Analysis on the Pathway of Implementation of QDII and Chinese Enterprises Overseas Investment Risk from the Perspective of Capital Market Internationalization

Rui Li

Abstract

In this paper, we conduct analysis on the pathway of implementation of QDII and Chinese enterprises overseas investment risk from the perspective of capital market internationalization. From the perspective of enterprise development, the multi-level capital market is the source of vitality. China's economy went into a state of dual economy, on the one hand there are a number of large and medium-sized state-owned enterprises, on the other hand are the thriving entrepreneurial companies while individual demand for capital market is different, different enterprises listed on the threshold. In the world economy, international direct investment is the most can reflect one of the economic operations of the concept of economic globalization, and has inseparable relation with international trade. Along with the economic globalization process is accelerated, overall, the international foreign direct investment and international trade interaction, promote each other, are dramatically increasing and expanding. This paper integrates the research on the related issues to propose the new suggestions that will be innovative and necessary.

Keywords: Capital Market, QDII, Chinese Enterprises, Overseas Investment, Risk, Perspective.

Introduction

The essence of globalization is global capitalism, capitalism is spreading all over the world by the developed countries the center, so that the whole world to realize the process of the capitalistic. The expansion of capital is the inner motive power of economic globalization which can be reflected from the following aspects and angles.

- The advantage of capital to labor. The development of the capitalism throughout the process of struggle between capital and labor. With the rapid development of science and technology of the post-war reconstruction and prosperity of capitalism, the world national independence, from the "import substitution" to "export", and the world capitalist market system gradually become perfect unity, international competition [1-3].

- Capital gain advantage against the state. Capitalist countries originally is the capital of the country, but because the country has social public functions at the same time, based on class country, therefore, to a certain extent, and possess the property of the above classes. Capital gain advantage of the country's government, it's just a stage victory. The pursuit of maximum profit, driven by capital is bound to expand outward, to the world market.

\(^{1}\text{Shandong Yingcai University, Jinan, Shandong, 250104 China}\)
From the perspective of enterprise development, the multi-level capital market is the source of vitality. China's economy went into a state of dual economy, on the one hand there are a number of large and medium-sized state-owned enterprises, on the other hand are the thriving entrepreneurial companies while individual demand for capital market is different, different enterprises listed on the threshold. Reasonable structure of the multi-level capital market can meet the different enterprises including innovative and high-tech enterprise financing demand, and these enterprises is the most active factor in China's economic growth. Multi-level capital market is bound to promote the rapid development of the regulatory system and innovation of the capital market system construction. The construction of multi-level capital market needs to reasonably define the central unified regulation and supervision of local government functions [4-5].

From the perspective of market regulation, such as multi-level financing needs of the enterprise to make the reasonable and the multi-level market system arrangement, the regulators can accordingly according to the characteristics of the different enterprises on the market to make different regulatory arrangements and it is also conducive to the coordinated development of the market. In the world economy, international direct investment is the most can reflect one of the economic operations of the concept of economic globalization, and has inseparable relation with international trade. Along with the economic globalization process is accelerated, overall, the international foreign direct investment and international trade interaction, promote each other, are dramatically increasing and expanding. In the figure one, we show the principles aspects of the market internationalization condition.

![Figure 1. The Principles Aspects of the Market Internationalization Condition.](image)

In this paper, we conduct analysis on pathway of implementation of QDII and Chinese enterprises overseas investment risk from the perspective of capital market internationalization. There are many factors influencing the growth of international trade, in theory, only to the relation of international trade and the international direct investment, direct investment is to form the alternative to trade, or produced for the creation of the trade, which mainly depends on the type of that international direct investment. In the later sections, we will discuss the issues in detail.
Our Proposed Methodology

The Capital Market Characteristics. From the classical economic growth theory to the modern economic growth theory, emphasize the role of capital on economic growth, many economic growth models contain the capital of this variable, although the classical economic growth theory and modern economic growth theory analysis on different. Foreign market economy developed countries, are the establishment of a multi-level capital market system, the stock exchange or securities trading system, some business engaged in the motherboard market, have engaged in the growth enterprise market. At the same time, in the huge exchange-traded market also have a large number of relatively mature form of the markets and we take the US system as the example to analyze the features.

