

# China's Direct Investment in the Russian Soybean Market in the Context of Risk Management Strategy

Wang Yubo<sup>1</sup>

## Abstract

*This article is based on the multifaceted impact factors of China's direct foreign investment in the Russian soybean market, identifying potential risks encountered in the investment process, including political, economic, logistics and supply chain, socio-cultural, and environmental risks. On the basis of these risks, the paper proposes a comprehensive set of risk management measures, and validates the effectiveness and practicality of these risk mitigation strategies through the analysis of successful investment cases. Overall, the paper underscores the significance of comprehensive risk management for sustainable development, providing systematic and comprehensive risk management advice for Chinese enterprises engaged in direct investments in the Russian soybean market.*

**Keywords:** *China-Russia Investment, Russian Soybean Market, Fdi Risk Management, Sustainable Development, Case Study.*

## Introduction

As the most populous country in the world, China attaches great strategic importance to ensuring national security stability through adequate food supply. In this regard, as early as in the central document No. 1 of 2007, China defined the development of modern agriculture as the main theme and put forward a series of targeted policy measures, among which the "accelerated implementation of the 'going out' strategy in agriculture" was particularly emphasized (State Council of the Central Committee of the Communist Party of China, 2007). At the same time, Russia, as a large exporter of natural resources, possesses rich land resources suitable for agriculture. As Kuznetsova N.P. noted, resource-rich countries can receive rental income from the sale of their resources (Kuznetsova, 2011). In recent years, Russia has also been actively attracting foreign investment in the agricultural sector. Moreover, Russia, as an important country connecting Europe and Asia, has already become a key region for the implementation of China's Belt and Road Initiative, and represents one of the main targets of Chinese foreign investment and cooperation in agriculture, as well as one of the main countries where China seeks to diversify soybean imports. Especially after the trade war between China and the US, when supplies of agricultural products from major American producing countries to China were blocked, the strategic significance of Russia for China's implementation of the agricultural "going out" strategy has become even more prominent. At the same time, in recent years, agricultural trade has also been growing rapidly, especially imports from Russia. But as of 2022, Chinese investment inflows into Russian agriculture amounted to US\$ 38 million, accounting for only 2.3% of China's total foreign agricultural investment in 2022 (International Cooperation Department of the Ministry of Agriculture, 2023). Therefore, the data show that currently, Sino-Russian agricultural trade is mainly conducted in the form of trade, while direct investment is insufficient. In our previous study "Classification and Evaluation of Factors Affecting Chinese Foreign Direct Investment in the Russian Soybean Market", we have already analyzed a number of factors influencing Chinese direct investment in the Russian soybean market, covering six main aspects: politics, economy, agricultural technology, logistics infrastructure, socio-cultural differences, and environmental protection. They include the international political situation and political relations between China and Russia, Russian agricultural land, exchange rates, industrial policy and soybean export tariffs, agricultural labor force, China's demand for soybean imports, differences in agricultural technologies, logistics costs and the degree of logistics facilities perfection, socio-cultural differences between the two countries, and environmentally sustainable development. Thus, for a deeper study, it is necessary to consider the generalized risks based on the impact factors and propose appropriate management measures to provide Chinese enterprises with recommendations and suggestions for risk management of direct investments in the Russian soybean market. In addition, to better integrate theory

---

<sup>1</sup>postgraduate student, Faculty of Economics, St. Petersburg State University Russia, St. Petersburg.

with practice, this study will conduct interviews with the leadership of JSC "Legendagro Holding" (hereinafter referred to as "Legendagro") - one of the most successful Chinese companies making direct investments in the Russian soybean market. By studying the successful risk management experience of this company, we will be able to obtain more practical risk management measures from a business perspective.

