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The Impact of Tax Policy on the Attractiveness of Foreign Direct Investment (FDI): An Analysis of National Strategies and Economic Effects

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Abstract: In the context of globalization, the economic ties between countries are getting closer and closer, and capital flows are significantly stronger. Countries take measures to attract foreign direct investment (FDI), and among them, tax policy has a significant impact on the purpose of attracting foreign investment, as tax policy plays an important role in the country's macroeconomic policy. In this article, this paper will analyze the attractiveness of the tax policies adopted by FDI in recent years, and the impact of their tax policies on the economic effects of their respective countries, supported by the theories of internationalization, tax policy stability, and tax competition theory. Then, by summarizing and comparing the analysis, we can identify more attractive policies and analyze their reasons. Finally, it is concluded that tax policy plays a very important role in the development of the global economy, and countries can effectively attract foreign investment, promote economic growth and industrial upgrading by adjusting tax policies. However, due to the challenges of balancing attracting foreign investment with maintaining fair competition, tax base erosion and fiscal sustainability, countries need to improve policy transparency and stability, optimize the preferential tax structure, strengthen international tax cooperation and other measures to help their countries achieve higher quality development and bring higher economic benefits.

Keywords: Internationalization theory, Tax competition theory. Tax policy, Foreign direct investment, Comparative analysis.

1. Introduction

In the context of globalization, the economic ties between countries have become closer and closer, and the mobility of capital has been significantly enhanced. As a result, countries have begun to take measures to attract foreign direct investment (FDI), so that they can promote their own economic growth, increase employment, and promote technological advancement. Among them, tax policy has a significant impact on the purpose of attracting foreign investment, because tax policy plays an important role in the country's macroeconomic policy. Common tax policies include corporate income tax, value-added tax, capital gains tax, etc., and countries can attract foreign investment by adjusting the tax rates of different taxes, providing preferential tax regimes and exemption measures. The significance of the study can be illustrated in three aspects: first, the inflow of foreign investment can lead to an increase in total domestic investment, which can promote economic growth and

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increase the employment rate and thus reduce unemployment. Second, there is competition between countries in tax policy, and the study of this competitive dynamics can provide theoretical support for international tax coordination. Third, understanding the differences in the effects of different tax policies on attracting foreign investment can help countries optimize their policies according to their own economic conditions and development goals, to better achieve reasonable and efficient resource allocation. In this article, I will analyze the tax measures they have adopted and how attractive they are to foreign direct investment, as well as their impact on economic growth, employment, and technological progress in their respective countries. Then, through summary and comparative analysis, we can identify more attractive policies and analyze their reasons. Finally, making a summary recommendation that can be given to international investors and the government.

2. The Impact of China's Tax Policy on FDI

Lower tax rates and preferential measures have effectively attracted a large amount of foreign investment and promoted the development of China's local economy [1]. The long-term and stable tax policy has enhanced the investment confidence of foreign-funded enterprises and reduced the negative impact of policy uncertainty on foreign direct investment. However, in the context of intensifying international tax competition, China still needs to continue to optimize its tax policy and improve its transparency and predictability.

2.1. Tax Policy

As of 2024, China's tax policy has undergone some important changes in the past five years, mainly focusing on optimizing the tax structure, supporting innovation-driven development, and improving the operating environment. These policy changes not only reduce the tax burden on enterprises and residents, promote innovation and green development, but also enhance China's competitiveness and influence in international tax governance.

2.1.1. Corporate Income Tax Optimization

Preferential Tax Policies for High-tech Enterprises: we will continue to promote the preferential corporate income tax rate of 15% for high-tech enterprises, and optimize the recognition standards and procedures, to better encourage enterprises to innovate. R&D expenses are deducted: starting in 2022, the additional deduction ratio for R&D expenses will be increased to 100%, which means that enterprises can deduct the actual R&D expenses by two times when calculating their taxable income.

