The Study of Foreign Direct Investment (FDI) Of Chinese Enterprises from the Perspective of E-Business

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Abstract: In recent years, driven by the country's "going out" strategy, foreign direct investment (FDI) of Chinese enterprises rapidly developed. In the process of FDI, E-Business occupies a pivotal position. From the perspective of E-Business, this article mainly studies the development of Chinese FDI, and discusses the relation between E-Business and FDI in the process of promoting the development of FDI. And from the perspective of E-Business, we put forward some constructive countermeasures and suggestions.

Key words: E-Business; Foreign Direct Investment (FDI); External Trade

I. INTRODUCTION

Since entering the new century, as China's successful accession to the World Trade Organization (WTO), China's FDI has been greatly in the number of breakthroughs, extending from 0.05 million U.S. dollars in 1979 to 55.91 billion U.S. dollars in 2008. At the same time, China's E-Business industries have a high degree of development. 1997 -1998 E-Business is a hot topic in China, but until the new century, China's E-Business is still at the theoretical level, until the next few years gradually emerged several large-scale E-Business sites, such as Taobao, Alibaba and so on. E-Business is really going into the economic sphere, and increasingly demonstrating a strong vitality. According to China Internet Data Center (DCCI) report, China's B2B E-Business transactions reached a scale of 1.89 trillion Yuan in 2008, while that China will reach a scale of 2.235 trillion Yuan in 2009.

FDI and the rise of E-Business are almost in the same period, which illustrates FDI and E-Business are mutually reinforcing role in some degree. However, it draws people's little attention to study the relationship between E-Business and FDI. As we all know, though E-Business is a part of trade, yet there is also essentially different between E-Business and traditional trade. In fact, in the process of FDI, E-Business plays an increasingly important role. For this reason, this paper attempts, by analyzing the relationship between E-Business and FDI, as well as the problems in development, to provide constructive policy recommendations to provide economy policy makers.

II. LITERATURE REVIEW

While E-Business and FDI has been rising for decades in China, they are still the majority of scholars to study separately. We can only get the ideas of relationship between the E-Business and FDI by some academics, indirectly. Considering the three main factors, including the senior managers, rational investment, as well as the degree of coordination within the enterprise, as the initial point, Debabroto Chatterjee, Rajdeep Grewal and V. Sambamurthy (2002) realize that ecommerce platform can contribute much to the development of enterprises with the former three main factors existing in the circumstances. And they give their empirical analysis by the data obtained through surveys [1]. In the study of development of Chinese E-Business, Bin Jiang, Edmund Prater (2002) said that although China have carried on the policy of reform and opening up for three decades, yet there are still parts of the domestic trade protectionism, which

can't prevent foreign companies from investing and trading with the people in these areas [2]. In the study of the impact of E-Business on the world economy, Pei Chang-Hong (2000) refer to an idea that E-Business can contribute to the adjustment of world's industrial structure, and the velocity of capital flow. However, he didn't specify the E-Business's effect on the foreign indirect investment [3]. In the study of developing status quo of China's E-Business, Zhang Xiao-Bin (2000) realized that E-Business have a positive impact on China's economic development, but he did not specify the positive impact from the perspective of foreign investment[4]. In the study of exploring trade power issue in the environment of E-Business, Liu Zan-Tong, Lai Ming-yon (2004) said that China should reinforce international exchanges and promote two-way flow of capital through the E-Business [5]. In the empirical analysis of the determinant of China's FDI, Guan Jian-Cheng and Xiao-Jing Wang (2007) think that, so as to improve China's FDI in the overall level at this stage, China must rely on the formation of inter-firm R & D alliance and promote foreign investment in high-tech industries [6]. It is based on previous studies that this paper attempts to study the developing way of Chinese overseas investment from the perspective of E-Business and the theoretical level.