## Literature Review

Regarding the country risks faced by foreign direct investment in agriculture, most Chinese scholars have reached a consensus through comprehensive studies that enterprises face political, legal, cultural and economic risks, etc. in the process of overseas investment, among which political risks are the main ones for Chinese enterprises engaging in foreign direct investment (Ye, 2018; Zhang, 2017; Shen, 2020; Shi, 2021). After 2011, the economic and market risks faced by foreign direct investment have increased significantly (Tai & Li, 2015). Since the agricultural industry is easily affected by the natural environment, when identifying the risks faced by foreign direct investment in agriculture, natural environment risks are included in the country risks, which are divided into three categories: socio-political, economic and natural (Wang, 2014). Hu Dianyi et al. (2018) and Wang Jingjing et al. (2018) developed a four-dimensional index system including political and legal environment, economic environment and openness to the outside world, infrastructure and public service environment, and agricultural production environment to evaluate the environment of Chinese foreign direct investment in agriculture. Yan Yifan et al. (2019) identified the country risks faced by Chinese foreign direct investments in agriculture from three perspectives: political risks, social risks, and agricultural environmental risks.

The article also uses the works of Russian researchers Kuznetsova N.P. (2023) on the role of resources in the economic growth of countries, Kuznetsova N.P. and Xie Wenkai (2023) on the importance of export credit insurance for the development of Russian exports. They provide the context of the researched problem from the perspective of Russia's resource potential and financial instruments for export support.

### *Materials and Methods*

This study employs a qualitative approach, utilizing theoretical frameworks, case studies, and interviews. The materials include policy documents, investment reports, and relevant academic literature. The study integrates several theories to propose comprehensive risk management measures: Strategic Alliance Theory for political and legal risks, Diversification Strategy for economic risks, Value Chain Analysis for logistical risks, Enterprise Risk Management (ERM) Theory for socio-cultural risks, and Corporate Social Responsibility (CSR) Theory for environmental risks. A case analysis of Legendagro Holding, a prominent Chinese company investing in the Russian soybean market, is conducted to examine their investment strategies and risk management practices. Interviews with key management provide practical insights, validating the proposed theoretical measures in a real-world context.

### *Risk Management of Factors of China's Foreign Direct Investment in The Russian Soybean Market*

#### *Identification Of Risks of China's Foreign Direct Investment in The Russian Soybean Market*

Risk management is the process of making and implementing management decisions that minimize the adverse impact on an organization or person of losses caused by random events (Chernova, Kuznetsova, et al., 2019). Based on the previous analysis of influencing factors in the fields of politics, economy, logistics, socio-cultural aspects, and environmental sustainability, we believe that China's direct investments in the Russian soybean market face potential risks in many areas, among which the main ones are:

- *Political Risks*

*International political situation and dynamics of bilateral relations.* Changes in the international political situation and bilateral relations may affect trade policy and investment climate, leading to uncertainty regarding the stability and predictability of investments.

- *Economic Risks*

*Exchange rate fluctuations:* changes in the ruble and yuan exchange rates will affect investment returns and costs.

*Market demand fluctuations:* changes in the global and regional economic situation may affect the demand and prices for soybeans.

- *Logistics and Supply Chain Risks*

*Transportation costs and efficiency:* fluctuations in logistics costs and supply chain disruptions can affect product profitability and delivery times.

*Infrastructure limitations:* insufficient development of logistics infrastructure may limit the efficiency of operations and market expansion.

- *Socio-cultural Risks*

*Cultural differences and adaptation:* management and employees need to adapt and respect differences in work and social culture.

*Level of acceptance by the local community and authorities:* it is necessary to gain the support of the local population and authorities to facilitate the successful implementation of projects.

- *Environmental Risks*

*Environmental regulations and standards:* stricter environmental protection requirements may increase operating costs or require additional investment.

*Environmental impact:* soybean cultivation and processing can impact local ecosystems.

In the context of the influence of technological factors, considering that risks in agricultural technology are relatively low, China has rich experience and technological advantages in soybean cultivation and processing. Long-term cooperation between China and Russia in agricultural science and technology, including the establishment of joint science and technology parks and laboratories, promotes the introduction of advanced Chinese varieties and technologies, further reducing technological risks. However, Chinese companies should consider the potential political risks associated with GMO soybeans, as Russia restricts the commercial cultivation of GMO crops. In addition, in the context of climate change, investments should be made in the resilience and adaptability of soybean varieties.

