

Political Resistance and Countermeasures of China's Overseas Investment from the Perspective of Multi-stakeholders

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Abstract

In recent years, Chinese enterprises have frequently encountered investment resistance in “going out”, and the issue of “politicization” is particularly significant. Therefore, this article uses a multi-case study method to build an analysis framework for the political resistance of China’s foreign direct investment from the perspective of multiple stakeholders (third-party country level-host country social level-enterprise level), and in-depth discussion of multi-stakeholder resistance China's foreign direct investment motives, behaviors and induced political resistance. The results of the study show that China's foreign direct investment faces political resistance such as changes in host country government behavior preferences, political uncertainty events, and legitimacy crises caused by third-party country-level, host country-level, and enterprise-level stakeholder resistance. Finally, based on the results of the study, it provides relevant recommendations to Chinese companies "going global".

Keywords

Foreign Direct investment; Political Resistance; Stakeholders; Case Studies.

1. INTRODUCTION

In the context of the globalization of the world economy, the economy, even politics and culture among countries have long been closely related. Economic globalization has also enabled multinational companies seeking resources, technology, and markets to establish branches around the world based on the comparative advantages of different countries and regions to carry out mergers and acquisitions alive, thereby organizing production and operations in the most effective way, thereby reducing costs. Increase revenue. However, Chinese companies must not ignore the role of political resistance in the process of foreign direct investment. In recent years, the power of trade protectionism in developed economies has risen, trying to reshape global trade and investment rules through new methods such as economic and trade frictions, neutrality of competition, and national security reviews. In April 2019, the EU’s Foreign Investment Review Regulations came into effect. The regulations clarified that EU member states can legally block foreign investment in acquisitions involving critical infrastructure, technology, raw materials and sensitive information, and China’s foreign direct investment is facing more stringent reviews. In September, the U.S. Treasury Department also issued the "Foreign Investment Risk Review Modernization Act" (FIRRMA) implementation rules, listing 28 types of critical infrastructure. These measures are mainly manifested in raising investment thresholds and strengthening national security reviews. Therefore, increasingly complex foreign-related policies urge Chinese companies to operate in compliance with laws and regulations, while also facing greater political resistance.

In recent years, overseas investment cases frustrated by insufficient political risk assessment and prevention are not uncommon. These investment projects are either located in the geo-strategic position of "small country and big role", or involve industries highly related to national security, and their political sensitivity. Generally speaking, investment projects with higher political sensitivity are more likely to cause resistance from specific stakeholders and thus face higher political risks. Among them, overseas investment risks caused by stakeholders of foreign direct investment account for a large proportion, causing many losses to Chinese companies' foreign direct investment. Therefore, for foreign direct investment, investors should not only consider the general macro-political risks they face, but also consider the micro-political risks brought about by the resistance of stakeholders, and establish a stakeholder management system, prevent the political risks of Chinese enterprises' foreign direct investment.

Through combing the existing relevant literature, this research finds: First, some scholars believe that overseas investment should pay attention to the impact of the main body's behavior on political risks [1], because the existing research mainly emphasizes the impact of objective factors on political risks, but often ignores the influence of subject behavior factors on political risks. Second, some scholars have pointed out that when analyzing overseas investment, we should pay attention to the political risks at the micro level, because most of the current studies are based on the political system and the socio-economic environment and other observable macroscopic common factors. [2] Thirdly, the factors and types of political risks are deeply described [3, 4], but less analysis combines the main factors to examine the formation of political risks in overseas investment. Fourth, the political risks faced by multinational corporations often break through the traditional game boundary between the host government and multinational corporations, and extend to the confrontation of multilateral contradictions. Therefore, it is particularly necessary to explore the political resistance mechanism of foreign direct investment from the perspective of multiple interests in China's foreign direct investment projects.

In view of this, in order to better answer the question of why China's foreign direct investment encounters frequent political resistance, this research starts from the perspective of multiple stakeholders in China's foreign direct investment projects and uses multiple cases to analyze how stakeholders hinder China's foreign direct investment. Political motives and behaviors, so as to provide suggestions on how Chinese foreign direct investment companies can avoid political resistance.

