

## A STUDY ON THE IMPACT OF SOFT POWER ON INTERNATIONAL INVESTMENT

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**ABSTRACT:** *In recent years, the impact of national power on international investment is growing, specifically in two aspects: one is the national hard power, which promotes international investment through industry advantage, scale advantage, location advantage and organizational advantage; another is the national soft power, which will benefit the international investment in the aspect of assimilation and specification of power and influence. It's difficult to use specific figures to measure how the soft power influence on international investment, but it means a lot. Thus, this paper will focus on the impact of national soft power on international investment. Besides, based on the Granger causality, this paper shows that: the national soft power is closely related to the international investment. To promote the international investment, the national soft power needs to be enhanced.*

**KEYWORDS:** International investment; Soft power; Granger causality analysis model

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### INTRODUCTION

The former international investment theory emphasizes the role of the enterprise, for example, the advantages of dominance, internalization and location advantages outlined by Dunning's (1977,1988,1995) "three superiority pattern", monopoly advantage theory (Hymer, 1960), Product Circle Theory (Vernon, 1966), internalization theory (Buckley, 1976) and many other theories. These theories analyze how to further develop the enterprise overseas after having competitive advantages.

But recent research shows that the role of the nation in international investment is increasingly important. Michael Porter's National Diamond Model explains how countries can succeed in international competition in a particular industry. Porter believes that each country has four environmental factors that affect international competitiveness, including production factor, demand factor, relative industry, enterprise structure, strategy and competition. In addition, government and opportunities, as the other two assisting factors, also affect the above four factors and industrial international competitiveness. He believes that these six factors together create a dynamic, stimulating and innovative competitive environment, and constitute a source of industrial international competitiveness (Yang Feihu, 2007).

Pei Changhong and Zheng Wen (2011) believe that the current governments actively participate in global investment in the global allocation of production factors and control the

key of global value chain and supply chain which provide a guarantee for the development of national economy; the booming of sovereign wealth funds is also the main reason for governments to actively participate in international investment. It helps to keep the maintenance and appreciation of state-owned asset, assist the central bank diversion of foreign exchange reserves, and intervene in the foreign exchange market, the liquidity reversal of market surplus, the implementation of national monetary policy and so on. Countries will combine the national capital with the enterprise capital to constantly promote the development of foreign investment. In international investment, countries take advantage of their superiority in industry, some industry scale advantages, its location, its industrial organization advantages which are conducive not only to form the hard power of foreign investments, but also to impulse enterprises to participate in international competition and expand overseas market.

Pei Changhong and Zheng Wen (2011) also believe that such factors like national image, native culture, control of international rules and influence on international organizations also have a significant impact on international investment. For example, Coca-Cola on behalf of the United States, Nokia on behalf of Finland, Volkswagen on behalf of Germany and Samsung on behalf of South Korea, these transnational corporations are the extension of the national economy and politics. A good national image, small cultural distance and complying with international rules will appeal to the foreign, promote national identity, cultural identity, and derives a "corporate identity", which will benefit the enterprise investment.

In summary, the national impact of international investment is mainly reflected in two aspects, national hard power and national soft power. National hard power generally refers to economic, military, diplomacy and other specific national resources or power. (Wang Siqu, 2011). Such as economic strength, technological strength, the strength, will help enterprises cultivate competitive advantage and participate in international investment. The other, national soft power, is national culture, values, national image, which will influence other countries' identity about own country, exerting a series of invisible forces and impact on their company's products, operating behavior attitude.

From the actual situation, since 2014, the amount of foreign investment in China is roughly equal to China's overseas investment, suggesting that China is already one of the most important investment countries. Chinese enterprises, however, still encountered a lot of investment failure cases in the course of foreign investment. Lu Jinyong, Li Feng (2012) believes that commercial activities often disturbed by political factors, some refuse to cooperate with China because of distrust of China investment, or Chinese image of the country. For example: (1) Refusing Chinese investment for national security reasons. In March, 2012, the Australian government prohibited China's HUAWEI Technology Co., Ltd. bidding for Australian national broadband network equipment projects on the ground of worrying about China's cyber-attacks. (2) Refusing Chinese investment in the absence of important resources. In May, 2011, didn't want to give up the controlling of the local energy assets, Indonesia forced

