China in the World: One Road One Belt

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ABSTRACT
As China consolidates its position in the global economic system, its economic policies exert far-reaching and varied impacts on enterprises operating both within the country and across borders. This research centers on China's economic policy system, reinterprets core concepts of economy and economic policy, and adopts a SWOT framework to assess internal advantages and disadvantages, as well as external chances and risks that these policies bring to corporate entities. It further investigates the divergent effects of major national strategies including Made in China 2025, the Dual Circulation Strategy and the Belt and Road Initiative on technology-driven firms, together with their practical countermeasures such as business restructuring, independent R&D and market layout expansion. Evidence from the study suggests that China's economic policy, which integrates government guidance and market-oriented operation, offers solid support and development space for enterprises, yet also exposes them to instability from frequent regulatory shifts, geopolitical frictions and unfair market competition. On this basis, the paper proposes practical paths including real-time policy monitoring, global value chain diversification and persistent independent innovation, and forecasts future evolution trends of China's economic policies and adaptive strategies for enterprises.

Keywords: *Chinese economic policy, SWOT analysis, Tech enterprises, Policy impact, Strategic response.*

1. INTRODUCTION

Over the past thirty years, China has risen to become one of the world's major economic powers, and its policy arrangements concerning economic development have increasingly shaped the operational environment for both local and foreign enterprises. China's economic policy portfolio includes a wide spectrum of tools: industrial support schemes, tax and subsidy policies, digital economy supervision rules, environmental and labor protection requirements, and foreign trade instruments such as tariff adjustments and investment access rules.

Not all enterprises respond to policy changes in the same way. Some enterprises gain clear benefits from government incentives that favor green and low-carbon technologies, while others encounter stricter market access thresholds or rising operational costs under tightened environmental regulations. Foreign companies that run businesses in China or maintain cooperative ties with Chinese partners often face complicated challenges arising from the interaction between China's policy system and the global economic order. These challenges appear in many fields, such as cross-border data governance rules, technology transfer arrangements and international dispute. [1]

2. BASIC DEFINITION

2.1 Economy

2.1.1 Definition

The economy can be understood as a complete system composed of various organizations, economic activities and participants that work together to meet people's daily needs for goods and services. Its core mission is to tackle the problem of resource scarcity: labor, capital, land and other key inputs are limited, while human demand continues to grow. For this reason, any society must keep making choices about what products to make, how to produce them, and who will consume them. [2]

2.1.2 Meaning

The economy serves as the material foundation of any modern society. A country's economic performance directly determines its level of prosperity, social stability and international influence. For enterprises, the economic system provides the basic environment where they obtain resources, carry out production, conduct transactions and create commercial value. A sound economic system helps maintain stable employment, encourage technological innovation and drive industrial progress.

2.1.3 Features

Planned economy: Production planning and resource distribution are decided by a central government authority.

Market economy: Supply and demand are adjusted spontaneously through market price signals in a decentralized way.

In reality, most economies adopt mixed models today. China defines its system as a socialist market economy, which combines market mechanisms with strong state guidance. This institutional feature forms the basis for analyzing China's economic policy.

2.2 Economic Policy

2.2.1 Definition

Economic policy refers to all actions and measures adopted by the government to guide, regulate and shape economic activities. It is a key part of national governance that targets economic operations to achieve macroeconomic stability and social development goals. [3]

2.2.2 Meaning

Economic policy is the main tool for the government to fix market failures, promote social fairness and maintain macroeconomic stability. For enterprises, policy arrangements determine the legal boundary, incentive mechanism and competitive environment. These arrangements may either open up new growth opportunities or force enterprises to bear high costs for institutional adaptation.

3. SWOT ANALYSIS

3.1 Definition

SWOT stands for Strengths, Weaknesses, Opportunities and Threats. It is a classic strategic analysis tool that compares internal conditions (strengths and weaknesses) with external environment (opportunities and threats). The tool is widely traced back to research conducted at Harvard Business School, and was first used for long‑term corporate strategy design. Internal analysis focuses on resources and capabilities owned by the enterprise itself, while external analysis examines factors outside the enterprise's direct control. This division is especially useful for evaluating policy impacts, because economic policy acts as an external variable that enterprises must respond to with their own internal resource. [4]

3.2 How It Works

SWOT analysis relies on a step‑by‑step evaluation of current conditions, followed by a structured comparison of the four dimensions, usually in a matrix format. This visual layout helps decision‑makers identify strategic intersections and priority actions more clearly.

3.2.1 Internal Factors

3.2.1.1 Internal Factors

Strengths represent internal traits that help enterprises gain competitive edges. China's economic policies often strengthen or enlarge such strengths:

Resource mobilization supported by policies: Enterprises in key strategic industries can obtain government grants, tax reductions and research cooperation projects, which significantly improve their financial strength and technical capacity.

Competitive edge from deep market integration: Firms that can adapt quickly to the domestic market boosted by the Dual Circulation Strategy can reduce reliance on unstable global supply chains and secure stable sales channels.