2. THEORETICAL BASIS AND RESEARCH IDEAS

2.1. Political Risk and Foreign Direct Investment

Regarding the definition of political risk, it usually refers to the uncertainty existing in the political, social and economic environment, emphasizing the negative impact of political forces on the economic activities of enterprises [5], and its core is discontinuity. [6] A certain behavioral decision of the government or society that originates from the host country or other countries of the foreign direct investment will have a negative impact on the operation of multinational enterprises. [7] By studying and sorting out the connotation of political risk by previous scholars, this research defines the political risk of overseas investment as social and political events, behaviors, processes or characteristics that can directly or indirectly have a significant and negative impact on the company's overseas economic activities. This risk is uncertain and non-continuous.

When studying foreign direct investment, scholars divide political risks into macro-political risks and micro-political risks. [8] Government-level restrictive policies, wars, and revolutions are macro-political risks that will not change significantly in the short term. Government policy changes such as the unwillingness of enterprises to cooperate with the host country

government on political issues are micro-political risks. Risks that affect specific business activities or have specific characteristics. There are many studies on macro-political risks, but not many studies on micro-political risks. Some studies have pointed out that foreign direct investment usually faces three major political risks: the investment is expropriated by the host country government, it is difficult to convert the investment from the host country's domestic currency to foreign currency and transfer out of the country, and the host country's political turmoil. [9] Obviously, the focus is on political resistance from the government of the host country, ignoring political resistance that may be induced by other stakeholders. In recent years, although studies have pointed out that the political behavior of stakeholders in the business environment affected by corporate, industry, and non-market factors is the basis for political risks. [10] Related research also believes that the micro-political risks caused by the intervention of third countries and the political participation of internal interest groups in various countries have increasingly become the mainstream that affects overseas investment. [11] However, these studies did not thoroughly analyze how the motivations and behaviors of stakeholders affect political risks. Even though there is an in-depth study on the political risks of overseas investment triggered by the actions of third-party countries, host country governments, and corporate-level stakeholders [8], the single-case study method is used for analysis, and there is a lack of multi-case studies. Copy and comparative analysis. In addition, when multinational companies make foreign direct investment, they often bring higher micro-political risks due to the resistive behavior of certain specific stakeholders. Therefore, this research focuses on multiple foreign direct investments to better highlight the micro-political risks from the behavioral perspective.

2.2. Stakeholders and Foreign Direct Investment

Based on the stakeholder analysis framework, stakeholders are divided into four types: supportive, marginal, opposed and mixed [12]. In view of historical, cultural and practical reasons, China's foreign direct investment projects have the characteristics of extensiveness, diversity and complexity, showing the risk characteristics of multiple risks superimposed, thus encountering more political resistance. Therefore, the stakeholder in this article refers to the objectionable stakeholder. When overseas investment involves politically sensitive factors, the competition between stakeholders will far exceed the scope of the market, and investors' competitors may further use the religious, cultural, and environmental factors involved in the investment to hinder the implementation of investment projects. Therefore, for politically sensitive overseas investment, the impact of stakeholder resistance cannot be ignored, especially the host country government's resistance. In addition, relevant studies in the field of international relations point out that the deep-rooted hostile (or competitive) relationship between the potential third party countries and the investment home countries will deepen the sense of threat of the third party countries, thus increasing the possibility of the third party countries intervening in overseas investment. [13] This also means that when the overseas investment behavior of enterprises is regarded as the expansion of political power by the home government in the host country, the third-party government that regards the home government as a real or potential opponent may become the stakeholder to resist China's foreign direct investment. In addition, when the foreign direct investment of home country enterprises involves the market share or competitive advantage of competitors, they are more likely to suffer from malicious competition from competitors. Therefore, based on the analysis of the motivation and behavior of the three stakeholders (the third government, the host government and enterprises) of China's foreign direct investment, this paper explores the political resistance mechanism of China's foreign direct investment.

2.3. Research Framework

Based on the above analysis, this study finds that the political resistance of China's foreign direct investment mainly comes from the boycott behavior of the third-party national level, the host government level and the enterprise level stakeholders. Considering the different aims and directions of stakeholders' behaviors, if the stakeholders at different levels are mixed together, the relationship and checks and balances of stakeholders may not be shown. Therefore, this paper discusses the political resistance from three levels (the third party state level, host country social level and enterprise level). The research framework of this study is shown in Figure 1.