These changes can encourage companies to increase R&D investment and improve their ability to innovate independently. By reducing the tax burden on high-tech enterprises and increasing the deduction of R&D expenses, the government hopes to play a role in promoting scientific and technological innovation and improving industrial competitiveness, which can not only enhance the competitiveness of Chinese enterprises in the global market but also promote the development of high-tech industries and the transformation and upgrading of the economic structure.

2.1.2. VAT Reform

VAT Rate Adjustments: since 2021, the VAT threshold for small-scale taxpayers has been raised to 150,000 yuan per month, further reducing the tax burden on small and micro enterprises. VAT Credits are Refunded: since 2023, China has implemented a larger-scale VAT refund policy, allowing eligible enterprises to apply for a refund of VAT credits.

The VAT reform is mainly aimed at the development of small and medium-sized enterprises [2]. The second change has greatly improved the cash flow situation of enterprises, reduced the financial pressure on small and medium-sized enterprises, and helped these enterprises, especially the manufacturing industry, better cope with the challenges and problems encountered in their operations [3]. Overall, the changes in these measures will help promote stable economic growth, maintain mass employment, and enhance market vitality.

2.1.3. Individual Income Tax Reform

The content of the IIT reform is to deduct the special additional IIT, which is mainly reflected in the increase in the deduction standards for education, housing loan interest rates, and other aspects from 2022.

The expansion of this policy will help reduce the tax burden on residents, increase their disposable income, and enhance their spending power [3]. By increasing the number of special additional deductions, we will promote the growth of consumption, thereby stimulating domestic demand and promoting the steady development of the economy.

2.1.4. Green Tax Reform

(1) Environmental tax: Starting in 2020, the environmental tax will increase the requirements for emission standards. (2) Carbon tax pilots: From 2023, carbon tax pilots will be launched in some provinces and cities to encourage low-carbon production and green development.

This reform has boosted China's determination to go green, and the government intends to force companies to reduce their emissions and promote the green transformation of the industry. These measures focus on improving environmental quality and promoting sustainable economic development, which is in line with China's commitments and goals in global climate governance.

2.2. Changes in FDI flows

This paper will examine the changes in China's FDI flows from three periods, namely the early period of reform and opening, after China's accession to the WTO, and after the tax reform.

2.2.1. The Early Stage of Reform and Opening (1978-2000)

With the implementation of preferential tax policies, FDI has grown rapidly. Between 1983 and 2000, China's utilized foreign capital increased from US$0.92 billion to US$40.72 billion, with an average annual growth rate of 18.1 percent. The specific data was founded, as shown in Figure 1. (The data are from the official website of the National Bureau of Statistics)

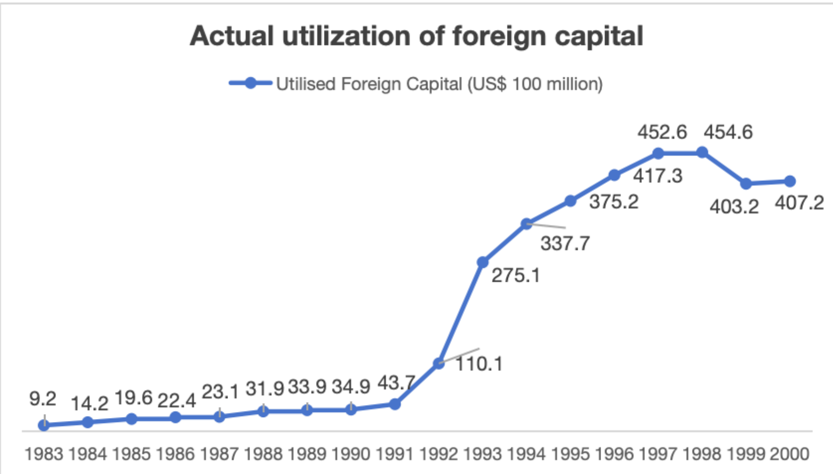

Figure 1: Actual utilization of FDI for China (1983-2000) (Photo credit: Original).

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In the early days of China's reform and opening, China successfully attracted a large number of foreign enterprises by drastically reducing the corporate income tax rate and providing tax exemptions and rebates, which enabled foreign enterprises to fully enjoy the benefits when entering the Chinese market, which not only reduced operating costs but also increased investment returns.

