

Research on Shandong Foreign Direct under the “the belt and road” Initiative Investment Location Choice and Countermeasures

Jin Qian*

*Institute of Economics Research, Shandong Academy of Social Sciences
Jinan, Shandong Province, China, 250002
qianjin2012abc@126.com
Corresponding author

ABSTRACT

Promoting the Belt and Road Initiative and improving the distribution of investment in countries along the belt and Road are the practical needs of Shandong to build a new platform for opening-up and a new development pattern, and provide dynamic support for the transformation of old drivers of growth into new ones. By analyzing the current situation and practical measures of Shandong's direct investment in the countries along the “One Belt and One Road”, this paper further analyzes the practical problems of Shandong's direct investment in the countries along the “One Belt and One Road”, and empirically analyzes the economic effect of Shandong's direct investment in the countries along the “One Belt and One Road” from the system, law and government efficiency of the host country. Finally, countermeasures and suggestions are put forward from the aspects of optimizing resource allocation, promoting industrial transformation, improving trade facilitation level, promoting international cooperation, attaching importance to brand building and building cooperation platform.

Keywords: “One Belt and One Road”, OFDI, Location choices, Shan dong

1. INTRODUCTION

Scholars at home and abroad generally agree that there are three motivations for foreign direct investment, including market seeking (Market Seeking), resource seeking (Resource Seeking) and Technology Seeking (Technology Seeking) (Jiang Guanhong and Jiang Dianchun, 2012^[1]). Liu et al. (2017) used the panel data of the countries along the “Belt and Road” to compare and analyze the countries along the “Belt and Road” and 44 non-Belt and Road countries, to explore the influencing factors of investment in the countries along the “Belt and Road”, and pointed out that China's investment in the countries along the “Belt and Road” Behavior is affected by many factors, mainly including the degree of infrastructure improvement, market development potential, openness to the outside world and the market exchange rate of the host country^[2]. Qian Jin and Wang Tingdong (2018) believe that the host country system of developing economies has become the driving force for China's foreign direct investment

because of its imperfection^[3]. Ren Fangrong et al. (2021) pointed out that China's OFDI tends to be a country with a low level of economic development, a large market size, and a large number of economically active populations^[4]. Yao Huibin and Zhang Yabin (2021) used the data of China and countries along the “Belt and Road” from 2005 to 2017 to empirically test the impact of differences in factor endowments and institutional distance on China's foreign direct investment in countries along the “Belt and Road”. China's selection of OFDI locations along the “Belt and Road” countries will be affected by the interaction between factor endowment differences and institutional distance^[5]. Among them, institutional distance and human capital differences have a substitute relationship, and there is a complementary relationship with natural resource differences.

Under the background of the “Belt and Road” initiative, optimizing Shandong's direct investment layout in the economies along the “Belt and Road” and realizing its own high-quality economic development is a topic worthy of in-depth study. Promoting Shandong's

direct investment along the “Belt and Road” and creating a new highland for opening up can help accelerate the transformation of new and old kinetic energy and achieve high-quality economic development in Shandong. Throughout the domestic and foreign research, it is necessary to continue to deepen and improve the research in this area, and further analyze the optimal location selection of Shandong’s direct investment in countries along the “Belt and Road”.

2. THE CURRENT SITUATION OF SHANDONG'S DIRECT INVESTMENT IN COUNTRIES ALONG THE “BELT AND ROAD”

In order to actively integrate and promote the construction of the “Belt and Road”, Shandong has continuously deepened economic and trade cooperation with countries or regions along the route, and jointly discussed, jointly built and shared the “Belt and Road”. Remarkable achievements have been made in production capacity cooperation and ecological and environmental protection cooperation.

2.1 Shandong's imports and exports to countries along the “Belt and Road”

Table 1 2017-2020 Shandong's imports and exports to countries along the “Belt and Road”

(Unit: trillion yuan)

Year	Shandong's total foreign trade with countries along the Belt and Road			Shandong's total foreign trade		
	Bilateral trade	Export	Import	Bilateral trade	Export	Import
2020	0.66	0.39	0.27	2.20	1.31	0.90
2019	0.60	0.33	0.27	2.04	1.11	0.93
2018	0.52	0.28	0.24	1.93	1.06	0.87
2017	0.48	0.27	0.22	1.79	1.00	0.80

Source: Compiled from relevant data from Shandong Provincial Department of Commerce and Jinan Customs from 2017 to 2020.