Unique institutional insight and network: Enterprises familiar with China's policy and administrative system can build long-term relations with relevant authorities, which lower entry barriers and improve operational predictability. [5]

3.2.1.2 Weakness

Weaknesses refer to internal shortcomings that limit corporate competitiveness. Economic policies may expose or worsen these weaknesses:

Insufficient innovation in highly regulated sectors: In industries protected or controlled by the state, enterprises may become less efficient and innovative due to weak competitive pressure. Sudden market opening would threaten their survival.

High compliance cost and complex procedures: The frequently changing regulatory system in China raises operational difficulties, especially for small and medium-sized enterprises with limited resources. This occupies management energy and increases transaction costs.

Strategic inflexibility: Firms unable to adjust business strategies along with policy updates may face long-term survival risks. [6]

3.2.2 External Factors

3.2.2.1 Opportunities

Opportunities are favorable external conditions that support corporate growth. China's economic policies create many such opportunities:

Infrastructure and trade expansion: The Belt and Road Initiative stimulate large-scale investment and trade in infrastructure construction, logistics and supporting services along related routes.

Booming domestic consumer market: Rising household consumption and policy support for technological self-reliance create large demand for consumer goods, services and high-tech products.

Innovation ecosystem for future industries: State investment in advanced technologies forms a favorable environment for innovation. Enterprises in these fields can benefit from knowledge sharing and industrial cooperation. [7]

3.2.2.2 Risks

Threats are external risks that may harm business performance. China's economic policy orientation also brings potential risks:

Unstable regulation and unexpected intervention: Sudden policy adjustments in tech, education and other sectors have brought high uncertainty to business models, which is hard to quantify and prevent.

Unfair competition from state-owned enterprises: Preferential treatment for state-owned enterprises in key industries may distort market competition and create unfavorable conditions for private and foreign companies.

Geopolitical conflicts and supply chain fragmentation: Closer links between economic policy and geopolitical competition have led to trade frictions, sanctions and the splitting of global supply chains. [8]

3.3 Strategies

The real value of SWOT analysis lies in translating the four dimensions into actionable strategies. This can be done by combining internal and external factors, often with the help of a TOWS matrix.

Overall, the SWOT review shows that China's economic policies create a dual-edged environment for enterprises. Strategic success depends on the ability to continuously adjust internal capabilities to match changing external policy conditions, and to carry out feasible strategies derived from the matrix analysis.

4. EXAMPLES OF COMPANIES

4.1 Huawei

4.1.1 Background

Huawei Technologies Co., Ltd. was founded in 1987 by Ren Zhengfei. Starting as a small trader of telecom equipment, it has grown into a global technology leader. At present, Huawei ranks among the top players worldwide in telecom infrastructure, smartphones and cloud computing. It operates in more than 170 countries and regions, with a global workforce of over 195,000. One of Huawei's most notable features is its persistent focus on research and development. For more than ten consecutive years, it has invested over 10% of annual revenue in R&D. In 2022, its R&D investment reached a record 161.5 billion yuan, accounting for 25.1% of total annual revenue. Huawei is a private enterprise held by an employees' union, which gives it a certain degree of operational independence from government influence in daily management. [9]

4.1.2 The Impact of Chinese Economic Policy on Huawei

China's economic policy has been critical to Huawei's rapid growth, but it has also brought severe challenges in recent years. The tension between state support and international political reactions defines Huawei's current situation.

Support from industrial strategy: Huawei strongly benefited from national plans such as Made in China 2025, which aims to build leadership in key technologies including 5G. Supported by state research funding, tax incentives and financing from state-related banks, Huawei accelerated 5G development at an early stage and built a global competitive advantage. Such policy support was essential for its success in the capital-intensive telecom sector.

Pressure from geopolitical tensions: Huawei's close connection with national strategic goals has led to strong international skepticism and restrictions. The US government issued trade sanctions that cut Huawei's access to US semiconductor technology and software systems, especially Google Mobile Services. These restrictions directly hit Huawei's core businesses of smartphones and base stations, and stopped its global expansion. The sanctions revealed strategic vulnerabilities that even strong state support could not fully offset.

Support from the Dual Circulation Strategy: To cope with external shocks and strengthen internal economic cycles, China has promoted the Dual Circulation Strategy. For Huawei, this means greater reliance on the domestic market, such as more 5G network construction contracts from state telecom operators including China Mobile and China Telecom. Meanwhile, the strategy helps reduce dependence on foreign technologies and develop local supply chains, which will benefit Huawei as a leading buyer and supplier in the long run. [10]

4.1.3 Corporate Responses

Huawei has adopted a series of comprehensive strategic changes to adapt to the new geopolitical and policy environment, covering both defensive measures and proactive transformation.