2.2.2. After WTO Accession (2001-2010)

China's FDI inflow continued to increase, as shown in Figure 2.

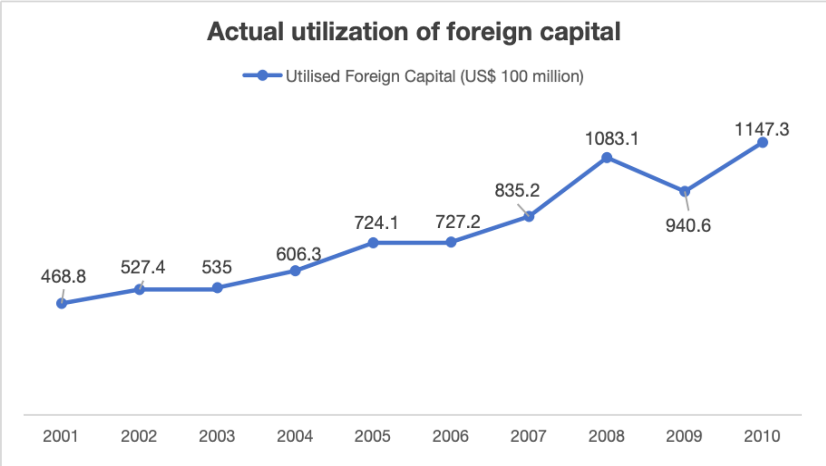

Figure 2: Actual utilization of FDI for China (2000-2010) (Photo credit: Original).

Reaching US$46.88 billion in 2001 and US$11.473 billion in 2010, with an average annual growth rate of 9.5%. (All data are from the official website of the National Bureau of Statistics)

2.2.3. Tax Reform (2011-Present)

FDI inflows from 2011 to 2024 will be visualized in this article, as shown in Figure 3. (All data are from the official website of the National Bureau of Statistics)

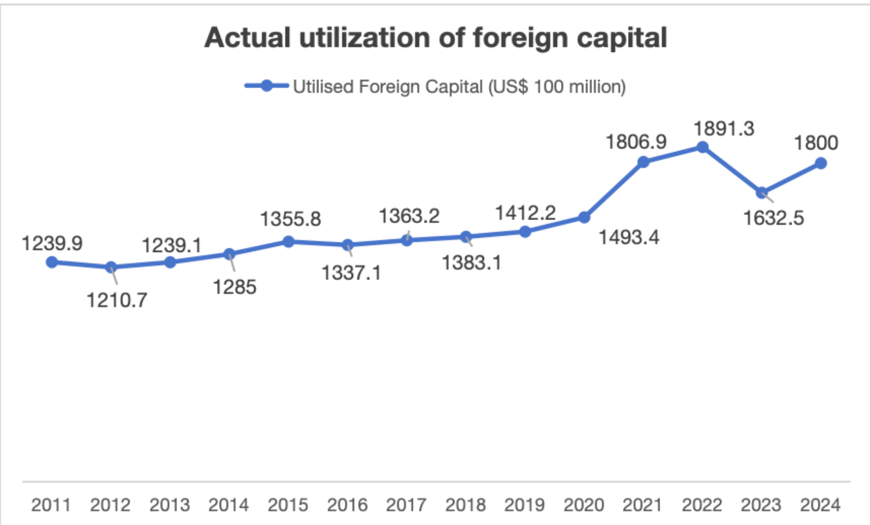

Figure 3: Actual utilization of FDI for China (2011-2024) (Photo credit: Original).

These data clearly show that despite the global economic fluctuations and trade frictions faced by China, FDI can still maintain stable growth.

2.3. The Economic Effects of Tax Policy on China

The economic effects of tax policy on China can be analyzed from economic growth, employment rate increase, technological upgrading and changes in tax revenue.

