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Construction and Verification of a Scoring System for Chinese Export-Oriented Households/SMEs' Overseas Investment Decisions in Southeast Asian Countries

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Abstract: This study addresses the decision-making needs of Chinese export-oriented households and SMEs in their overseas expansion in Southeast Asia. A scoring system was constructed and verified through research. First, based on authoritative data sources such as the World Bank, the WGI (Global Governance Indicator), and the Doing Business Index, key dimensions such as political stability, production costs, and tariffs (for exports to Europe and the US) were selected to quantitatively assess and compare the scores of key Southeast Asian countries undergoing industrial relocation. Second, in-depth interviews were conducted with entrepreneurs with actual overseas export experience to cross-validate the effectiveness of the scoring system and analyze the consistency and differences between the actual decision-making focus of enterprises and the model indicators. The research results will help reveal the factors most valued by Chinese SMEs when choosing overseas locations and their degree of matching with the objective indicator system, thus providing quantitative support for enterprises to formulate overseas investment strategies.

Keywords: SMEs; Trade policy; Southeast Asia; Going global; Quantitative assessment.

1. Introduction

In recent years, with rising domestic costs and changes in the external trade environment, a large number of Chinese export-oriented family businesses and SMEs have begun to look to Southeast Asian countries for opportunities to build factories or expand their businesses overseas [1, 2]. Southeast Asia, with frequent cultural exchanges, has certain advantages in terms of labor, land and other factor costs [3, 4]. Combined with the changes in the international trade environment in recent years, Vietnam, Thailand, Indonesia and other countries have rapidly become popular overseas destinations for Chinese manufacturing companies [5, 6]. Taking Vietnam as an example, since the Sino-US trade friction in 2018, a large number of Chinese manufacturers have flocked to Vietnam to set up factories to avoid tariffs [7, 8]. Thailand and Indonesia have also actively attracted Chinese companies to invest by improving infrastructure and providing investment incentives [9, 10]. According to statistics, China became the largest source of foreign investment in Thailand in 2023, accounting for 24% of Thailand's foreign direct investment that year [11]. Overall, "going global" to explore the Southeast Asian market has extended from large state-owned enterprises to many SMEs, becoming a new trend.

However, the investment environment and operating conditions vary significantly across countries: the convenience of transportation, political stability, factor costs, and whether exporting locally to Europe and the United States enjoys tariff preferences all directly impact the success of overseas operations. These factors are complex and diverse, and coupled with information asymmetry, SMEs often lack systematic comparative analysis tools when making decisions. Currently, many companies rely more on intuition or fragmented information for their overseas location decisions, lacking systematic quantitative analysis. Some companies may follow trends and choose popular destinations without fully considering the country's infrastructure bottlenecks or political risks; others may overemphasize a single factor (such as tariff preferences) while ignoring other potential costs. This decision-making approach may lead to inappropriate location selection, resulting in operational risks and cost losses.

Existing literature and data provide a foundation for analyzing the investment environment in Southeast Asia, but shortcomings remain. International organizations have released numerous indicators to measure the business environment. For example, the World Bank's Ease of Doing Business index assesses the ease of starting a business, accessing electricity, and contract enforcement; the World Governance Index (WGI) provides assessments of governance dimensions such as political stability, government efficiency, and the rule of law; and there are also the Logistics Performance Index and the Global Competitiveness Index, which cover transportation infrastructure and cost factors [12-14]. However, these macro-level indicator systems are mainly used for comparing the overall environment of different countries and may not fully align with the perspectives and concerns of Chinese SMEs. On the one hand, SMEs are more concerned with key factors closely related to business. For example, tariffs and trade barriers directly affect their product export profit margins; the ease of transportation and supply chain determines logistics costs; and the political stability and policy continuity of the host country are related to investment security. Existing research shows that political risks can significantly hinder the investment intentions of Chinese enterprises, especially SMEs, in certain host countries, while manufacturing costs and changes in trade policies are also important drivers of enterprises' overseas location choices. On the other hand, academic research on the overseas expansion of SMEs mostly focuses on statistical analysis of general influencing factors, lacking research that combines quantitative evaluation of objective indicators with enterprises' subjective decision-making behavior. In other words, few studies in the current literature simultaneously

construct quantitative scoring models and validate them through enterprise surveys: we are still unclear whether the "ideal" destination country scores reflected in authoritative data match the "realistic" considerations perceived by entrepreneurs, and what kind of discrepancies exist.