CNOOC to withdraw the bidding in Angola. (3) Refusing Chinese investment because of mistrust. In September, 2011, Mongolian National Security Council vetoed Shenhua Group Corporation of China shares Mongolia Toloï coal mines, avoiding excessively dependent on China. (4) Refusing Chinese investment on account of doing harm to environment. In September, 2011, for the excuse of ecological and customs damage, Burma decided to suspend the Myitsone hydropower dam project which was invested by China Power Investment Corporation at a cost \$3.6 billion, started its construction on December, 2009( Lu Jinyong, Li Feng , 2012). (5) Refusing Chinese investment on the grounds of trade protection. For the reason “the United States Federal Government stipulates high speed train must be made in America”, America West Express Company unilaterally declared to terminate the cooperation with China Railway International Company, the subsidiary of China Railways Corporation, on June of 2016. (Xi Manlin, 2016)

This fully shows that China's economic hard power has improved in these years, but China's soft power is still insufficient. The country's soft power is difficult to be perceived and measured, but its means a lot to the success of the investment as well as the cooperation and co-prosperity between domestic enterprises and overseas enterprises. In some ways, however, compared with hard power, soft power is more difficult to improve. It takes a long-term accumulation and cultivation to create a national soft power in politics, diplomacy, culture and national image so as to facilitate international investment activities. Therefore, it is necessary to study the influence of national soft power on international investment.

To begin with, this paper analyzes the impact of the country on international investment hard power and soft power by the method of literature review. As the impact of hard power has been elaborated in other researches, this article focuses on the definition, classification and observation methods of soft power. And then it analyzes the current state of China's soft power and its impact on international investment. Granger causality analysis is also carried out on the unit root test of soft power and international investment data of nearly 10 years. The results show that the promotion of soft power is conducive to the increase of China's international investment. Finally, the article proposes how to enhance China's soft power and improve China's international investment strategies.

## **NEW ADVANTAGES OF INTERNATIONAL INVESTMENT ---- SOFT POWER**

### **The Meaning and Connotation of Soft Power**

The concept of "soft power" is clearly pointed out by Joseph Samuel Nye, a well-known American scholar, in 1990. His work, *Bound to Lead: The Changing Nature of American Power*, published in 1990, argues that soft power is relative to hard power, the axis of confrontation, during the Cold War. In a world of dynamic change, all nations should learn to achieve its goals through a new source of strength: to promote stronger interdependence among nations, to manage the international system structure and to share human cultural value. He stressed that soft power is a concept of the attraction and assimilation of values, lifestyles

and social systems, which lure and persuade others to accept certain Code of conduct, values and institutional arrangements through the spirit and moral appeal. (Zhu Konglai, Ma Zongguo, 2010) The country's soft power derives mainly from three sources: culture (where it can work in attracting other countries), political values (when it can truly realize these values both at home and abroad), and foreign policy (when the policy is regarded as legitimacy and moral authority).

### **The Composition And The Evaluation Index Of Soft Power**

Soft power is composed of assimilatory power, normative force and influence force and eight evaluation indicators, which are the cores of the soft power assessment.

#### **Assimilatory Power**

Assimilation power is a country's willingness to follow suit the charm of other countries, to allow the other party to recognize, accept and follow, or even become part of the other's values and culture, transforming into their behavior manners or codes of conduct. Assimilatory power mainly comes from culture and national development mode. Although the culture cannot be seen with the naked eye, the role of culture exists all the time. The cultural distance between the home country and the host country is formed by the different history, culture, language, business practices and other aspects, which will have a great impact on the performance of direct investment.

National development model is divided into economic development model and political model. Economic development model is a series of distinctive development strategies and ideas. Successful development models can create an advantage for other countries to follow. Only the development model that can maintain the stability of economic development and solve the complicated problems in various development processes can become the soft power of the country and be widely recognized and studied by the international community. Besides, the political model is the political system adopted by the state.

#### **Normative Force**

Normative power is the ability to establish other country's willingness as your own country wish. If a country can establish international norms which are consistent with the international community, it is more likely for the country to realize its national interests in the international society. Normative force mainly comes from two aspects, the international system and the diplomatic ability.

The international institutions are the close principle, norms, rules and decision-making procedures of the international society in a particular field. Through the establishment and domination of international norms and international organizations, the country can influence the political and economic progress of the world. With the help of soft power, affecting other's preference, the country can make the behavior of other countries be consistent with their own national interests and values.