2.3.1. Changes in the Growth of the Economy

The inflow of foreign capital has greatly promoted the growth of China's economy because the capital, technology, and management experience brought by foreign-funded enterprises have improved China's productivity level and the transformation and upgrading of its industrial structure. In China's Guangdong Province, for example, the province's GDP has grown from 13.2 billion yuan in 1980 to 13 trillion yuan in 2024, with an average annual growth rate of more than 10% [4].

2.3.2. Growth in the Employment Rate

Foreign-funded enterprises create a great number of jobs, reduce the possibility of increasing the unemployment rate of the population, and at the same time increase the income level of the population, thereby contributing to social stability [5]. By 2024, foreign-funded enterprises will directly create more than 50 million jobs, which will indirectly lead to more employment possibilities. For example, foreign-funded enterprises in the manufacturing industry have driven the development of related supporting industries through the upstream and downstream of the industrial chain, such as raw material supply, logistics, and transportation.

2.3.3. Technological Innovation

Foreign-funded enterprises have brought advanced technology and management concepts to China, which has improved the technological progress and innovation ability of Chinese enterprises. For example, Shenzhen has gradually become an innovation hub in China by attracting R&D customer centers from foreign-funded high-tech companies.

2.3.4. Tax Revenues

Although there are many preferential tax policies, the introduction of foreign-funded enterprises has increased the tax base, which has increased the country's tax revenue as a whole. In 2024, foreign-funded enterprises will pay more than 20% of the country's total tax revenue. The economic growth effect brought by foreign-funded enterprises has also indirectly increased the tax revenue of other industries, including value-added tax and personal tax.

3. The Impact of U.S Tax Policy on FDI

3.1. Tax Policy

In August 2022, the Inflation Reduction Act (IRA) was signed into law. The law introduced certain reforms in terms of taxation. Broadly speaking, there are two aspects: the corporate minimum tax and the super fund tax.

The IRA introduces a new corporate minimum tax that applies to large companies with annual revenues of more than $1 billion. These companies must pay a minimum tax rate of 15%. This policy is designed to ensure that high-profit companies do not avoid paying taxes altogether through tax avoidance strategies. The IRA reinstated taxes on crude oil and petroleum products to fund Superfunds. The levy is levied on crude oil received by U.S. refineries and imported petroleum products, which is levied at a rate of 9.7 cents per barrel of crude oil.

3.2. Changes in FDI Flows

Despite the implementation of tax policy changes in 2022 and 2023, overall FDI inflows maintained their growth trend, but at a slower pace. Here are the specific data on U.S. foreign direct investment (FDI) flows from 2021 to 2023, as shown in Table 1.

Table 1: The FDI changes for U.S. from 2021-2023.

Year	Total FDI inflows (USD billions)	Manufacturing FDI (USD billions)	Services FDI (USD billions)	Energy FDI (USD billions)
2021	211.2	68.5	105.3	37.4
2022	236.3	73.1	118.9	44.3
2023	240.5	70.2	122.4	47.9

In terms of manufacturing FDI, it will increase by about 6.7% in 2022 and decrease by about 4% in 2023. FDI in the manufacturing sector increased in 2022 but declined in 2023, likely reflecting the impact of tax policy changes on investment decisions in the sector [6]. As the superfund tax significantly increases the cost of manufacturing and importing chemicals, this may lead companies to reduce their investment in U.S. chemical manufacturing in 2023, which indirectly leads to a decline in manufacturing FDI.

3.3. The Economic Effects of Tax Policy on The United States

3.3.1. Economic Growth Impact

Positive impacts: First, the land after clearing the contaminated site can be reused for commercial and residential development, which will promote local economic development and increase the value of real estate. These clean-up projects can improve the quality of the community environment and attract new investment and residents [7]. Second, revenues from the Superfund tax can be used for other public investment projects, such as infrastructure and education, which can further boost economic growth.

Negative impacts: First, the increased tax burden may discourage investment in the chemical manufacturing industry, leading to the postponement or cancellation of certain projects, which can negatively impact overall economic activity. The American Chemical Association notes that such a tax could lead to a decrease in competitiveness within the industry, which in turn could affect economic growth. In addition to this, the increase in the cost of chemical manufacturing may lead to higher product prices, which in turn will affect downstream industries and consumers, leading to a slowdown in economic activity.