2.2 Shandong province from 2015 to 2019 to invest in Asean economies

In 2020, Shandong’s imports and exports to countries along the “Belt and Road” reached 0.66 trillion yuan, the highest in the past four years, a year-on-year increase of 9.1%, accounting for 30% of Shandong’s total foreign trade import and export value

Shandong is geographically located at the intersection of the “Belt and Road” and the “Belt and Road” initiative. Since the implementation of the “Belt and Road” initiative, Shandong has taken expanding opening up as the focus of driving innovation, promoting reform and promoting development, and actively integrated into the country’s external development strategy. In-depth integration and promotion of the “Belt and Road” construction has gradually formed a new situation of open development in which the land and sea are linked and the east and west are mutually beneficial. At present, Shandong’s main import and export markets are ASEAN, Russia and India. In 2020, ASEAN has become Shandong’s largest import and export market in the trade along the “Belt and Road”. Under the influence of the new crown pneumonia epidemic, bilateral trade has risen against the trend, and imports and exports have increased by 24.4% year-on-year, accounting for about 24.4% of Shandong’s import and export of countries along the “Belt and Road”. Nearly 1/2 of the total export value, and the total value of imports and exports to Russia and India accounted for 20.4% of the total value of imports and exports to all countries along the “Belt and Road”.

in the same period; exports and imports to countries along the “Belt and Road” They are 0.39 trillion yuan and 0.27 trillion yuan respectively, both of which are the peaks in recent years. The scale of Shandong's foreign trade also shows a trend of expanding year by year. In 2020, the total value of Shandong's foreign trade import and export is 2.20 trillion yuan, a year-on-year increase of 7.8%.

Table 2 in Shandong province from 2015 to 2019 to invest in Asean economies

Year	Investment projects		Approved investment	
	Number	Compared with the same (%)	Amount of (One hundred million yuan)	Compared with the same (%)
2015	86	/	33.79	/
2016	71	-17.44	32.77	-3.03
2017	73	2.82	24.14	-26.32

2018	60	-17.81	13.91	-42.37
2019	97	61.67	17.01	22.23

Source: Compiled from relevant data from the 2016-2020 Shandong Statistical Yearbook.

In terms of investment projects, in 2019, Shandong's investment projects in ASEAN economies reached a peak of 97 in recent years, a year-on-year increase of 61.67%. In terms of approved investment, Shandong's investment in ASEAN economies in 2015 was the highest in recent years, reaching 3.379 billion yuan. After that, it continued to decline from 2016 to 2018. In 2019, it completed an investment of 1.701 billion yuan, achieving positive year-on-year growth. was 22.23%. In terms of different countries, taking 2019 as an example, Shandong's investment in Vietnam, Thailand and Singapore is relatively high, accounting for 35.43%, 32.11% and 14.14% of Shandong's total investment in ASEAN respectively. The investment accounts for more

than 80% of Shandong's total investment in ASEAN.

3. AN EMPIRICAL ANALYSIS OF SHANDONG'S DIRECT INVESTMENT EFFECT ON THE BELT AND ROAD INITIATIVE

3.1 Selection effect of OFDI on the overall sample

According to the existing literature, this paper combines the research content, the meaning of the relevant variables, data source and expected symbol information is as follows:

Table 3 The selection effect of OFDI on the overall sample

Variable	(1)	(2)	(3)	(4)	(5)
lnGDPit	18.210*** (0.000)	-32.930** (0.031)	-39.090*** (0.000)	-44.810*** (0.000)	-45.030*** (0.000)
lnGDPjt	-18.200*** (0.000)	15.870 (0.130)	26.160*** (0.001)	31.150*** (0.001)	28.960*** (0.000)
lnLABit	-3.697** (0.026)	10.290** (0.016)	12.540*** (0.000)	14.290*** (0.000)	16.370*** (0.000)
GDPRjt	-0.120 (0.629)	-0.875*** (0.002)	-0.812*** (0.000)	-0.967*** (0.000)	-0.985*** (0.000)
FTAijt		8.181*** (0.001)	10.570*** (0.000)	13.560*** (0.000)	12.710*** (0.000)
GEjt			-8.751*** (0.001)	-17.420** (0.032)	-8.595 (0.251)
GEjt*PSjt				-9.623 (0.257)	-2.765 (0.707)
RLjt* RQjt					11.570** (0.022)

Note: (1) * p < 0.1, * * p < 0.05, * * * p < 0.01, the estimated parameters within the () of the p value.

