
Thoughts on the Investment Advantages, Problems Analysis and Improvement Strategies of Chinese State-owned Construction Enterprises under the "Belt and Road" Strategy

Yu Pan

School of Management of Shanghai University 200444, China

18394025838@163.com

Abstract

The "One Belt, One Road" strategy is a major strategic deployment made by the Party Central Committee in the new era. At the same time, it is well known that the construction industry is the most important component of the infrastructure construction industry. and state-owned construction enterprises play a leading role in the entire investment and construction. This paper analyzes the foreign direct investment activities of Chinese state-owned construction enterprises along the "Belt and Road" countries, and analyzes how state-owned construction enterprises overcome "prejudice" and exert their own advantages, while further revealing their direct investment activities along the "Belt and Road" countries. The existing problems, and on this basis, propose corresponding improvement approaches.

Keywords

Belt and Road, State-owned construction enterprises, investment problems, improvement approaches.

1. Introduction

According to the plan in the "Vision and Action for Promoting the Construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road" jointly issued by the three ministries, the primary task and key content of the "Belt and Road" construction is the construction of infrastructure. Therefore, the study of direct investment behavior of Chinese state-owned construction enterprises along the "Belt and Road" countries is of great significance for promoting the smooth implementation of the "One Belt, One Road" strategy.

2. The "special status" of Chinese state-owned enterprises has special advantages in the investment in the Belt and Road region.

It is worth mentioning how the Chinese state-owned enterprises have adopted ways to overcome the host country's ideological prejudice against Chinese state-owned enterprises. It is well known that Chinese state-owned enterprises are often regarded as a political entity rather than an economic entity. Their corporate strategies and behaviors are often considered to be a reflection of China's national strategy, not for market purposes. Usually, Chinese state-owned enterprises are often hindered by various countries. Target countries often regard Chinese state-owned enterprises as representatives of independent countries. The existence of Chinese state-owned enterprises may be a national sovereignty challenge for target countries. It will also affect the state relationship between the home country and the target country. In this sense, global state-owned enterprises may face more rigorous scrutiny in the target Congress than private multinationals, and may even be blocked by the target government in the name of protecting national sovereignty ^[1]. In addition, Chinese construction companies have established new branches overseas, mainly for the purpose of contracting overseas

infrastructure projects, including railways, highways, bridges, tunnels, ports, etc. These projects involve national strategic sensitivity information of the host country, and these projects are also concentrated. In key industries and sectors, it has great strategic significance for the development and industrial layout of the host country. Therefore, no country wants the project to be mastered by “Chinese political forces”. But how do Chinese state-owned construction companies win the trust of the host government? According to the research, we found that the reason is that China's construction state-owned enterprises have industry advantages, scale advantages and national image advantages.

First, China has been in a period of rapid development. During this period, China has continuously improved its infrastructure construction. Chinese construction companies continue to carry out technological upgrading and management reforms while facing huge domestic demand. Despite the fierce competition within the construction industry, communication and cooperation have occurred from time to time. As the “leader” of the industry, China's state-owned construction enterprises have a leading edge within the industry. Therefore, the whole industry is forming a trend of “stronger and stronger”. The design, management and technology of Chinese state-owned construction enterprises are constantly improving.

Second, Chinese state-owned construction enterprises have internal scale advantages and external scale advantages. Due to its own strength and strong support and help from national policies, the production scale of state-owned construction enterprises is large, and the average cost of production of products is relatively low; Compared with most countries along the “Belt and Road”, China has a larger production scale, and has more advanced technology and strong economic strength than local construction enterprises. It can carry out a large amount of capital and manpower and material transportation in the host country in a short time. The average cost of production is relatively low.

Third, Chinese state-owned construction enterprises have the advantage of national image. According to the China National Image Global Survey Report 2015, 75% of overseas respondents believe that China has strong or strong technological innovation capabilities; For Chinese companies to enter the local market, 36% of respondents believe that Chinese companies can bring new capital technology, and 32% of respondents believe that they can increase employment opportunities. When multinational companies are ready to enter the host country market, they often associate the relevant institutions of the host country, local enterprises and the public with the national image behind them^[2]. The report also shows that people in developing countries are more recognized for the “Belt and Road” initiative and believe that this initiative can have positive implications for countries, individuals, regional economies and regional peace. Therefore, when Chinese state-owned construction enterprises make direct investments in countries along the “Belt and Road”, the “special status” of Chinese state-owned construction enterprises can promote the relevant subjects of the host country to directly associate with the Chinese national image, and China’s previous good national image established in the region. The “national identity” that was born out can further directly derive “enterprise identification” and form a good investment atmosphere for direct investment of Chinese state-owned enterprises^[3].

3. The current problems of Chinese state-owned construction enterprises investing in areas along the “Belt and Road”

Under the effective guidance of national policies, Chinese state-owned construction enterprises have actively implemented the “going out” strategy, occupying an important position in the national construction industry market along the Belt and Road. However, compared with the leading international construction companies, Chinese construction companies still face various problems in the process of implementing internationalization.

3.1 The growth rate of investment in Chinese construction enterprises is too fast, ignoring the training of professional talents, and the talent team has not yet formed.

In the process of promoting the internationalization process, Chinese construction enterprises are influenced by the traditional education mode and the characteristics of social division of labor. The knowledge structure of Chinese construction enterprises is relatively simple. They are proficient in

foreign languages, familiar with international practices and laws, understand technology and management, and master financial affairs. The composite talents of international trade are relatively scarce. In addition, the management awareness of construction enterprises is relatively backward, lacking the management ethics of “people-oriented”, and the humanities of external personnel are insufficient. At the same time, the lack of a scientific talent training system has not yet formed a sound international talent training, introduction and use mechanism. The international talent team that is suitable for the strategic development needs of enterprises has not yet formed. Therefore, Chinese construction enterprises are facing the pressure of brain drain while lacking compound talents, which restricts the further development of Chinese construction enterprises' foreign investment to a certain extent.

