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## **NEW CHALLENGES FOR CHINESE COMPANIES ABROAD IN THE 21st CENTURY**

*Since the beginning of the 21st century, the international environment has become increasingly complex, and Chinese companies are facing many new challenges in the development of foreign countries, especially the arrival of the new crown epidemic disrupted the pace of world economic development. Chinese entrepreneurs help enterprises go further and further on the road of globalization from three aspects: core competitiveness of enterprises, global economy and governance, and international politics.*

**Keywords:** *21st century, Chinese enterprises, new challenges, core competitiveness, globalization*

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## **НОВЫЕ ВЫЗОВЫ ДЛЯ КИТАЙСКИХ КОМПАНИЙ ЗА РУБЕЖОМ В XXI в.**

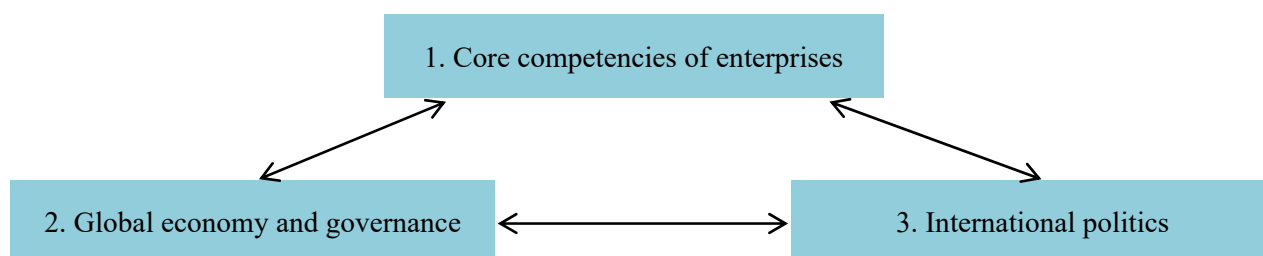
*С начала XXI в. международная среда становится все более сложной, и китайские компании сталкиваются со многими новыми проблемами в развитии зарубежных стран, особенно появление новой эпидемии короны нарушило темпы мирового экономического развития. Китайские предприниматели помогают предприятиям идти все дальше и дальше по пути глобализации по трем аспектам: основная конкурентоспособность предприятий, глобальная экономика и управление, а также международная политика.*

**Ключевые слова:** *XXI в., китайские предприятия, новые испытания, основная конкурентоспособность, глобализация*

With the continuous growth of the national economy and the increasing openness of the domestic economy, Chinese enterprises have gradually shifted their business strategies from domestic to international in order to seek larger markets, secure more resources and obtain more profits when they reach a certain stage of operation. Since China's accession to the WTO in 2001, the external investment environment has improved, and in recent years, the main mode of outward investment has been through overseas economic and trade cooperation zones. It is characterised by the fact that it is no longer simply a matter of mergers and acquisitions with large enterprises and large-scale resource development, but rather an opportunity for small and medium-sized enterprises to go global, so that they can go to sea in a group [1]. But opportunities and challenges often go hand in hand, and the reason for the rapid development at the beginning of the 21st century was policy financing support and a favourable external environment. Today, the global economic landscape continues to adjust, bilateral / multilateral / regional economic and trade rules are being reshaped, the political landscape between countries is intricate and complex, and the complexity of the environment is further exacerbated by the overlap of new crown epidemics, all of which have a significant impact on business operations. In addition, Chinese companies face the following challenges in the process of internationalisation: Firstly, the global economic downturn has compressed the space for international development: the rampant New Crown epidemic eventually led to a significant decline in the global economy, with the World Bank expecting global economic growth of –5.2 % in 2020 and the IMF's

forecast for global economic growth in 2020 revised downwards from –3 % to –4.9 %. The shutdown of production and trade disruptions brought about by the epidemic prevented an increase in production and supply through traditional fiscal and monetary policies, and the application of too many policy tools brought about inflation instead. China took the lead in eliminating the epidemic, the international market demand for our exports may be relatively stable, but the United States, the European Union, Japan and other developed countries focus on the development of the real economy, the domestic industrial chain is becoming more and more perfect, coupled with still maintain tariff pressure on China, China's trade surplus will show a downward trend, the international space for economic development will be greatly reduced. Second, the core competitiveness of enterprises going out is insufficient: all along, the core competitiveness of Chinese enterprises in global trade and division of labour is cheap labour and production factor costs. In recent years, with the development of the domestic economy, the cost of labour and factors of production in China has increased year by year, and China has gradually lost its competitive advantage compared with countries such as Vietnam and India. Since the outbreak, the world's reliance on China's exports of medical supplies has made developed countries realise the importance of having a well-developed industrial system in their own countries. In the aftermath of the epidemic, there has been a return of many key industrial production to Europe and the US, while trade protectionism has become more severe in order to restrict China's rapid development. Thirdly, there is a serious lack of advanced factors for Chinese companies themselves: firstly, it is more difficult for Chinese companies to finance their international operations. Chinese financial institutions are slow to develop abroad, and their network and scale are relatively small; at the same time, their level of overseas credit assessment, cash management and services is insufficient, making it difficult to provide overseas financing services for Chinese enterprises' international operations. Secondly, there is a shortage of international talent within enterprises. When conducting international business, Chinese enterprises generally show a lack of high-quality talents with an international perspective, which leads to more problems in the formulation of international development strategies and business management [2]. Finally, the ability to identify and respond to international business risks is weak. Unlike local operations, Chinese enterprises need to deal with business risks, political influences and changes in international relations under different systems at any time [3]. Fourthly, unlike domestic enterprises, outbound investment cooperation enterprises are located outside of China and are faced with the problems of unstable exchange rates and discounted income from abroad. In fact, it is the external business environment faced by outbound investment cooperation in the future that is getting worse. This is one of the biggest challenges.

