

# Research on the Regional Choice of Tianjin Enterprises' Foreign Direct Investment

Zifan Yang

Tianjin University of Finance and Economics Pear River College, Tianjin, China

**Keywords:** Foreign direct investment, Investment motivation, Regional choice

**Abstract:** The development of Tianjin enterprises' direct foreign investment has become one of the important strategies to promote the steady, sound and healthy development of Tianjin's economy. Based on the analysis of the investment motivation of Tianjin enterprises, this paper finds that Tianjin enterprises' foreign direct investment is largely affected by the host country's human cost level, market operating environment, technology innovation investment, geographical location and other factors. Motivation, combined with the status quo, put forward specific suggestions for Tianjin enterprises' foreign direct investment.

## 1. Introduction

As an important bridgehead of the “Belt and Road” initiative, Tianjin insists on equal emphasis on introduction and going abroad, and uses the advantages of the Tianjin Free Trade Zone and ports to promote the enterprises in this city to accelerate the pace of “going global”. In today's world where unilateral trade protectionism continues to rise, unfavorable factors such as economic and trade cooperation disputes, unilateralism, and investment protectionism have also affected the regional choice of Tianjin's foreign direct investment to a certain extent. Therefore, studying the choice of Tianjin enterprises' foreign direct investment areas provides important reference values for the stable, healthy, and orderly development of the city's enterprises “going global”.

## 2. Development Status of Foreign Direct Investment of Tianjin Enterprises

From 2010 to 2017, the scale of Tianjin's foreign direct investment registration increased rapidly, as shown in Figure 1.

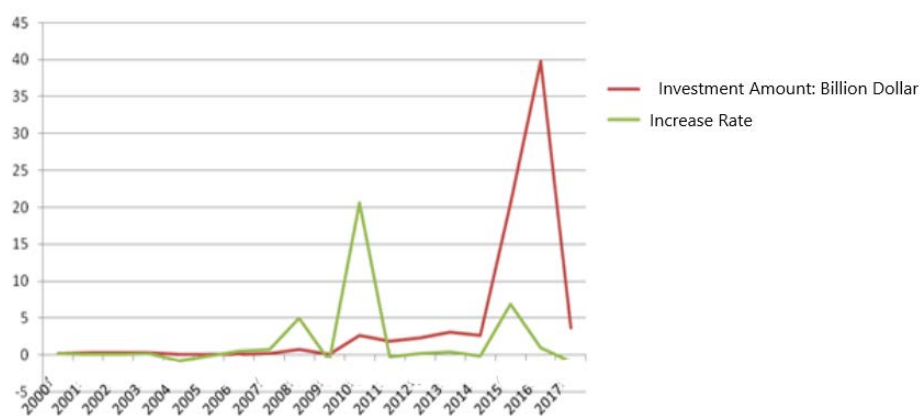


Fig.1 Tianjin's Foreign Direct Investment Volume and Annual Growth Rate from 2000 to 2017

Data source: Tianjin 2000-2017 Statistical Yearbook

The pace of Tianjin enterprises' “going global” has accelerated significantly. For the whole of 2016, the amount of Tianjin's foreign direct investment increased nearly 20 times compared with 2000, and the scale of direct foreign investment took a huge leap. Although the scale of foreign investment registration in 2017 dropped slightly from 2016, foreign investment still showed a good

development trend.

#### Regional distribution characteristics of Tianjin enterprises' foreign direct investment

According to the data compiled by the Ministry of Commerce of the People's Republic of China, it can be seen from Table 1 that during the ten years from 2005 to 2015, the regional characteristics of foreign direct investment of Tianjin enterprises were as follows: And in Asia, South America and North America countries and regions have high investment coverage; the largest overseas investment scale of Tianjin enterprises in Asia, Europe and North America, the number reached 239, 106 and 191 respectively.

Table 1 Regional Distribution Of Foreign Direct Investment of Tianjin Enterprises from 2005 to 2015 (Unit: Units)

Continent	Total number of countries	Number of countries and regions covered by Tianjin overseas companies	Number of Tianjin Overseas Enterprise Institutional Investments	Coverage %
Asia	48	28	239	58
Europe	49	22	106	45
Africa	60	28	74	47
North America	4	3	191	75
South America	12	8	18	67
Oceania	24	3	19	13
TTL	234	64	647	27

Data source: Ministry of Commerce data collation

The distribution of investment across different continents is relatively uneven. Based on the analysis of the status quo of Tianjin's foreign direct investment regions in the past ten years, Tianjin's foreign direct investment is mainly concentrated in Asia, Europe and North America, and the host countries of foreign direct investment are mainly concentrated in developing countries And developed countries. In recent years, the international trade situation has been complicated and changeable, and the existence of unilateralism and investment protectionism has also affected Tianjin's investment in some developed countries to a certain extent, and encountered unfair treatment. Motivation for investment in this area.

### 3. Analysis on the Motivation of Tianjin Enterprises' Foreign Direct Investment Area Selection

From the perspective of an enterprise, Tianjin enterprises have chosen to invest in different regions under different circumstances of investment motivations and different objectives of investment subjects. Different industries have different investment goals and investment motivations. Even in the same industry, different companies will have different investment areas.

The market seeks motivation. On the one hand, it is necessary to expand the existing market and open up new markets. At present, there are oversupply in some industries in Tianjin, and competition in some product markets is cruel. In order to survive and profit, some companies have gone abroad to find other international markets with more advantages to invest and set up factories abroad to expand the original market and occupy New markets. The biggest motivation for Tianjin enterprises as individuals to develop foreign direct investment is to open up new markets and expand their original markets. On the other hand, in recent years, unilateral protectionism and trade friction have escalated. The advantages of trade area and port, but its development has also been affected to a certain extent. In order to protect the export market of its products, production bases will also be transferred. Therefore, developing countries (emerging economies) that are adjacent to China and have large market growth potential have attracted a large number of Tianjin companies to invest. As of the end of 2015, the number of countries and regions covered by Tianjin overseas companies was the largest in Asia and the investment countries There are 28 regions and 239 investment enterprises.

