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Abstract: Since 21st century, China's outward foreign direct investment (OFDI) has entered into a stage of fast development. The flow of China's OFDI kept an increasing momentum and created new records continually even under the circumstances of more complicated external environment and slowdown pace of global economic recovery. As the rapid development of foreign direct investment (FDI), there still exist many problems in China's investing entities, investing industries and investing location. Thus, in order to realize the optimization in the Structure of China's foreign direct investment, China should enhance the competitiveness of overseas investing enterprises, guide some industries with comparative advantages to invest abroad, reinforce the legal supervision of foreign direct investment and perfect the financial support for overseas investment.

Keywords: foreign direct investment, structure, problems, countermeasures

1. INTRODUCTION

China's OFDI started from the end of 1970s, after implementing reform and opening-up policy in 1979, China started to carry out trial foreign direct investment and experienced the starting stage in 1980s and adjusting stage in 1990s, and then rapid developing stage when entering into 21st century. In 2012, though affected by sovereign debt crisis occurred in western countries, turbulent situations took place in Middle East and North Africa, global economic recovery slowed down, international environment became more complicated, China's economy kept sustained growth. Under the circumstances of existence of both challenges and choices, the flow of China's OFDI reached USD 87.8 billion, which set a record and was at the third place in the world and accounted for 6.3% of the whole global FDI; the stock of China's OFDI reached USD 531.94 billion, which was at the thirteenth place in the world and accounted for 2.3% of the whole global FDI [1]. As the rapid development of OFDI, there still exist many problems in China's investment subjects, investment industries and investment location. This paper aims to the current situation and problems in the Structure of China's OFDI so that put forward some countermeasures of promoting development.

2. ANALYSIS OF THE STRUCTURE OF CHINA'S OUTWARD FOREIGN DIRECT INVESTMENT

2.1 Analysis of structure of investing entities

In recent years, under the direction of 'going-out' strategy, Chinese enterprises take fast pace to carry out transnational operation, there are increasing numbers and more various types of Chinese enterprises participate in overseas investment. There are only more than 5000 domestic enterprises participate in overseas investment by the end of 2006, while 16000 ones by the end of 2011 and set up 22000 overseas enterprises. From the registered types in administrative authority for industry and commerce, company limited is at the first place to invest abroad and increases fastest. By the end of 2012, there are 10004 companies limited which accounted for 62.5%; 1461 state-owned enterprises which accounted for 9.1%; 1326 private enterprises which accounted for 8.3%; 1191 joint stock limited companies which accounted for 7.4%; 549 cooperative stock corporations which

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accounted for 3.4%; 536 foreign-funded enterprises which accounted for 3.4%; 358 enterprises invested by Hong Kong, Tai Wan and Ao Men which accounted for 2.2%; 250 individual businesses which accounted for 1.6%; 130 collectively-owned enterprises which accounted for 0.8%; others 189 which accounted for 1.3%. In addition, from the affiliation of the investing enterprises, most of them come from local enterprises in provinces, cities and regions. In 2012, local enterprises and central enterprises accounted for 97.1% and 2.9% of total overseas investing enterprises respectively, in which local enterprises from Zhejiang province are the most, accounting for 16.8%, Guangdong is secondary, accounting for 14.5%, Jiangsu is the third, accounting for 10.1%.