In the face of new challenges, entrepreneurs can better think holistically based on the «Three Factors Model of Globalisation for Chinese Enterprises», which will help Chinese enterprises to move steadily on the road to globalisation.



Three Factors Model of Globalisation for Chinese Enterprises

#### 1. Core competencies of enterprises.

1) The ability to analyse and grasp the international landscape. Business operations are increasingly influenced by inter-state relations and have gone far beyond the purely technical and commercial

sphere, and must be prepared to face political and economic risks in addition to commercial ones [4]. The new wave of techno-nationalism that has emerged in recent years, for example, has seen some countries use state power to interfere with the normal development of technology and industry and to obstruct the development process of other countries on the grounds of generalised «national security» for the sake of their own interests. For example, the US has suppressed China in the semiconductor industry chain: the Chinese company Huawei has been prevented from purchasing production equipment or making overseas acquisitions, and its overseas supply chain has been cut off; at the same time, the US has led the establishment of a semiconductor industry alliance based on values. Companies in some frontier industries must have a global perspective, always pay attention to the changing international landscape countries, anticipate the various risks arising from political factors, and improve their risk resistance through self-research technology, diversified layout of supply chains and legal protection.

2) The ability to follow the technological revolution and carry out disruptive innovation. The core of the new technological revolution is information network technology, with digitalisation, networking and intelligence as the key development directions. 5G communication, cloud computing, artificial intelligence, Internet of Things, quantum communication and blockchain, which are closely related, have become hot spots. In addition, the fields of life sciences (genetic research, innovative drugs, smart medicine, etc.), clean energy (new energy, new materials, etc.) and air and space technology (flying vehicles, space stations, etc.) are also major battlegrounds in the technology race. Enterprises need to keep up with the mainstream technology development trend, choose the right direction, lay out in advance, better find new growth points and cut into new industries from the global trend of development in emerging technologies, such as information technology, low-carbon industries, new energy vehicles, etc.; on the other hand, traditional industries also need to be upgraded with the help of big data, the Internet, artificial intelligence, etc.

3) The ability to master international rules. Some countries and regions have set various new rules in specific areas and business operations, and companies preparing to enter the local market should pay close attention to them.

4) The ability to integrate across cultures. Companies must not only produce quality products, but also have the ability to deal with global customers. Some Chinese companies have relatively little experience in this area and are relatively weak, especially in terms of lack of professional talent. Companies should start preparing for and organising changes in different cultures, business models and investment environments at the early stage of conceiving international business, establishing international management processes, training international complex management talents and connecting to the world with the same international business language and system.

## 2. Global economy and governance.

Companies need to recognise the main changing trends in the global economic landscape, find the right direction for development, play to their strengths and make up for their weaknesses, and continuously improve their international competitiveness. Economic globalisation is the main trend, and the common crisis facing humanity requires the building of a community of human destiny, and enterprises have always been the promoters of economic globalisation. As countries become increasingly interconnected, all mankind faces numerous challenges: population growth is slowing down and ageing is intensifying; non-renewable resources are on the verge of depletion and the structure of energy supply and demand is changing; pollution control, green and low-carbon have become the mainstream of economic development in all countries; food security, health security, biosecurity, cyber security and other non-traditional security issues are becoming increasingly prominent. In the face of these challenges, China has always adhered to the common values of peace and development and promoted the building of a community of human destiny. Chinese companies should fully recognise this megatrend, gain a deeper understanding of the core concepts advocated by

the country, and develop strategies and conduct business accordingly. At the same time, global economic and governance rules are constantly changing, and companies need to pay close attention to new trends in rules. Some of these changes will have a significant impact on the global economic and trade landscape and the future development of enterprises.

### 3. International politics.

Good bilateral / multilateral relations between countries promote technological, industrial, economic and trade cooperation and facilitate the expansion of companies' international business. As China's global partnerships continue to develop, and visits by heads of state are often accompanied by the signing of important economic and trade cooperation agreements, it is important for companies to leverage the platform of national engagement to expand their business. The «Belt and Road» initiative, the opening up of China to the outside world and the implementation of the four comprehensive measures have played an important role in laying a good foundation for international business development. Chinese enterprises should take advantage of the country's growing international influence in the international market, actively explore the integration of the development concept of the Belt and Road Initiative with the strategic plans of countries along the route, take the initiative to dovetail, enhance the understanding and recognition between domestic enterprises and countries along the route, realise the integration of corporate culture with local regional culture, and promote the deep integration of enterprises with the international market. The company's culture will be integrated with the local regional culture and the international market.

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