The diplomatic capacity of a nation is directly related to the normative force of the state in the international society. Actively putting forward a variety of diplomatic policy and tentative plans in line with their national interests and transforming our wish into a common vision of the international community will be conducive to the realization of national interests and build a positive international image.

### **Influence Force**

Influence force refers to the power of a country to be recognized by others in the international community which is a huge positive effect produced by the superiority of the country itself or a variety of ways. It divided into two parts, international influence and domestic influence. International influence mainly comes from the national image and international media, while the domestic influence mainly comes from the domestic situation and sci-tech information.

The national image is the analysis and review of the international society to the country. A positive national image can promote the exchanges between countries in politics, economy and culture, while a negative image can plunge the country into the predicament of development. Therefore, to quest for and expand influence in the region or the global, it is necessary for a country to establish its own prestige on the international stage, to build a positive image of the country and to construct its own identity in the international community. The national image is not only an important variable in the international political game, but also an important factor in the international economic game. Its economic function is that the national image can influence the foreign public's attitudes towards the goods, services, and investment activities, thereby affecting whether the enterprise can be in a favorable position in international investment field.

International media is an important approach to the construction of national soft power. The influence of media can not only improve the soft power directly, but also become an important part of soft power. In this regard, there is an inherent connection between international media and soft power.

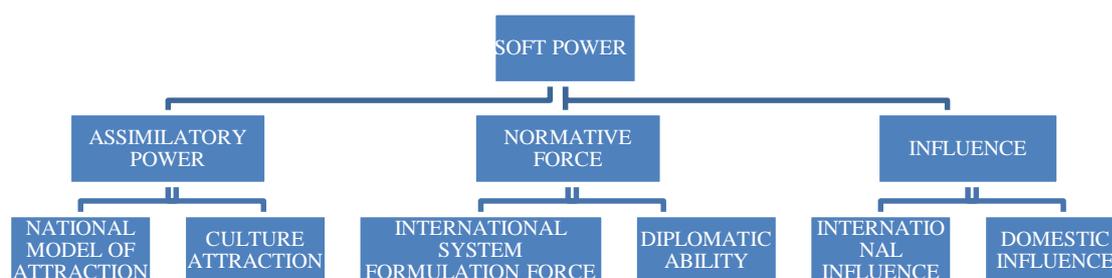
International media can build positive image of the country, at the same time, it's also the vehicle and channel of spreading the elements of soft power. The strength of the international media offers the country more opportunities to transmit information that is beneficial to itself and creates a powerful influence on other countries.

The domestic situation mainly includes two aspects, the national quality and the government ability. National quality is an important aspect of the country's soft power, and the national development, national rejuvenation, social harmony and national quality cannot be inseparable from it. The education system of a country is very important for the dissemination of the national culture, the improvement of the overall national quality, the enhancement of the country's soft power and the development of the country and the nation. Government capacity is also an important part of soft power, the state will form a strong national cohesion

and centripetal force if it develops with people-oriented policy, high administrative efficiency, and clean and honest officials.

The elements of sci-tech information play an important role in the new revolution of science and technology. Science and technology are the key factors in the development of productive forces and the progress of human civilization. In the era of information technology revolution, information has become an important aspect of science and technology, which is the decisive resource in the development of national and have a supporting effect on national overall strength. National strength has begun to change from capital-intensive to knowledge-intensive, which means to follow the international strategic process of changing from economic competition to knowledge competition. The key to knowledge competition lies in scientific and technological information, thus its effect on the country cannot be ignored.

Assimilatory power, normative force and influence are the three important elements of the soft power, which exist in parallel, and can also interact and influence each other. The universal culture and the assimilation power of the national model are conducive to the establishment of the normative capacity in international system and diplomatic ability. The construction of normative force exactly forms a great influence to the domestic and foreign countries, the strong influence also has a positive impact on the assimilation power and normative force. Culture, national model, international system, diplomatic capacity, domestic situation, scientific and technological information, international media, national image are the eight core elements of national soft power, and the representative index to assess the soft power of a country. The three elements and eight indicators of soft power together constitute the national soft power index system (Hu Nan, 2010). The components of soft power are shown in Figure 1:



**Figure 1. The constituent elements of soft power**

## THE CURRENT STATE OF CHINA'S SOFT POWER

### China's Assimilatory Powers

Assimilation power includes national model attractiveness and cultural appeal. Yan Xuetong (2008) argues that China's international appeal is less than 1/8 of United States'.

