

Foreign Investment Risks of China Enterprises from the Perspective of Economic Security

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Abstract: With the continuous integration and development of the global economy, the "going out" strategy of China enterprises has gradually become an important driving force for national economic development. More and more China enterprises are actively seeking foreign investment opportunities to expand market space, acquire resources, learn advanced technology and management experience, and enhance their international competitiveness. However, foreign investment is not smooth, which contains many risks and challenges. The purpose of this article is to discuss the risks faced by China enterprises in foreign investment and the prevention and control strategies from the perspective of economic security. In this article, the historical development process and current characteristics of China enterprises' foreign investment are combed in detail, and the risks that enterprises may encounter are deeply analyzed from political risks, economic risks, legal risks, social and cultural risks and other dimensions. At the same time, combined with the actual situation, specific prevention and control strategies are put forward. The risks faced by China enterprises in foreign investment are complex and changeable, which requires the joint efforts of the government, enterprises and all sectors of society to build a sound risk prevention and control system. The prevention and control strategies proposed in this article provide practical guidance for dealing with these risks.

1. Introduction

With the continuous integration and development of the global economy, the "going out" strategy of China enterprises has gradually become an important part of national economic development [1]. This strategy has promoted the internationalization of China enterprises, and provided them with broader market space and access to resources [2]. Through foreign investment, China enterprises can learn from international advanced management experience and technology, and enhance their innovation ability and international competitiveness [3]. Foreign investment is also one of the effective ways to promote China's economic transformation and upgrading and achieve high-quality development. It is of great significance for promoting sustained economic growth and optimizing industrial structure.

As the cornerstone of national development, economic security is self-evident. Under the background of globalization, national economic security is not only related to the stability and prosperity of the domestic market, but also to the vagaries of the international economic

environment [4]. As an important part of China's economic opening to the outside world, the risk prevention and control of foreign investment is directly related to the security and stability of the national economy [5]. Once the investment fails or encounters major risks, it will bring huge losses to enterprises, and may also cause a chain reaction to the national economy, affecting the stability and sustainability of the overall economic development.

This article aims to analyze the main risks faced by China enterprises in foreign investment from the perspective of economic security. By systematically sorting out and summarizing the types, characteristics and causes of risks, this article reveals the potential threats that foreign investment risks may have on economic security. At the same time, combined with the current international economic situation and the actual situation of China enterprises' foreign investment, this article puts forward corresponding countermeasures and suggestions to provide decision-making reference for the government and enterprises. It is expected that through this study, the awareness of risk prevention and control of China enterprises' foreign investment can be enhanced, the ability to cope with risks can be improved, and the safe and stable development of the national economy can be guaranteed.

2. China enterprises' foreign investment status and characteristics

The historical development process of China enterprises' foreign investment can be said to be a magnificent transnational operation history [6]. From the initial exploration, to the gradual expansion of scale, and now to the global layout, China enterprises' foreign investment has gone through many stages, each with its own unique characteristics and trends (see Figure 1).