#### *Theoretical Foundations of Investment Risk Management*

Based on the generalized main risks above, it can be seen that they involve aspects such as politics, economy, logistics, socio-culture and environment. Therefore, the application of any single risk management theory is unlikely to effectively address all risks. A differentiated approach is needed - for different types of risks, corresponding different management theories should be proposed.

According to strategic alliance theory, enterprises can achieve optimal integration of resources through strategic alliances to enhance the competitive advantages of participating companies (Das & Teng, 2000). The formation of strategic alliances is based on a deep understanding of the characteristics of the resources of participating companies (such as incomplete mobility, non-reproducibility and irreplaceability of resources), as well as the effective use of these resources in the alliance. Based on the analysis of different types of resources (tangible and intangible) and alliance structures (such as joint ventures, minority alliances, bilateral and unilateral contractual alliances), a theoretical basis for risk management based on strategic

alliance resources has been proposed, aimed at joint development and value creation for both or all parties through complementarity and integration of resources (Yuan & Zhang, 2022). This theory can provide approaches to managing political risks, such as public-private partnerships and company alliances.

Diversification strategy is a strategy adopted by a firm to reduce risks and seek new growth opportunities by expanding its activities into new products or market segments (Rumelt, 1974). Understanding diversification strategy includes realizing that its goal is not only expansion, but also the distribution of company risks through investments in different business areas or markets, the use of existing resources and capabilities to create value in new areas, as well as improving the company's financial performance and competitive advantages through new business combinations. Diversification can be related, i.e., expansion into related areas of the existing business, or unrelated - entering completely new industries or markets. Proper implementation of a diversification strategy requires in-depth analysis of market opportunities, internal capabilities and potential risks. Diversification strategy is well suited for managing economic risks by creating a diversified investment portfolio and reducing risks.

M.E. Porter (1985) in his work "Competitive Advantage: Creating and Sustaining Superior Performance" (Chapter 3) presented a value chain analysis methodology - a framework approach to analyzing how a company's internal activities affect its cost structure and value proposition for customers, thereby creating competitive advantages. The value chain separates a company's activities into primary (production, marketing, sales, service) and support (procurement, technological development, human resource management, infrastructure) activities aimed at increasing efficiency, reducing costs or creating unique value by optimizing these activities. Porter emphasizes that through a detailed analysis of these activities, a company can identify potential opportunities for gaining competitive advantages, for example, through cost leadership or differentiation strategy. In the case of China's direct investments in the Russian soybean market, in addition to investments in production, it is also possible to achieve differentiated competitive advantages in the industry through investments in areas such as storage, logistics, and soybean processing.

Enterprise Risk Management (ERM) theory considers the integrated management of market, credit, operational and other types of risk, as well as methods for their quantitative assessment and transfer to improve the company's competitive advantages and create value (Nocco & Stulz, 2006). ERM emphasizes a holistic and strategic approach to risk management, not only financial or operational, but also covering broader categories such as socio-cultural risks. By identifying, quantifying risks, developing and implementing management strategies, integrating these strategies with the company's strategy, ERM helps companies adapt to socio-cultural differences, gain local support, thereby contributing to the success of projects and sustainable development.

Regarding environmental protection, corporate social responsibility (CSR) theory classifies CSR theories and corresponding methods into four broad groups: instrumental, political, integrated and ethical theories (Garriga & Melé, 2004). In particular, integrated theories focus on the role of companies in meeting the needs of society, while ethical theories are based on the ethical responsibility of companies to society. These theoretical frameworks provide a view of the relationship between business and society from different sides, emphasizing that along with economic benefits, companies must also consider their responsibility and impact on society.