In summary, constructing a scoring system encompassing multi-dimensional indicators is of great significance: it can help enterprises comprehensively weigh the pros and cons, reduce decision-making blindness, and improve the success rate of overseas expansion. The main objective of this study is to construct a scoring system for evaluating the feasibility of investment site selection for Chinese SMEs in Southeast Asia and to verify its effectiveness. Previous studies have mostly focused on macro-level investment environment evaluations or the site selection strategies of large multinational corporations, with relatively insufficient attention paid to the investment decisions of Chinese SMEs, especially family-owned SMEs, in Southeast Asia. This study will enrich the empirical and methodological research on overseas investment decisions of SMEs, providing new perspectives and case studies for this field.

2. Research Design

The study will employ a two-step approach: First, a model will be built based on objective indicators. We will select three dimensions closely related to manufacturing investment from databases such as the World Bank and WGI: political stability, production cost levels, and tariff treatment for exports to Europe and the United States. Vietnam, Thailand, and Indonesia will be scored and ranked to quantitatively demonstrate the relative attractiveness of these three countries to Chinese export companies. The scoring process will employ standardized processing and weighted aggregation to ensure data comparability and scientific rigor. Second, cross-validation will be conducted through interviews. We will select 5–10 Chinese export-oriented entrepreneurs with experience in Southeast Asian investment or factory operation and use questionnaires to understand their most important factors in site selection decisions, their weighting choices, and their actual perceptions of the business environment in the target countries.

3. Results and Discussion

Based on the designed scoring system, the overall scores of Vietnam, Thailand, and Indonesia are shown in the table below.

Table 1. Overall Scores and Rankings of the Three Countries (Higher scores indicate greater site attractiveness)

Country	Overall Score	Ranking	Dimension	Vietnam	Thailand	Indonesia
Vietnam	93	1	Cost Indicators	100	85	60
Thailand	72	2	Government Governance	100	45	90
Indonesia	67	3	Trade Friction	80	80	50

Cost Dimension: Vietnam's cost environment advantage is the most significant. Data shows that Vietnam has the lowest costs among the three countries, including labor, land, and logistics. For example, Vietnam's average labor cost is only about $693, compared to about $819 in Thailand and about $993 in Indonesia. Land rent and logistics costs are also lower in Vietnam than in Thailand and Indonesia. Therefore, Vietnam scores the highest in cost indicators, demonstrating a strong advantage in cheap labor, land, and operating costs. Thailand's costs are at a moderate level. Although its logistics costs are close to Vietnam's, its higher labor and land costs place its cost dimension score in the middle. Indonesia's cost disadvantage is the most obvious—relatively high land and logistics costs result in its lowest score in this dimension.

Government Governance Dimension: The government governance indicator mainly examines government efficiency and policy stability. Vietnam and Indonesia perform relatively similarly in this dimension, both significantly better than Thailand. Vietnam's policy environment is relatively stable, with good policy continuity (policy stability index of approximately -0.04, higher than Thailand's -0.28 and Indonesia's -0.40). Although Vietnam's government efficiency score is not high, its overall governance environment is relatively reliable and stable among the three countries. Indonesia's government efficiency index is relatively high (0.58, higher than Thailand's 0.17 and Vietnam's 0.13), indicating relatively strong government execution capabilities. However, its policy stability is relatively weak, particularly in terms of policy and regulatory continuity and predictability. This gives Indonesia an advantage in governance (high government efficiency), but it is slightly affected by an unstable policy environment. Thailand scores the lowest in government governance, partly due to its average government efficiency index and partly due to an unstable political and policy environment (recent political changes have led to lower policy stability).

Trade Friction Dimension: This dimension reflects the stability of tariffs and international relations between countries and their major trading partners (the United States). Thailand and Vietnam perform exceptionally well in trade environment, tied for the top spot. Specifically, Thailand maintains close diplomatic and trade relations with the United States, ranking first in the "international relations" indicator with respect to the US. Vietnam has actively integrated into the international trade system in recent years, strengthening its relations with the US, ranking second in this indicator. Furthermore, Vietnam excels in the stability of its tariff policies with the US: ranking second in tariff environment stability, only behind Cambodia, and ahead of Thailand (third) and Indonesia (fourth). Thailand's tariff policy is generally stable, ranking in the middle. Therefore, both countries score similarly in the trade friction index, reflecting a relatively favorable external trade environment for export-oriented enterprises. In contrast, Indonesia is slightly at a disadvantage in this regard. Indonesia's trade relations with the US and its tariff environment are both inferior to Vietnam and Thailand (ranking only third and fourth respectively), indicating that its export trade environment is relatively less stable and favorable than that of Vietnam and Thailand. This results in Indonesia scoring the lowest in the trade friction dimension.

