

Analysis of the current situation of agricultural foreign direct investment in China

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Abstract: With the deepening of economic globalization and the domestic reform and opening up process, coupled with the continuous acceleration of industrialization and urbanization, a series of problems related to national security, such as ecological and environmental protection pressure, shortage of cultivated land resources and shortage of food supply, have been highlighted, and the foreign investment of China's agricultural enterprises is needed. By analyzing the micro data, we find that state-owned agricultural enterprises prefer developing countries, while private enterprises prefer developed countries, which put forward the problems existing in the current process of foreign direct investment of agricultural enterprises and put forward relevant suggestions.

Keywords: agricultural enterprises, foreign direct investment, state-owned enterprises, private enterprises.

1. Introduction

With the continuous expansion of China's opening up and the vigorous promotion of agricultural foreign investment strategy, agricultural foreign direct investment has also been developed to a certain extent. The amount of investment, investment field, target market development and other aspects have begun to take shape. Although there is still a huge gap with the traditional manufacturing and mining industry, in the new historical development period, China's agricultural foreign direct investment has great development potential.

2. Significance Of The Study

Rapid development of western agricultural enterprises foreign investment, western enterprises with its strong financial strength and technical advantages, has absolute control over resource allocation, in the process of foreign expansion accumulated rich agricultural foreign investment experience, these experience to a certain extent for our agricultural foreign investment formed a reference role. Studying the current situation of foreign investment in China, using the knowledge of the theory of foreign investment, we analyze the current foreign investment, and make corresponding suggestions for the better foreign investment of Chinese agricultural enterprises.

3. Review Of Related Studies

The implementation of agricultural investment strategy in China reflects the importance to overseas investment development of agricultural enterprises, but still in a low level of investment, for agricultural enterprises foreign investment research is more concentrated on the investment of internal motivation and external drive analysis, investment area, field, environment, subject and form analysis, the overall strategy needs to be further implemented. Ni Guohua, Zhang Jing, Zheng Fengtian (2014) on the internal driving force of Chinese agricultural enterprises (including the continuous growth of agricultural demand, the shortage of agricultural

resources), investment area, the resistance existing in the investment process, the literature emphasizes the internal conditions of the implementation of the agricultural enterprise going global strategy, external environment analysis. Chen Wei (2012) summed up the characteristics, restrictive factors, existing difficulties and solution strategies of China's foreign agricultural foreign investment from the aspects of investment subjects, flow, and fields. Qiu Huanguang, Chen Ruijian (2013) from the perspective of investment situation, rent scale, profit, the current agricultural investment development situation, pointed out the current problems in the process of agricultural investment, such as the lack of enterprise ability, institutional barriers and host environment constraints, and put forward Suggestions for the first two points. Liu Ming (2017) with the agricultural supply side structural reform, discusses the new challenges facing agricultural investment development, foreign investment and the path choice under the new situation, with the rising labor cost, make the production cost of agricultural products, plus the lack of brand image, low product quality standard, the international competitive advantage is obviously insufficient. In view of the current new situation and new challenges, Liu Ming has clarified the purpose of foreign investment of agricultural enterprises from the perspective of national food security, national economy and strategy.

4.The scale of investment increased steadily, and the target market fluctuated greatly.

China's net agricultural foreign direct investment continues to increase, but the proportion of net agricultural direct investment in total foreign direct investment remains basically unchanged, still less than 2%, but it still has great development potential. From 2005 to 2018, with 67% of agricultural investment in developed countries and 33%, from \$75.9 billion to the latter to \$36.56 billion. In 2017, as China increased its joint agricultural development with Switzerland, state-owned agricultural enterprises invested at US \$43.06 billion in Switzerland in 2017. But in addition to the large investment in Switzerland in 2017, China's agricultural investment in developing countries is slightly greater than the investment amount in developed countries, so you can see that compared with developing countries, Chinese agricultural enterprises are more willing to invest in developed countries, but the investment amount in developed countries is affected by political and economic relations.

5.State-owned agricultural enterprises took the lead, and private enterprises grew significantly.

Agricultural foreign direct investment subjects can be divided into state-owned enterprises and private enterprises. State-owned agricultural enterprises have more investment strength, but private enterprises are more active investment. From 2005 to 2018, the foreign direct investment of state-owned agricultural enterprises accounted for 66% of the total agricultural investment, equivalent to US \$74.66 billion, while the remaining 34% was the proportion of private agricultural enterprises in the total agricultural investment, equivalent to US \$37.8 billion. It can be seen that the amount of foreign direct investment of private agricultural enterprises is far lower than that of state-owned agricultural enterprises, but in addition to the large investment in Switzerland, the amount of foreign direct investment of private agricultural enterprises is higher than the amount of foreign direct investment of state-owned agricultural enterprises.

