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Research on the Problems and Investment Strategies of China's SMEs' OFDI under the "Belt and Road" Initiative

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Abstract. Under the background of the “Belt and Road Initiative” and the development of an open economy, Outward Foreign Direct Investment (OFDI) of Chinese enterprises along the “Belt and Road” countries has grown substantially, and more and more SMEs have also chosen to “go global”. However, due to the inherent characteristics of SMEs, and the different investment environments and management systems of countries along the “Belt and Road”, China's SMEs face greater challenges in OFDI.

This paper introduces the distribution of FDI of Chinese enterprises along the “Belt and Road” countries, analyzes the problems faced by China's SMEs in FDI, and puts forward the investment strategies of SMEs in China along the“Belt and Road”countries.

1. Introduction

There are many researches on China's SMEs' FDI, but relatively mature and systematic research focuses on OFDI activities of SMEs in Taiwan, which has a great relationship with the political and historical background and industrial structure policies of Taiwan. Wei Christodoulou (1997) studied the important factors influencing the foreign investment decision-making process of Taiwan's manufacturing SMEs through questionnaire survey, pointing out that foreign direct investment is a gradual learning process, and SMEs should gradually learn and accumulate in the process of FDI decision-making. Experience; SMEs invest a wide range, but most of them focus on electronics, chemicals, textiles and services, and non-equity investments. Óladóttir (2009) analyzed the analysis of Nasdaq-listed Icelandic SMEs, summed up their basic characteristics of foreign direct investment, industry, location, model and other development trends and concluded that most Icelandic SMEs investing abroad Companies that choose to be larger than themselves will be motivated by the limited size of the local market and the attractiveness of new markets. Jia Xianwei (2017) introduced the distribution of FDI of Chinese enterprises along the “Belt and Road” countries, analyzed the problems faced by Chinese enterprises in FDI and proposed the investment strategies of Chinese enterprises along the “Belt and Road” countries.

2. Analysis of the current situation of OFDI of Chinese enterprises

2.1 The regional distribution of Chinese enterprises' OFDI to One Belt And One Road countries is unbalanced

By 2018, total direct investment in Chinese enterprises in countries along the "One Belt And One Road" initiative had exceeded \$90 billion, with an average annual growth rate of 5.2 percent. New contracts signed by countries along the belt and road for foreign projects grew by an annual average of 11.9 percent, with a total value of more than \$600 billion. From the perspective of the location distribution of China's FDI in the countries along the “Belt and Road”, FDI along the “Belt and Road” region is ranked according to the scale of investment stocks from high to low, followed by Southeast Asia, Russia and Mongolia, and the Middle East. West Asia, Central Asia, South Asia and Central and Eastern Europe in Asia. Among them, Southeast Asia accounts for more than 40% of the country's investment along the “Belt and Road”. From the survey statistics of the country (region) of the investment destination, the number of enterprises investing in Southeast Asia is the largest, accounting for 16%. Secondly, the proportion of enterprises investing in North Africa is 9%; the EU and Central Asia account for 8%; Latin America, West Asia, South Asia, Eastern Europe and North Africa are 7%; Australia and Central Europe account for 4% respectively; Canada and Cayman Islands Freeports accounted for 3% respectively.

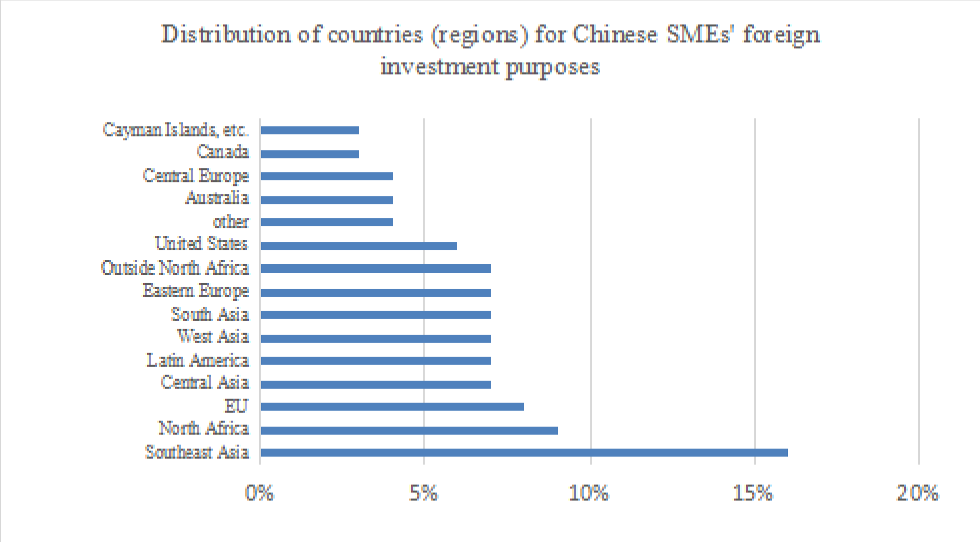

Fig. 1. Distribution of countries (regions) for Chinese SMEs' foreign investment purposes

