

Analysis and Research on the Investment Risk of Chinese Enterprises in Southeast Asia

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Abstract: Under the background of one belt, one road, and the other overseas investment opportunities are introduced in this paper. Then, the risks of overseas investment are introduced from politics, economy and other aspects. It is stated that enterprises should pay attention to investment risks in Southeast Asia. Finally, the implementation of effective project risk management mechanism, risk early-warning mechanism and implementation of emergency management procedures will be implemented. The purpose of investment risk prevention and control is to provide suggestions for Chinese enterprises to invest in Southeast Asia and reduce investment risks.

1. Introduction

Since the reform and opening up in 1978, China has always adhered to the policy of “bringing in” and “going out”, continuously deepened reform, expanded the field of opening up, and improved internal and external linkage to achieve rapid economic development in China. The one belt, one road policy China's one belt, one road, is conducive to better use of international market and optimize its own development mode. While increasing capital, infrastructure and new technology, we should strengthen resources, energy and other high-tech industries. However, enterprises also have certain risks in foreign investment. Investment risk in Asia is of great significance.

2. One Belt, One Road, and the Opportunity for Overseas Investment

(1) Improve the investment and development opportunities of the channel and navigation enterprises along the line

One belt, one road, one belt, one road, the other countries along the road have responded positively to the speed of the national economic development. The speed of the “one belt” road transport has been actively responded to, and the railway construction has been greatly enhanced between the Southeast Asian countries and Eastern Europe. In addition, in the context of this strategy, the transport network of countries along the belt and road will develop towards the integration of land, sea and air. The transportation between countries will be more convenient and highly developed, which is also conducive to exchanges and trade cooperation between countries.

(2) Improve investment and development opportunities of infrastructure construction enterprises

Infrastructure construction enterprises are enterprises specialized in public supporting facilities for the construction of direct production departments and residents' lives, mainly including construction industry, energy facilities, equipment manufacturing industry, water facilities, communication facilities and infrastructure materials industry. In recent years, the domestic economic operation is relatively unsmooth, the development speed is slow, and the pressure of downstream industry is doubled, which leads to the huge reduction of industrial investment, and directly leads to the problems of small production capacity and overcapacity in China's infrastructure construction enterprises. Under the strategic background one belt, one road, our infrastructure construction enterprises can cooperate with the countries along the line to increase the order of enterprises, and sell the materials or products with excess capacity to the countries with demand, drive the economies of the neighboring countries, make up for their own shortcomings,

and speed up the development and investment of our enterprises.

(3) Improved investment opportunities for tourism and information industry development

First, one belt, one road, is being developed in the context of “the belt and road”. With the acceleration of globalization, the market opening degree of countries is deepening and trade exchanges are more frequent. Countries integrate their own tourism resources and develop modern tourism trade with tourism, commerce and cultural exchanges, attracting tourists and businessmen to travel and invest in other countries. Secondly, although the transportation construction of the trinity of land, sea and air has been greatly improved, instant communication is also very important and needs the support of network. Therefore, the investment opportunities of information industrialization industry are also large.

3. China's One Belt, One Road, Venture Investment Analysis of Southeast Asian Region

One belt, one road, China's enterprises will invest more and more in Southeast Asia. Foreign investment is a double-edged sword. While gaining abundant income, it may also hide risks. Therefore, Chinese enterprises should pay full attention to the risks faced in the process of investment in Southeast Asia. This paper will introduce the risk of overseas investment from three aspects: political, economic and other risks.

(1) Political risk

The stability of political environment is an important factor to judge the potential risks of investment countries. Compared with the other two kinds of risks, political risks will bring more economic losses. Because political risks will directly lead to the nationalization of foreign funds by the host country.

One belt, one road, most of the southeast China countries are developing countries, and the turbulence and replacement of the regime are the main factors that have plagued Southeast Asian countries. Although Thailand is a shining light, it still has frequent military coups. Burma has been in conflict with militias in various places in recent years, and Vietnam has been South because of its complicated internal changes and various forces. The north is in danger.