In addition to the large investment in Switzerland in 2017, the foreign direct investment in state-owned agricultural enterprises is concentrated in developing countries. Since 2005 to 2018, the amount of state-owned enterprises invested in developed countries is high, but in addition to the large investment in Switzerland in 2017, state-owned agricultural enterprises invested in developed countries is only US \$68.6 million. The external direct investment of private agricultural enterprises is concentrated in developed countries, with an investment amount

of US \$25.96 billion, accounting for 69% of the total investment amount of private agricultural enterprises. The number of foreign direct investment activities from 2005 for Chinese state-owned enterprises from 2005 to 2018 and 66 for private enterprises. Although the amount of foreign direct investment between SOEs and private enterprises is very different, the number of foreign investment is basically the same. The external direct investment of private agricultural enterprises is more active than state-owned agricultural enterprises. In addition to the large investment in Switzerland in 2017, the investment amount and investment number of private agricultural enterprises are greater than that of state-owned agricultural enterprises. It can be seen that in the process of agricultural foreign direct investment, it is easier for private agricultural enterprises to carry out foreign direct investment activities, and should act as investment subjects to drive better foreign investment in China's agriculture.

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6. Influencing factor of agricultural direct investment.

As a basic industry of the national economy, agriculture is susceptible to natural factors, and the average profit margin is relatively low, resulting in insufficient capital investment in agriculture. There are two problems in the external direct investment of agricultural enterprises. First, the problems of the enterprise itself. Agricultural industry weak quality constraints, industrial income is relatively low. Agriculture is greatly affected by natural disasters, and their production and operation are closely related to natural disasters. Chinese agricultural enterprises have developed rapidly in recent years, mainly small and medium-sized enterprises with many problems, such as lack of technological innovation, weak competitiveness, high risk, poor income, lack of capital, simple production technology, low capital and equipment utilization; and agricultural products price fluctuations, long production cycle and seasonal enterprise returns. Second, the host countries have more restrictions on agricultural investment. For the host country, foreign investors' growing demand for agricultural land will affect local residents access and use of land, investors need the support of the host government, and the government supervises enterprises to protect local land use rights, improve local food safety, and ensure the sustainable management of land and other natural resources, especially state-owned agricultural enterprises.

7.The main idea of developing the direct foreign investment in agriculture.

Due to the special characteristics of the industry, the industry has its own unchangeable defects. Although it is impossible to completely avoid these problems, agricultural enterprises can take the following measures: First, improve the level of science and technology of enterprises. Agricultural enterprises can carry out agricultural investment activities from developed countries, especially countries with advanced agricultural production equipment and applications, learn advanced agricultural production technology, increase investment in scientific research, actively develop technology suitable for China's agricultural production, and then achieve economy of scale. Second, to attract talents. Chinese agricultural enterprises lack professional talents in the whole process of production to sales. Agricultural enterprises can recruit some professionals to provide professional knowledge for the production, sales and foreign direct investment activities of agricultural enterprises to promote the development of enterprises. Third, a wide collection of funds. In the face of financial difficulties, agricultural enterprises should take good use of the convenience provided by the government to solve the financial problem of agricultural enterprises.

In the process of foreign direct investment, China's agricultural enterprises will increase the amount of investment in countries with economic cooperation with China. To bring greater market to Chinese agricultural enterprises investment, China should actively communicate with agricultural investment host countries, can be specific to agriculture related economic cooperation, in order to reduce agricultural enterprises collect information cost, reduce agricultural enterprises investment risk, increase the possibility of enterprise foreign direct investment activities, and promote agricultural enterprises better agricultural investment.

8.Conclusions.

China's agricultural direct investment abroad is developing rapidly. At the same time, the number of agricultural enterprises has increased and their investment strength has increased. State-owned agricultural enterprises are vulnerable to be restricted by host policies in the process of foreign direct investment, but the investment strength has been stronger and the ability to resist investment risks. Therefore, China's agricultural foreign direct investment should be private agricultural enterprises as the main body, and jointly make foreign direct investment with state-owned agricultural enterprises. In the process of agricultural foreign direct investment, should pay attention to the problems of the enterprise itself, such as capital, information and talent resources, low level of science and technology, and take corresponding measures, specific improve enterprise research ability to improve the level of enterprise science and technology, multiple channels to solve the problem of enterprise funds, attract professional talents, in order to enhance enterprise competitiveness, fill agricultural enterprises. For the problem of relevant policy restrictions of host countries, enterprises should actively develop together with local enterprises and the people, but China should also strengthen cooperation with host countries to reduce the problems encountered in the foreign direct investment of agricultural enterprises. China's agriculture should seize the investment opportunities, actively carry out foreign direct investment activities, enhance the competitiveness of enterprises and improve the existing problems of enterprises, and combine relevant policy contents to reduce enterprise operating costs and reduce enterprise business risks, so as to promote better foreign investment of Chinese agricultural enterprises.

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