#### *Risk Management Measures for China's Direct Investments in The Russian Soybean Market*

To maximize investment efficiency and achieve sustainable development goals of the soybean industry, comprehensive risk management is certainly necessary. Based on the generalized main risks and risk management theories above, we propose the following risk management measures:

- *Measures To Reduce Political Risks (Strategic Alliance Theory)*

*Assessment of political and legal risks:* in the context of the growing trends of deglobalization and regionalization of economies in recent years, the instability of government policies, changes in laws and regulations,

international sanctions and the dynamics of bilateral relations have an increasing impact on the security of investments and capital. Therefore, Chinese companies investing in Russia should regularly monitor the international political situation, the dynamics of political relations between China and Russia, changes in Russian laws and regulations regarding foreign investment, agricultural policy, trade barriers, etc., and assess the potential impact of these factors on investments.

*Establishing and maintaining government relations:* applying strategic alliance theory, establish partnerships with local companies or authorities to jointly respond to risks associated with policy changes. Such cooperation can increase the political legitimacy and stability of investment projects, reducing the negative impact of external political changes.

Measures to reduce economic risks (Enterprise risk management theory, diversification theory)

*Market research:* deeply study market demand dynamics, including supply and demand ratio, price fluctuations, competitive landscape, as well as changes in exchange rates to forecast future trends in the soybean market.

*Diversified investment strategy:* to distribute investment risks, soybean cultivation can be carried out in different regions to reduce the risks of natural disasters that may occur in any one region.

*Currency risk management:* use financial instruments such as futures contracts and options to hedge currency risks.

*Flexible financial planning:* adjust financial budgets and investment plans in accordance with changes in the market and economic situation.

Measures to reduce logistics-related risks (Diversification theory, value chain analysis theory)

*Multi-channel transportation:* create diversified logistics supply chains, including road, rail, sea transport and their combinations, which can reduce the risk of logistics disruptions.

*Creation of own warehouses and logistics fleet:* risks of fluctuations in logistics costs and infrastructure limitations can be managed using value chain analysis. It is necessary to deeply understand each link of the entire supply chain, identify the least efficient links and look for ways to optimize or find alternatives. For example, improving the logistics strategy or investing in key infrastructure can provide companies with greater control, cost-effectiveness and flexibility, reducing dependence on third-party service providers, which will ultimately increase competitiveness in the market.

Use of export credit insurance: according to studies by Kuznetsova N.P. and Xie Wenkai, export credit insurance played a significant role in stimulating trade growth and facilitating trade market diversification in the period 2016-2019. Export credit insurance not only contributes to the development of export trade by avoiding political risks and reducing export costs, but also corresponds to the strategic development implemented by various countries in accordance with their national conditions. Considering that China's direct investments in the Russian soybean market are strategic export-oriented investments, export credit insurance can be used to protect exporters, helping them distribute potential political and economic risks in the export process, reduce corporate costs, as well as strengthen trade trust between China and Russia, promote stable and sustainable trade development, stimulating the continuous independent economic growth of both countries.

Measures to reduce socio-cultural risks (Strategic alliance theory, enterprise risk management)

*Strengthening ties and cooperation with local authorities:* actively listen to and take into account the opinions of the government to ensure that the company's operational activities and development plans are consistent with the plans and goals of local authorities, establish good business-government relations.

*Establishing ties with the local population:* provide employment and training opportunities for local residents, which will contribute to increasing the company's economic contribution to the local community and its social status, as well as provide access to local labor resources. At the same time, the integration of local employees can contribute to the adaptation of Chinese workers to the local society.

*Participation and support of the local community:* actively participate in local community events and charitable projects to strengthen ties with the local population, improve the company's social image and its employees. Such a community can become a bridge of cultural exchange and mutual understanding, which will help the company gain recognition and support from society.

*Respect and adaptation to culture:* companies and their employees should respect local cultural traditions and values. At the same time, in its operational activities and management practices, the company must take into account the peculiarities of the local culture in order to avoid cultural conflicts.

*Creating effective mechanisms for complaints and feedback:* ensure that local residents and authorities have effective channels for expressing feedback and complaints regarding the company's activities, and respond to such feedback in a timely and appropriate manner. Such mechanisms will help resolve emerging problems in a timely manner, preventing the escalation of misunderstandings and conflicts.