III. FDI DEVELOPMENT UNDER THE AGE OF E-BUSINESS

Since information technology has been created, all aspects of human social life has undergone a qualitative change, while the first effected is the trade industry and the development of trade spawned a new industry - E-Business. Through generated from merchandise trade, E-Business was not limited to commodity trade in the afterwards development. Due to this development the E-Business expended the trade by forming other trade practice such as online banking, online stocks, online auctions, etc. With the development of trade and E-Business, the development of FDI has gotten a vast stage. In fact, the E-Business and FDI are not mutually cause and effect, but the inevitable product of globalization and one's development will certainly promote the development of the other's development. In E-Business era, FDI's development was stimulated by E-Business mainly from the following aspects:

First of all, since emerged, E-Business has experienced unprecedented development pace which the other traditional industries haven't been like before; in addition, it also launches big waves of large-scale FDI over the world. Since information technology has been created, it seems to be a development catalyst of itself and the other industries, not only makes itself an industry, but also makes other industry information-based. Take The United States' economy between 1990 and 2000 for example, the full decade of the new economy in US illustrates this point. During the new economy, information industries' cost experiences constantly fall due to its continuous innovation and popularity in the business area. Falling prices of information technology products, not only propel the huge investment of computers and communications equipment, as well as new software which use these devices in all walks of life, but also promote a greater demand to E-Business. And propel other information technology services such as e-government, e-banking, online stocks, ERP, graphic design, etc. which we haven't seen before. These businesses' flourishing, set off a round of climax of FDI all over the world.

Secondly, E-Business is conducive to countries industrial upgrading, while the result of industrial upgrading will definitely result in the expansion of FDI. With the development of electronic commerce, more will be the content of international trade in services, such as Computer software, information technology services, business and corporate consulting, financial services and so on. U.S. trade structures changes in accordance with its industrial structure, which, in turn, contributes to its domestic industrial structure adjustment and upgrading at the same time. If the factors of production can not be timely transferred from the traditional industries, the industrial structure adjustment and upgrading, which means the development of new industries and the gradual decline of traditional industries must be bound to weaken and slow down. Therefore, based on Kojima's theory, the FDI way of one country can transfers these useful and marginal industries to overseas, and makes these traditional industries exit successfully in the investor market, which will not cause negative social and economic impacts. However, they get higher levels income of overseas investment than domestic income, and greatly promote their industrial structures upgrade.

Thirdly, E-Business promotes the innovation of financial market product and accelerates the pace of international investment capital flows. After combining the E-Business and the financial market, the financial market shows unprecedented vitality. Now the financial markets have grown to be a global biggest market, which is made by the capital market and the money market. The capital market includes the stock market, bond market, the fund market, the long-term credit market and so on. And the money market includes inter-bank market and discount market instruments, repurchases market and short-term credit markets and so on. With the assistance of the E-Business platform, people don't complete their financial transactions through the tedious manual business process as before any longer, but they can invest their own capital to every corner of the world by clicking key in front of computer at home. Accelerated pace of capital flows will inevitably reduce the costs of capital flow, which undoubtedly will promote FDI.

At last, in the era of E-Business, the impact on one country's economy policy from FDI won't be faster and wider than the one from E-Business. From the way of a country's capital inflows, the country has to avoid a large number of international hot money which has a negative impact on its economy. The international capitals are usually subjected to legal restrictions in the country (FDI) before entering a country, or monitored by relevant government departments, or diverted into other investment field. However, these state-control means is only validated to physical or apparent capital inflows, but seems to be subtle to these capitals accessed by more covert channels in the inside of which there is more or less haunted by information technology. In addition, E-Business will have more impact on the legal system, tax system, and the credit system. These shocks not only tend to make less open countries become more open, but work as the Pioneer of the entry of FDI.

IV. COUNTERMEASURES AND SUGGESTIONS

The twenty-first century is not only the century of information technology, but also the century of rapid global capital mobility. Therefore, while China is actively promoting the "going out" strategy, it must attach the importance of the following aspects:

Firstly, China must give priority to the development of information industry, and promote this industrial upgrading. Over the years, China speeds up the development of its electronic information industry by opening up, international cooperation, attracting foreign investment, and has increased manufacturing capacity and technical level. But China's electronic information industry is in a critical period of structural adjustment, industrial structure optimization and upgrading is imperative.

Secondly, to provide legal and institutional guarantees to all parties of information industry investment, China must support and maintain its development of comprehensive E-Business credit, legal and tax system. The information industry involves the interests of consumers, investors and all nations. In order to safeguard the legitimate interest of all parties China development of E-Business need to urgently establish a sound credit, legal and tax systems in accordance with the development of ebusiness.

Thirdly, By being universal awareness of the national information technology and enhancing the development of information technology, only through the way of "everyone knows, everyone involved", due to this China can fully exploit its people's potential, and will create more opportunities for foreign investment.

Fourthly, Under the condition of information-based, the development of E-Business is bound to dispose higher requirements to every country's government and international organizations on the management of international investment, where by the Chinese government should put more emphasis to this change and greatly enhance the level of foreign investment management.

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