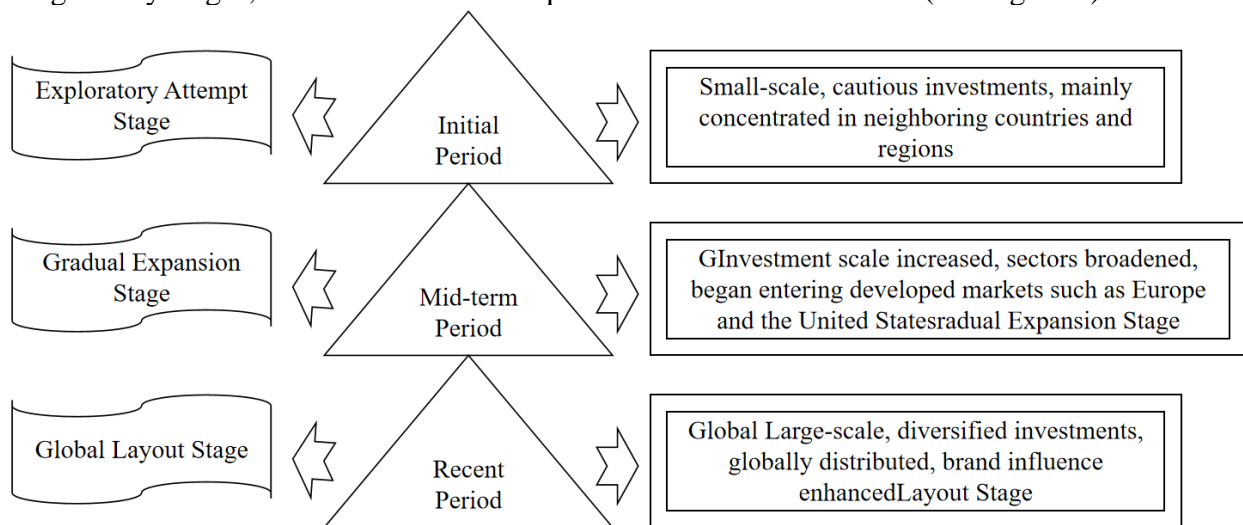


Figure 1 Development stage of foreign investment of China enterprises

The overseas investment map of China enterprises is gradually expanding, showing a significant growth and diversification trend in terms of investment scale, industries involved and geographical distribution. Observing the scale of investment, we can find that the overseas investment of China enterprises has been rising year after year, especially some leading enterprises, which have carried out large-scale acquisition and investment activities on a global scale [7]. In the field of industry, China enterprises have jumped out of the framework of traditional resource development and manufacturing, and actively expanded into high value-added emerging fields such as high technology, finance and services. In terms of geographical distribution, the overseas investment footprints of China enterprises have spread all over the world, and both developed and developing countries have formed a comprehensive and three-dimensional investment network. Especially in

Southeast Asia and Africa, it has become a hot spot for China enterprises to invest overseas.

In the process of foreign investment of China enterprises, a variety of investment models and strategies have been formed [8]. Merger and acquisition (M&A) is an important way for China enterprises to invest abroad. Through M&A, the technology, brand, market and other resources of the target enterprises can be quickly acquired, and the internationalization process of enterprises can be accelerated. Greenfield investment is a new enterprise or project established by China enterprises abroad [9]. This method can better control the investment risk and operation process, but it also needs to face more market uncertainties and challenges. In addition, joint venture cooperation is also a common mode for China enterprises to invest abroad. By cooperating with local enterprises, they can better integrate into the local market and reduce investment risks and obstacles caused by cultural differences. Each investment model and strategy has its advantages and disadvantages, and enterprises need to choose the most suitable one according to their own situation and investment objectives.

3. Analysis of overseas investment risks for chinese enterprises from the perspective of economic security

In today's economic globalization, China enterprises' foreign investment is facing multi-dimensional risk challenges [10]. Among them, political risks, economic risks, legal risks and social and cultural risks are particularly prominent.

Political risk is a problem that China enterprises must be highly vigilant when investing overseas. The political stability of overseas investment environment, the consistency of policies and the interaction between government and enterprises may have a far-reaching impact on investment results. In some countries, political turmoil, policy changes and even the threat of nationalization may bring great economic losses to China enterprises. The trigger of political risk is often related to the change of international political structure, the contest of domestic political forces and geopolitical tension. Its impact may be lasting, and may even lead to the complete failure of investment projects.

Economic risk is also a factor that China enterprises must consider in their foreign investment. This covers many aspects such as market risk, exchange rate risk and interest rate risk. Changes in supply and demand, price fluctuations and economic cycle fluctuations in the international market may directly affect investment returns. The fluctuation of exchange rate may increase the cost of an enterprise or decrease its income, while the change of interest rate may affect the financing cost and return on investment. The occurrence of economic risks is usually closely related to the global economic situation, national economic policies and market competition pattern, and its consequences may be the decline or even loss of investment benefits of enterprises.

Legal risk is one of the challenges that China enterprises must face when investing abroad. There are differences in legal systems, laws and regulations and judicial practices in different countries, which may make enterprises face compliance risks, contract risks and intellectual property risks in the investment process. Once an enterprise violates local laws and regulations, it may face fines, lawsuits and even the recovery of its investment. The occurrence of legal risks generally stems from the unfamiliarity of enterprises with the local legal environment, the imperfection of contract terms and the lack of intellectual property protection.

Social and cultural risks are also an indispensable part of China enterprises' foreign investment. There are differences in social culture, values and business habits in different countries. This may make enterprises face communication barriers, management challenges and market acceptance problems caused by cultural differences in the investment process. The occurrence of social and cultural risks often stems from the lack of understanding and disrespect of local social culture by

enterprises. Its influence may be that it is difficult for enterprises to integrate into the local market, and even lead to social conflicts and public opinion pressure.

