
THE ROLE OF CYBERSECURITY IN CHINA'S NATIONAL SECURITY REVIEW MECHANISM FOR FOREIGN INVESTMENT AND POLICY RECOMMENDATIONS FOR VIETNAM

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ABSTRACT

Cybersecurity has become deeply embedded in China's National Security Review Mechanism for Foreign Investment, emerging as a core component of national security assessments. By systematically implementing the Cybersecurity Law, Data Security Law, Cybersecurity Review Measures, and National Security Review Measures for Foreign Investment, China has established a national security review framework centered on protecting Critical Information Infrastructure. This framework prioritizes data security as its central focus and extends to supply chain security as an integral component.

Keywords: Cybersecurity, National Security Review Mechanism, Foreign Investment, Data Security, Supply Chain Security.

Introduction

The world is entering the Fourth Industrial Revolution, with the rapid development of cyberspace bringing immense benefits across many areas of social life, transforming the face of many nations and achieving remarkable breakthroughs for humanity. However, with the global nature and unlimited connectivity of cyberspace, which can be said to be unconstrained by space, time, and the social nature of cyberspace, it also poses many significant challenges to the security of nations around the world, such as cyber warfare, information warfare, cyberterrorism, and cybercrime. The issue of developing and mastering cyberspace has become one of the urgent tasks that many countries are particularly concerned about. It can be seen that cyberspace is a new territory, an expanded space for survival that is as important as other territories in war, such as land, sea, air, and space. Thus, national cyberspace is a special territory of the nation, defined by the spatial scope managed by the State and controlled through policies, laws, and technological capabilities. To master and protect cyberspace, countries have concretized their understanding into cybersecurity strategies, laws, or similar measures in at least 80 countries, organizations, and international alliances. Along with this, there was the establishment of specialized forces for cybersecurity, cyber intelligence, cyber warfare, cyber counterterrorism, and cybercrime, under names such as the Cyber Operations Command, the National Cyber Defense Agency, etc., which were integrated into various armed forces.

In the current era of digital technology, digital commerce, and global international integration, national cybersecurity plays an extremely important role in the field of foreign investment. It has a significant impact on the overall economic development of the country and the economies of individuals, organizations, and businesses in particular. Therefore, each country needs to have a mechanism for assessing national security in the field of foreign investment. And the role of cybersecurity is undeniable.

As a major power with an enormous amount of foreign investment, China has done an excellent job of managing foreign investment by establishing a mechanism for assessing the national security of foreign investment and integrating and implementing cybersecurity within the safety and efficiency assessment mechanism. This is very good experience for countries in the digital age today.

Materials and Methods

This study employs a qualitative and interdisciplinary approach, combining legal analysis, document research, and strategic policy evaluation. The results of the effectiveness

assessment are based on understanding and analyzing the legal framework that China has issued, such as the National Security Law, the Cybersecurity Law, the Data Security Law, the Cybersecurity Review Measures, and so on. Beside outlining the content and focus of cybersecurity assessments, as well as the implementation mechanisms and procedures, the author also presents several case studies to further strengthen the argument regarding the role of cybersecurity in China's national security assessment mechanism for foreign investment, thereby providing policy recommendations for Vietnam.

Results and Discussions

1. China's National Security Review Mechanism for Foreign Investment

1.1. Legal Framework and Development

China's national security review mechanism for foreign investment has evolved from non-existence to a structured system, transitioning from a fragmented approach to a centralized framework. In 2011, the State Council General Office issued the *Notice on Establishing a National Security Review System for Foreign Investors' Domestic Mergers and Acquisitions*, which first established a dedicated national security review framework [22], [34]. The *Foreign Investment Law*, effective January 1, 2020, formally codified the national security review mechanism into legal form. Article 35 of the Foreign Investment Law stipulates that the state shall establish a national security review system for foreign investment to assess investments that may affect or potentially affect national security [10], [27]. On December 19, 2020, the National Development and Reform Commission and the Ministry of Commerce jointly issued the *Measures for the National Security Review of Foreign Investment*, which took effect on January 18, 2021, marking the mechanism's full implementation phase [16], [32].

