China FDI in Vietnam after Twenty Years

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Abstract: Over the past 25 years, foreign direct investment (FDI) including FDI from China to Vietnam has been increasing. As of May 2014, China's FDI consecutively rose in position, size, form changes, fields and geographical expansion. Research suggests that in attracting FDI of China, Vietnam should follow procedures from theory to practice with national interest the priority, and improve capacity and manner for the authorities and businesses in Vietnam.

Key words: Foreign direct investment; China; Vietnam.

For the past 25 years since the Vietnam National Assembly passed the Law on Foreign Investment (December 1987), foreign direct investment in Vietnam has increased and become a breakthrough in the process of integrating international economy. Vietnam' big market potential attracted international investors, including those countries implementing the embargo against Vietnam could not ignore. Typically, some US investors from 1989 through third countries implemented several FDI projects in Vietnam despite the fact that until 1994 President Bill Clinton lift embargo. According to Foreign Investment Department - Ministry of Planning and Investment, as of May 20, 2014, there were 16,589 valid FDI projects in Vietnam, with a registered capital of over 239 billion USD, operating capital was over 81 billion USD. Foreign direct investment in Vietnam has really made significant contributions to the socio-economic development Vietnam. However, there are still some concerns about obstacles against Vietnam regarding new challenges in receiving FDI to develop more effectively and sustainably. In the wave of FDI to Vietnam, China emerged to become a potential partner with investment volume has continuously grown since 1991.

1. Reality of China direct investment in Vietnam

China's FDI to Vietnam started in late November 1991 with a Guangxi enterprise (China) joint ventured with a Vietnam group to open Hoa Long restaurant in Hang Trong, Hanoi. Over 23 years since the first project, China's FDI in Vietnam has constantly risen in the ranking position, size, form changes, sectors, and geographical expansion. As of May 20, 2014 China investment (not including Taiwan, Hong Kong, Macau) in Vietnam has accumulated 1,029 valid projects with a total registered capital of 7.852 billion USD, accounting for 6, 2% of projects and total registered capital of 3.29%, ranking 9th out of 101 countries and territories investing in Vietnam[1].

But over time, China's FDI in Vietnam have fluctuated: in 2013, it was over 2.3 billion USD with a two billion USD BOT project for building Vinh Tan construction

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(1) Foreign Investment Department - Ministry of Planning and Investment.

coal-fired power plant, the level of implementation is still low compared to the average, only at about 30%. Of the 17 sectors Chinese partners invest in Vietnam, the real estate and textile capital attracted the largest investment.

Reality of Chinese investment in Vietnam in the past 23 years could be divided into three main stages: In the first period (1991-2001), it had no significant impact to socio-economic development process of Vietnam; from 2002 to 2010, there were obvious changes to see it as the main contents of economic cooperation between the two countries; The third period from 2011 to present has witnessed China's FDI into Vietnam increased sharply, especially in 2013.

On the scale of investment: In the first decade (1991 - 2001), China's FDI in Vietnam was just experiment, its projects and capital investment in Vietnam were very small compared with the total amount of FDI in Vietnam. As of December 2001, China had 110 projects with total registered capital was 221 million USD[(2)].

China investment pace was slow with small scale of investment (about 1.5 million USD on average), some was even under 100,000 USD. Overall, few projects got over 10 million USD of the 110 valid projects by the end of 2001 (excluding Linh Trung Export Processing Zone infrastructure construction project in Ho Chi Minh City with initial investment of 14 million USD). It was the small size that led most China investment projects had low technology, mainly for meeting ordinary consumers' needs. Besides small-scale, operation time of those was not long to quickly recover capital (the majority was from 10 to 15 years, few projects had uptime over 20 years, some even last less than 10 years).

The second phase (2001 - 2010) marked by the Framework Agreement on Comprehensive Cooperation ASEAN - China in 2002 and China joined WTO (2001). From then, China's FDI into Vietnam increased both the number of projects and scale of capital (approximately 2.5 million USD / project), more projects from 1 million to 10 million USD were licensed. When Vietnam joined the WTO in 2007, Vietnam investment environment was significantly improved together with its deeper international economic integration to attract foreign investment. China's FDI in Vietnam increased sharply, there appear many projects over 10 million USD to 100 million USD that bring the average capital of a project up to 4.3 million USD. These big investment projects contributed to changing the face of China's investment in Vietnam during the first 10 years of the 21st century.