Business diversification: After the sharp decline of its smartphone business affected by US sanctions, Huawei shifted resources to more resilient and fast-growing areas. These include cloud computing (where it is a leading player in China), digital energy systems, and intelligent automotive components. This diversification helps build a new revenue structure independent of sanctioned core businesses.

Investment in independent technology: Huawei has greatly increased R&D in proprietary technologies not restricted by US sanctions. These include its self-developed HarmonyOS operating system for smart devices, and investment in domestic chip design and manufacturing through affiliates like HiSilicon. HarmonyOS aims to build an independent ecosystem to replace Android, regaining long-term control over software and hardware architecture.

Strengthened domestic market and supply chain restructuring: The Chinese market remains Huawei's main pillar. It uses its strong domestic position to offset part of overseas revenue losses and scale up new businesses. At the same time, Huawei cooperates closely with domestic chip makers such as SMIC to build alternative supply chains for key components, gradually reducing reliance on overseas suppliers.

4.2 Xiaomi

4.2.1 Background

Xiaomi Corporation was founded in 2010 by Lei Jun. It changed the Chinese smartphone market with a direct-to-consumer online model and high-quality, low-price devices. The company soon expanded beyond smartphones and built a large IoT ecosystem covering smart TVs, air purifiers, electric scooters and many other connected products. In the second quarter of 2021, Xiaomi briefly became the world's largest smartphone maker by shipment volume. Different from Huawei, Xiaomi focused more on consumer products from the beginning and was less involved in core network infrastructure. This business model, based on an open Android system and affordable IoT products, shapes its way of responding to economic policies.

4.2.2 The Impact of Chinese Economic Policy on Xiaomi

Xiaomi operates in the same policy environment as Huawei, but its business characteristics lead to different policy effects.

Overall, the impacts are more balanced and less threatening to its survival.

Benefits from the "Going Global" strategy: Xiaomi is a typical example of China's outward-looking development supported by the Going Global policy and the Belt and Road Initiative. It expanded into overseas markets at an early stage, especially India and Europe, and took advantage of improved trade and investment conditions. Its competitive pricing helped it win share in emerging markets open to Chinese investment.

Lower geopolitical risks in early stage: Xiaomi initially avoided the harsh US sanctions against Huawei, mainly because it does not produce critical network infrastructure and maintains higher transparency in ownership and data security. However, in 2021, Xiaomi was temporarily put on a US investment blacklist, which pressured its stock price and showed that all leading Chinese tech firms face geopolitical risks, even consumer-focused ones.

Boost to IoT ecosystem from domestic demand: Policies supporting high-tech industries and expanding domestic consumption have benefited Xiaomi's IoT product line. Government plans for digital transformation, smart cities and smart homes create a friendly market environment and stimulate demand for Xiaomi's wide range of connected devices. [11]

4.2.3 Company Responses

Xiaomi's strategic moves aim to sustain growth and reduce potential risks. These adjustments are driven more by long-term competitive needs than by immediate survival pressure.

Faster international expansion and regional diversification: To stand out in the saturated domestic market and maintain growth, Xiaomi has accelerated its global layout. It focuses on Europe as a high-potential market, and has gradually expanded to Latin America and Southeast Asia. This regional diversification lowers country-specific risks and opens new growth markets at different development stages.

Upgrading to high-end products and premium brand: To improve profit margins and reduce dependence on low-price competition, Xiaomi has clearly shifted toward the high-end market. Launching high-priced Xiaomi and Mi series products, together with large-scale brand marketing, helps rebuild its image as a premium brand. This step is vital for long-term profitability and direct competition with Apple and Samsung. [12]

5. CONCLUSION

This research shows that China's economic policies operate within a complex system that combines state governance and market dynamics. These policies influence enterprises in multiple ways: they provide positive support through targeted industrial planning and technical assistance, but also generate pressures such as external dependence, policy intervention and overseas political risks.

The analysis of policy tools indicates that Made in China 2025, the Dual Circulation Strategy and similar initiatives form the core of a long-term state-led development model. These policies focus on supporting strategic industries including information and communication technology, semiconductor manufacturing and new energy vehicles.

Evidence from Huawei and Xiaomi shows that economic policies bring differentiated results. Huawei received strong state support for R&D, especially in 5G, but suffered heavy overseas losses due to geopolitical tensions and US-led sanctions. In contrast, Xiaomi used policy support for digital infrastructure and domestic consumption to enhance its global competitiveness, yet still faces instability from regulatory changes and foreign investment restrictions.

Results from the SWOT analysis confirm that Chinese enterprises have clear structural strengths in innovation capability, state-supported funding and large market scale. At the same time, they show weaknesses in transparency, institutional stability and global reputation. Opportunities mainly come from digital transformation, a growing middle-income group and state-supported emerging industries, while threats come from geopolitical uncertainty, export dependence and sudden regulatory changes. In short, the long-term success of China's tech enterprises increasingly depends on their ability to manage political risks, realize technological self-reliance, and balance close alignment with domestic policies and open participation in the global market.

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