No matter which model, the GDP scale of our province (lnGDPit), the GDP scale of the host country (lnGDPjt), and the population scale of the host country (lnLABit) can significantly affect Shandong's direct investment behavior in countries along the "Belt and Road". With the continuous introduction of variables, the influence of the host country's GDP scale and its population scale effect on Shandong's investment behavior has gradually increased, which has a significant promoting effect. The host countries with higher GDP growth rate (GDPRjt) in the "Belt and Road" are not the main investment targets of our province, and the countries that have signed free trade agreements with our country (FTAijt) more significantly promote our province's direct investment behaviors. Significance becomes more and more pronounced as the variable increases. With the introduction of institutional

variables, factors such as low government efficiency and weak regime stability (GEjt*PSjt) in the host country will not affect our province's direct investment in it, but will help it achieve regime stability and improve its government through investment behavior. operating efficiency. The sound laws and institutions of the host country (RLjt* RQjt) will promote the investment behavior of our province. This effect is far greater than the effect of the government efficiency and regime stability of the host country. The coefficient value of the interaction term is larger and more significant.

3.2 Selection effect of OFDI on ASEAN economies

Table 4 The selection effect of OFDI on ASEAN economies

Variable	(1)	(2)	(3)	(4)
lnGDPit	-0.017 (0.983)	-0.425 (0.639)	-0.323 (0.563)	-0.759 (0.585)

Variable	(1)	(2)	(3)	(4)
lnGDPjt	-4.879 (0.163)	-4.894 (0.167)	-3.422 (0.339)	-3.415 (0.341)
lnLABit	1.166* (0.089)	1.660* (0.064)	1.455*** (0.010)	1.867 (0.160)
GEjt*PSjt		0.794 (0.414)	-1.977* (0.077)	-1.762 (0.172)
RLjt* RQjt			3.058*** (0.001)	2.820** (0.010)
GEjt				0.585 (0.726)

Note: (1) * p < 0.1, ** p < 0.05, *** p < 0.01, the estimated parameters within the () of the p value.

No matter which model, the GDP scale of our province (lnGDPit) and the GDP scale of the host country (lnGDPjt) are not the main factors affecting Shandong's direct investment behavior in countries along the "Belt and Road". From the regression results, to a certain extent There will also be corresponding negative effects, and the population size of the host country (lnLABit) can have a certain promotion effect on the investment behavior of our province. With the introduction of institutional variables, the host country's government efficiency, regime stability (GEjt*PSjt) and other factors will not significantly affect our province's direct investment. The sound laws and systems of the host country (RLjt* RQjt) will significantly promote the investment behavior of our province, and this effect is far greater than the effect of the government efficiency and regime stability of the host country, and the government efficiency and regime stability of the host country (GEjt *PSjt) and so on will have a negative impact on the investment behavior of our province. Therefore, the inefficiency of the government of the host country, the weak stability of the regime (GEjt*PSjt), and the sound laws and systems (RLjt*RQjt) will become an important reference index for investment in our province. When introducing the government efficiency of the host country (GEjt), the significance of this variable value further confirms that the efficiency of the host country is not a significant factor for our province's investment in it.

4.CONCLUSION

4.1Conclusion

By analyzing the current situation and practical measures of Shandong's direct investment in the countries along the "One Belt and One Road", this paper further analyzes the practical problems of Shandong's direct investment in the countries along the "One Belt and One Road", and empirically analyzes the economic effect of Shandong's direct investment in the countries along the "One Belt and One Road" from the system, law and government efficiency of the host country.

4.2 Suggestions

4.2.1Strengthen regional cooperation and optimize resource allocation

In the promotion of the "Belt and Road" construction, exchanges and cooperation between provinces and cities and between provinces are also particularly important. Therefore, it is necessary to strengthen cooperation between domestic provinces and cities, optimize the rational allocation of resources, realize the rational use of factors, and eliminate the market. barriers to promote resource and element sharing. It should give full play to its location advantage as the intersection of the "Silk Road" and "Sea Road", and strive to build a strategic transportation hub for the "Belt and Road", which requires Shandong to strengthen inter-provincial industrial cooperation, logistics and customs clearance cooperation with other provinces, especially surrounding provinces.

4.2.2Promote the transformation of kinetic energy and promote industrial transformation

Deepen investment and trade cooperation with countries along the route. Improve the level of foreign trade facilitation, actively carry out trade promotion activities for countries along the "Belt and Road", and expand the scale of trade cooperation with countries along the route. Guide Shandong's traditional advantageous industries and equipment manufacturing industries to invest in countries along the "Belt and Road", and promote advantageous enterprises to deploy industrial chains in the world. Actively introduce high-tech, high-value-added investment projects of multinational companies from developed countries along the "Belt and Road".

4.2.3 Strengthen connectivity and improve trade facilitation

Strengthen infrastructure interconnection and cooperation with countries along the route, and promote the cooperation and interconnection between ports and airports in Shandong and ports and airports in countries

and regions along the “Belt and Road”. Give full play to the advantages of Shandong's strong foreign project contracting ability, promote enterprises to expand foreign project contracting business in countries along the route, and participate in the infrastructure construction of countries along the route.

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