

Research on the Prevention of Legal Risks in Labor Relations of Chinese Enterprises Going Global: A Case Study of BYD in Brazil

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Abstract. With the advancement of the Belt and Road Initiative and the continuous expansion of China's outward investment scale, geopolitical conflicts, differences in labor systems across countries, and unilateral labor legislation in Europe and the United States have made legal risks in labor relations a prominent challenge for Chinese enterprises going global. Major economies worldwide have made different efforts in the development of labor relations. On this basis, this paper takes the BYD labor lawsuit in Brazil as a typical case of labor relation risks faced by Chinese overseas enterprises. By analyzing the manifestations and causes of labor risks, it proposes a "three-dimensional integrated" analytical framework covering the host country level, international standard level and enterprise life cycle level. This paper discusses the hierarchical prevention and control system and compliance system for Chinese enterprises going global, provides practical governance solutions for Chinese overseas enterprises to systematically resolve legal risks of transnational labor relations, and actively promotes the improvement of risk resistance capacity of labor relations for Chinese enterprises.

Keywords: enterprises going global, Brazil, labor relation risks, "three-dimensional integrated" analytical framework

1. Introduction: what are labor relation risks

Since the 18th National Congress of the Communist Party of China, China has advanced high-level opening-up based on the Belt and Road Initiative. The Asian Infrastructure Investment Bank and the Shanghai Cooperation Organization provide financial support for overseas investment, and the scale of foreign economic and trade keeps growing. In 2025, China's outward direct investment in all industries reached 1,245.58 billion yuan, up 7.4% year on year; in November of the same year, the trade surplus in goods hit 1.07 trillion US dollars, an increase of 8.6% year on year, showing a strong momentum of outward investment and international trade. As overseas projects of Chinese enterprises enter the operation phase, cross-border labor relation contradictions keep emerging. Labor-capital conflicts break out frequently in many overseas regions: violent conflicts occurred in Indonesia when local authorities rectified labor issues of Chinese enterprises [1], and labor

infringement accusations against Chinese enterprises were reported successively in the Congo and Zimbabwe. Meanwhile, the United States and Europe have rolled out a number of unilateral bills, setting up barriers against China through forced labor-related legislation and Section 301 trade investigations, and using labor standards as a tool to suppress Chinese enterprises. Legal risks in labor relations have become a core hidden danger for enterprises going global.

The Outline of the 15th Five-Year Plan clearly predicts that Chinese enterprises going global will continue to face multiple external challenges such as geopolitics, labor compliance and intellectual property rights in the future, and the market demand for professional overseas compliance services will rise significantly. Against this background, it is an inevitable requirement for China's high-quality outward development for overseas enterprises to establish the concept of compliant operation, conduct regular inspections of legal risks in foreign-related employment, and adhere to honest and standardized operation.

This paper aims to explore the governance and risk prevention of labor relations in host countries where Chinese-funded enterprises invest. Specifically, it studies the overall characteristics and trends of labor relations in major economies, the specific risks and causes in the host country of investment, the factors affecting labor relation risks in the host country, the risks brought by international factors, and the risks faced by enterprises throughout their life cycle. It also discusses how enterprises respond to and manage challenges and risks, and how to form governance policies that conform to local labor relations while adopting Chinese-style mediation forms to build a bridge for transnational management.

2. Manifestations and causes of labor relation risks in the BYD case in Brazil

2.1. Manifestations of labor relation risks in the BYD case in Brazil

According to public information released by the Brazilian Ministry of Labor and Employment, serious "slave-like labor" allegations were exposed at the construction site of BYD's Camacari factory, where 163 Chinese migrant workers suffered systematic exploitation. The Labor Public Prosecutor's Office verified that the contractor illegally seized workers' passports and charged a deposit of nearly 900 US dollars refundable only after six months of service; workers could only receive 40% of their wages, and 60% of their pay was withheld and issued in RMB, making it hard for them to make a living locally. Resignation requires payment of high liquidated damages, and such debt bondage is recognized as forced labor. Meanwhile, there are problems such as false employment, poor accommodation hygiene and failed safety regulations, and some workers suffered physical violence. The involved personnel are identified as victims of human trafficking. The procuratorial organ filed a lawsuit against BYD and its cooperative contractors, claiming 257 million reais (about 45 million US dollars). In April 2026, BYD was briefly added to Brazil's blacklist of enterprises involved in slave labor, and was removed from the list within three days based on the ruling that workers were not directly employed and there was no employment subordination. The enterprise has not made any public response so far. This incident violates Brazilian labor law and international labor standards, bringing multiple losses such as work stoppage, huge compensation, trade restrictions and market access barriers.

