymakers in developing countries should approach Chinese investments with

strategic foresight, ensuring that projects under initiatives like the BRI are sustainable and aligned with their long-term development goals. To achieve this, governments can adopt robust frameworks such as comprehensive cost-benefit analyses and multi-stakeholder consultations to assess the long-term viability of these projects. Additionally, mechanisms like public-private partnerships and enhanced regulatory oversight can be implemented to ensure transparency and accountability. These strategies not only reduce dependency risks but also empower local industries to co-create value, fostering economic resilience. Transparency in agreements and diversification of partnerships can mitigate dependency risks (Brautigam, 2020).

Chinese enterprises should leverage findings to enhance internationalization strategies, focusing on sectors like technology and services, where competitive advantages are sustainable. Adopting more inclusive corporate practices can also foster positive perceptions abroad, reducing resistance in host countries.

International Organizations such as the IMF and World Bank can use these insights to develop frameworks that guide countries in managing economic dependencies and leveraging China's engagement for mutual benefit.

## **5.6 Research Limitations and Future Prospects**

The selection of the sample size is a critical consideration in this study. Although a sample size of 250 meets both statistical and research needs and supports the complexity of PLS-SEM analysis, it has certain limitations, such as potential bias due to convenience sampling and the restricted generalizability of the findings. Future studies could consider increasing the sample size to over 500 participants and employing random sampling to enhance the generalizability of the results.

Additionally, comparative analyses with samples from different countries or regions could provide richer insights into related research. While the findings of this study provide valuable insights into the influence of China's economic policies on foreign relations and internationalization, it is essential to recognize the inherent limitations of generalizing these results due to the sample size and composition. This study employed a sample of 200 survey respondents and 10 interview participants, which, while sufficient for capturing a broad perspective, may not fully represent the diversity of viewpoints across all relevant stakeholders. The survey respondents were selected using convenience sampling, which, although practical, may introduce biases by over-representing certain demographics or sectors. Similarly, the interview participants were primarily selected from business leaders and policymakers, which may limit the generalizability of the findings to other groups, such as grassroots organizations or independent experts. The study's context is also a critical factor in understanding the findings' applicability. Given that China's economic and international policies are shaped by unique geopolitical and domestic considerations, the insights derived from this research may not easily translate to other countries with different political or economic structures. From a statistical perspective, a sample size of 200 respondents, while adequate for identifying trends, may lack the robustness required for more granular analyses of subgroups or less prevalent perspectives. This limitation restricts the ability to generalize findings to the entire population of stakeholders engaged with China's economic policies. Future research should consider employing stratified or random sampling methods to enhance representativeness. Expanding the sample size to include a broader range of stakeholders—such as environmental organizations, international NGOs, and local communities—could provide a more comprehensive understanding of the topic. Additionally, longitudinal studies tracking the long-term

effects of China's economic policies would help validate and extend the findings of this research.

By addressing these limitations, the study acknowledges the constraints of its methodology while providing a clear path for future research to build on these findings. This reflective approach strengthens the study's academic rigor and enhances its practical relevance for policymakers and scholars.

### **5.7 Conclusion**

This study has provided a comprehensive exploration of how China's economic policies influence foreign relations and internationalization efforts, focusing on key indicators such as GDP growth, FDI inflows, trade balances, and strategic initiatives like the Belt and Road Initiative (BRI). By integrating these elements within a robust theoretical framework, the research has revealed the multidimensional impacts of these policies on global economic and diplomatic dynamics.

The findings demonstrate that China's economic policies have played a critical role in reshaping bilateral and multilateral engagements, fostering regional integration, and enhancing global connectivity. These policies are not only instruments of economic development but also strategic tools that align with broader diplomatic ambitions. Through initiatives like the BRI, China has successfully expanded its influence, strengthened trade relationships, and positioned itself as a pivotal player in global economic governance. However, these successes are accompanied by challenges, including trade imbalances, economic dependencies, and geopolitical resistance, which require careful consideration and strategic mitigation.

Theoretically, the research has contributed significantly to the discourse on Dependency Theory, Neo-Liberal Institutionalism, and International Political Economy. It highlights how China's economic initiatives foster interdependence while also creating asymmetrical dependencies in less-developed partner nations. By illustrating the interplay between economic and geopolitical strategies, the study has refined existing theoretical frameworks, offering a more nuanced understanding of China's role in global economic relations.