The following time from 2011 to May 2014 witnessed the most dramatic change of Chinese FDI in Vietnam, revealed in the strong rise of projects and amount of capital in 2013 and the first 4 months of 2014. Comparing the lowest China's FDI in Vietnam at 312 million USD in 2012, registered capital increased sharply to over 2.3 billion USD with 110 new projects approved. Significantly, the BOT coal-fired power plant Vinh Tan 1 projects (in Binh Thuan province) attracted 2,018 billion USD from Chinese investors to design, build, operate and transfer the plant in Vinh

(2) Foreign Investment Department - Ministry of Planning and Investment.

Tan. Newly real estate, textile projects registered and increased capital in two years (2013 and 2014) were common, namely Hai Ha (Quang Ninh province), An Duong industrial parks (Hai Phong), high-end apparel products complex in Ho Chi Minh City, industrial parks and real estate in Tien Giang and textiles, yarn-dyed in Nam Dinh[(3)]. This huge increase actually led China to 4th out of 101 countries and territories investing in Vietnam in 2013. Many experts supposed that Chinese investors aimed to benefit from the TPP and the EU - Vietnam free trade agreement (EVFTA). Therefore, many Chinese investors built factories in Vietnam to take advantage of policies for raw materials from the agreements that Vietnam engaged. Several high investment capital projects (8.5% over 10 million USD) have raised the average level of a project to 7.1 million USD, though it is still low comparing with the rest FDI projects in Vietnam (15 million USD per project on average).

Regarding investment: There has been a strong shift of Chinese FDI from small scale fields of hotel, restaurant and consumer goods production to other areas. In total 17 industries China invested in Vietnam, the first five are: processing, manufacturing industry with 704 projects and total investment of $ 4,133,905,121, $ 2,100,076,666 charter capital accounting for 53% capital (As mentioned above, Chinese investors expected to enjoy 0% tax rate entering TPP market); production and distribution of electricity, gas, water, air conditioning ranked second with 03 projects and a total investment of $ 2,046,770,000, charter capital $ 360,385,400, accounting for 28%; construction field has 98 projects with total investment of $ 559,616,783, charter capital $ 235,885,746, accounting for 7%; real estate business 14 projects, total investment of $ 461,827,380, charter capital $ 118,363,000, representing 6%; lodging and dining 12 projects, total investment of $ 298,700,900, charter capital $ 64,335,900, accounting for 4%. These areas take 98% of the total China FDI in Vietnam[(4)]. Agriculture, forestry and fisheries of Chinese FDI stand 6th (and 10th overall FDI); China's FDI mining sector ranks 8th (11th overall FDI). Despite the shift in investment areas, China's investment in Vietnam is so far on conventional commodity, it lacks investment projects in high technology with large investments.

Regarding investment forms: In the first decade (1991 - 2001), the majority of China FDI projects in Vietnam were mainly joint ventures with Vietnam enterprises. In the past ten years, there has been a significant change with 100% China capital accounted for over 3.9 billion USD (49.8%, the highest position) with 767 projects, but it is still lower than FDI in general (over 67%). BOT, BT and BTO type of FDI in general is around 3.4%, while that of China amounts to 29.7% (this type consists of only 03 projects but accounts for over 2.3 billion USD). Joint ventures rank third with 217 projects and over 1.5 billion USD or 19.3%. Business cooperation has 32 projects with a total investment of nearly 59 million USD, and finally Joint Stock Company has 10 projects with 36 million USD. The change

[(3)] Foreign Investment Department - Ministry of Planning and Investment.
[(4)] Foreign Investment Department - Ministry of Planning and Investment.

of investment type shows that Chinese enterprises investing in Vietnam have gone through initial stages of exploration, experimentation based on local partner understanding domestic market in the 1990s to be more confident and independent to trust and run business in the Vietnam market.

Regarding areas for investment: To date, Chinese investors were present in almost all cities and provinces of Vietnam (55/63 provinces), mainly in the coastal provinces (22/28), cities and densely populated areas with strong labor attraction, good infrastructure, favorable condition for goods export and import as well as transportation between China and Vietnam. According to the Foreign Investment Agency, top areas attracting China investment include Hanoi (202 projects), followed by Ho Chi Minh City (110 projects), Binh Duong (100 projects), Bac Ninh (54 projects), Long An (54 projects), Hai Phong (49 projects)... In terms of total Chinese investment volume, Binh Thuan attracts the most capital ($ 2,027,263,379), then Lao Cai ($ 803,156,516), Tay Ninh ($ 729.14 million), Quang Ninh ($ 471,741,674), followed by Binh Duong ($ 349,787,076), Hai Phong ($ 318,467,916), Hanoi ($ 311,456,062)[5].