3.3.2. Employment Impact

Direct impact: The Superfund levy is designed to raise funds to clean up contaminated sites. These clean-up projects often require a lot of human resources, resulting in direct job creation. For example, there will be an increase in jobs involved in pollution assessment, monitoring, and physical clean-up work. The U.S. Environmental Protection Agency (EPA) estimates that every $1 billion spent on environmental clean-up could create about 13,000 direct jobs.

Indirect impacts: Increased production costs in chemical manufacturing and other affected industries may lead to downsizing or investment, which in turn can lead to fewer jobs. According to

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the American Chemical Society (ACC), higher operating costs could force companies to lay off employees or delay expansion plans, resulting in fewer jobs.

3.3.3. Technology Implications

The first elaboration is to promote the development of environmental protection technologies, which are manifested in the following ways: (1) The superfund tax encourages enterprises to adopt cleaner production technologies by increasing the cost of pollution to reduce pollution and related taxes and fees. This pressure is likely to drive the development of environmentally friendly technologies and innovations; (2) Investments in projects to clean up contaminated sites may also drive the adoption and development of new technologies. For example, the R&D and application of soil and water remediation technologies may be strengthened.

On the other hand, the impact is that the application of technology can be widely disseminated. As a result of tighter environmental regulations, companies are likely to adopt advanced pollution control technologies more widely, not only in the chemical manufacturing industry affected by the Superfund Tax but also in other related industries.

4. The impact of the Ireland's tax policy on FDI

4.1. Changes of Tax Policy

Ireland has introduced a series of tax policy changes in its 2024 budget, which cover several areas, including research and development tax credits, angel investor tax cuts, housing market support, carbon tax, and the minimum wage. These policies are implemented to promote economic growth, encourage innovation, support the stability of the housing market, and promote environmental sustainability.

4.1.1. R&D Tax Credit

Among the tax policy changes in 2024, the R&D Tax Credit is an important measure. Specifically, the proportion of this tax credit has been increased from 25% to 30%, effective January 1, 2024. The R&D tax credit applies to eligible R&D activities carried out by a company in Ireland, including systematic, investigative, and experimental work, with the aim of increasing scientific or technical knowledge or applying that knowledge through the development of new or improved materials, products, equipment, processes, systems, or services. The government hopes to attract more businesses to R&D activities by offering a higher percentage of tax credits. Businesses can use the tax credit to offset the corporate income tax (CT) payable and claim a refund if the tax credit exceeds the tax payable. This will not only help to enhance Ireland's competitiveness in global innovation and R&D but will also drive long-term economic growth.

4.1.2. Angel Investors are Tax-deducted

For eligible angel investors, the capital gains tax (CGT) has been reduced from 33% to 16%. The investment must meet certain conditions, including investing in an Enterprise Ireland-certified SME, and be held for at least three years. This measure is expected to attract more angel investors to the market and support the development of new ventures, which in turn will promote the diversification and vitality of the economy [8].

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4.1.3. Carbon Tax

The carbon tax has also been raised in the 2024 tax policy changes. The carbon tax per ton of CO2 emissions increased by 7.50 euros, from 48.50 euros to 56.00 euros. This change has been applied to motor fuels as of October 11, 2023, and to other fuels as of May 1, 2024. The increase in the carbon tax is to reduce carbon emissions and promote environmental sustainability [9]. By raising the cost of carbon emissions, the government hopes to encourage businesses and individuals to reduce carbon emissions and adopt more environmentally friendly energy sources and technologies.

4.2. Changes in FDI Flows

4.2.1. The Impact of R&D Tax Credits on FDI Flows

Ireland increased the R&D tax credit in 2024 from 25% to 30%.

First, the increased R&D tax credit will make Ireland more attractive to global competition, as businesses will be able to benefit from it by reducing R&D costs and thus improving profit margins [10]. FDI flows in Ireland are expected to rise as the R&D tax credit increases, particularly in R&D-intensive sectors such as high-tech and pharmaceuticals.

