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Location Choice About Foreign Direct Investment Of Chinese Logistics Enterprises

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Abstract: In the current environment, foreign direct investment of Chinese logistics enterprises is an important form of "going out". Choosing the right investment location can improve the efficiency of Chinese logistics enterprises foreign direct investment, thus contributing to the low-end Chinese logistics enterprises to enhance the position of the international value chain, This study combines the status quo of Chinese logistics enterprises foreign direct investment. The study analysis of the characteristics of Chinese foreign direct investment in the logistics business of the moment and pointed out that the current Chinese logistics enterprises should be under the guidance of the government for foreign direct investment, Chinese logistics enterprises gradually increase investment in Europe and developed countries, Chinese logistics enterprises active in the development of investment in the development of Latin America, Eastern Europe and African countries to invest more internal regional economic organizations.

Key words: Foreign direct investment, Chinese logistics enterprises, location choice

INTRODUCTION

Since the 1980s, all countries in the world regard the development of modern logistics industry as an important industrial policy (Cheng and Kwan, 2000). China's "11th- five-year plan", the modern logistics industry as producer services be established and developed a developing plan. under the background of economic globalization, it becomes inevitable problem to participate in international competition, a few large logistics enterprises in China such as COSCO, SINOTRANS has already begun to make some foreign direct investment activities and accumulated some experience, but comparing with the logistics enterprises in the developed countries there is still a large gap. a large number of small and medium sized logistics enterprises in China have not yet started foreign direct investment. There is certain blindness for the location choice about foreign direct investment of Chinese logistics enterprises. Therefore, it is necessary to study this issue in order to provide theoretical suggestions for the location choice about foreign direct investment of Chinese logistics enterprises.

PRESENT STATUS OF LOCATION CHOICE ABOUT FDI OF CHINESE LOGISTICS ENTERPRISES

Foreign direct investment of Chinese logistics enterprises started late and have small-scale, it is a dynamic change of location choice. At present, foreign

direct investment of Chinese logistics enterprises on the regional distribution has initially formed diversified investment pattern.

Progressive characteristics of location selection: From the location choice of large Chinese logistics enterprises in terms of foreign direct investment, location choice has experienced the process of "from near and far", "the familiar and the unfamiliar" (Broadman and Sun, 1997). In the early stages of the foreign direct investment, Generally choose the geographical distance and psychological distance are relatively close in Southeast Asia, Hong Kong, in order to gain experience; train personnel of foreign direct investment, reduce risk and then expand to the distant Latin American, European and the United States. It transferred from low risk and familiar country to the risk and unfamiliar areas (Haddad and Harrison, 1993). as for a large number of small and medium sized Chinese logistics enterprises, They are lack of experience of foreign investment, scale and capital, so they are must more careful consideration of foreign direct investment. Foreign investment should follow the principle of reciprocity such as "from near and far" "the familiar and unfamiliar" "point to the surface".

Value chain characteristics of location selection: After 30 years of reform and opening up, China has played a growing number of large Logistics Group with strong technical force. Although, foreign direct investment

started late, development is very fast, especially after China's accession to WTO, China's logistics industry is undergoing rapid development. Large Logistics Group to develop global strategic objectives and configure the value chain on a global scale in order to maximum using host location advantage and improve their competitive advantage. It has become an inevitable strategic choice of Chinese logistics industry to foster international comprehensive logistics enterprises and strengthen direct investment with Europe, America, Japan and other developed countries.

Concentration characteristics of location selection:

There is a clear concentration of Chinese logistics enterprises in foreign direct investment. First of all, the foreign direct investment in Chinese logistics enterprises is focused on the closer areas. Secondly, the foreign direct investment in Chinese logistics enterprises concentrated in certain cities in the port city, especially, this trend reflects the development direction of China's foreign direct investment in the logistics business is to optimize the combination of the value chain in all aspects of the global. COSCO Group has eight major regions in Japan, Korea, Singapore, North America, Europe, Australia, South Africa and West Asia as. It shipping routes as a link and has been formed in all major regions of the world transnational business networks.

Main features of the location choice: Currently, the main Chinese logistics enterprises of foreign direct investment are mainly divided into three categories. The first is the large state-owned enterprise group logistics. The main is directly under the central government, such as large-scale logistics conglomerate COSCO, China Shipping Group, etc (Sun *et al.*, 2002). This kind of enterprises engaged in international transport services accumulated a certain amount of international business experience and marketing skills. They are the pioneers and main Chinese logistics enterprises of foreign direct investment building a more developed and more complete information systems delivery network. The second category is the medium-sized logistics enterprises, such as the LINDE international logistics and other logistics companies, Their advantage lie in flexible operation system, relatively mature research and development capabilities, they also have competitive advantage in capital, technology, talent, market marketing and management (Konings, 2001). Although, they overseas operations started late, they are growing at a faster rate to expand overseas. The third category is the large number of small logistics company, these logistics company are small-scale and operating a single species. They can play the advantages of flexible

operation, they can play the advantages of flexible operation and try to cluster the foreign direct investment in order to obtain competitive advantage which a single enterprise unable to obtain.