This system, together with the *National Security Law*, *Cybersecurity Law*, *Data Security Law*, *Cybersecurity Review Measures*, and related regulations, forms a comprehensive national security legal barrier for foreign investment, with cybersecurity now an indispensable component [18], [28].

1.2. Scope and Evaluation Criteria

The Measures for the National Security Review of Foreign Investment explicitly define the review scope, including: Military industry; National defense security; Critical energy and

resource sectors; Key agricultural and food industries; Critical financial services sectors; Important information technology and internet products/services; Core technology sectors; Critical equipment manufacturing industries; Critical infrastructure sectors; Key cultural products and services industries; and Other strategically significant sectors [2].

Notably, the explicit inclusion of important information technology and internet products/services underscores the pivotal role of cybersecurity within the review system [13]. The evaluation criteria comprehensively assess the investment's impact on national defense security, economic security, social order, cultural security, public morality, and national cybersecurity [13].

2. Positioning and Implementation of Cybersecurity in the Review Mechanism

2.1. Legal Status and Institutional Relationship

Cybersecurity holds a dual role within China's National Security Review Mechanism for Foreign Investment: As an independent evaluation dimension, assessing the impact of cybersecurity on national security. As an integrated factor, embedded across other evaluation domains (e.g., critical infrastructure, data governance).

The Cybersecurity Review Measures (effective February 15, 2022) and the National Security Review Measures for Foreign Investment are institutionally linked and functionally complementary [15], [25]. The Cybersecurity Review Measures focus on scenarios where: Critical Information Infrastructure Operators procure network products/services that may affect national security. Network platform operators conduct data-processing activities that may impact national security [3], [5], [12]. The National Security Review Measures for Foreign Investment cover a broader range of foreign investments. Together, these frameworks establish a full-chain security review system, encompassing investment access, procurement activities, and data processing.

2.2. Key Evaluation Themes

Cybersecurity reviews prioritize the following aspects:

(i) Supply Chain Security Risks: Potential threats to the security of the Critical Information Infrastructure supply chain, particularly risks of critical data theft, leakage, or

destruction [18].

(ii) Data Security and Cross-Border Data Transfer Risks: Risks related to large-scale data processing, cross-border data transfers, and the potential for foreign governments to access or control personal information and critical data [3], [17].

(iii) Technology Dependence and Control Risks: Security vulnerabilities arising from over-reliance on foreign core network products and technologies.

(iv) Geopolitical Factors: Political relations between the investor's country and China, and the risk of foreign laws granting authorities jurisdiction over the investor.

2.3. Operational Mechanism and Procedures

The Review Office, housed under the National Development and Reform Commission, is led by the National Development and Reform Commission and the Ministry of Commerce, with collaboration from relevant agencies [21], [24]. Procedures include:

(i) Declaration and Approval: Investors self-report, or the review body requests a declaration;

(ii) Preliminary Review: A decision on initiating the review is made within 15 working days [21].

(iii) General Review: A decision is issued within 30 working days [30], [31].

(iv) Special Review: Extended by 60 working days for complex cases [21].

(v) Ongoing Monitoring: Continuous oversight of approved projects.

Review decisions are final and legally binding [29].

2.4. Case Study

The Micron (2023) case is the most prominent cybersecurity review example involving foreign investment to date [23], [26]. China's Cybersecurity Review Office conducted an assessment of Micron's products sold in China and concluded that: Micron's products posed severe cybersecurity risks, threatening China's Critical Information Infrastructure supply chain

security. The products failed the cybersecurity review, prompting a directive for Chinese Critical Information Infrastructure Operators to halt Micron product procurement.

Significance of the Case: (i) First public instance of a "fail" decision in cybersecurity reviews, demonstrating enforcement rigor [14], [25]; (ii) Highlights prioritization of Critical Information Infrastructure supply chain security; and (iii) Illustrates the mechanism's proactive initiation of reviews, beyond mandatory corporate declarations.

3. Vietnam's Current Landscape and the Need to Learn from China's Experience

3.1. Current Status of Cybersecurity and the Investment Environment in Vietnam

Vietnam has recognized the strategic importance of cybersecurity, adopting the *Cybersecurity Law 2018* (effective 2019) and drafting the *Cybersecurity Law 2025*, elevating cybersecurity to a national strategic priority [8], [19]. Vietnam has established a National Cybersecurity Strategy, emphasizing the development of cybersecurity technology, infrastructure, and talent cultivation [6], [7].