In terms of specific figures, Ireland attracted around 10 billion euros of FDI in 2019, a significant part of which went to R&D and high-tech industries. FDI inflows are expected to increase by about 10-15% in 2024 as the R&D tax credit increases. This not only reflects Ireland's strengths in attracting high-tech investment but also shows the trust and reliance of global businesses in Ireland's R&D environment.

4.2.2. The Impact of Angel Investor Tax Cuts on FDI Flows

With the angel investor tax cut reducing the capital gains tax (CGT) from 33% to 16%, we know angel investors play a key role in the development of start-ups, providing financial support and strategic guidance. From the perspective of FDI flows, this policy will attract more foreign investors to participate in Ireland's start-up ecosystem. As an important start-up hub in Europe, Ireland will attract more international angel investors and venture capital funds by providing a favorable tax environment. According to the Startup Ireland Report, Ireland attracted more than €2 billion in start-up investment in 2022, and this figure is expected to increase further with the implementation of tax policies.

4.2.3. The Impact of Carbon Tax on FDI Flows

An increase in carbon taxes is likely to discourage investment in high-carbon-emitting sectors and attract investment in low-carbon and environmentally friendly technologies.

High-carbon-emitting industries are likely to reassess their investments in Ireland due to increased operating costs. However, on the other hand, an increase in the carbon tax is likely to attract more investment in green technologies and renewable energy. According to the International Energy Agency (IEA), global investment in renewable energy reached a record US$366 billion in 2022, and Ireland is expected to attract more green investment by raising the carbon tax.

In terms of specific figures, Ireland attracted around €1.5 billion in renewable energy investment in 2023 and is expected to increase green investment by about 20% in 2024 as carbon taxes increase. This reflects Ireland's efforts to promote the transition to a green economy through policy adjustments and shows the interest and support of global investors in sustainable development.

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4.3. The Economic Effects of Tax Policy on Ireland

4.3.1. Economic Growth Impact

R&D investments typically bring a range of economic benefits, including the development of new products and technologies that can significantly improve productivity and competitiveness. According to research by the Organization for Economic Co-operation and Development (OECD), the contribution of R&D investment to GDP growth is generally high across countries. For example, data from Ireland's Central Statistics Office (CSO) suggests that every €1 invested in R&D can lead to about €1.5 in GDP growth. In addition, the establishment of R&D centers by multinational companies in Ireland not only brings direct capital investment, but also drives the technological progress and innovation capabilities of local enterprises through knowledge spillovers. This knowledge spillover effect will further boost economic growth and enhance Ireland's competitiveness in the global market.

The increase in angel investment is a direct driver of the growth and expansion of start-ups, which often have high growth potential and can enter the market quickly and create economic value. According to the Global Entrepreneurship Research Association (GERA). Start-ups can contribute 2% to 3% to GDP growth. By attracting more angel investment through tax cuts, Ireland is expected to see an increase in the number and quality of new ventures, which in turn will drive economic growth. The development of start-ups not only directly increases economic activity but also further promotes economic growth by driving the development of upstream and downstream industries. For example, tech startups often expand their reach quickly after receiving angel funding, increasing demand for related industries such as services and manufacturing. This knock-on effect will further boost economic growth.

An increase in carbon taxes will not only incentivize companies to adopt greener technologies and processes to reduce carbon emissions. It can also promote investment in renewable energy and environmental technologies. For example, the development and maintenance of solar and wind energy projects require many professional and technical personnel and advanced equipment, which will drive the development of related industrial chains and increase economic activities. In addition, the research and development of eco-friendly technologies will lead to new products and markets, further driving economic growth.

4.3.2. Employment Impact

According to IDA Ireland, every €1 billion invested in R&D can create about 1,000 direct high-skilled jobs. With the increase in R&D tax credits, it is expected that more multinationals will choose to set up or expand their R&D centers in Ireland. In the case of Pfizer and Johnson & Johnson, which have already set up large R&D centers in Ireland, the new tax credit may prompt these companies to further expand their R&D activities in Ireland and create more highly-skilled jobs.