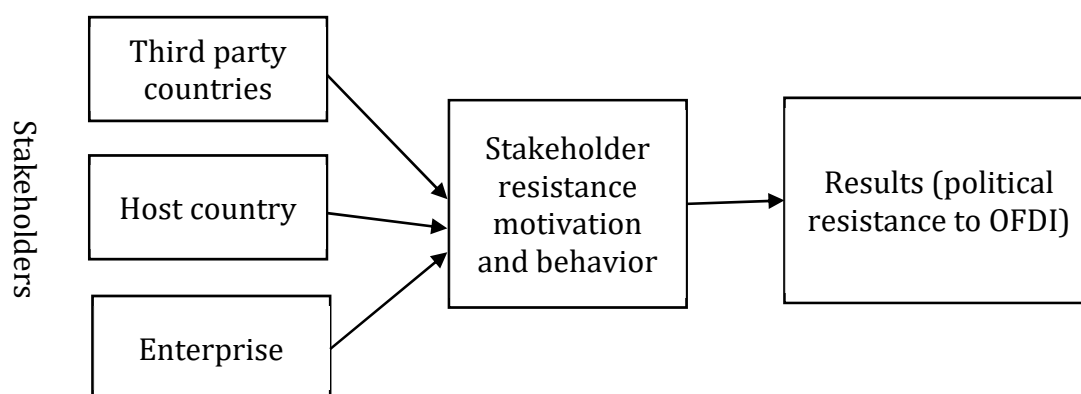


Figure 1. Research Framework

3. RESEARCH METHODS AND DESIGN

This paper adopts the method of multi case study, and follows Yin's suggestion, on the basis of forming the basic theoretical analysis framework, through multiple case data analysis, summarizes the political resistance mechanism of foreign direct investment from the perspective of stakeholder behavior. The multi case study method is mainly based on the following two considerations: First of all, the purpose of this study is to answer the questions of how stakeholders' behaviors affect the political resistance of overseas investment, and how. Therefore, it is appropriate to use the case study method. Secondly, because this study also needs to answer the question of what kind of political resistance the behavior of various stakeholders brings, there are few in-depth studies on this in the existing literature. Therefore, the multi case study method can be used to describe and analyze a specific phenomenon or problem, and reveal the complex mechanism behind the phenomenon.

3.1. Case

This study follows the principle of theoretical sampling, and selects six cases of China's foreign direct investment obstruction as the research object. The specific cases are shown in Table 1. The specific reasons for selecting these six cases are as follows: first, typicality. The six blocked cases are obvious examples of political resistance to China's overseas investment, with high degree of political sensitivity and vulnerable to the intervention of the host government and external forces. In addition, the cases of three developed countries and three developing countries are selected respectively, which are more representative and persuasive. Second, data accessibility. The six cases are major projects in the history of China's foreign direct investment, which have received more attention and reports from China and the outside world. The relevant data can be collected from authoritative websites, forums, media and other channels, and then the data can be sorted out, which has great feasibility and scientificity.

Table 1. Case Information

Host Country	Case Number	Concrete Content
Developed Country	A1	In 2005, CNOOC acquired Unocal Corporation of the United States
	A2	In 2009, Chinalco increased its stake in Australia's Rio Tinto
	A3	In 2011, Huawei acquired 3Leaf Systems
Developing Country	A4	In 2011, The Myitsone Hydropower Project invested and developed by China Power Investment Corporation in Myanmar
	A5	In 2014, Mexico withdrew China's winning high-speed rail project
	A6	In 2015, Colombo Port City Project of China Communications Construction Group Co., Ltd., Sri Lanka

Source: Collated by the author.

3.2. Data Collection and Analysis

3.2.1 Data Collection

The information in this study comes from secondary data. Yin pointed out that as long as publications are thoughtful, they can be used as materials for academic research. [14] Secondly, some domestic studies also use second-hand materials as analytical data. However, in order to ensure the authenticity, richness and comprehensiveness of the data, this research mainly collects data from two sources: internal file data and related external data. The internal archives of the enterprise include the official website of the enterprise and the online interviews of the relevant entrepreneurs and related persons by the media. The external data of the company includes the network platforms of the host country and domestic media, such as financial websites such as Phoenix.com, Sina.com, and China Business News; case analysis articles from academic websites such as CNKI, Xiaomi Academy and Baidu Academy. In addition, in the process of data collation, this research will also compare and confirm the relevant data between data sources to ensure the authenticity and objectivity of the data.

3.2.2 Data Analysis

This research mainly uses inductive analysis to extract keywords from a large amount of data, and then divides the dimensions and finds typical evidence in the relevant dimensions. Combining the research questions of this study, first, identify the stakeholders at three levels in six cases. Then, on the basis of the identification results of stakeholders, we will discuss the relationship between their motivations and behaviors and political resistance. Table 2 shows the stakeholders involved in the six cases.