Overall, China investment project in local areas are mainly in processing agriculture, fisheries, manufacturing, steel, real estate, construction, textiles, appliances, fertilizers, building materials, fodder. China investment also aimed at some border provinces adjacent to China with poor infrastructure, low levels of development, difficult to attract foreign investment such as Lao Cai (22 projects), Lang Son (22 projects), Cao Bang (10 projects), Ha Giang (6 projects) and Lai Chau (3 projects). However, China investment projects in the Northern mountainous provinces of Vietnam focused only on mining and raw materials namely processing titanium in Thai Nguyen; construction and processing antimony mining and ore project in Ha Giang; processing natural and synthetic rubber production, plywood, veneer, plywood and thin plank, tobacco materials and production in Lao Cai; processing turpentine plant at Lang Son; mining and coal production in Cao Bang, therefore China FDI effectiveness in these local areas are not high.

2. Overview of China FDI in Vietnam

Theoretically, foreign investment flows will bring relatively more benefits to the host country. It can be direct benefits such as contributions of capital, job creation, workers' income raise, or the host country's technological level raising. Besides these direct benefits, FDI inflows also create indirectly positive effects such as technology spillover to other sectors in the economy, and improve management capacity through forward linkages, or back links.

However, foreign direct investment is potentially damage to the economy because it may use competitive advantages and privileges of the host country to compete with domestic business industry, leading to domestic enterprises can be knocked out of the market by not sufficiently competitive to survive and/or acquired. Furthermore, FDI often put recipient countries depend on technology movement regardless its suitability, update or environmental issues.

[5] Foreign Investment Department - Ministry of Planning and Investment.

Besides, FDI in developing countries may increase uneven distance across sectors and regions, economic sectors and increase the rich-poor gap in society, cause a change in lifestyle, and brain drain to the host country. Another problem is that some FDI enterprises mainly aim at exploiting the market, they often focus only on exploiting natural resources, cheap labor and then withdraw from the host country, leaving serious consequences in many aspects.

Considering the theoretical aspects and practical inspiration of China's FDI in Vietnam during the past 23 years, several Vietnamese experts and scholars suggest that "Chinese firms are unlikely to study, transfer or advance technology level. Equipment and machinery of Chinese enterprises investing in Vietnam are mainly from China with technological level is normal, some even use second hand machinery to Vietnam , or unsynchronized chains of devices from a variety of sources. The technology used in thermal power projects is mediocre, with renewable equipment and low-cost upgrade technology(6)". Discussing Chinese enterprises encroaching, experts suggest that "The Chinese enterprises have learned to take advantage of the limited investment environment of Vietnam, lack of authorities' supervision to increase the influence, pinch Vietnam enterprises' development not only in industrial production but also in agriculture, food etc. that pushed domestic enterprises in a difficult situation(7)." Some foreign experts and scholars argue that "Vietnam is only suitable for the production and processing project, not suitable for high-tech projects, therefore China FDI only focuses on production and processing projects which force Vietnam businesses to compete on their home turf. China's FDI in Vietnam has affected the environment and national security of Vietnam(8)". Some suppose that "Chinese enterprises choose Vietnam to invest for entering the ASEAN market. In other words, Vietnam market is considered a springboard for Chinese enterprises to penetrate the ASEAN market under the name of an enterprise in Vietnam(9)."

Hua Ninh Ninh, Chairman of the China - ASEAN Trade Association stated that" Vietnam joined the TPP attracted Chinese enterprises' attention, especially the textile industry. Yulun Textile Group (Jiangsu, China) started a project to build factories spinning, weaving, dyeing with an investment of 68 million USD in Nam Dinh was a typical example. The main purpose of this investment is that YULUN aims to use Vietnam as a springboard to enter the US market, known for high standard with multiple barriers(10)".

After China illegally lowered the drilling platform "Hai Duong 981" (Haiyang Shiyou 981) on Vietnam continental shelf and exclusive economic zone, there have been a lot of different opinions about China FDI in

(6) Ms Phạm Chi Lan, Vietnamese economic expert, available at: http://www.diendan.org/thay-tren-mang-moi/fdi-trung-quoc

(7) Prof., Dr., Nguyễn Mại, Reviewing China Investment in Vietnam. Available at: http://www.tapchitaichinh.vn/Nghien-cuu-dieu-tra/Nhan-dien-dau-tu-cua-Trung-Quoc-tai-Viet-Nam/50931.tctc

(8) 尹鸿伟：越南不会放弃中国投资; http://wwwguancha.cn/YinHongWei/2014.06.18_238617_2shtml

(9) 媒体揭秘越南为何吸引中国企业; http://finance.ifeng.com/a/20140519/12356691_0.shtml

(10) China investing thousands of billions to Nam Dinh: More Concern?