2.2 Analysis of the structure of investing industries

As the whole level of Chinese economy is increasing, Chinese industries have got tremendous development, which reflected in the expansion of wider investing range and trend of centralization of investing industries [2]. As shown in table 1, China's investment in primary industry is lower, in 2012 only accounted for about 1.7% of total, agriculture and forestry were the main investing industries in primary industry and accounted for about 2/3 of total primary investment. China's investment in secondary industry fluctuates, ever reached 45.6% of total in 2006, then rebounded to 31.4% of total in 2012 after declines. Mining industry and manufacturing industry were the main investing industries in secondary industry. Mining industry is always the main China's investing industry in FDI, which ever accounted for 40.4% of total flow in 2006, then dropped every year. The FDI flow was USD 13.54 billion in 2012, which accounted for 15.4% of total. While the FDI in manufacturing industry always accounts for absolute percentage in the secondary industry, 49.4% in 2012, which determined the investing condition of the secondary industry. In recent years, the OFDI in manufacturing industry increased steadily, the flow accounting for the total OFDI increased from 5.2% in 2006 to 9.9% in 2012. The tertiary industry is the absolute main force in the OFDI, which accounted for 84.1% of total flow in 2010, 67.1% in 2012, though declines afterwards. Among these, rent and commerce and trade service industry, wholesale and retail trade and finance industry are the main investing industries in tertiary industry and account for above 80% of the total OFDI flow. The flow in these industries reached USD 26.74 billion, USD 13.05 billion and USD 10.07 billion in 2012, which accounted for 84.5% of the total flow in tertiary industry.

Table 1. The Situation of propositions of main industries in China's OFDI flow 2006-2012 （Unit：%）

	2006	2007	2008	2009	2010	2011	2012
Primary industry	0.9	1	0.3	0.6	0.8	1.1	1.7
Agriculture, forestry, animal husbandry, fishery	0.9	1	0.3	0.6	0.8	1.1	1.7
Secondary industry	45.6	25.1	17.2	29	19	33.5	31.2
Industry	45.6	23.9	15.9	28.4	16.6	31.3	27.5
Mining industry	40.4	15.3	10.4	23.6	8.3	19.4	15.4
Manufacturing industry	5.2	8.0	3.2	4.0	6.8	9.4	9.9
Producing and supplying industries of electric power, gas utilities and water	--	0.6	2.3	0.8	1.5	2.5	2.2
Construction industry	--	1.2	1.3	0.6	2.4	2.2	3.7
Tertiary industry	54.4	73.9	82.5	70.4	84.1	65.4	67.1
Rent and commerce and trade service industry	21.4	21.2	38.8	36.2	47.9	34.3	30.4
Wholesale and retail trade	5.2	24.9	11.7	10.8	9.8	13.8	14.8
Finance industry	16.7	6.3	25.1	15.5	12.5	8.1	11.5
Transportation, warehousing, post industry	6.5	15.4	4.8	3.7	8.2	3.4	3.4
Real estate industry	1.8	3.4	0.6	1.6	2.3	2.6	2.3
Scientific research,technological services and geologic perambulation	--	1.1	0.3	1.4	1.5	1.0	1.7
Information transmission, computer service and software	--	1.1	0.5	0.5	0.7	1.1	1.4
Other industries	2.8	0.5	0.7	0.7	1.2	1.1	1.6

Note：“--” above denotes no statistical data in current year.
Sources: derived from the data issued by 2006-2012 Statistical Bulletin of China's Outward Foreign Direct Investment.

2.3 Analysis of the structure of investing location

Under the circumstances of changing outside macroeconomic environment and continual adjustment of China's investing policy, the structure of investing location is also changing. China's OFDI in all regions (continents) appeared different trends, as shown in table 2.

Table 2. The Situation of location of China's OFDI flow 2006-2012 （Unit:100 million dollars；%）