In the view of national model, national mode can be divided into the economic development model and political model. In recent years, China's economic aggregates have ranked the

second in the world. Compared with American model, China's model wins the heart of developing countries, sharing the same high recognition as United States. Using western democratic system as a standard, more than 146 countries shares the same political system with United States, while only 23 countries share the similar political system with China. Thus it can be seen that the popularity of China's political system is just about 15.8% of American in the world.

In the view of cultural appeal, we can make comparison of cultural homogeneity and cultural transmissibility. Sharing with other five countries (Japan, South Korea, Vietnam, Singapore North Korea), Confucianism is the core of Chinese traditional culture, while United States is a country famous for its Christianity culture among other 84 countries with Christian Culture. On a national basis, the international prevalence of Confucian culture is about 6% of the Christian culture. This means that the cultural homogeneity between China and other countries is much smaller than that of the United States. However, the recent increasing number of international students in China and people who are learning Chinese indicates so that the attraction of Chinese culture is being boosted. According to the Xinhua News Agency reported on April 14, 2016 (Zhang Bingqing, 2016), the statistics of Ministry of Education shown that the number of international students studying in China had kept rising since 2015, and its structure was in continuous optimization. There are more than 397,635 foreign students from 202 countries and regions studying in 811 Colleges and Universities, research institutes and other educational organization in 31 provinces, autonomous regions and municipalities. Since 2003, the year of Beijing's successful Olympic bid, the number of students learning has have a huge and fast rise, maintaining a more than 20% increase rate. In 2010, the number of foreign Chinese language learners is about 100 million. By 2015, the number of foreigners learning Chinese will reach 150 million to 200 million (Pandarin Chinese, 2015).

### **China's Normative Force**

In the case of the right of setting International rules, we have chosen the three most important international organizations - the United Nations Security Council, the World Bank and the International Monetary Fund - as a sign of the enactment power. China and America are well-matched in strength within the United Nations Security Council. America, Britain and France are actually allies of each other. China shares the same boat with Russia, while not allies, often share close ideas on international issues. This means that China's international political rule-making power is equivalent to 2/3 of United States', about 66.7%. After the World Bank voting power reform in 2010, the voting power of China and United States in the World Bank were 4.42% in China and 15.85% in the United States (Chen Yimei, 2016). And China's right of voting is equivalent to 27.89% of United States'. The voting power for China and America at the International Monetary Fund respectively are 6.11% and 16.58% (according to the data of 2016 on official website of IMF). China's international political right to rule-making is equivalent to 36.85% of United States', and the average of the two is 32.37%. It means that China's international economic rule making power is about 1/3 of the United States'. Using the average value of the proportion of making political institutions (66.7%) and international

rules (32.37%), we can conclude that China's overall international rule-making power is about 49.54% of United States. From above, the international enacting force of China is 1/2 of United States'.

### **China's Influence**

College students in China, the United States and the United Kingdom were investigated as an example by Lei Yu et al (2015), with the purpose of studying China's macro-national image. Chinese college students mainly take the students of Anhui Normal University as home research object and students from Bournemouth University and New York State University as the overseas object. The national macro-scale measurement table in their research includes five common factors, national system, national capacity, national characteristics, environmental conditions and state relations. According to the analysis of the recognition of image factors, the following conclusions are drawn: the higher national image of Chinese college students are national system, national capacity, national characteristics and state relations. British and American students have higher evaluation of China's national capacity, national characteristics and national relations. However, students in both the UK and the US have higher evaluation of "national capacity" than Chinese students. From above, it can conclude that as China's international status being improved, the overall national strength has increased and the recognition of state capacity and state relations has also been enhanced. Besides, the Chinese people's hard work, hard work, courtesy and other outstanding moral character has also been praised by the world. Nevertheless, China's political system has been questioned by those overseas students, especially issue of democracy, which deeply affected China's international image. In addition, college students from these countries are worried about China's environmental problems, because of relatively inefficient China's environmental protection measures, low environmental standards recognition and the sustained hazy weather, which greatly damage the China's environmental image. Although China's economic strength is rapidly increasing, which is conducive to expanding China's international influence, the extensive communication and publicity with the international community are still required in relation to China's political system, environmental governance and China's determination to pursue peaceful development.