Measures to reduce environmental risks (Corporate Social Responsibility (CSR) theory):

*Environmental impact assessment:* conduct an environmental impact assessment before launching a project to ensure compliance with environmental protection standards.

*Sustainability practices:* based on corporate social responsibility theory, apply improved agricultural technologies, reduce the use of fertilizers and pesticides, implement crop rotation to reduce the negative impact on the environment, which reflects the company's responsibility to society and nature.

#### *Case Study: Risk Management Experiences of Chinese Companies in the Russian Soybean Market*

Based on the multifaceted factors influencing China's direct foreign investments in the Russian soybean market, we have thoroughly examined the main risks associated with the investment process and proposed several theoretically grounded risk management measures. To gain a deeper understanding of the application and effectiveness of these measures in a real commercial environment, we conducted dialogues with enterprises. These interviews aim to verify the connections between theory and practice and to extract experiences on how these companies manage various risks in international investments. Through such empirical analysis, we aim to obtain more specific and practical insights into risk management, which will, in turn, facilitate well-informed decisions and measures for future Chinese direct foreign investments in the Russian soybean market.

#### *Interview Context*

Legendagro Holding, established in 2015 through the joint efforts of companies such as Beidahuang Group, Lenovo Holding Jiawo Group, Jiusan Group, and Zhiheng Group, is one of the largest and most successful Chinese companies investing in the Russian soybean and agricultural sectors. The company engages in the cultivation of agricultural crops, primarily soybeans, in the Russian Far East, as well as in the deep processing of oilseeds, agricultural product trading, logistics, and transshipment at seaports. In addition to selling rice in the domestic Russian market, soybeans and corn are exported to China and Japan, respectively. The project has been nominated for the "Foreign Investor" category of the "Far East Star" award (Ministry for the Development of the Russian Far East, 2021).

#### *Formulating Interview Questions*

Based on the previously discussed risks, we formulated the following questions. These questions are designed to deeply analyze how enterprises practically identify, assess, and respond to multifaceted risks

related to political, economic, logistical, socio-cultural, and environmental aspects, thus confirming the actual effectiveness and feasibility of the proposed risk management measures. After each question, an analysis of the connection between the question and the main risks is provided:

- How do you evaluate the current dominance of the trade form of Chinese investments in the Russian soybean market, mainly through purchases from Russian farmers rather than direct investments?

*Connection to risks:* Economic and political risks. The choice of trade over direct investment may reflect an assessment of current international political and economic policy risks.

- Did the company conduct relevant research on Russian agriculture at the initial investment stage? If so, what aspects were analyzed to assess the viability of the projects?
- *Connection to risks:* Economic risks, logistics and supply chain risks, environmental risks. Research could include market demand, logistics costs, environmental sustainability, etc., providing basic data for risk management.
- How do you ensure sufficient working capital for agricultural projects with large-scale investments?
- *Connection to risks:* Economic risks. Ensuring sufficient working capital is crucial to countering market demand fluctuations, exchange rate changes, and other economic risks.
- How did the company successfully integrate into the local environment while investing in the Russian soybean market? What measures were taken to mitigate risks associated with changes in the legal field, financial and state policies?
- *Connection to risks:* Political, economic, and socio-cultural risks. Understanding and adapting to local legal fields and cultures, and taking appropriate measures to reduce uncertainties related to policy changes.
- What storage and logistics solutions, as critical links in the agricultural production value chain, has the company found?
- *Connection to risks:* Logistics and supply chain risks. Effective logistics and storage solutions are crucial for ensuring timely deliveries and cost control.
- What management model does the company adhere to for ensuring the initial success of the project? What are the criteria for selecting Russian and Chinese personnel, and is there a division of roles between them?
- *Connection to risks:* Socio-cultural and economic risks. Management models and personnel selection criteria reflect the company's approach to adapting to cultural differences and economizing on labor costs.
- What are the company's plans for the further development of the soybean business in Russia?