Year	2006		2007		2008		2009		2010		2011		2012	
Item	Flow	share	Flow	share	Flow	share	Flow	share	Flow	share	Flow	share	Flow	share
Europe	5.9	3.4	10.9	4.1	8.8	1.6	33.5	5.9	67.6	9.8	82.5	11.1	70.4	8.0
North America	2.6	T1.5	11.3	4.3	3.6	0.6	15.2	2.7	26.2	3.8	24.8	3.3	48.8	5.6
Oceania	1.3	0.8	7.7	2.9	19.5	3.5	24.9	4.4	18.9	2.7	33.2	4.4	24.2	2.7
Subtotal	**9.8**	**5.7**	**29.9**	**11.3**	**31.9**	**5.7**	**73.6**	**13.0**	**112.7**	**16.3**	**140.5**	**18.8**	**143.4**	**16.3**
Asia	76.6	43.4	153.8	58.0	435.5	77.9	403.6	71.4	448.9	65.3	454.9	60.9	647.9	73.8
Latin America	84.7	48.0	49.0	18.5	36.8	6.6	73.3	13.0	105.4	15.3	119.4	16.0	61.7	7.0
Africa	5.2	2.9	15.7	5.9	54.9	9.8	14.4	2.6	21.1	3.1	31.7	4.3	25.2	2.9
Subtotal	**166.5**	**94.3**	**218.5**	**82.4**	**527.2**	**94.3**	**491.3**	**87.0**	**575.4**	**83.7**	**606.0**	**81.2**	**734.8**	**83.7**

Sources: derived from the data issued by 2006-2012 Statistical Bulletin of China's Outward Foreign Direct Investment.

China's OFDI flow in Europe, North America and Oceania are increasing with fluctuations, which reached USD 0.98 billion in 2006 and accounted for 5.7% of China's total OFDI flow; while reached USD 14.34 billion in 2011 and accounted for 16.3% of China's total OFDI flow. Among the locations, Europe is the main China's outward investing region in developed countries. In 2012, China's OFDI flow to Europe declined little after 3-year fast increase and reached USD 7.04 billion, reduced by 14.7%, which accounted for 8.0% of China's total OFDI flow. The investment flowed into France, England, Luxemburg, Germany, Italy, Netherland and Spain. Asia, Latin America and Africa are always the main regions of China's OFDI, though the flow declined in recent years, which reached USD 16.65 billion in 2006 and accounted for 94.3% of China's total outward OFDI flow; while reached USD 64.79 billion in 2012 and accounted for 83.7% of China's total FDI flow. Among these regions, China's neighboring countries in Asia and the countries and regions in Latin America are the essential ones, the flow reached USD 64.79 billion and USD 6.17 billion respectively in 2012, which accounted for 73.8% and 7.0% of the total respectively.

3. THE EXISTING PROBLEMS OF THE STUCTURE OF CHINA'S OUTWARD FOREIGN DIRECT INVESTMENT

3.1 Single structure of investing entities

Though the structure of China's investing entities presents diversified trend, all kinds of enterprises have carried out foreign direct investment, the problem of single structure of investing entities is noticeable. Among these enterprises registered in administrative authority for industry and commerce, state-owned enterprises are the main force of China's OFDI. By the end of 2012, the stock of OFDI of state-owned enterprises reached USD 260.42 billion, which accounted for 59.8% of China's total non-financial OFDI, and was in sharp contrast to

1495 state-owned enterprises with only 9.1 percent of total numbers of China's outward investing enterprises. If from the subsidiary relation, this contrast is larger. In 2012, the number of state-owned s enterprises was only and accounted for 56.0% of the total non-financial investment flow, as shown in Figure 1. Single structure of investing entities reflects that Chinese enterprises lack international competitiveness, there were 73 Chinese enterprises listed in 2012 *Fortune* 500, while most of them are state-owned monopoly or enterprises in under-competitive industries. Except Haier Group, Legend Group, Huawei Tech Co., Ltd, the enterprises with real international competitive advantages are counted on the fingers of a hand [3]. Meanwhile, those enterprises on the *Fortune* list have lower internationalized level, only 9 enterprises entered into top 100 list, while the overseas assets are excluded the top 100 [4].