In addition, the increase in the R&D tax credit will attract more technology and innovation companies to the Irish market. This will not only help to create jobs directly but will also indirectly create more jobs through technology spillovers to local businesses. According to the European Innovation Scoreboard, innovation activity is a significant driver of overall employment growth in the economy.

According to Enterprise Ireland, every €1 million invested in a start-up can create about 20 direct jobs. The increase in angel investment will directly promote the development and expansion of new ventures, which in turn will create more jobs.

High-carbon-emitting industries, such as traditional manufacturing and fossil fuel industries, may scale back or reduce investment due to increased operating costs, resulting in fewer jobs. However,

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an increase in carbon taxes will encourage companies to invest in energy-efficient and emission-reducing technologies and renewable energy, creating new jobs. According to the International Labor Organization (ILO), the transition to a green economy could create 24 million new jobs globally. Ireland is expected to boost green jobs by raising its carbon tax.

4.3.3. Technology Implications

When multinational companies set up R&D facilities in new markets, they usually bring advanced technology and knowledge, which will be further disseminated to the local market through cooperation and exchange with local enterprises and scientific research institutions. According to the Organization for Economic Co-operation and Development (OECD), R&D investment by multinational corporations is one of the main channels for technology transfer. TNCs' R&D centers in Ireland not only generate direct technology investment but also generate knowledge spillovers through a variety of channels. For example, through partnerships with local universities and research institutes, multinational companies can facilitate the dissemination of cutting-edge technologies and research results.

Angel investors often have extensive industry experience and extensive network resources, and in addition to financial support, they also help start-ups achieve technology transfer and innovation through mentoring and consulting. This policy will attract more international angel investors and venture capital funds to the Irish market and support the development of start-ups. For example, technology startups often accelerate the development and marketization of new technologies after receiving angel funding, and these technologies and innovations are quickly disseminated through a network of partners and customers, thereby enabling technology transfer.

The increase in carbon taxes will drive investment in environmental technologies and renewable energy, where technological innovation and application will be rapidly transferred. For example, the development and application of solar and wind energy projects in Ireland has not only promoted the transformation of the local energy industry but also the widespread application of environmentally friendly technologies through technical exchanges and cooperation with international partners.

5. The Role and Challenges of Tax Policy in Global Economic Integration

5.1. The Role of Global Economic Integration

Tax policy plays an important role in attracting foreign investment, promoting economic growth, optimizing the industrial structure, and enhancing international competitiveness.

5.1.1. Attracting Foreign Investment and Retaining Businesses

Countries can attract many multinational companies to establish overseas subsidiaries in their own countries through preferential tax policies, such as income tax exemption for high-tech enterprises, additional deductions for R&D expenses, and reductions in corporate income tax rates, and attract many foreign investments into high-tech, information technology, manufacturing, and other fields, which can also increase the attractiveness of local enterprises.

5.1.2. Promote Employment and Economic Growth

The inflow of foreign capital supported by tax policies has promoted the rapid economic growth of various countries, because the entry of foreign enterprises has brought a great number of jobs and economic growth momentum to the country, which can refer to the real cases of companies such as Apple, Google, and Facebook.

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5.1.3. Innovation and Upgrading

The advanced technology and rich management experience brought by foreign-funded enterprises can help optimize and upgrade the industrial structures of various countries, thereby improving their overall competitiveness. For example, the R&D tax credit encourages enterprises to increase R&D investment and promote the development of scientific and technological innovation and high-value industries.

5.1.4. International Tax Cooperation

Actively participating in international tax cooperation and signing double taxation agreements can reduce tax barriers to cross-border investment. For example, the U.S. tax policy, combined with its extensive network of tax treaties, reduces the risk of double taxation and promotes cross-border investment.

5.2. Challenges

5.2.1. Policy Sustainability

Significant tax cuts could lead to an increase in the fiscal deficit, so finding a balance between boosting economic growth and maintaining fiscal sustainability is a worthy challenge. At the same time, attention should also be paid to the environment of global tax competition, such as the peace and attraction of foreign capital and fair competition by domestic enterprises.