- *Connection to risks:* Economic and environmental risks. Long-term planning involves forecasting market demand, aspects of environmental sustainability, demonstrating the company's strategy to adapt to potential future economic and environmental changes.

#### *Risk Management Measures in the Development Process of Legendagro Group*

I conducted an interview with Cao Jinliang, Deputy General Manager of Legendagro Holding, via video call and summarized the responses as follows:

- *Project Implementation and Execution:* From the outset, Legendagro formed professional legal, strategic investment, and international financial teams to ensure a deep understanding of the investment climate in Russian agriculture, environmental conditions, and relevant policies, as well as to develop an investment plan for creating a full production cycle in Russia. In the initial phase, shareholders provided not only financial support for establishing the production chain but also assistance in agricultural technologies, integrating political and commercial resources, and implementing local management.
- *Financial Risk Management:* In light of the ongoing impacts of the COVID-19 pandemic and the Ukrainian crisis in recent years, rising costs for pesticides, seeds, and customs duties have increased the company's operating expenses. Therefore, Legendagro actively collaborates with local financial institutions, obtaining unsecured loans from Rosselkhozbank and commercial banks in Primorsky Krai. Simultaneously, the company promotes the "bank + credit insurance" financial model with China Export & Credit Insurance Corporation (Sinasure) to address potential future funding shortages. Additionally, to protect shareholders' interests in foreign assets, the company insured its overseas investments with Sinasure. Moreover, to mitigate the impact of force majeure events such as natural disasters on agricultural production, the company acquired crop insurance, receiving subsidies from the Russian government.
- *Localization Strategy:* Ninety percent of the company's employees are local residents. Legendagro has developed a KPI system tailored to local conditions. Key positions are held by managers from China's Zhiheng Group with extensive experience in the Russian region and the former CEO of Russia's Sodruzhestvo Group, forming a mixed Chinese-Russian "sandwich" management model. The company also emphasizes the development of local talent, providing training and development opportunities, effectively enhancing labor productivity.
- *Securing Preferential Policies:* Initially, as a Chinese-capital enterprise, Legendagro faced the challenge of not being able to benefit from the preferences provided by Russian authorities to local companies, leading to increased initial operating costs. However, by forming a professional transnational management team and a legal group knowledgeable in local laws, the company ensured timely tax payments and prevented illegal activities, establishing effective communication with regulatory authorities and government bodies. Active participation in social obligations, including job creation, funding educational programs, and repairing kindergartens, allowed the company to build a positive image locally. As a result, Legendagro gained the trust of the local population and government, leading to several benefits, including agricultural sector subsidies, low-interest special loans, and accelerated tax refunds.
- *Building a Full Production Cycle for Soybeans:* In recent years, the company has not only acquired land for cultivating crops like soybeans but also invested in constructing storage facilities and purchasing transportation vehicles and railway wagons to organize its own logistics. This optimized logistics network reduces transportation costs and improves efficiency. The company's leadership believes



that the strategy of building a full production cycle enhances overall competitiveness and business sustainability by reducing operational uncertainty and external risks.

#### *Case Study Results: Lessons from Legendagro's Successful Investment Strategy in Agriculture*

At the macro level, Legendagro ensured stable project financing by cooperating with state and central enterprises through joint ventures for investments in Russian agriculture. At the micro level, the company effectively managed risks related to politics, economics, logistics, socio-cultural aspects, and environmental protection by forming a professional team, collaborating with local financial institutions, implementing a localization strategy for personnel, actively engaging with the government and community, and making comprehensive investments in production and logistics chains.

The study of Legendagro's successful investment in the Russian soybean market demonstrates that the risk management measures align precisely with theoretical propositions, especially in the following aspects:

*Political Risk Management:* Establishing and maintaining relationships with the government aligns with the practical value of Strategic Alliance Theory. By cooperating with the government, Legendagro effectively minimized political and legal risks, ensuring project stability.