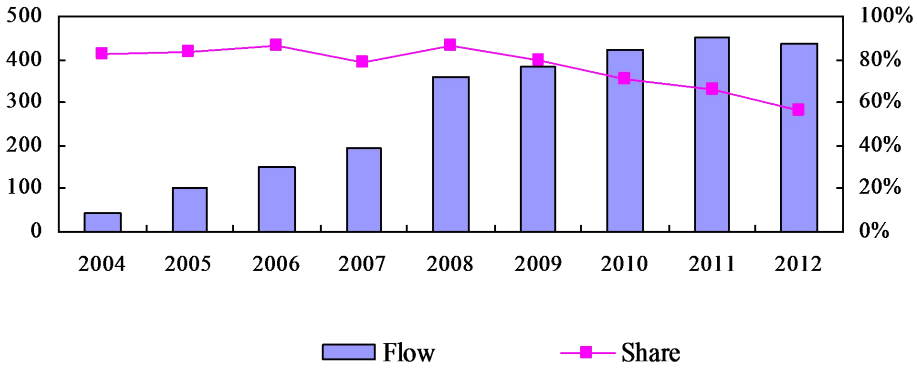

Figure 1. The situation of China's central enterprises' OFDI 2004-2012（Unit: 100 million dollars）

Sources: derived from the data issued by 2012 Statistical Bulletin of China's Outward Foreign Direct Investment.

3.2 Abnormal structure of investing industries

From the investing industry distribution, China's OFDI concentrates mainly the tertiary industry, while less the primary and secondary industries with comparative advantages, which shows that the structure of China's OFDI is unreasonable and will affect the promotion of OFDI to China's economic development. The investing scale of the primary industry was small, the stock was only USD 4.96 billion by the end of 2012, which accounted for 0.9% of China's total OFDI stock. This is unfavorable for China's food security and the long-term growth. The stock of secondary industry accounted for 24.6% of total, and the mining industry took up good part which accounted for 14% and centered in several countries, such as Australia, France. This is unfavorable for spreading investing risks; the share of manufacturing industry was less than 7%, which showed that China's manufacturing enterprises are generally smaller with weaker competitiveness, which is unfavorable for steady overseas income flow. The share of the OFDI in tertiary industry was 74.5%, rent and commerce and trade service industry, finance industry and wholesale and retail trade accounted for 33.0%, 18.1% and 12.8% of total OFDI in tertiary industry respectively. OFDI in tertiary industry centered in labor- and fund-intensive industries while less in technology-intensive industries and high value-added industries, so that is unfavorable for the transition and upgrade of domestic industrial structure [5].

3.3 Unbalanced structure of investing location

From the intercontinental view, China's OFDI spread 179 countries all over the world by the end of 2012. China's OFDI stock reached UDS 364.41 billion in Asia, which accounted for 68.5%, while 12.8%,7.0%, 4.1%, 4.8% and 2.8% in Latin America, Europe, Africa, Northern America and Oceania respectively. From the national (regional) view, China's OFDI stock in the top 10 countries reached UDS 439.83 billion, which accounted for 87.2% of total. These showed that China's OFDI location was centered in such styles: one, tax haven, which includes Hong Kong, British Virgin islands, Cayman islands; two, geographical neighboring countries, which includes Singapore; three, countries with abundant resources, including Australia, Kazakhstan; four, economic developed regions, which includes America, England, Luxembourg and Canada. In sum, China's OFDI location is over-centralized, which will lead to reinvest and aggravate competition among enterprises, reduce the efficiency of using resources [6]. Someone believe that the OFDI in Hong Kong, British Virgin islands, Cayman islands existing at least 25% of 'return investment' [7], which cause ineffective supervision of overseas operations and 'agent problem'.

Table 3. The top 10 countries (regions) of China's OFDI stock at the end of 2012

Serial number	Name of countries（regions）	OFDI stock（100 million dollars）	Share（%）
1	Hong Kong	3063.7	57.6
2	British Virgin islands	308.5	5.8
3	Cayman islands	300.7	5.7
5	Australia	138.7	2.6
6	Singapore	123.8	2.3
4	America	170.8	3.2
7	Luxembourg	89.8	1.7
8	England	89.3	1.7
9	Kazakhstan	62.5	1.2
10	Canada	50.5	0.9
	Total	3617.4	85.3

Sources: derived from the data issued by 2012 Statistical Bulletin of China's Outward Foreign Direct Investment.