To sum up, while China is clearly insufficient in the attractiveness of the national model, the attractiveness of its culture and its international rule-making power are clearly on the rise. And its international influence has also increased because of its enhanced economic strength and the overall national strength. Therefore, although China's soft power in some areas has increased, but further improvement is still required.

### **Analysis On The Relationship Between Soft Power And International Investment**

This paper will use the method of the demonstration, utilize the Granger Model to analyze and test the correlation between the national soft power and the international investment.

As an abstract concept, soft power is an independent variable which can't be measured in a monetary value. In this case, score values can be used as measure of a state's cultural soft

strength. China's soft power score is based on data (Xiong Zhengde, 2011) from Hunan University. Since the data was only evaluated till 2009, the estimated value of China's soft power after 2010 needs to be carried out based on score of the previous 8 years, by taking an on linear regression. The data shows that China's soft power is gradually improved every year.

**Table 1. the score value of China's soft power from 2002-2014**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Soft power	3.0	2.6	0.8	0.1	1.3	3.1	4.0	5.3	6.0	7.1	8.2	9.3	10.4

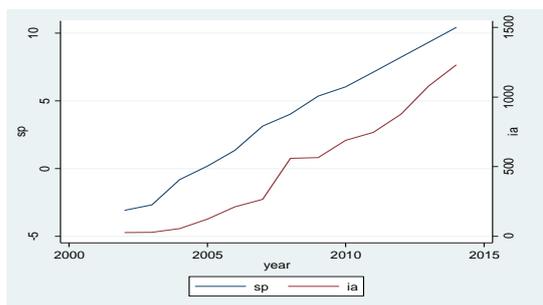
As for the dependent variable, the international investment, it will be measured by the China's direct overseas investment flow. According to the statistics of Ministry of commerce, as shown in the Figure 2 below, the yearly amount of China's direct overseas investment is on the rise.



**Figure 2. China's foreign direct investment flows from 2002 to 2014**

#### Data Sources from China's Ministry of Commerce

We will construct Granger model to analyze the relationship between soft power and international investment. In order to avoid the problem of pseudo-regression, we need to deal with these time series data. Granger put forward that the mainly analysis object of the causal relation is the stationary time series data, thus the unit root test need to be used to judge the stationarity of the data first. It means that before the granger causality test, the unit root test should be completed. With the help of STATA, a statistical analysis software, the following results were got as shown in the figure:



**Figure 3. The tendency of the synergy between soft power and foreign investment**

It can be seen from the image that the rise of national soft power and the increase of foreign investment show a synergistic trend, that is, these two time series are nonstationary series, so it is necessary to differentiate the two time series of soft power and foreign investment respectively, then DF test. With STATA statistical analysis software, the following results are obtained, as shown in the following table:

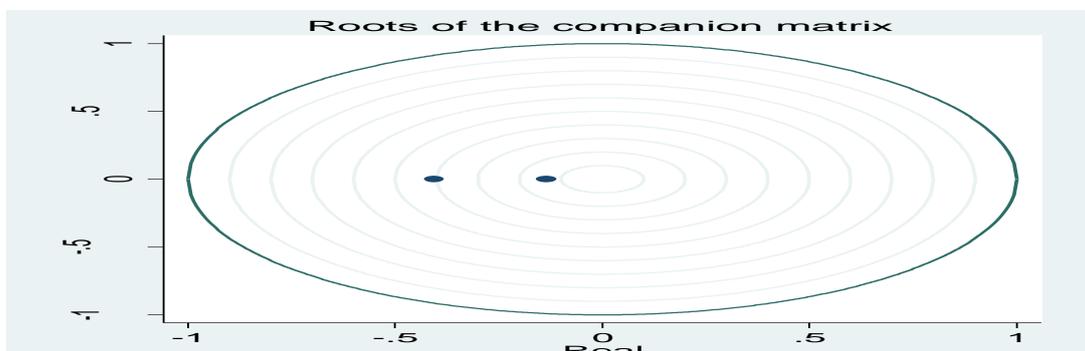
**Table 2. SP Dickey-Fuller test**

SP	Dickey-Fuller Test			Number of samples	23
Z statistic	1% of significant threshold level	5% of significant threshold level	10% of significant threshold level		
-6.654	-2.821	-1.833	-1.383		
Z statistic	p = 0.0000				