Table 2. Stakeholder Information Table

OFDI		Specific Stakeholders		
Host country	Case Number	Third-party Country	Host country	Enterprise
United States	A1	-	Mainly the ruling party and the opposition party	Chevron Corporation
Australia	A2	England /America		BHP Billiton
United States	A3			Cisco
Myanmar	A4	United States		American / Japanese Enterprises
Mexico	A5	United States		Enterprises in Japan, Germany and other countries
Sri Lanka	A6	-		-

Source: Collated by the author.

4. CASE ANALYSIS

4.1. An Analysis of the Third National Level Stakeholders and Political Resistance

By sorting out and refining the data, this paper sums up the motivational behavior and political resistance of the third party countries, and extracts two dimensions. The results show that whether China's foreign direct investment countries are developed or developing countries, to a certain extent, it will lead to the third party countries' countermeasures.

In terms of motivation, the main motivation of the third party national stakeholders is to obtain the geopolitical interests of discourse power and political influence in the host country. Relevant data show that the third party countries regard the case project as a bargaining chip in geopolitical competition, and use it as a breakthrough to block and suppress China's foreign direct investment, so as to enhance its dominance in the host country.

In terms of behavior, there are mainly two ways for the international level's opposition stakeholders to take countermeasures: first, they participate behind the scenes and intervene in a more relaxed way. Generally, they take secret opposition actions in private. For example, when Chinalco increases its stake in Rio Tinto, Australia, Investors in BHP Billiton, a merger of British Billiton and another company, said they would provide financing if BHP launched a new round of acquisition of Rio Tinto; Second, path pressure is generally exerted on the host government through the media. For example, in the case of China Railway's bidding for Mexico's high-speed rail project, most of the negative reports about Chinese enterprises and people involved in the US media are in the majority.

In terms of results (political resistance), the intervention strategy of the third-party national stakeholders brings the risk of the host government's behavior preference change to the case project, which is mainly manifested in the host government's default. In case A2, because he was worried that the opposition would use its Chinese origin to discredit him, no matter what he really thought, in order to protect himself, Rudd had to make some moves to alienate China in order to get rid of himself and delay the review of large Chinese investment cases such as Chinalco.

4.2. An Analysis of Stakeholders and Political Resistance in the Host Country

The results in Table 2 above show that the source of political resistance of the case project is the political resistance of the ruling party and the opposition party.

In terms of motivation, the motivation of stakeholders in the host country level is mainly reflected in the following three aspects: first, to maintain national security, which mainly includes: preventing key technologies from being stolen by China and avoiding the background control of the Chinese government. For example, in cases A2 and A3, Chinalco was accused of "Chinese government control", while Huawei was accused of "military background". Second, in order to get political support, we should get public support in political elections. Third, economic benefits, mainly material compensation. For case A4, the immigrants involved in the development of myitsone hydropower station by China Electric Power hope to get more practical benefits.

In terms of behavior, the host country level stakeholders' boycott strategies mainly use the following ways: first, information strategy, through lobbying and mobilization, to publicize the negative information of Chinese enterprises. For example, in case A1, a total of 64 members of Congress participated in the lobbying against CNOOC's acquisition of Unocal. Second, path pressure. It means that the subject of action, with the help of media, propagates and hypes, and exerts pressure on the ruling party. In case A2, the opposition politicians set off a rare wave of

Chinese investment in the Australian political arena. With the help of the media, they wantonly publicized "the ambiguity between the labor government and China", forcing the ruling party to announce a strict review of Chinalco's increase in Rio Tinto shares.

In terms of results (political resistance), the politicized boycott strategy of stakeholders in the host country makes foreign direct investment projects fall into the resistance of political uncertainty events, which is embodied in the boycott of projects and the increase of uncertain political activities of enterprises and government default. The politicized boycott strategy puts the Chinese government and investment enterprises in opposition to the stakeholders of the host country, which leads to a series of political resistance. For example, in case A5, members of the opposition party of Mexico accused the government of favoring the team led by China Railway Construction in the bidding process, making them the only bidders. As the ruling party, in consideration of attracting voters to improve its support rate, it will unilaterally terminate the winning contract. In addition, in case A6, due to the close relationship between China and the regime of Mahinda Rajapaksa, after the change of government in Sri Lanka, the new government of maitripala silesena immediately announced the suspension and review of the Colombo port city project undertaken by China Communications Construction Group.

4.3. An Analysis of Stakeholders and Political Resistance at the Enterprise Level

It can be seen from table 2 that the political resistance of the case project comes from the antagonistic behavior of competitive enterprises.