2.2. Causes of labor relation risks in the BYD case in Brazil

The contradiction in this case is a concentrated manifestation of weak supply chain compliance and improper cross-cultural management under the dual pressure of geopolitics and international labor

standards. The deep-seated causes fall into four aspects.

First, there is a lack of penetration supervision mechanism for subcontractors. All infringement acts are committed by contractors, but the determination of labor relations follows the factual subordination standard, and outsourcing contracts cannot exempt the contract-giving party from liability. BYD failed to verify that the contractor used outsourcing to cover up factual employment, indulged illegal acts such as document seizure and salary deduction, and lacked a risk isolation mechanism, thus finally bearing joint and several civil and criminal litigation liabilities.

Second, cross-cultural differences breed hidden risks to brand reputation and geopolitics. Cultural and language barriers between China and Brazil make routine management measures of the Chinese side regarded as excessive infringement of workers' personality rights under the Brazilian legal system, which can easily be interpreted as clues of forced labor. Even if the acts are not substantially illegal, local media and procuratorial organs will hype up human rights issues. Brazilian society attaches great importance to decent work, and negative public opinion will erode corporate credibility, cause employee turnover and collective protests, and form long-term operational hidden dangers.

Third, improper crisis handling can easily trigger group conflicts. If enterprises take radical measures such as terminating cooperation and large-scale layoffs in response to fines and work stoppages, it will directly threaten the livelihood of workers. Brazilian labor laws set strict requirements on dismissal compensation and social security. Unnegotiated personnel adjustments will trigger strikes and demonstrations; if enterprises cut costs by lowering labor standards, they will touch the statutory labor benchmark, forming a vicious circle of "risk response - cost rise - business decline - increased violations". Simple employment disputes will escalate into social events disrupting public order, trapping enterprises in long-term litigation and reputation crises.

Fourth, geopolitical games politicize labor disputes. Brazil caters to Western regulatory demands on China through labor reviews, elevating a single employment dispute to a human rights issue, which aligns with the trend of instrumentalizing global labor standards. Local supervision refers to US forced labor-related bills, presets risks for Chinese enterprises in project approval and government procurement, and exerts pressure through multiple means including public opinion, work stoppage, claims and trade restrictions. Such risks have a wide impact and cause severe damage, which cannot be resolved by enterprises alone. National diplomatic intervention and industry coordination are required to contain the deterioration of the situation.

3. Multi-dimensional factor framework for legal risks of labor relations of Chinese enterprises going global

The risk prevention and control of labor relations for Chinese enterprises going global is no longer a single legal compliance issue, but has evolved into a systematic project integrating "rigid constraints of host country laws, value orientation of international standards, and dynamic supervision over the enterprise life cycle". This framework requires enterprises to break away from the old mindset of "passive response", build a whole-chain governance system from source preset to process resilience and then to exit closed loop, and turn legal risks into global competitiveness.

3.1. Risk dimension 1: legal environment and local social structure of the host country

3.1.1. Host country legal environment

The legal and social structure of the host country is the primary risk dimension for Chinese enterprises going global. Labor legal systems vary greatly among countries. Some developing countries face policy fluctuations and tightened foreign investment review; Chinese enterprises are unfamiliar with local employment rules, and their management concepts conflict with local customs, which easily leads to compliance hidden dangers in salary, working hours, trade union communication and other aspects. For example, trade unions have great influence in some countries, and ineffective communication will increase cooperation risks with trade unions [2]. Institutional distance exerts a profound impact on transnational operation: formal institutional distance inhibits overseas operation in the short term but brings benefits in the long term; informal distance such as cultural distance seems favorable in the short term, but will create estrangement in the long run, hindering resource allocation and reducing operational efficiency. Meanwhile, the soundness of the host country's system determines the space for enterprise internationalization. A sound legal system can hedge trade frictions and support overseas layout, while a weak system will continuously raise barriers to investment and employment [3].