Motivation for resource seeking. With the rapid development of China's industry, the demand for natural resources is increasing. However, some of our natural resources are limited or even in short supply, and they are bound to face rising prices. In order to improve competitiveness, Tianjin enterprises will seek low-cost, stable-supply markets in the international market, and set up factories in their host countries to reduce costs and improve production efficiency. As a result, Africa, South America and other regions have become the destinations for investment by Tianjin enterprises. As of the end of 2015, the investment coverage of Tianjin enterprises in these countries and regions was as high as 47% and 67%, respectively.

In addition, human resources are another major cause of foreign direct investment of Tianjin enterprises. Tianjin has eight advantageous industries, but some companies are still at a disadvantage in the research and development links at the top of the industrial value chain, and lack a large number of senior technical personnel. Therefore, this part of enterprises will transfer this link to North America, Europe and other developed countries with the most senior technical personnel, and train their own senior talents to make them competitive in the market.

Technology motivation. Tianjin Industry vigorously implements the eight advantageous industry support strategies represented by aerospace, biomedicine, new energy, electronic information, etc., and strives to nurture advantageous industries, build advantages to build pillars, seize high-end, and support development. And these technology companies are currently facing market competition with technology as the core development. Some technologies still have a certain gap with developed countries. This is to urge them to “go global” and choose more developed European and American countries. Establish overseas related technology research centers through investment, cooperative development, etc., and integrate them into the technological innovation system of developed countries. With the help of reverse technology spillover effects, learn their advanced technologies and keep up with the latest developments in international technology. The ability to innovate and improve the competitiveness of enterprises in the market is also the direct reason for the high scale and coverage of overseas investments by Tianjin enterprises in Europe and North America.

Efficiency motivation. With the continuous development of the Chinese economy, the domestic labor costs continue to rise, and the “demographic dividend” is gradually disappearing, while nearly half of the manufacturing enterprises in Tianjin are labor-intensive and are facing the pressure of higher labor costs. Faced with the dual pressure of internal pursuit of profits and external market competition with this industry, these Tianjin enterprises will go abroad to find host countries with lower labor costs to invest to reduce costs. For example, Vietnam, Myanmar, Indonesia, Thailand and other countries in Asia have become Host country first. In this way, Tianjin enterprises have reduced costs, improved production efficiency, increased profits, and become competitive in the same industry in the market.

When Tianjin enterprises make foreign direct investment, they should clarify the reasons for foreign direct investment according to their own specific circumstances and external environment, before they can make the next regional selection, choose a reasonable region based on the drivers, and formulate a long-term investment strategy. The motivations and regional choices of Tianjin enterprises for foreign direct investment are shown in Table 2.

Table 2 Motivations and Regional Choices of Tianjin Enterprises' Foreign Direct Investment

Motivation for foreign direct investment	Area selection
Market seeking	Developing Countries (Regions) Around Asia / Emerging Economies
Resource seeking	Africa, South America, etc.
Seeking efficiency	Developing countries with low labor costs
Technology seeking	Europe, North America

Source: Tianjin Foreign Direct Investment List

#### 4. Tianjin Enterprises' Overseas Direct Investment Regional Selection Strategies and Countermeasures

Through the research and analysis of the reasons for Tianjin enterprises' direct foreign

investment, Tianjin enterprises have developed rapidly, but they are not fully mature. Aiming at the status quo and existing problems of Tianjin enterprises' selection of foreign direct investment regions, relevant policy suggestions are proposed.

At this stage, the direct foreign investment of Tianjin enterprises is mainly concentrated in Asia, Europe and North America. Under the national "Belt and Road" initiative, Tianjin enterprises should seize the opportunity to take advantage of the Tianjin Free Trade Zone and ports to continue to increase their investment. The direct investment of countries along the "Belt and Road" in Africa, South America, and other countries will make full use of the country's superior resources through the preferential policies provided by the home country government to alleviate the current shortage of resources in the city and release production factors such as labor and resources for the development of the country. The eight major industries in the city promote the upgrading of Tianjin's industrial structure.

At this stage, the direct investment of Tianjin enterprises in developed countries is mainly concentrated in the United States and Canada, and few other countries. In the context of continuous trade frictions, under the unilateral protectionism and investment protectionism of some countries, Tianjin enterprises should appropriately increase investment in other areas of developed countries, to a certain extent, it can alleviate the effects of unilateral protectionist countries. At the same time, the use of the reverse technology spillover effect is also conducive to the technological progress of the eight major industries in Tianjin, and promote industrial upgrading to drive economic growth.

Except for individual advantageous industries, most of the enterprises in Tianjin do not have monopolistic competitive advantages in their foreign direct investment activities, and they need to continuously update their technology and talents to support them. Most Tianjin enterprises need to strengthen the training of international talents, establish a global perspective, strengthen technology research and development in the investment cycle, keep technological innovation and leadership, and improve their competitiveness in the international market.

Taking advantage of the policy advantages of the free trade zone, the Tianjin government should gradually improve laws and regulations, relax policies, effectively reduce restrictions and pressures on overseas investment by enterprises, increase the government's various types of financial support for overseas investments by enterprises, and increase fiscal and taxation aspects. Preferential policies to properly guide enterprises in lack of information on foreign markets, lack of experience in transnational operations, lack of foreign market management talents, blind investment, etc., and reduce the loss of overseas direct investment.

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