**Table 3. IA Dickey-Fuller test**

IA	Dickey-Fuller Test			Number of samples	23
Z statistic	1% of significant threshold level	5% of significant threshold level	10% of significant threshold level		
-3.704	-2.821	-1.833	-1.383		
Z statistic	p = 0.0000				

It can be seen from Table 2 and Table 3 that the differential between the national soft power (SP) and the foreign investment (IA), Z statistic is less than 1%, 5%, 10% of the critical value. Domain, that is, after the difference of the series for the smooth time series. And then using STATA statistical analysis software, the national soft power and foreign investment after two different time series of unit root test, the results shown below:



**Figure 4. Unit root test results graph**

SP (national soft power) and IA (foreign investment) after two differences in the unit root of the time series fall in the unit circle, indicating that the differential after the two time series determined to be stationary time series, that after the time difference sequence Granger causality analysis can be performed. Thus, with STATA statistical analysis software, the results shown in Table 4:

**Table 4. The Analysis of Granger causality**

Granger causality Wald tests			
null hypothesis	chi2	df	Prob>chi2
SP is not a Granger cause of IA change	4.381	1	0.036
IA is not a Granger cause of SP change	0.1133	1	0.736
	2		

Granger causality analysis and look-up table to draw the conclusion: 0.036 falls in the refusal of the domain, therefore, reject the null hypothesis, namely reject SP is not the Granger cause of IA, to accept alternative hypothesis. This indicates that SP is the Granger cause of IA change, that is, soft power is Granger cause of foreign trade and investment change, which shows that increasing the national soft power can promote international investment.

### **Enhancing Soft Power & Expanding Chinese International Investment Strategy**

#### **Reinforcing the propaganda of China's political and economic system in order to make ourselves understood.**

China is a socialist country under the leadership of the Communist Party of China. Although it is a country under the rule of only one party, the Communist Party of China is the advanced representative of all classes and all walks of life. With more than 88 million members, the Communist Party of China can widely represent all the Chinese people; the resolutions, lines and guidelines of the Party reflect the ideals and aspirations of people from all ethnic groups in China. China has established and implemented the System of People's Congress and the

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System of Political Consultation. The National People's Congress is the highest organ of state power and has the power to enact laws, determine the state budget and examine the final accounts of the Government. Political Consultation System involves with other political parties, religious groups, professional organizations, non-party personage, etc. in China. Under the system, they can fully discuss national affairs and supervise the administration of the Government in China. Moreover, China has also established a complete and comprehensive legal system and lays emphasis on ruling the country by law.

Under the leadership of the Communist Party of China, China, the world's largest developing country, has shaken off poverty and become world's second largest economy in the past 30 years. Especially China has helped over 700 million poverty-stricken people in the rural area to successfully get rid of poverty through taking a poverty alleviation and development path with Chinese characteristics in the past 38 years since reform and opening up and the efforts made by China for poverty reduction accounts for over 70% of global efforts. James Keith, a senior US diplomat (Nanfang Internet, 2016), said that the Chinese Communist Party had existed and developed for almost a century and China has undergone a period of rapid development under the leadership of the Party, lifted hundreds of millions of Chinese people from poverty and solved their problem of food and clothing. Poverty reduction in China not only helps to speed up the global poverty reduction pace, but also provides opportunities for world economic development. Practice has proved that Chinese political system is feasible and guarantees long-term stability and good life for people in China. Therefore, we must strive to carry forward China's political system and eliminate the misunderstandings of some countries that China is ruled by a dictatorial government without human right concept.

### **Building a good image as a peace-loving and responsible great power**

Chinese Confucian culture advocates "peace and harmony" and "benevolence", which has been rooted in the mind of Chinese people. China enhances its military power only to defend its territory and sovereignty and will not take the initiative to start a war. Under the framework of "Charter of the United Nations", China advocates the Five Principles of Peaceful Coexistence (namely mutual respect for territorial integrity and sovereignty; mutual non-aggression; non-interference in each other's internal affairs; equality and mutual benefit; peaceful coexistence); disputes between nations should be settled through negotiations; do not resort to threat of force and avoid letting the world go back to "Cold War" state, which will bring tragedies to all the world and mankind.