3.1.2. Labor-capital game

The core of labor-capital conflicts in Latin America and Africa lies in the dual role of trade unions. On one hand, trade unions are the statutory carrier for protecting workers' rights and interests, and most strict local labor laws are promoted by them, resulting in extremely high dismissal costs in countries like Brazil. On the other hand, trade unions are vulnerable to political manipulation, and strikes easily escalate into political events and disrupt social order. Public opinion often regards trade unions as factors of social instability [4]. The British press framed trade unions as "economic obstacles" and "sources of social chaos" in the 1960s and 1970s, and this negative narrative logic also exists in Latin America, where trade unions are often accused of sacrificing the interests of other groups for their own benefit.

Chinese enterprises lack experience in dealing with such situations. Relevant surveys show that most Chinese overseas enterprises underestimate labor-capital games, lack experience in coping with radical trade unions, and often adopt extensive informal management that intensifies contradictions [5]. In Brazil, European immigrants historically spread the concept of rights through strikes and uprisings, and most trade union leaders are descendants of immigrants. This radical tradition continues to this day, exposing Chinese enterprises to huge risks of collective labor disputes.

3.1.3. Local social structure conflicts

Local social structure conflicts root in cultural estrangement and trust deficit. Overseas Chinese enterprises often face suspicion from the host country due to their Chinese background, suffering from the "liability of foreignness" with insufficient legitimacy and rising operating costs [3]. In Latin America, resource nationalization policies and resource nationalist tendencies expose Chinese enterprises to direct or indirect expropriation risks in investments in lithium mines, copper industry and other fields, with no access to effective compensation claims.

Most Chinese enterprises only fulfill social responsibilities through charity, which fails to ease employee dissatisfaction. Brazilian society has a fragile structure due to racial and immigration contradictions. If Chinese enterprises cannot deeply integrate into the local society, they are easily labeled as neo-colonialists and encounter community resistance. Once labor, environmental and other problems break out, local governments tend to side with protesting people, and enterprises lose the social license necessary for operation, further intensifying contradictions.

3.2. Risk dimension 2: value orientation of international labor standards

3.2.1. Domestic absence of international convention implementation

There is a gap in the domestic transformation of international conventions. Although Brazil has ratified the core ILO conventions, domestic laws take precedence in judicial adjudication. Its criminal law only defines restriction of personal freedom as forced labor, with a narrower scope than ILO Convention No. 29. The BYD case reflects this institutional defect. Local courts will not directly apply international labor standards, but make judgments based on local legal provisions, which causes difficulties in the implementation of international rules and increases the uncertainty of legal application for Chinese enterprises [6].

3.2.2. Spillover effects of European and American legislation

In terms of trade regulations, Section 307 of the US Tariff Act of 1930 stipulates that all goods mined, produced or manufactured in foreign countries, in whole or in part, with convict labor, forced labor or indentured labor subject to criminal punishment, shall be denied entry into the United States. Upon notification, US Customs and Border Protection (CBP) may issue a Withhold Release Order (WRO) if there is "reasonable but not conclusive" evidence that the goods are produced by forced labor.

In addition, unilateral legislation in Europe and the United States produces a strong spillover effect. The US Tariff Act prohibits the entry of products made with forced labor, and customs can detain relevant goods based on preliminary evidence; the EU has added the power to initiate countervailing investigations independently and expanded the scope of trade control [7]. The long-arm jurisdiction formed by forced labor-related legislation in the United States and Europe has a profound impact on Brazilian justice. To avoid sanctions on their export commodities by Europe and the United States, Brazilian courts tend to refer to European and American forced labor identification standards in adjudication. This distorts the logic of Brazil's local labor law, not only impacts the country's original regulatory system, but also hinders the process of building independent labor standards based on the Global South, significantly increasing the employment compliance and judicial risks for Chinese enterprises in Brazil.