3.2 The industry market is relatively concentrated, and the regional market is relatively limited.

At present, China's construction enterprises have expanded their business to the power, petrochemical and telecommunications industries in the countries along the Belt and Road. However, there are still a considerable number of structural businesses concentrated in the middle and low end of the industrial chain. Industrial clustering in the same region is one of the characteristics of today's world economic development and an important organizational form for international industrial development. But competition is a double-edged sword. If there is orderly competition among enterprises, it will prompt enterprises to improve technology, actively innovate, enhance the overall competitiveness of the cluster, and enter a benign cycle^[4]. However, in places such as West Asia, many domestic construction companies lack division of labor and cooperation. The enterprises in the cluster have a serious phenomenon of homogeneity and are in an excessively competitive state. In the United Arab Emirates and other places, Chinese construction companies have even experienced the phenomenon of mutual pressure reduction and demolition of enterprises. As a result, the enterprise clusters have been disintegrated, and enterprises have suffered losses. Both have lost their lives and finally have to withdraw from the market.

3.3 The internal corruption problem of Chinese construction enterprises is serious, and the geopolitical contradictions of the countries along the “Belt and Road” are prominent.

The infrastructure construction project involves a large amount of capital, coupled with the extensive management model of the Chinese construction industry, resulting in many management omissions in various aspects of overseas investment, which has aggravated the corruption problem in the industry and became a well-known “industry characteristic”. At the same time, many countries along the “Belt and Road” have corruption problems and lack of management in government agencies, which makes Chinese construction enterprise managers often continue this type of thinking. However, in the long run, various forms of corruption, such as bribery and interest transfer, are often used by various forces in the host country to create an unfavorable situation for overseas direct investment by Chinese construction companies in various ways, which leads to great political risks. At the same time, there are many countries along the “Belt and Road”, including 64 economies in Asia, Africa and Europe. Some of them have prominent geopolitical contradictions and complex interests. Political risk issues are complex and include, but are not limited to, security risks caused by terrorism, ethnic issues, and religious extremism.

4. The proposal

4.1 Systematically manage international business and build information sharing mechanism

It is recommended to establish a group and group overseas business model and interest coordination mechanism for a number of participating and leading enterprises to coordinate and coordinate. Comprehensively participate in the characteristics and advantages of each of the construction companies, properly divide the interests and responsibilities, and jointly form the overall synergy that can be attacked. Increase the communication of information between the various joint construction

enterprises, and continuously strengthen the information communication between the overseas technical departments of the construction group and the construction enterprises and departments of the project itself. With the goal of maximizing efficiency, we strive to achieve the integration and coordination of the Group's overseas resources, talent resources, financial resources, information resources, and market advantages. In terms of complementary resource advantages, it is necessary to optimize the overseas business support of each subsidiary of the Group with the principle of minimizing cost reduction. The establishment of a "fire-fighting" project management emergency mode and a systematic orderly management mode parallel mechanism, also need to break through the management efficiency, from top to bottom from the domestic to foreign implementation of orderly management.

4.2 Implement the "strength of talents" strategy, actively cultivate compound talents, and promote technological innovation

Chinese construction enterprises should establish a "professional and technical personnel training strategy", that is, in the process of enterprise development, the establishment of an integrated talent training program and the priority development of international professional talents as an important strategy for the company's development, focusing on cultivating and introducing high-end business talents, new types Professional talents and other high-level talents form a team of international talents with reasonable levels and professional matching to build a professional talent team. At the same time, Chinese construction enterprises must actively build a talent management system that is in line with international standards, and carry out policy breakthroughs and institutional innovations in terms of introduction, evaluation and incentives. Actively promote the internationalization and localization of talent use in the establishment and operation of new institutions in the host country, improve the performance appraisal system, and fully mobilize its enthusiasm, initiative and creativity.

4.3 Follow the policy orientation, rationally deploy overseas markets, and actively achieve differentiated development

Chinese construction enterprises should closely follow the policy orientation of the "Belt and Road" and the countries along the line, based on the enterprise itself, objectively measure their own strength and professional characteristics, accurately grasp the development direction of the host country market, and deeply demonstrate the size and competitors of the host country market, consolidate and develop. Based on the existing market share of the country, we will identify new key development countries and key projects, find out the space that is in line with the comparative advantage of the enterprise, and actively promote the integration of overseas layout and national strategy to achieve the internationalization strategy of the enterprise. Avoid excessive investment and too single form of cooperation. Balance investment projects in key countries in various regions, adhere to the principle of "one country, one policy", and conduct quantitative and qualitative analysis on different countries and different project contents. China's large construction enterprises should also refer to Europe and the United States. The design standards of the construction industry, etc., constantly accelerate the docking of their own industry standards and international standards, and increase efforts to promote the "Chinese standards."

4.4 Carefully screen and compare selected key country markets to prevent various political risks

Chinese construction companies compare and screen overseas markets according to their own enterprise strength, market size, competitor level and other indicators. After selecting key national markets, they will conduct detailed investigations on the legal environment, political environment and religious culture of the target countries. The political risks that may occur in the target country, establish a comprehensive risk management system, and launch the emergency plan in time if problems arise. Secondly, we will vigorously promote brand management in the market where investment is being carried out, respect all local folk customs, attach importance to cultural exchanges and cultural integration issues, actively integrate into local communities, make full use of local

resources to optimize resource allocation, enhance the international influence of Chinese construction companies^[5].

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