Only about three over ten thousand of China enterprises with independent intellectual property rights and core technology, Chinese dependence on foreign technology up to 50%, In China It is without control or control is weak including product design, specification, brand, distribution and sale of high value-added value chain link. Chinese logistics enterprises are located in the low-end part of the value chain, which is an important factor leading to the internal price competition. Therefore, they become hard focus to improve China's logistics enterprises in the status of global value chain and obtain competitive advantage of China's logistics enterprises in the future.

CHINESE LOGISTICS ENTERPRISES LOCATION CHOICE OF FOREIGN DIRECT INVESTMENT

At present foreign direct investment of Chinese logistics enterprises in the initial stage, Chinese logistics enterprises generally lack experience in foreign direct investment, they are existence of blindness to go on the location choice. Therefore, Chinese logistics enterprises must identify their core competencies and clear the purpose of the foreign direct investment In order to gradually improve their position in the value chain process of internationalization.

Government guide the logistics enterprises to foreign direct investment: The government support and encouragement play big role in foreign direct investment of Chinese logistics enterprises, Foreign Direct Investment is an important economic activity, It is important for Government assistance, The Government should actively provide the necessary credit and insurance measures, Government may enter into bilateral investment protection agreement with the host, government can also provide the necessary concessions on tax matters. In addition, the Government must establish good political and economic relations with the host government In order to provide investors with the appropriate policies and strive to establish a peer sharing situation in investing activities.

It is an important purpose for developing country direct investment to developed countries to seek Strategic asset. Strategic assets are the source of enterprise competitive advantage. Strategic assets can be tangible, such as physical assets and financial assets; may also be intangible, such as proprietary technology, trademarks,

goodwill, organizational capacity, institutional culture. In addition, with the continued economic globalization, China gradually in the process of opening to the outside world comprehensively took part in the globalization process, Chinese logistics enterprises must take the international strategy in the fierce international competition. Moreover they have to active in foreign direct investment, access to strategic assets and occupation developed markets and build a sound, efficient operating system.

Actively develop development investment in Latin America, Eastern Europe and Africa: Latin American countries have larger market capacity, in the recent 10 years, the region has experienced several times of recession and they are the urgent need of foreign capital inflows. The eastern European countries is become one of the hotspots in attracting foreign investment in the world, Chinese logistics enterprises should seize the opportunity to actively carry out investments in the region, In addition, the relationship between China and African countries has been good, It is relatively backward for most African countries industry development level, Many of China's manufacturing enterprises in many African countries have a potential comparative advantage, Africa is a big investment in many areas and has rich resources and cheap labor, after the political environment has improved significantly, Africa will be another hot spot of the world's foreign direct investment, At this time, Chinese logistics enterprises can use its first-in advantage, firmly grasp the market and accounting for the core part of the international value chain.

Strengthen investment in internal regional economic organizations: The current tightness regional organizations such as the European Union, North America free trade area has been formed, Their trading activity is given priority to with economic region and internal circulation economic entity, Their trading activities, supplemented by an external loop, Their trading activities have strict internal and external policy differences, Elimination of tariffs in the region, Unified product standards, goods, capital and Lacking of favorable conditions for imports outside the region. In recent years, these regional organizations have strengthened to protect the growing trade with China. In this case, the Chinese logistics enterprises must invest in these regional organizations to circumvent the exclusion of this area of policy.

CONCLUSION

Chinese logistics enterprises located in the low end of the global value chain, Logistics Foreign Direct Investment in China is still in its infancy, Most of the enterprise transnational management experience so that there is a certain blindness In location choice of foreign direct investment, Chinese logistics enterprises is difficult to obtain international competitive advantage, It is difficult to change Chinese logistics enterprises in the global value chain and mid-range disadvantage. From the practice, it has the characteristics of obvious market seeking, so the countries of big capacity market are more likely to attract the Chinese logistics enterprises. Combining with the characteristics of Chinese logistics industry, this study puts forward the solutions of location choice about foreign direct investment, According to the new features of today's world of international direct investment a new model of foreign direct investment in the form of industrial clusters is put forward for Chinese logistics enterprises.

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