One belt, one road, one belt, one road along the southeast side, is located at the intersection of eastern and Western civilizations. There are more religious and ethnic conflicts. In addition, rampant terrorist forces in the countries along the border will also endanger the safety of the “one belt along the way” area.

(2) Economic risk

“One belt, one road” has a great difference in the system and political form of the southeast Road, and many countries in the political and economic transformation countries have serious trade protection. Some countries have cumbersome import and export procedures, too many documents need to be signed and verified, and it may take months to complete the formalities. China's “one belt, one road” is also a frequent competitor in China. Since 2019, the situation in Southeast Asia has become more complicated due to the in-depth trade protectionism adopted by the trump administration of the United States.

Along the “one belt, one road” along the southeast Road, some domestic financial systems are fragile, bad loans from state banks and large exchange rate fluctuations, which are apt to cause economic crisis and cause losses to investment enterprises in China. From 2010 to 2019, the exchange rate of Myanmar currency to us dollar will be from 5.36:1 to 1532.211:1, and that of Vietnam currency to us dollar will be from 19497.5:1 to 23205.0:1. The poor financial system and serious trade protection lead to the great potential risks in the investment of enterprises along the line.

(3) Other risks

China's investment in Southeast Asian countries is directly affected by the rule of law environment of the host country. If the country's legal system is relatively perfect, foreign investment will be more convenient. One belt, one road, Southeast Asia, and some other countries are imperfect in their legal system construction, mainly in financing, finance and regions.

4. One Belt, One Road, Investment Risk Prevention and Control Measures

(1) Establish effective project risk management mechanism

In terms of the audit of overseas investment projects, the relevant management departments should strengthen the supervision and decision-making. Without the audit and approval of the relevant government departments, the enterprise cannot sign the project documents containing binding conditions or carry out the project construction work at will. When the enterprise submits to Southeast Asian countries for investment project review, the regulatory department shall conduct in-depth study on the market situation of the host country, and conduct risk assessment on the project through the risk control department and the legal department. In addition, before investing in Southeast Asian countries, the enterprise's departments should clearly indicate their investment and risk management capabilities in the project application report, and on this basis, analyze the characteristics and risks of various projects, and effectively formulate standardized management strategies. According to the actual needs of the project, the project shall be classified according to the technical requirements, construction period, construction scale, investment amount, etc. According to the project level, the corresponding risk management mechanism shall be formulated, and the corresponding risk management team shall be allocated to realize the effective allocation of resources and promote the project investment to obtain the maximum income.

(2) Develop risk early warning mechanism

The project has passed the review of relevant departments. At the beginning of implementation, the enterprise should establish a risk early warning mechanism, establish a risk management account, and monitor and manage all kinds of risks that will occur. The collected risk problems shall be regularly sorted out and handed over to the government management department, so as to reduce the probability of loss caused by the untimely management. For all kinds of important risk problems, monitoring indicators should be set, monitoring mechanism should be well done, and corresponding measures should be selected to deal with the problems after finding, so as to avoid serious hazards.

(3) Implementation of emergency management procedures

The government's overseas investment management department must formulate contingency plans for various risks in combination with risk assessment, tracking and monitoring management mechanisms. Once the risk occurs, start the plan immediately to try to resolve the risk or minimize the loss. For the risk problems that are not in the risk emergency plan, each department should be organized to draw up, and then submit to the decision-making department for review and implementation. In order to ensure that the overseas investment management function can be fully implemented, the enterprise should establish a mechanism of illegal operation and accountability, and set penalties. If there is a serious accident, it can be transferred to the relevant judicial department for handling.

5. Conclusion

China's "one belt, one road" is a multi-national cooperation, symbolizing the road of hope and relying on the dual multilateral mechanism of China and the countries and regions along the border to carry out effective regional cooperation. It brings new opportunities for overseas investment enterprises and risks for Southeast Asian investment. In order to promote the new development of enterprises' going global investment, enterprises and relevant government agencies should improve risk management, early warning and emergency response mechanism, so as to have emergency plans to deal with risks, optimize China's industrial structure, and enhance the economic strength of the country and enterprises.

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