3.3. Risk dimension 3: full life cycle compliance of overseas enterprises

There are multiple invisible barriers in the investment access stage. Relying on various non-tariff measures, Brazil has built industrial chain-wide barriers, and electric vehicle tariffs have been continuously raised, pushing up the operating costs of foreign capital and sending signals of local industrial protection. Meanwhile, influenced by the multilateralization of foreign investment security review promoted by the United States, Brazil has tightened investment review in key minerals and supply chains from China [8]. Under the pressure of the US Minerals Security

Partnership framework, China-Brazil resource cooperation is restricted, and the uncertainty of foreign investment access has increased significantly.

Compliance pressure is prominently concentrated in the operation and construction stage. The core hidden danger is the lack of penetration supervision over subcontractors' employment by enterprises. Labor relations are determined by factual subordination, and outsourcing cannot exempt liability. Violations by contractors such as passport seizure and salary deduction will directly hold the lead enterprise accountable and drag it into civil and criminal litigation. Secondly, there are hidden cross-cultural ethical risks. Differences in Chinese and foreign management concepts can easily make Chinese management measures interpreted as forced labor, which escalates into human rights political issues through media hype and damages brand reputation. In addition, when enterprises make strategic adjustments such as layoffs and cooperation termination in response to crises, lack of full consultation can easily trigger strikes and demonstrations; if enterprises lower labor standards to cut costs, they will break local labor benchmarks, forming a vicious circle of rising risks, costs and violations, and turning a single employment dispute into a social event disrupting public order.

The stage of strategic adjustment and exit faces comprehensive liability liquidation. With the continuous improvement of business and human rights rules, responsible exit has become a soft international norm, and enterprises must complete human rights due diligence before withdrawing from a market. Taking BYD's Brazil project as an example, if the enterprise withdraws, it needs to bear multiple responsibilities such as labor resettlement, environmental restoration and supply chain legacy issues at the same time. International investment arbitration practice shows that the host country can file counterclaims for environmental damage, and the relevant compensation liability is no longer limited to commercial contracts, but extends to human rights fields such as labor and environment, which significantly increases the compliance and compensation costs for enterprises in the exit stage.

4. Constructing an institutional system for preventing legal risks in labor relations

4.1. Building a "culture-law" dual-track integrated cross-cultural compliance capability

To avoid the risk that Chinese management measures are identified as human rights violations or forced labor by local authorities due to cultural differences, enterprises cannot only abide by legal provisions, but need to build a dual-track compliance system integrating culture and law. In the pre-investment stage, enterprises should conduct research with the idea of legal anthropology, figure out the local cultural bottom line on decent work and human dignity, especially in regions with radical trade unions in Latin America and Africa, draw a clear line between legitimate management and slavery-style control in local perception, and reduce cultural misunderstanding and politicized accusations from the source. Regular special training should be carried out for Chinese and foreign management personnel to distinguish between legal compliance and social recognition. Routine domestic measures such as closed management and strict monitoring are vulnerable to accountability by human rights organizations, so management decisions should take into account both legality and local acceptance. A compliance team composed of local lawyers and communication specialists should be set up, with pre-review and one-vote veto power over employment, subcontracting and on-site management decisions, to double filter legal and cultural risks, block the transmission of subcontractors' employment violations to the parent company, and avoid civil and criminal litigation, mass incidents and brand crises.

4.2. Establishing a dynamic labor compliance mechanism covering the whole life cycle of "investment-operation-exit"

In response to differentiated employment risks at different development stages of enterprises, a whole-chain compliance governance system should be established. In the investment access stage, comprehensive due diligence on local labor laws and regulations should be conducted, trade union influence, informal employment and geopolitical policy barriers should be assessed, and access restrictions such as Brazil's tariffs and foreign investment review should be studied and judged. In the operation stage, an internal labor benchmark list should be formulated in line with local laws and international standards, with focus on improving penetration supervision over subcontractors, and eliminating the vicious circle of risks caused by cutting labor standards for profit. In the exit stage, a responsible exit plan should be formulated in advance, labor resettlement, environmental restoration and supply chain legacy responsibilities should be fulfilled, and strikes and demonstrations caused by hasty layoffs and cooperation termination should be avoided, so as to prevent single employment disputes from escalating into public security incidents and hedge the dual constraints of host country laws and international labor standards.