As China's national strength grows, China should make more efforts to advocate peace and actively participate in the peacekeeping operations of the United Nations, so as to make due contributions to world peace. In recent years, multiple batches of Chinese soldiers participate in UN peacekeeping operations and are awarded UN Medal and praised by the international community. According to Mr. Hervé Ladsous, the UN Under-Secretary-General for Peacekeeping Operations (Xinhua News Agency, 2014), China participated in 10 UN peacekeeping operations around the world in 2014 and the number of peacekeeping

operations participated by China ranked first among the 5 permanent member states of the UN Security Council. China also participates in the activities of international organizations in the fields of disaster prevention, disaster reduction, poverty alleviation, prevention and treatment of major diseases and epidemics and makes contributions to the world. In May of 2014, UN Secretary-General - Ban Ki-moon visited China and said that China had long been committed to promoting multilateralism and South-South cooperation, actively participating in UN peacekeeping operations and making important contributions to resolving international and regional hot issues, achieving the UN Millennium Development Goals and maintaining world peace and development (Xinhua News Agency,2014).

### **Promoting Chinese culture, enhancing mutual understanding and deepening friendship on the basis of Confucius Institutes**

According to the official website of Chinese Hanban (Hanzhe Yangxi, 2015), by October 2014, 471 Confucius Institutes and 730 Confucius Classrooms have been established and spread over 125 countries and regions in the five continents since the establishment of the first Confucius Institute in Seoul in 2004 and enrolled an accumulative total of 3.45 million students. Courses mainly include Chinese language, calligraphy, cooking, tea art, Chinese painting, traditional Chinese medicine, martial arts, and traditional Chinese operas and so on. The establishment of these Confucius Institutes helps to promote cultural communication between Chinese central and local government and the central and local government of foreign countries, between Chinese universities and foreign universities and between Chinese non-governmental organizations and foreign non-government organizations. Confucius Institute can help to publicize and spread the extensive and profound Chinese culture to the world and enhance friendship and relationships between China and foreign countries and regions. Wuthnow J. (2008) pointed out that Confucius Institute provided a good channel for China to realize its international strategy through disseminating culture, enhancing its leadership in developing countries and improving the relationship with some countries which regard China as a threat. Paradise James (2009) believed that the rapid expansion of Confucius Institutes around the world will not only help to popularize Chinese language and disseminate culture, and strengthen its cooperation with foreign academic institutions. The Confucius Institute can enhance China's soft power and create a favorable international image.

Culture is a type of soft power and industry. At present, China should make efforts to develop cultural industry through exploit China's cultural treasure, increasing the number of Chinese books distributed in foreign markets and promoting the export of Chinese movies, TV shows, music and art, so as to introduce Chinese culture to the world.

### **Utilizing great events as opportunities to broaden the influence of China**

Public Relations Review Editorial (2012) believed that hosting 2008 Beijing Olympic Games, EXPO 2010, 2010 Guangzhou Asian Games and other global events played an important role in helping China to establish a new national image and publicizing Chinese brands. When the sporting events and athletes' performance are covered and showed by television, newspapers,

and the Internet media, everyone can feel the strong national strength of China. Media not only acts as a reminder, but also has an impact on the opinions of the public. Therefore, hosting big events can influence media coverage and improve the image of the hosting countries and cities. However, this impression can't last forever, so China needs to continue to create good news and expand publicity with the help of various media, so as to have a louder voice in the world arena. Moreover, the media should cover the actual stories of China in an objective and impartial way and avoid exaggeration and complacent assertion. Many experts who focus on studying Chinese publicity believed that Chinese media should increase its focus on new topics, cultural, entertainment and humanity elements in the coverage of Chinese public relations activities, which is showed for the audience in the United States. In this way, it will show China image with vivid details and it is important for intercultural communications (Patel, Li, & Sooknanan, 2011; Servaes, 2005; Thomas et al., 2010).