2.2 Chinese enterprises are highly concentrated in countries that directly invest in countries along the "Belt and Road"

The direct investment of Chinese enterprises in the countries and regions along the "Belt and Road" is mainly distributed in neighboring countries in China, including 6 countries in Southeast Asia, while the top 10 countries in China's OFDI stock account for direct investment along the route. 72% of the total. In the countries along the "Belt and Road", at the end of 2013, there were 16 countries with OFDI of more than $1 billion in China, including: Singapore, Russia, Kazakhstan, Indonesia, Myanmar, Mongolia, Iran, Cambodia, Thailand, India and Pakistan. The investment in the top 5 countries exceeds 52 percent, and the distribution of state investment is very uneven.

2.3 Chinese enterprises are not balanced in the OFDI of countries along the "Belt and Road"

China's overseas investment projects involve railways, highways, ports, nuclear power, industrial parks, aerospace and oil and gas development. The proportion of manufacturing in China's OFDI is very low. Chinese enterprises invest in countries along the "Belt and Road", such as Central Asia, West Asia, Southeast Asia and northern Africa. China's manufacturing enterprises mainly take the form of product export and project contracting. The local investment of production enterprises usually only accounts for 20 countries in China. % direct investment.

3. Problems faced by SMEs

As an important participant in China's foreign direct investment activities, SMEs not only face the problems caused by the above-mentioned major environmental changes, but also their own and local government problems. To sum it up, there are mainly:

First, compared with SMEs in developed countries, the scale of OFDI of SMEs in China is small, and foreign direct investment activities are not widespread and the model is not mature. At the same time, the company itself has no foresight to explore the international market, and its vision is limited to the domestic market, not long-term. Some SMEs are difficult to maintain and continue to maintain due to various reasons. They are still struggling in the situation of being completely passive and completely losing their initiative. They are still waiting to borrow. They did not expect to open up overseas markets and seek opportunities for survival through foreign direct investment.

Second, they are satisfied with the status quo and have no awareness of developing overseas markets through OFDI. Some SMEs are in good operating conditions and their products are welcomed and recognized in local or even multiple regions. These SMEs are only satisfied with the status, and even complacent and forget themselves. They have a weak awareness and lack of initiative to carry out OFDI and expand the overseas market. In the long run, it is easy for enterprises to stay at the original level and stagnate.

Third, the government's support is not strong enough, and relevant policy measures are not in place. Although the growth and development of SMEs has received more and more attention in recent years, some policies and regulations have restricted some SMEs from conducting foreign investment activities. For example, the eligibility requirements for applying for a loan are relatively strict, the approval process is relatively cumbersome, and the loan amount is relatively low.

Fourthly, it is worth noting that there is no official detailed, specific and systematic statistical information on the situation of China’s SMEs’ FDI. In particular, small and medium-sized projects of FDI by Chinese SMEs, especially small and micro enterprises, have not been in the country in recent years. Within the statistical caliber. Therefore, the actual situation of China's small and medium-sized enterprises FDI cannot be fully reflected in official statistics. In fact, the small and medium-sized projects of China's SMEs' foreign direct investment are more realized in the form of individual investment or family investment. This is an important part of China's SMEs' OFDI, which deserves our attention and research.

4. Summary

Strengthening cooperation with large enterprises and coordinating the work of international industries By strengthening cooperation between SMEs and large enterprises, we can further alleviate the credit problems of SMEs by leveraging the advantages of large enterprises. Negotiating problems, etc., effectively alleviating the development problems of enterprises and reducing the operational risks of enterprises.

Breaking through the misunderstanding of staged development, and actively exploring foreign markets, SMEs can seize the many development opportunities in the early stage of market development to occupy a favorable international market, rationally allocate market resources, and if they stand firm in the global economic market, they will return to China.

Further improve the investment mechanism of enterprises and improve the level of foreign investment of SMEs. First, the location of SMEs can enter the developed countries on the basis of developing countries, and give full play to their own advantages to attract foreign investors to participate. Secondly, the industrial structure of the enterprise should also be selected in combination with its own advantages to formulate strategies in line with its own development. China can focus on developing technology-intensive and labor-intensive new traditional manufacturing industries. In addition, we should also focus on the development of enterprises investing in equipment and materials, and invest heavily in technology companies and service trade enterprises.

Taking full advantage of the advantages of small-scale technology and occupying a place in the international market, countries with faster market economy development have better development advantages. The main task of large-scale enterprises is to improve their own economic returns, so they are not given enough small-scale products. The concern will bring some living space to small and medium-sized enterprises.

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