In-depth analysis of the causes, effects and consequences of these risks shows that they are closely related to the investment decision, risk management and internationalization strategy of enterprises. Therefore, enterprises must strengthen the awareness of risk prevention and control, improve the risk management system, and improve their international operation ability to cope with various risk challenges in foreign investment. The government should also strengthen the support and guidance of foreign investment, provide policy guarantee and information service for enterprises, and jointly safeguard the country's economic security.

4. Strategic recommendations for dealing with foreign investment risks of Chinese enterprises

Facing the diversified risks that China enterprises may encounter in foreign investment, we must think carefully and put forward a series of concrete and effective prevention and control strategies. Table 1 summarizes the specific prevention and control strategies of diversified risks that China enterprises may encounter in foreign investment, and describes in detail the specific implementation methods and key steps of each prevention and control strategy. This will help enterprises to better understand and implement these strategies, thus providing clear and feasible risk prevention and control guidance for enterprises.

Table 1: Risk Prevention and Control Strategies for Chinese Enterprises' Overseas Investments

Prevention and Control Strategy	Specific Content	Implementation Points/Key Measures
Establish Risk Warning Mechanism	Set up a dedicated risk management department to monitor and analyze political, economic, legal, and sociocultural dynamics in foreign markets, timely identify potential risks, and issue warnings.	Establish an independent risk management department; Real-time monitoring of market dynamics; Establish a risk warning system; Timely release of warning information
Strengthen Risk Management	Improve the risk management system, clarify risk management processes and responsibilities, formulate risk management plans and emergency response plans, and ensure risks are controllable.	Improve risk management systems; Clarify risk management processes; Implement risk management responsibilities; Formulate and implement risk management plans and emergency response plans
Enhance Localization	Deeply understand the local market and culture, respect local customs and laws and regulations, actively integrate into the local society, and improve localization operational capabilities.	Conduct in-depth research on the local market and culture; Comply with local laws and regulations; Strengthen integration with the local society; Enhance localization operational capabilities

The government plays an important role in the prevention and control of foreign investment risks of enterprises. The government should provide policy support, encourage enterprises to "go global" and provide enterprises with necessary information services and legal protection. The government can establish a foreign investment information platform to provide enterprises with information such as market dynamics, policies and regulations and risk assessment, and help enterprises make wise investment decisions. The government should also strengthen cooperation with foreign governments, strive for more legal rights and protection for enterprises, and reduce the legal risks of enterprises abroad.

On the level of international risk prevention and control, transnational cooperation plays a vital role. By strengthening international interaction and cooperation, enterprises can realize the exchange of needed information and experience, so as to face the challenges of overseas investment together. Enterprises can strengthen contact and cooperation with overseas counterparts by joining international chambers of commerce, professional associations and other institutions, and enhance their position in the international market. At the same time, participating in the formulation of international rules is also a key way to avoid risks. Enterprises should actively participate in the negotiation of international economic organizations and multilateral trade agreements to help build a more just, transparent and predictable international investment framework, so as to provide solid institutional support for enterprises' overseas investment.

To sum up, coping with the risks of overseas investment by China enterprises requires the cooperation of enterprises, the government and the international community. Enterprises need to build a sound risk management framework and enhance the ability of localized operation; The government should provide policy support, information support and legal protection; The international community should promote more extensive cooperation and exchanges and jointly promote a more beneficial international investment atmosphere. Only in this way can we prevent and deal with overseas investment risks more effectively and ensure the safe and sustainable development of overseas investment of China enterprises.

5. Conclusions

From the perspective of economic security, this article deeply analyzes the multi-dimensional risks faced by China enterprises in foreign investment, including political risks, economic risks, legal risks and social and cultural risks. By analyzing the causes, effects and consequences of these risks in detail, we deeply realize the importance of risk prevention and control for safeguarding national economic security and enterprise interests. This article puts forward a series of specific prevention and control strategies, including establishing risk early warning mechanism, strengthening risk management and improving the degree of localization. It aims to provide practical guidance for enterprises to deal with foreign investment risks.

Under the background of globalization, the scale and field of China enterprises' foreign investment are constantly expanding, and the urgency and importance of risk prevention and control are increasingly prominent. The government and enterprises must attach great importance to the risk of foreign investment, strengthen cooperation and coordination, and jointly build a sound risk prevention and control system. Only in this way can we effectively deal with various challenges in foreign investment and ensure the national economic security and the sustained and healthy development of enterprises. Therefore, from the perspective of economic security, the prevention and control of foreign investment risks of China enterprises is an urgent task and an important part of the national development strategy.

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