4.3. Establishing a "penetrating" supervision system for supply chain labor compliance

To address the problem that outsourcing covers up factual labor relations and the parent company bears joint and several liabilities, whole-chain management and control should be improved. Labor compliance and joint liability clauses should be included in subcontracting contracts to isolate the illegal costs of contractors; full-time overseas labor compliance officers should be appointed to spot-check key links such as contracts, salaries and passport management, substantively verify the employment subordination of workers, and identify false outsourcing. Third-party institutions should be introduced to conduct irregular unannounced audits. Enterprises shall not exempt themselves from employment supervision obligations on the grounds of business division, and take the initiative to manage labor risks throughout the supply chain.

4.4. China's active participation in international labor standard governance to hedge the pressure of "long-arm jurisdiction" from European and American legislation

Forced labor-related legislation in the United States and Europe has generated judicial spillover, forcing countries like Brazil to adjust their adjudication standards and increasing compliance pressure on Chinese enterprises. Relying on the Belt and Road Initiative, China builds a dialogue platform for labor standards among developing countries, formulates labor governance solutions adapted to the Global South, and solves the problem of poor adaptation of international conventions to local conditions. China will deepen cooperation with the ILO and showcase compliance practices such as occupational safety and skills training; establish a rapid response and evidence collection mechanism to deal with the combined attacks of European and American public opinion, work stoppages and trade sanctions, and reduce the vulnerability of supply chain compliance.

4.5. Establishing an emergency response and liability liquidation mechanism for overseas labor risks

To address the chain risks of strikes and litigation caused by layoffs and site withdrawal, the emergency response and liquidation system should be improved. Emergency plans for overseas

labor emergencies should be issued to standardize the procedures of work stoppage, personnel repatriation, public opinion response and legal aid, and avoid large-scale protests caused by unilateral employment adjustments. A special risk fund should be set up to cover emergency expenses such as fines, resettlement and environmental restoration, breaking the cycle of rising risks and increasing violations. Before exiting the market, enterprises should conduct human rights and labor impact assessments, strictly implement the requirements of responsible exit, take the initiative to negotiate resettlement plans with local governments, clarify labor and environmental liquidation responsibilities, and prevent the host country from filing counterclaims in international arbitration.

4.6. Introducing a mediation mechanism with Chinese characteristics in the host country

Drawing on domestic labor mediation experience, internal labor dispute mediation committees should be set up in overseas enterprises to quickly handle disputes over salaries, outsourcing and work injuries, and form a "prevention-mediation-arbitration" closed loop in connection with local laws. Enterprises should take the initiative to cooperate with local trade unions to build a regular labor-capital consultation platform, resolve cultural cognitive differences through communication, and reduce accusations related to forced labor. Third-party forces such as communities and NGOs should be introduced to build a grassroots dispute resolution network, resolve labor contradictions in advance, form localized institutional innovations suitable for overseas Chinese enterprises, and continuously reduce the legal risks of transnational labor relations.

5. Conclusion

Chinese enterprises going global face labor compliance challenges throughout their life cycle, with the core lying in the lack of subcontractor supervision and cross-cultural cognitive conflicts. Violations by contractors can easily lead to joint and several liability of the parent company, while domestic management methods are easily misinterpreted as forced labor, resulting in brand crises. The "long-arm jurisdiction" of Europe and the United States has intensified the spillover of judicial standards in host countries, turning single disputes into human rights political issues. To this end, enterprises need to build a "culture-law" dual-track compliance system, implement penetrating supervision over the supply chain, and include compliance clauses in contracts to isolate risks. At the same time, a dynamic emergency mechanism and responsible exit plan should be established, labor resettlement and environmental restoration responsibilities should be fulfilled, and social unrest caused by strategic adjustments should be avoided. Ultimately, it is necessary to rely on national diplomacy and industry coordination to participate in the governance of international labor standards, ease compliance pressure, and ensure the steady and long-term development of Chinese enterprises overseas.

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