Vietnam. From our practical research perspective, the achievements of Vietnam - China investment cooperation during the past 23 years should be recorded while the drawbacks should also need to be clarified.

The recognizable achievements

First, Vietnam is in the process of industrialization and modernization, therefore the need for investment is huge. Although domestic capital has decisive significance in the long term, foreign capital (including ODA, FDI and portfolio investment capital) remains a very important role for Vietnam. China FDI has contributed additional capital needs for investment and development of Vietnam. Compared with Japan, South Korea, Taiwan, Singapore, USA... China FDI and taxes in Vietnam is too small regarding its potential, although we cannot deny certain contribution of China FDI in the process of overcoming capital shortage, improving infrastructure system, fostering economic growth of Vietnam.

Second, China FDI has contributed additional capital to the balance of payments. As China FDI into Vietnam is increasing, the impact of China FDI for the balance of payments in Vietnam is quite positive. However, positive effects can actually happen when export value of China FDI enterprises grow without import deficits; or value of transaction interest payments and dividends do not strongly increase; or China FDI focuses on sectors Vietnam has comparative advantages, export-oriented industries, not to the subsidiaries import industry; or Chinese investors do not seek to transfer their profits home and capital to another country.

Third, China FDI in Vietnam has contributed to economic restructuring towards industrialization - modernization. Research shows that China's investment in Vietnam in recent years shifted from light industrial areas and industrial consumables to the construction sector, processing industry and manufacturing. Currently, China FDI is present in 55 provinces of Vietnam - from the northern border province of Lang Son, Lao Cai, Cao Bang, Ha Giang to the Southern provinces such as Ca Mau. This has particularly contributed to the acceleration of urbanization and modernization of backward areas, narrowing the development gap between the Northern poor and backward provinces to other regions of Vietnam.

Fourth, China FDI in Vietnam now consists of 704 processing and manufacturing projects, 98 construction plans, these areas require a large amount of labor. China FDI has contributed job creation, income increase, and capacity improvement for Vietnamese workers. One of the important objectives Vietnam aims at when it implements policies to attract foreign investment is job creation. However, it is worth noting that the number of China FDI companies' indirect employees is greater than the direct employment it generates. According to Ministry of Planning and Investment, China FDI enterprises created 53,000 jobs and significantly increased Vietnam laborers income in 2000, while in 2010 China FDI directly or indirectly created 200,000 employees of Vietnam, accounting for 5% of employees working in Vietnam foreign investment sector (2 million direct workers and about 3 to 4 million indirect workers). In addition, China FDI also contributes to train Vietnamese managers, employees with technical qualifications and skills, fluent in Chinese, industrial working manner, contributing to labor restructure towards reducing agricultural labor, increasing industrial and service human resources.

Fifth, China FDI in Vietnam has contributed to Vietnam economy deeper integration into Asia and the world economy. Being a large country in the region and in the world, China FDI investment increase in Vietnam has made strong impacts to other regional and the world investors, made them more confident in the policy guidelines of Vietnam as well as increasing the attractiveness of this potential market. With a population over 90 million people and cheap labor, Vietnam attracted more foreign investors investing in Vietnam. In addition, China FDI in Vietnam has helped increase exports and expanded international export markets through FDI. Exporting through China FDI is an effective way for Vietnamese goods to reach China and Asian countries markets. FDI in general and Chinese FDI in particular has contributed to increasing economy competitiveness and increasing Vietnam position and strength in the international integration process.

Constraining issues

Besides above achievements, there are China FDI constraints. Firstly, Vietnam has gained a better investment environment that attracts foreign investors in the process of international economic integration. China investors even have favorable conditions that not all foreign investors have. However, China FDI scale in Vietnam is still limited in recent years regarding objective and subjective factors, outside and inside impacts. It can be seen that China FDI in Vietnam is still on a small scale, mainly in the areas of conventional production that is not up to potential and the existing conditions. So far, according to the rankings, China FDI in Vietnam ranks 9/101 countries and territories investing in Vietnam, with 1,029 valid projects, the total registered capital of 7.852 billion USD.