### **Playing an active role in international organizations and improving the ability of rule-making**

Although China is the world's second largest economy, in terms of per capita income, China is still a developing country. In the past, China was a passive performer of international rules. Nowadays, with the development of China's economy, China should have more opportunities to participate in the formulation and enactment of international rules. China is one member of the five permanent members of the UN Security Council and China should play its due role in the United Nations. China should represent the developing countries through safeguarding the rights and interests of developing countries, and voicing their aspirations for national independence, territorial integrity, national equality and economic development, and make contributions to safeguarding world peace, stability and development.

With the RMB' inclusion in the SDR basket, China will have more right to speak and more influence on the decision-making in the IMF and the World Bank. At present, the instability of international monetary system, exchange rate fluctuations and frequent economic crises have seriously affected the development of international investment and trade development ,even have a negative impact on global economy. China should play an active role in maintaining international capital market stability, preventing economic crises, fighting against trade protectionism, promoting international investment and global economic development and put forward its own views and opinions on these issues.

### **Intensifying the effect of higher educational institutions and academic groups**

Chinese colleges and universities should make contributions to improving soft power. First of all, as an important part in Chinese educational system, colleges and universities play an important role in disseminating knowledge and culture, and improving national quality. Secondly, colleges and universities are regarded as the base of innovation and cradle of new technology and new knowledge and they should try their best to promote innovation, so as to provide continuous impetus for sustainable economic development. Thirdly, communication between colleges and universities, and academic societies are an important part of

international exchange and display the technological and cultural level of countries.

The higher education of the countries with stronger soft power also ranks top in the world. For example, according to the “2016 Times Higher Education World Reputation Rankings” of Times Higher Education Supplement, American universities still had more advantages in number in the rankings, and 43 American universities were included in the top 100; Harvard University, MIT and Stanford University ranked top three. There were 10 British universities included in the top 100, and Cambridge and Oxford University ranked the fourth and fifth respectively. Tsinghua University in China ranked 18th and Peking University ranked 21st; Fudan University, Shanghai Jiaotong University and Zhejiang University from China mainland were included in the top 100; the University of Hong Kong, Chinese University of Hong Kong, Hong Kong University of Science and Technology and Taiwan University from China Hong Kong and Taiwan regions were also included into the top 100 list. Therefore, in order to improve the soft power of China, we must build more world-class colleges and universities.

### **Strengthening environmental protection and making contribution to global environmental improvement**

There is only one earth and the earth is the common home of all mankind. Protecting the environment is to protect ourselves. China's rapid economic development since the reform and opening up does cause more severe harm to the environment. Frequent dust storms and hazy days show that air pollution in China has been very serious; greenhouse effect, El Nino and other extreme weather are the punishment of nature on human beings. If we refuse to protect the environment, we won't be able to live in the world in the future. Therefore, China should take the responsibility to actively carry out energy conservation and emission reduction, pollution control and environmental protection activities. China can make great contributions to the world by being committed to implementing energy conservation and emission reduction.

At present, the important tasks in China's economic transition are to lay more emphasis on environmental protection, reduce and close down seriously polluting companies, promote green energy, such as solar energy, wind power, hydropower, and nuclear power and so on, minimize reliance on oil and coal. Meanwhile, China should speed up the treatment of rivers, lakes and seas and the restoration of green mountains and blue waters. Although China's economic growth is slowing down in the process of pollution control and environmental protection, China should make every effort to realize the long-term target set in the Paris Climate Agreement concluded in the 2015 Climate Conference in Paris, namely holding the global average temperature rise below 2 degrees Celsius above pre-industrial levels. It is not only a commitment China must meet to the world, but also a chance for China to establish a new image as a responsible country.

## SUMMARY

There're two factors which have impact on the success or failure of international investment. One is hard power of the country, including industrial advantages, scale advantages, geographical advantages, organizational advantages and other specific advantages. The other is soft power of the country, including assimilatory power, regulation and influence of the country. Hard power of the country mainly forms monopolistic advantages, internalization advantages and ownership advantages, which generate the power of enforcement in investment, in the field of international investment. However, it's not enough to only use coercion if we want to gain the final success in investment. We need the soft power to assimilate, attract and influence so as to make foreign companies integrate with domestic companies, parent companies coordinate with subsidiaries, as well as integrating resources and core competitiveness of enterprises to reach the optimum benefit of international investment. Therefore, in addition to improve the hard power of China in investment, we're also supposed to keep improving international influence, cultural attraction and the power of making international rules, in order to create favorable conditions for overseas investment of international enterprises.

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