In terms of investment, Vietnam actively attracts Foreign Direct Investment (FDI) and encourages investments in advanced technologies with high added value [9], [11]. China is a critical investor for Vietnam, with shared interests in industrial chain collaboration and security needs [4].

However, Vietnam's cybersecurity system still faces significant challenges: Inconsistent regulatory frameworks, mechanisms, and procedures; An incomplete legal system; Insufficient technical expertise and capabilities; Weak protection of critical infrastructure [6], [7].

3.2. The Necessity of Learning from China's Experience

China's experience offers valuable insights for Vietnam due to the following reasons: (i) China has built a relatively comprehensive legal framework for national security reviews of foreign investment, achieving a balance between security and economic development. (ii) China has integrated cybersecurity into its review mechanisms, establishing a full-chain, multi-tiered protection system spanning investment access, operations, and data governance.

(iii) Through practical enforcement (e.g., the Micron case), China has accumulated operational experience, providing a complete model from legislation to implementation.

4. Policy Recommendations for Vietnam

Based on China's experience and Vietnam's national context, the following policy recommendations are proposed:

4.1. Legal Framework and Mechanism Development Phase

4.1.1. Establish a Specialized Legal Framework for National Security Reviews of Foreign Investment: Clarify the scope, criteria, procedures, and responsible agencies for reviews. Integrate cybersecurity as a core evaluation factor, drawing from China's National Security Review Measures for Foreign Investment, while avoiding overly vague definitions of national security.

4.1.2. Establish an Inter-Agency Coordination Mechanism: Create a permanent review body comprising investment management, cybersecurity, and sectoral regulatory departments to ensure professionalism and authority. Model this after China's system led by the National Development and Reform Commission and Ministry of Commerce, with multi-agency collaboration [2], [20].

4.1.3. Clarify Priorities for Cybersecurity Reviews: Focus initially on Critical Information Infrastructure and critical data sectors to avoid overly broad scopes that may hinder implementation. Prioritize reviews of foreign investments in key industries such as energy, finance, transportation, and telecommunications.

4.2. Implementation and Operationalization Phase

4.2.1. Establish a Tiered Review Mechanism: Develop differentiated thresholds and procedures based on sector and investment scale to enhance review efficiency. Reference China's model of general reviews and special reviews [21].

4.2.2. Develop Risk Assessment Tools and Standards: Learn from China's Information Technology Infrastructure Governance and Assurance Framework, Cybersecurity Assessment Framework, and other evaluation models [6] to develop risk assessment tools tailored to

Vietnam's context, improving the scientific rigor of reviews.

4.2.3. Enhance Transparency and Predictability: While safeguarding national security, publish evaluation criteria and selected case studies to provide clear guidance for investors, avoiding the opacity seen in China's system.

4.3. Capacity Building and International Cooperation Phase

4.3.1. Develop a Professional Talent Pool: Strengthen talent development in cybersecurity and investment review to enhance technical and regulatory expertise. Collaborate with China on cybersecurity talent training to leverage its experience.

4.3.2. Establish International Coordination Mechanisms: Actively participate in investment security dialogues within ASEAN and other regional forums to reduce institutional conflicts. Learn from China's coordination practices and those of the EU and other jurisdictions [1].

4.3.3. Regular Review and Adjustment Mechanism: Implement periodic evaluations of the review system to assess effectiveness, identify gaps, and update policies. Establish a 2–3-year review cycle to ensure the system remains responsive to evolving challenges.

Conclusion

China's National Security Review Mechanism for Foreign Investment, centered on cybersecurity, exemplifies a strategic balance between development and security. For Vietnam, China's experience offers critical lessons, but adaptations must align with Vietnam's unique context. Vietnam should establish its foreign investment cybersecurity review system phased by priority, ensuring national security while maintaining openness and investment competitiveness. In the future, as the digital economy expands, cybersecurity reviews for foreign investments will become a global norm. Vietnam's and China's practices in this domain will serve as vital references for global digital economic governance.

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