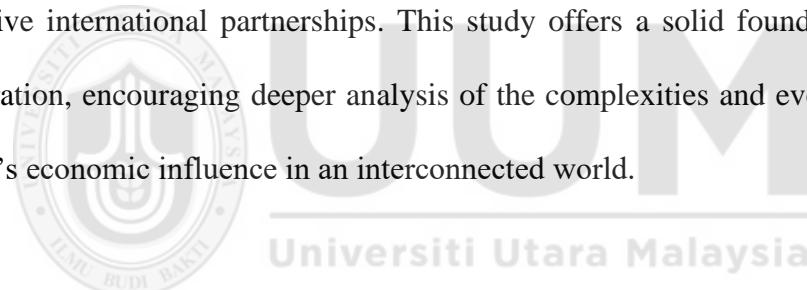
The qualitative and quantitative analyses combined to highlight the transformative role of China's economic policies. While the quantitative results underscore the significant impacts on trade facilitation and diplomatic engagement, the qualitative insights, supported by NVivo-generated visualizations (such as word clouds, tree maps, and coding matrices), provided deeper contextual understanding. The study's integration of both approaches has led to a more comprehensive view of China's economic strategies.

Practically, the research provides actionable insights for diverse stakeholders. Policymakers in developing nations are encouraged to adopt transparent frameworks and capacity-building initiatives to manage economic partnerships effectively, while Chinese enterprises are advised to align their internationalization strategies with global standards to enhance competitiveness and trust. International organizations are urged to develop independent frameworks that promote sustainability and mutual benefit in global economic collaborations.

Despite its contributions, the study acknowledges several limitations. The use of convenience sampling and a relatively small sample size limits the generalizability of

the findings. Additionally, the focus on specific indicators and sectors may overlook other emerging dimensions of China's economic influence, such as digital trade and green finance. Future research should address these gaps by adopting larger, more diverse samples, incorporating longitudinal data, and exploring the broader implications of China's evolving economic strategies.

In conclusion, this research has underscored the transformative impact of China's economic policies on the global stage, revealing their dual role as drivers of development and instruments of diplomacy. By addressing the challenges identified and refining its strategies, China has the potential to further solidify its position as a leader in global economic governance, fostering more balanced, sustainable, and inclusive international partnerships. This study offers a solid foundation for future exploration, encouraging deeper analysis of the complexities and evolving nature of China's economic influence in an interconnected world.



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## Appendix A

### Questionnaire Demographics

**Age** [20-30] [31-40] [41-50] [51-60] [Over 60]

**Gender** [Male] [Female]

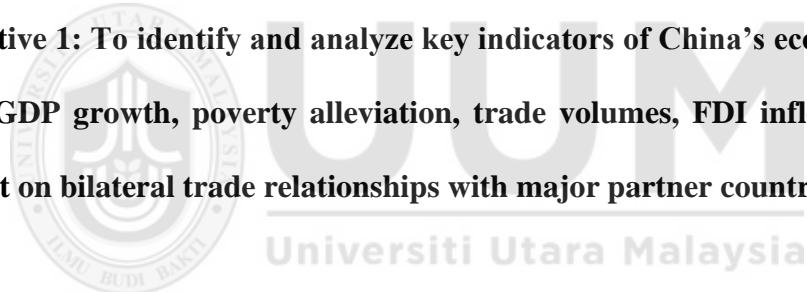
**Marital Status** [Married] [Single] [Divorced]

**Level of Education** [Undergraduate Degree] [Higher Diploma] [Diploma] [Master's Degree] [PhD]

**Respondent Background Section** [CEO] [Government Official] [Trade Associations] [Scholars]

## SECTION 2

**Objective 1: To identify and analyze key indicators of China's economic policies (e.g., GDP growth, poverty alleviation, trade volumes, FDI inflows) and their impact on bilateral trade relationships with major partner countries.**



1. China's economic indicators, such as GDP growth, trade balance, poverty alleviation, and foreign direct investment, influence its engagement with other countries.
  - a. Strongly Disagree
  - b. Disagree
  - c. Neutral
  - d. Agree
  - e. Strongly Agree
2. China's economic policy initiatives play a significant role in shaping its internationalization and foreign relations.