*Economic Risk Management:* Financial risk management strategies, such as collaborating with local financial institutions and using financial instruments for hedging currency risks, align with Risk Management and Diversification theories, reducing market fluctuations and currency exchange impacts.

*Logistical Risk Management:* Creating diversified transportation channels and owning storage facilities demonstrate the practical application of Diversification Theory and Value Chain Analysis, optimizing the supply chain and enhancing logistics efficiency and cost control.

*Socio-Cultural Risk Management:* Strengthening ties with the local community and respecting local culture have proven effective in enhancing the company's acceptance and promoting cultural exchange and understanding, demonstrating the effectiveness of Strategic Alliance and Risk Management theories at the socio-cultural level.

*Environmental Risk Management:* Environmental impact assessments and sustainable development practices reflect Corporate Social Responsibility (CSR) Theory, emphasizing the importance of CSR in promoting environmental protection and sustainable agriculture.

## **Discussion**

The results align with previous studies on factors affecting Chinese investments in Russian agriculture. Identifying key risks in political, economic, logistical, socio-cultural, and environmental spheres allowed us to propose targeted risk management measures based on corresponding theories. The practical case of Legendagro confirmed the applicability of these measures and the importance of a comprehensive approach to risk management. Establishing connections with authorities and the community, localizing activities, optimizing the supply chain, and supporting sustainable development were particularly significant. This aligns with the conclusions of Strategic Alliance, Value Chain Analysis, Enterprise Risk Management, and Corporate Social Responsibility theories. This study expands the understanding of risks in Chinese investments in the Russian agricultural sector and offers practical recommendations for managing them. Its results will be useful for other Chinese companies planning investments in Russia and serve as a guideline for the Russian side in improving the investment climate and attracting foreign capital in agriculture. However, the study has some limitations. It focuses on the soybean market and the experience of one exemplary company. For a more complete picture, future analysis should expand to other agricultural sectors and company cases. Additionally, the rapidly changing geopolitical and economic situation may require further study of new risk factors.

## Conclusion

The study shows that risk management is a key factor for the successful direct foreign investments of China in Russian agriculture. We identified several potential political, economic, logistical, socio-cultural, and environmental risks and proposed a comprehensive approach to managing them based on corresponding theories.

The analysis of Legendagro's successful investment in Russian agriculture confirmed the effectiveness and practical applicability of these multifaceted risk management measures. Key factors include thorough pre-investment assessment, interaction with authorities and the community, diversification of activities, supply chain optimization, and the implementation of sustainable development practices.

Thus, this study not only expanded the understanding of diverse risks in China's direct foreign investments in the Russian soybean market and corresponding response measures but also, through combining theory with practical examples, proposed risk management strategies of significant theoretical and practical value. This work provides valuable ideas and practical risk management tools for decision-makers and practitioners investing in Russian agriculture. Moreover, these strategies could serve as a new model for sustainable cooperation between China and Russia in agricultural investments.

## Acknowledgements

The authors would like to express their gratitude to the management of Legendagro Holding, especially Deputy General Manager Cao Jinliang, for the valuable information and comments provided during the interview, which significantly enriched the practical part of this study.