4. THE COUNTERMEASURES OF OPTIMIZING THE STUCTURE OF CHINA'S OFDI

4.1 Enhance the competitiveness of overseas investing enterprises

To enhance the competitiveness of overseas investing enterprises is the first step to reverse the situation of single structure of China's OFDI. Chinese enterprises should have certain competitiveness, especially under the circumstances of deepening economic globalization today, an enterprise' s core competitiveness is its key factor to invest successfully or not, whether in developing countries or in developed countries. After 1980s, some Chinese enterprises grew stronger, such as Haier Group, Legend Group, Huawei Tech Co., Ltd, they learned operating mode and managerial methods from developed countries in earlier years during their developing process, implanted market competitive mechanism and accumulated innovative assets day by day which includes stronger capacity for technological innovation, high efficient managerial method and steady marketing channels, and so on [8]. It is the innovative assets that guarantee the success of oversea investment.

4.2 Guide the industries with comparative advantages to invest overseas

China should encourage and guide agriculture and manufacture which have comparative advantages to invest to developing countries. Under the direction of long-term national strategy, China's agricultural technological level developed very fast and had their own competitive advantages in farm machinery, biological pesticide, insect pests and disease control, breeding and irrigating. China and the host countries can take the advantages of each other, which is not only favorable for Chinese international competitiveness in agriculture but also for creating more economic returns and guaranteeing food security. At the process of reform and opening-up, China's policies on using foreign capital brought many advanced and applied technologies. After learning, adaptation and assimilation, imitation and creation for many years, many industries have their own technological system. Even technologies in some industries occupy the first place in the world. Some manufacturing industries with comparative advantages can make use of foreign factors of production, reduce the producing cost, steer away from trade barriers through OFDI. In addition, OFDI can help to resolve the problem of over-capacity of production and promote the transition and upgrade of domestic industries [9].

4.3 Strengthen the legal supervision of OFDI

China should perfect legal system of OFDI step by step—on the one hand, China may draw on mature legal framework in developed countries (regions), on the other hand, may refer to some managerial experiences from developing countries which developed OFDI earlier—and put forward concrete and explicit law and regulations, regulate outward investing entities, investing industries, investing location and investing method, supervise approval procedures, managerial supervision, foreign exchange management, profit distribution, build up special managerial institution in order to simplify procedures and increase efficiency [10]. At the same time, China should perfect policies for using foreign funds further, implement national treatment for FDI, strengthen the check of investing entities and supervise 'return investment' effectively, avoid policy rent-seeking.

4.4 Perfect financial support for OFDI

Chinese government should further perfect financial support for enterprises that carry out OFDI in order to let more Chinese enterprises 'go-out' indeed. On the one hand, relax relevant financial policies and exchange control related with enterprises overseas on the basis of regulating financial order of outward investing enterprises step by step. Financial institutions should offer concessionary credit for outward investing enterprises that would invest such projects with matching national industrial developing strategy and being favorable to national macroeconomic growth. On the basis of Chinese currency Renminbi being freely convertible under the current account, permit remitting inwards and outwards freely for outwards investing enterprises. On the other hand, on the basis of perfecting overseas investing guarantee system, further widen financing channels for outwards investing enterprises. To offer certain overseas financing right for outwards investing enterprises that are according with conditions, build up and perfect all kinds of secondary financial markets and enhance innovation strength so that enriching trading instruments and products category in financial markets and encouraging outwards investing enterprises financing with flexible and appropriate methods in order to reducing financing cost. To build up overseas investing funds and support for private enterprises from every side, let private enterprises play an important role in Chinese OFDI [11].

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