- The multi-level capital market in the United States of the architecture major. (1) Regional markets: Pacific exchange, exchange, exchange of Boston, Philadelphia, exchange of Chinese and western local market; Major regional enterprise of the securities trading, at the same time some of the areas listed on the national market shares. (2) National concentrated market there is the New York stock exchange, the American stock exchange and NASDAQ: three national market conditions in turn decreasing the company went public, the company in accordance with their own scale, characteristics and chooses financing market [6-7].

- The US capital market system, how large, fully functional, varied hierarchy. There are both unified, centralized national market, and regional, small local market that make the demand of different size, different enterprises can take advantage of the capital market for the equity financing, it effectively promote the innovation and economic growth.

- National focus market is mainly for the large enterprise financing services; the second-board market service object is mainly small and medium-sized enterprises and high-tech enterprises; the second-board market listing standards than the low concentration of market, at the same time also designed several sets of different standards, by the different sizes of enterprises to choose the suitable standards for public finance.

The Qualified Domestic Institutional Investors. QDII is the short for the qualified domestic institutional investor acronym. It is established within the territory of the country, approved by the relevant departments of the country is engaged in the securities market outside the territory of stocks, bonds and other securities business of securities investment funds. And QFII, it is not implemented in currency fully convertible capital account has not been open, under the condition of limited to allow investors to invest in the securities market outside the territory of a transitional system arrangement.
QDII to alleviate our country facing the huge trade surplus and foreign exchange reserve and the international pressure on the appreciation of the RMB, balance of payments, rich financial products, accelerate the process of RMB convertibility to promote the domestic capital market and international capital markets and innovation has special significance that will improve a-share market, securities market will be normal for overseas investment demand into the orbit of regulation, regulation, control and direct the financial risk has important significance that can be analyzed from listed aspects.

- Implementation of QDII mechanism will be conducive to the mainland to the international market, the securities firm and financial insurance institutions increase in investment strategy, risk management, corporate governance, information disclosure, and continue to comply with relevant regulations on listed companies and so on various aspects of professional knowledge that make a strong financial institutions have the bigger development space and accumulated experience in international business opportunities [8].

- It is beneficial to guide the domestic residents to participate in overseas investment through normal channels, alleviate the pressure of the illegal capital flight, incorporate the overseas investment demand of normal regulation, regulatory orbit, and bear the financial risk control.

- From a long-term point of view, the implementation of QDII mechanism will be beneficial to balance international payments, accelerate the process of RMB convertibility and promote the capital market system innovation, open capital account and a convertible RMB for the future to lay the foundation which will enhance the location of the RMB.

**The Overseas Investment.** At present, in the economic globalization, the surge of the foreign exchange reserves, the appreciation of the RMB, the implementation of the strategy of "going out", lack of mineral resources, and many other factors, driven by rapid rise in quantity and amount for the Chinese enterprises overseas mergers and acquisitions, but hidden at the same time all sorts of problems. Therefore, in the international market practice, on the basis of the research is suitable for the mode and path of transnational as Chinese enterprises effectively
cope with the problems in the process of transnational merger and acquisition, ensure national economic security, and put forward targeted countermeasures and suggestions have very important theoretical and practical significance.