5.2.2. Base Erosion

Multinational corporations take advantage of tax policy differences for profit shifting and tax avoidance, which can lead to base erosion and profit shifting (BEPS) problems.

5.2.3. Tax Dependence

A high dependence on the tax revenues of multinational corporations will have the serious consequence of a strong dependence of the economy and tax revenues on foreign investment.

5.2.4. Policy Transparency

The transparency and stability of tax policies still need to be improved to reduce the uncertainty of foreign enterprises.

6. Suggestions

6.1. Optimize Preferential Tax Policies

For specific industries and regions, we will continue to implement targeted preferential tax policies and continue to attract foreign investment in high-quality, high-tech, and high-value-added industries with low tax rates and high preferential treatment. In addition, while maintaining a low tax rate to attract foreign investment, it is necessary to ensure fiscal sustainability and balance the relationship between tax cuts and fiscal revenues. The specific measures include:(1) Establish a dynamic adjustment mechanism to adjust the tax policy according to the economic situation and ensure the sustainability of the tax reduction measures. and (2) providing R&D tax credits and other incentives to encourage long-term investment and innovation. For example, the tax incentives for high-tech enterprises will be increased, and the proportion of additional deductions for R&D expenses will be

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further increased [10]. (3) Promote green tax policies and encourage enterprises to invest in clean energy and environmental protection technologies.

6.2. Strengthen International Cooperation in Taxation

In the context of global tax competition, it is necessary to strengthen tax cooperation with other countries, avoid vicious competition, promote fair and reasonable global tax rules, ensure their own interests and international reputation, and ensure that multinational enterprises pay taxes fairly, to achieve common development [11]. For example, in the case of China, it is necessary to prevent the problem of base erosion and profit shifting (BEPS) and safeguard the country's tax revenues. Specific measures include: (1) Actively participate in the discussion and rulemaking of tax reform in international organizations such as the OECD. (2) Strengthen the exchange and cooperation of tax information with other countries. (3) Sign or update double taxation agreements to clarify tax jurisdiction and benefit distribution and reduce unnecessary contradictions.

6.3. Maintain Policy Stability and Transparency

A long-term stable and transparent tax policy reduces the uncertainty of enterprises, which can help enterprises estimate their tax liabilities more accurately and enhance the investment confidence of foreign-funded enterprises [12, 13]. The measures that can be implemented are: (1) Regularly issue and update tax policy guidelines to clarify the scope of application of the policy and the specific implementation rules. (2) Strengthen the communication between the tax department and the enterprise to solve the problem in a timely manner.

6.4. Diversify the Economic Structure

While it is important to strengthen international tax cooperation, it is also necessary to appropriately reduce dependence on multinational enterprises, promote the development and diversification of local enterprises, and enhance economic resilience. The measures that can be implemented are: (1) promoting the development of local SMEs through tax incentives and financing support. (2) Promote the development of high-tech and other industries and reduce dependence on a single industry or foreign-funded enterprises [11].

7. Conclusion

Tax policy plays an important role in global economic integration, and by optimizing tax policy, countries can effectively attract foreign investment, promote economic growth and industrial upgrading. For example, lower tax rates and preferential measures have effectively attracted a large amount of foreign investment, or long-term stable tax policies have enhanced the investment confidence of foreign-funded enterprises and reduced the negative impact of policy uncertainty on investment. However, countries also face the challenge of balancing attracting FDI with maintaining a level playing field, reducing base erosion, and ensuring fiscal sustainability. Against the backdrop of intensifying global tax competition and changes in international tax rules, countries need to continuously optimize and adjust their tax policies, strengthen international tax cooperation, and jointly respond to complex issues in global economic integration. By adopting appropriate policy measures, enhancing the transparency and stability of tax policies, optimizing the preferential tax structure, and promoting scientific and technological innovation and sustainable development, countries can achieve higher-quality development in the context of global economic integration.

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