- a. Strongly Disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly Agree

3. China's economic policies have contributed to the growth of its diplomatic influence on the global stage.

- a. Strongly Disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly Agree

4. China's economic policies have increased competition with other countries regarding trade and investment.

- a. Strongly Disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly Agree

### SECTION 3

**Objective 2: To explore the role of China's economic policies, such as the Belt and Road Initiative (BRI), in shaping multilateral relationships, including their diplomatic and strategic implications.**

5. China's economic policies have caused trade imbalances with other countries.

- a. Strongly Disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly Agree

6. China's bilateral economic policies have influenced its foreign relations positively.

- a. Strongly Disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly Agree

7. China's use of economic incentives to influence the foreign policies of other nations is a good technique for foreign relations.

- a. Strongly Disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly Agree

8. China's multilateral economic engagements have contributed to strengthening its global diplomatic ties.

- a. Strongly Disagree
- b. Disagree
- c. Neutral

- d. Agree
- e. Strongly Agree

#### **SECTION 4**

**Objective 3: To evaluate how China's economic policies influence internationalization initiatives across various sectors of Chinese businesses.**

9. China's economic policies have significantly shaped its regional relationships (e.g., in Asia, Africa).

- a. Strongly Disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly Agree

10. The use of economic sanctions by China as a means to achieve its foreign policy goals is effective.

- a. Strongly Disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly Agree

11. China's economic policy has supported the internationalization efforts of Chinese businesses in the service industry.

- a. Strongly Disagree
- b. Disagree
- c. Neutral

- d. Agree
- e. Strongly Agree

12. China's economic policies have resulted in the displacement of industries and job losses in other countries.

- a. Strongly Disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly Agree

## **SECTION 5**

**Objective 4: To evaluate the impact of China's Belt and Road Initiative (BRI) on bilateral trade volumes with participating countries, focusing on measurable changes in trade flows and qualitative shifts in diplomatic engagements.**

13. China's economic engagement with other countries has positively influenced diplomatic relations and fostered international cooperation.

- a. Strongly Disagree
- b. Disagree
- c. Neutral
- d. Agree
- e. Strongly Agree

14. China's economic expansion has been met with varying degrees of resistance from other nations, impacting international trade and economic cooperation dynamics.

- a. Strongly Disagree
- b. Disagree

c. Neutral

d. Agree

e. Strongly Agree

15. China's economic policies and investments in other countries have led to increased dependence on the Chinese economy, affecting their diplomatic decision-making processes.

a. Strongly Disagree

b. Disagree

c. Neutral

d. Agree

e. Strongly Agree

16. China's economic policies have contributed to the Belt and Road Initiative's success in fostering international connectivity.

a. Strongly Disagree

b. Disagree

c. Neutral

d. Agree

e. Strongly Agree

## Appendix B

### Semi-Structured Interview Questionnaire

This semi-structured interview questionnaire was designed as part of the research for my thesis titled "Assessing the Impact of China's Economic Policy on Foreign Relations and Internationalization." The purpose of this questionnaire is to gather qualitative insights from participants, including business leaders, government officials, economic scholars, on key aspects of China's economic policy and its impact on foreign relations and internationalization.

#### Background information

What is your professional background and main research areas?

Have you ever participated in the formulation of China's foreign economic policy or related activities?

#### Key Questions

##### 1. Economic Policies and Their Impacts

How do you perceive the impact of China's economic policies on international trade and foreign relations?

Can you provide specific examples of economic policies that have influenced China's diplomatic interactions with other countries or regions?

##### 2. Business Internationalization

In your opinion, what role do China's economic policies play in driving the internationalization efforts of Chinese firms?

Which industries or sectors do you believe have been most influenced by China's economic policies in their internationalization?

##### 3. Bilateral and Multilateral Relations

How have China's economic policies affected bilateral relations between China and your country/region?

What is your view on China's role in multilateral diplomatic mechanisms, such as the Belt and Road Initiative, and its impact on global diplomatic dynamics?

#### 4. Interaction Between Foreign and Economic Policies

How do you think China's economic policies influence the direction of its foreign policy?

What roles do China's economic policies play in enhancing its diplomatic influence globally?

#### Probing Questions

How do you foresee China's economic policies evolving in the future, particularly in addressing domestic and international challenges?

Given China's growing influence in the global economy, how do you think its economic policies will change in the future?