On the other hand, based on the questionnaire data, the average scores of business owners in Vietnam, Thailand, and Indonesia across various scoring dimensions were selected, and the average scores for each dimension across the three

countries were calculated. The following table shows the ranking of these scores from highest to lowest based on the overall average:

Table 2. Average scores for each dimension in Vietnam, Thailand, and Indonesia (sorted by overall average)

Dimensions	Vietnam	Thailand	Indonesia	Average
Tariffs remain stable in the long term	6.7	5.7	5.5	5.9
export incentive policies are effective	6.0	5.3	5.0	5.4
financing costs are competitive	4.7	6.3	5.0	5.3
logistics costs are competitive	5.7	5.0	4.5	5.1
supply chain costs are competitive	5.3	5.3	4.5	5.1
business environment is favorable	4.7	5.3	4.5	4.8
land costs are competitive	4.3	3.0	4.5	3.9
labor costs are competitive	4.8	3.8	3.0	3.8
relations with major exporting countries	4.3	4.0	3.0	3.8

As shown in the table above, business owners rated policy and trade environment-related dimensions such as "long-term tariff stability" and "effective export incentive policies" the highest, with average scores exceeding 5 points for all three countries, reflecting their advantages in these dimensions. In contrast, dimensions such as "competitive labor costs" and "good relations with major exporting countries" scored lower (overall average less than 4 points), indicating weaker overall competitiveness in labor costs and international relations. Other dimensions, such as logistics, supply chain, and business environment, scored at a moderate level (overall average approximately 4.8–5.1 points).

Specifically, performance varied across dimensions for each country: Vietnam scored relatively high on most dimensions, especially leading Thailand and Indonesia in tariff stability (6.7) and export incentive policies (6.0), and also maintaining a good rating of over 5 points in logistics and supply chain costs. This reflects the recognition of Vietnam's export policies and tariff environment by business owners. Thailand, on the other hand, performed exceptionally well in financing costs (6.3) and business environment (5.3), indicating a relatively well-developed financial environment and business infrastructure. In contrast, Indonesia scored lower than Vietnam and Thailand across most dimensions, only achieving a similar rating to Vietnam in land costs (Indonesia 4.5, Vietnam 4.3). Overall, based on the average scores across the nine dimensions, entrepreneurs' overall evaluation of the three countries' business conditions is roughly ranked as follows: Vietnam > Thailand > Indonesia. Vietnam is more favored in terms of cost and policy environment, while Indonesia is the least attractive overall.

The table below summarizes the average ranking of the main dimensions and the ranking of entrepreneurs' attention to decision-making factors:

Table 3. Average Ranking of Vietnam, Thailand, and Indonesia by Dimension

Dimension	Vietnam	Thailand	Indonesia	Entrepreneurs' Ranking
Cost overall	2	3	1	③
Policy stability	1	3	2	②
Trade Relationship	1	2	3	①

The questionnaire used paired comparisons to ask about the importance of three key factors: "cost," "policy stability," and "trade relations," aiming to understand which factors entrepreneurs value most when choosing investment destinations. Based on the business owners' responses, if options included descriptions of "weight" or "level of attention," these were used to measure the level of attention. The results showed that entrepreneurs generally considered trade relations and policy stability more important than cost:

Trade relations (relationships with major export markets) ranked first overall. Most respondents tended to consider trade relations more important when comparing "policy stability vs. trade relations," and slightly more chose "cost vs. trade relations" as equally important or with trade relations slightly more important than those who preferred cost. Overall, good international trade relations were considered one of the most critical factors in investment location decisions.

Policy stability – ranked second. A significant number of entrepreneurs considered the stability of the host country's policy and institutional environment slightly more important than cost. When asked about "cost vs. policy stability," only a very small minority considered cost significantly more important; most either considered both equally important or considered policy stability slightly more important. This indicates that businesses are highly concerned about the predictability of the host country's political and policy environment. Cost Factor – Ranked third. While costs (especially labor and land costs) are an important factor for businesses investing overseas, they are relatively less significant compared to the two factors mentioned above. Many respondents tend to consider costs as equally important as trade relations or the policy environment, and when a clear preference exists, the proportion who consider costs more important is lower than the other two. In other words, cost advantage is not the top priority for entrepreneurs.