In terms of motivation, the motivation of stakeholders in the enterprise level is mainly to obtain economic benefits, that is, to obtain competitive advantage and market share of the host country. In case A1, CNOOC's competitor Chevron's oil and gas reserves decreased in the first three years after the merger of Unocal, and its oil and gas production declined in the past three years when oil prices rose. The merger of Unocal will increase Chevron's oil and gas reserves by 16%.

In terms of behavior, this study found that the enterprise and project level opposition stakeholders mainly use stigmatization strategy and public relations strategy to compete with the case project investors. For example, in case A2, BHP Billiton has been using lobbying, media publicity, shareholder suggestions and other measures to interfere during the agreement between Chinalco and Rio Tinto. The public relations strategy is mainly to conduct high-level public relations for the government by employing lobbyists and political donations. For example, in case A1, according to the public information collected by the financial times, some US Congressmen have received more than 100000 US dollars of political donations from Chevron since 2002.

In terms of results (political resistance), the boycott behavior of stakeholders at the enterprise level makes the project deeply in the legitimacy crisis, which is embodied in two aspects: first, it reduces the weight of investment projects to be considered in the decision-making process of the host government, and the attitude of the host government to the case project begins to change. In other words, with the malicious obstruction of competitive enterprises, the host government reduces the test rate and the necessity of Chinese investment in the country. Second, people's support for investment projects has declined. The stigmatization strategy has seriously damaged the image of the project and the investor in the host country. As the negative information of the project is widely publicized, the support of the host country for the project drops rapidly. For example, in case A2, a public opinion survey in Australia shows that more than half of the people think that China should boycott the acquisition of Australian mining assets.

4.4. Conclusions

Generally speaking, when China's foreign direct investment involves politically sensitive investment, it is more likely to be intervened by third-party countries, especially the United States. In the above cases, whether the host country is a developed country or a developing country, there is a shadow of US intervention. In order to occupy the dominant and discourse power on the world stage, the United States has constantly suppressed the development of China's foreign direct investment. In addition, in the analysis of stakeholders at the host country level, the host government mainly resists China's foreign direct investment on the ground of "maintaining national security". At the same time, the political election support rate is also a major factor of political resistance to China's foreign investment. At the enterprise level, the main purpose of project competitors is to obtain economic benefits, competitive advantage and market share. The motivation is right, but malicious obstruction is wrong, forcing China's foreign direct investment enterprises to suffer political resistance.

5. SUGGESTIONS

5.1. Pay More Attention to Multi Stakeholders

There are many levels of stakeholders in the overseas investment of Chinese enterprises. Therefore, when analyzing the stakeholders of foreign direct investment projects, Chinese enterprises should not be limited to the host country and enterprise competitors, but also pay attention to the third-party national level stakeholders. In addition, Chinese enterprises should strengthen communication and contact with other stakeholders while pursuing the "top line" to go out.

5.2. Establishing the Thought and Organizational Structure of Multi Stakeholder Management

When Chinese enterprises make overseas investment, they should establish the idea of multi stakeholder management, understand and study the stakeholders in the East and pay attention to their interests. In addition, fixed positions and personnel can be set up at the top of the enterprise to undertake the responsibility of multi stakeholder management, analyze the interests and conflicts between these stakeholders and the investment behavior of the enterprise, and find the mechanism to solve the political resistance.

5.3. Political Strategic Intention of Weakening Investment

In the process of "going out", Chinese enterprises should emphasize the economy of the investment project, weaken the political strategic intention, and try to reduce the political association of the stakeholders to the investment, so as to avoid the investment project becoming the victim of the political wrestling among the stakeholders. Especially when it comes to investment in sensitive fields, China's "going out" enterprises should, on the premise of keeping state secrets and trade secrets, formulate publicity plans according to local conditions, connect with the government and the media through experienced and reputable public relations companies, regularly publicize the company's situation to the media, and show the investment project plans and plans of China's enterprises to all stakeholders Investment strategy and social contribution.

5.4. Changing the Way of Entering the Host Country's Market

Chinese enterprises can consider entering the host country's market by establishing joint ventures or cooperative operations with foreign enterprises, and try to let the stakeholders of the host country and the third party countries participate in the enterprise operation, so as to realize the dispersion of investment risk and political risk through the principle of the investors

sharing profits and losses and interests and risks. In this way, even in the event of major political risks, the joint support of multiple organizations can be obtained

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