## References

- Chernova, G.V., Kuznetsova, N.P. et al. (2019). Insurance and Risk Management: A Textbook for Bachelors, 2nd ed., rev. and add., URAIT, Moscow, 767 p. (In Russian)
- Das, T. K., & Teng, B. S. (2000). Resource-based theory of strategic alliances. *Journal of Management*, 26(1), 31-61. doi:10.1016/s0149-2063(99)00037-9.
- Garriga, E., & Melé, D. (2004). Corporate social responsibility theories: Mapping the territory. *Journal of Business Ethics*, 53, 51-71.
- Hu, D., Li, H., Wang, J., et al. (2018). Research on the Evaluation of ASEAN Agricultural Investment Environment Based on Entropy Weight TOPSIS Method. *World Agriculture*, (10), 60-68. (In Chinese)
- International Cooperation Department of the Ministry of Agriculture. (2023). "Analytical Report on Chinese Foreign Investment and Cooperation in Agriculture (2022)" p. 112. (In Chinese)
- Kuznetsova, N. P. (2011). The economic growth in small and large economies. *University Scientific Journal*, (1), 122-136. (In Russian)
- Kuznetsova, N. P., Pisarenko, Zh. V., & Nguyen, K. T. (2023). State institutions of export credit insurance: innovations in trade cooperation between the Russian Federation and the People's Republic of China. In the innovative paradigm of economic management mechanisms (pp. 286-287). (In Russian)
- Ministry for the Development of the Russian Far East. (2021). The participant of the "Star of the Far East" award invested more than 1 billion rubles in the development of an agricultural holding in Primorye in 2019-2021. URL: <https://minvr.gov.ru/press-center/news/uchastnik-premii-zvezda-dalnego-vostoka-investiroval-v-2019-2021-g-bolee-1-mlrd-rub-v-razvitie-agrokh-32779/> [Accessed 6 Jun. 2024] (In Russian)
- Nocco, B. W., & Stulz, R. M. (2006). Enterprise risk management: Theory and practice. *Journal of Applied Corporate Finance*, 18(4), 8-20.
- Porter, M. E. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. NY: Free Press.
- Rumelt, R. P. (1974). *Strategy, Structure, and Economic Performance*. Division of Research, Graduate School of Business Administration, Harvard University. <https://books.google.ru/books?id=f1WqAAAAIAAJ>
- Shen, H. (2020). Research on the Risk of Chinese Enterprises' Foreign Investment under 'the Belt and Road' Initiative. *National Circulation Economy*, (9), 24-25. (In Chinese)
- Shi, Y. (2021). Research on China's Foreign Investment Risks and Avoidance Strategies under the "Belt and Road" Initiative. *Shangxun*, (3), 93-94. (In Chinese)
- State Council of the Central Committee of the Communist Party of China (2007). Document No. 1 of 2007. [www.gov.cn](http://www.gov.cn). Available at: [https://www.gov.cn/jrzq/2007-01/29/content\\_511971.htm](https://www.gov.cn/jrzq/2007-01/29/content_511971.htm) [Accessed 6 Jun. 2024] (In Chinese).
- Tai, P. & Li, J. (2015). Construction of China's Foreign Direct Investment Risk Prevention System under the New Open Economy System. *Asia-Pacific Economic Review*, (4), 122-127. (In Chinese)
- Wang, H. (2014). *National Economic Risks of China's Outward Foreign Direct Investment*. China Economic Publishing House, Beijing, 79-110. (In Chinese)

- Wang, J., Ma, H., Tang, H., et al. (2018). Evaluation of China's Foreign Agricultural Investment Environment Based on BP Neural Network. *East China Economic Management*, 32(6), 85-90. (In Chinese)
- Xie Wenkai, Kuznetsova Nataliya P., & Toan Nguen K. (2023). Role of export credit insurance and the development of Russian export trade. *Finance: Theory and Practice*, 27(1), 174-184.
- Yan, Y., Zheng, T., Liu, N., Li, Y. & Han, Y. Research on Risk Identification and Influence of China's Agricultural Foreign Investment Countries. *China Agricultural Resources and Regional Planning*. (In Chinese)
- Ye, P. (2018). Research on Risk Prevention and Control of China's Direct Investment in Southeast Asia under the Background of "Belt and Road". Party School of the CPC Shanghai Municipal Committee. (In Chinese)
- Yuan, Linlin & Zhang Guoli. (2022). Chinese investments in Russian agriculture in the context of "One Belt, One Road": background, results, challenges and strategies. *Foreign Economic Trade Practice*, (05), 77-80. doi: CNKI: SUN: DWJW.0.2022-05-016. (In Chinese)
- Zhang, M. (2017). Analysis of Investment Risks in ASEAN Countries under the Background of "Belt and Road". Nanjing University of Information Science & Technology. (In Chinese)