Overall, the survey results show that the three Southeast Asian countries have different strengths and weaknesses in attracting business investment, but some common trends are reflected in the entrepreneurs' ratings: Greater emphasis on policy and trade environment: Business owners generally value "soft environment" factors such as policy stability, preferential policies for export companies, and trade relations with major export markets. These factors rank highly in the

ratings of Vietnam, Thailand, and Indonesia, and also rank first and second in importance. This indicates that compared to low production costs, businesses are more concerned about the predictability of the host country's macroeconomic environment and the friendliness of international economic and trade relations. A stable policy environment and good trade relations mean lower institutional risks and trade barriers, which can guarantee the long-term returns of business investment. This shared preference reflects that in the post-pandemic era and against the backdrop of international trade frictions, current "going global" enterprises are more inclined to choose countries with stable political and economic environments and good relations with major markets for investment, rather than simply pursuing the lowest costs.

The importance of cost advantages has decreased: Traditionally, labor and land costs have been important considerations for manufacturing site selection, but this survey shows that cost factors have a slightly lower relative weight in the minds of entrepreneurs than policy and trade factors. Labor and land cost competitiveness received low scores in all three countries (an overall average of only 3-4 points). This may stem from the fact that enterprises' subjective perception of cost differences among Southeast Asian countries is not significantly different. On the other hand, it may also mean that even if some countries have lower costs, enterprises remain hesitant if the business environment is poor. For example, Indonesia's minimum monthly wage is about US$130, slightly lower than Vietnam's about US$140 (significantly lower than Thailand's about US$300). Logically, Indonesia should have a more prominent labor cost advantage, but entrepreneurs in the survey gave Indonesia the lowest score for labor cost competitiveness. This may suggest that low costs are not enough to compensate for institutional and efficiency deficiencies.

Regarding national differences, the survey results show that entrepreneurs have the most positive overall evaluation of Vietnam. Vietnam leads in several indicators, including tariffs, trade policies, and labor force. This aligns with Vietnam's recent efforts to actively integrate into the global trade system, sign numerous free trade agreements, and actively attract FDI. Thailand ranks second, with its strengths lying in its financial environment and overall business environment, benefiting from its long-standing tradition of well-developed infrastructure and pro-business policies. While Indonesia boasts a large market, its image in this survey is slightly weaker, possibly due to concerns about bureaucratic efficiency and labor relations that may deter SMEs (such as contract enforcement and strike risks), leading to lower scores from entrepreneurs.

In conclusion, entrepreneurs prioritize a stable policy environment and favorable international trade relations in the host country, only considering factors like cost on top of these. A country that simultaneously offers an excellent business environment (transparent and stable policies, efficient government) and convenient trade conditions (tariff preferences, harmonious relationships with major markets) remains highly attractive, even with slightly higher costs. Conversely, countries relying solely on low costs but facing policy and trade uncertainties will struggle to attract entrepreneurs. This conclusion offers insights for Chinese companies' overseas investment location decisions: when choosing a destination, priority should be given to assessing the target country's political and economic stability, foreign trade policies, and ease of doing business, before comparing specific cost differences. Combining these commonalities and differences, location selection strategies should be more targeted: prioritizing countries with favorable trade relations and policy environments, and weighing the importance of cost factors based on the company's own business characteristics, thereby making the most suitable overseas investment decisions for their development.

4. Conclusion

This study contributes in several ways: First, practically, it provides SMEs with an intuitive tool for evaluating Southeast Asian investment destinations. Compared to relying solely on experience, the scoring system combines authoritative data and enterprise feedback, offering a more comprehensive reference for enterprises to formulate their "going global" strategies, thereby improving decision-making quality. Second, academically, it fills a gap in the evaluation of overseas site selection for Chinese SMEs by combining quantitative models with qualitative research. The research results will reveal the degree of consistency between macro-level investment environment indicators and micro-level decision-making preferences. This is of significant value for improving existing theories of international investment environment evaluation and deepening the understanding of the internationalization behavior of enterprises in emerging markets. Finally, this study focuses on the specific group of export-oriented families/SMEs, exploring their international site selection in the Southeast Asian context, which can provide a basis for governments and industry associations to formulate policies and measures to support SMEs going global. In conclusion, through the combination of scoring system construction and research verification, this study aims to contribute useful knowledge and tools for Chinese SMEs to effectively deploy in the Southeast Asian market.

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