From the global perspective, the enterprise's overseas mergers and acquisitions, mainly growth oriented the use of import and develops unique advantages, and defense, to meet customer demand, timing and other strategic or tactical needs that can be summarized as the follows aspects. (1) The Technology research and development requires a lot of money and manpower, and but a lot of risk. In the face of increasingly fierce market competition, as well as developed countries high technology export to China's strict control, many domestic enterprises tend to abroad with the advantage of the technology as a takeover target, think overseas M&A is to obtain core technology is the most direct, the most effective way, hoping to obtain patent technology and technical personnel, rapidly improve the technical strength, the occupation of related industries such as manufacturing and R&D the high ground of the core competitive ability. (2) Market driven. Domestic market competition intensifying, resulting in some industries with excess capacity, profit levels drop, and should expand overseas markets, by their own talent, marketing channels and the limitation of the supply chain, the brand recognition, etc., into the high cost, time and strength are not allowed, OEM and can only earn low process cost, overseas mergers and acquisitions become domestic enterprises to obtain international operation of resources needed for important way.

The Internationalization of Capital. From the point of the regional economic integration and the regional monetary cooperation, at present, the trend of regional economic integration and regional monetary cooperation further strengthen, the currency, the dollar volatility, RMB internationalization trend is becoming more and more urgent. We can analyze this problem from the listed aspects.

From the degree of foreign exchange control. The internationalization of capital markets is the capital in the form of securities in the flow of international, which inevitably involves the exchange of different currencies and restrictions on currency in and out of the border. So, from the point of view of the capital market development, a country's capital market internationalization process is also a country's foreign exchange control process of constant relaxation to cancel. Our country foreign exchange control, the RMB not freely convertible and foreign exchange control more strictly.

From the national policy, the perfect degree of the system of laws and regulations, and see. If a country's securities legislation is perfect, so, the domestic market and international market of speed quick, the smooth development of the capital market internationalization can less obstacles and the difficulties, on the other hand, the internationalization development.

From the national development level and degree of opening to the outside world to see. Our country as a developing country, the country's economic development level is not suitable for the capital market comprehensive opening that shoulds not be too early for the whole capital market internationalization.

From the perspective of the developed degree of the financial markets. Capital market internationalization is a highly developed based on the domestic capital market and the high specification. No standardized securities issuance and trading market, no standard, efficient market regulation system, construction of internationalization, there is no solid basis, and even buried the hidden trouble of the financial crisis.

The Enterprise internationalization. International strategy refers to the enterprises to expand business activities to foreign countries, in order to obtain greater business development space is a kind of management strategy. Internationalization can make the enterprise to expand
the market from the geographical scope, better understand the characteristics of the international market competition, the use of different regional market development gap or in the long time to maintain the enterprise the management advantage. In the process of the internationalization of enterprise, according to the degree of enterprise to enter the international market and international market mode of operation, the general enterprise internationalization of the process is divided into the following stages: the internationalization of preparation stage, initial import stage, the local market expansion stage, stage of global rationalization which should follow the listed guidelines.

- The internationalization of production. With the growth and prosperity of the enterprise, export scale, companies may be held in the multinational direct investment, to establish production organization.
- The standardization of the management. Companies began to fully consider its overall benefit maximization, the overseas enterprises with relative independence, start the communication network between parent and subsidiary to make comprehensive unified management possible.
- Operation and management of the globalization. This is the highest form of the enterprise internationalization, international business scope has spread around the world market, the full range of global strategy has throughout the business process of enterprise group and the virtual organization borderless giant enterprise group began to appear.

Conclusion

In this paper, we conduct analysis on pathway of implementation of QDII and Chinese enterprises overseas investment risk from the perspective of capital market internationalization. In recent years, our country enterprise overseas investment boom in many new risks, such as the property of the international and regional unrest risks, risks of the overseas resources mining project investment, overseas sale of goods, overseas labor service personnel safety risk, and so on, the occurrence of these risks, both within the enterprise ability is insufficient, and the international environment, the changes of external circumstances and the reasons of our country's policy support is insufficient. China's enterprises should protect themselves through a variety of methods, familiar with the international environmental law, strengthen their international competitiveness and improve the ability of risk prevention. This paper proposes the novel perspectives on the corresponding issues that will be then meaningful for the further research and analysis.

References