Meanwhile, China FDI increased sharply in Cambodia: In 2008, China rose to become the largest investor in Cambodia with total investment up to 4.371 billion USD, accounting for over 40% of total investment in Cambodia. China total investment in 2009 in Cambodia was 6 billion USD, 3 times higher than China's investment in Vietnam for nearly 20 years. According to the Report of the Cambodia Board of Investment, China has invested in 522 projects in Cambodia with a total capital of up to 9.8 billion USD(11). In addition to already implemented projects, in 2012 and 2013 China also pledged to invest large projects in Cambodia in thermal power, hydropower, cement, oil refining, railways, ports marine, agriculture, animal husbandry and resorts... with total investment estimation of about 20 billion USD. Besides, China invested in Cambodia through development aid, by 2011 the total amount of China development assistance for Cambodia was 2.1 billion USD (including the non-refundable aid and concessional loans).

China FDI increased rapidly in Laos in recent years. According to statistics of the Foreign Investment Department - Ministry of Planning and Investment of Laos, from 2001 to the end of 2010, China invested in Laos 369 projects with a total registered capital of over 2.9 billion USD to become

(11) Cambodian Investment Board, Projects Approved by Country from 01-Aug-1994 through 31-Dec-2013.

the largest investor in Laos. China project has more than 10,000 km^2 of land, or about 4% Laos. The Chinese people already control much of the Lao economy, from mining, hydropower, rubber, even retail and hospitality. In recent years (from 2011 to mid-2014), China's FDI increased sharply in Laos with 801 active investment projects in Laos and the total capital of 3.92 billion USD (the total China FDI in Laos reaches 5.2 billion USD if including venture capital with Laos), more than Vietnam FDI in Laos (5.012 billion USD) and Thailand FDI (4.8 billion USD)(12). The above situation shows that China FDI in Vietnam - the largest, fastest economic growth market in 3 Indochina neighbors of China-increased the least.

Second, the flow of China FDI in Vietnam is not consistent with development plans and the economic sector of Vietnam. China FDI does not focus on agriculture, forestry, fishery but exploitation of Vietnam natural resources. This investment structure is not expected, because extraction and primary processing ores from Vietnam to export raw materials (coal, ore, tin,...) to China does not bring economic benefits for Vietnam or bring spillover effects, it has adverse impacts on environmental and the sustainable development of Vietnam. China has three strategic searching areas for raw materials: The first is the China neighboring countries, around its coast and border; The second is the Middle East and the Persian Gulf; The third is Africa and the America. Vietnam is among China’s first search of raw materials. In reality, China has invested in numerous projects to exploit natural resources stretches from the North to the South of Vietnam. This situation has caused a disturbance in planning sector, region, economic region of Vietnam. Besides, it may trigger the risk of environmental pollution, affecting the sustainable development of Vietnam without proper project management. The development of China in the future is a big challenge for Vietnam in term of resource depletion.

That Chinese people flock to Vietnam along with its FDI is worthy questioning because several of them are illegally unskilled workers, traffickers, law violators that causes social evils, local security... While Vietnam is actively sending laborers to the Korean, Japan, Malaysia markets to create jobs for redundant workers, Chinese investors using few local labors has serious impact on attracting investment policies of Vietnam. Notably, migration flows often come from poor countries, underdeveloped to developed countries with higher incomes, but the presence of thousands of Chinese workers in Vietnam- a lower paid income destination many times than China is unusual and confusing.

It can be asserted that the Chinese labor appearance throughout China FDI projects in Vietnam is not the policy issues, rather it is the implementation issues associated with the responsibilities of the administration authorities, first the project licensing authorities must bear primary responsibility for supervising the project. Second, the licensing authority are to be responsible for labor inspection and monitoring business activities under the contract, and local authority also has to bear direct responsibility for supervision. In dealing with Chinese workers, there may be some psychological

(12) Foreign Investment Department - Ministry of Planning and Investment of Laos.

human respect that does not fit in economic cooperation. Because in this field, irregularities must be treated seriously as a solution in order to maintain a sustainable relationship. That Chinese contractors bring labor, backward technological machinery to work in FDI projects in Vietnam may be intentional, otherwise it is due to the too favorable attitude of Vietnam authorities on Chinese investment. This in turn makes several China FDI enterprises and projects take advantage to pinch the Vietnam enterprises development.

As noted, China FDI in Vietnam is in fact not as much as other countries, but it benefit significantly higher than other countries' ODA projects in Vietnam. The foreign labor is widespread in Vietnam happens to only Chinese investors. China is moving backwards, against all purposes, regulations, legislation that all FDI partners would have to comply. Under existing regulations, businesses must not hire foreign unskilled workers to work in Vietnam. Under Decree 102 issued in 2014 and the Circular 03 guidance taking effect from the date 1st March 2014, Vietnam asserted to recruit only managers, executives, professionals and technical experts. The provisions to date are consistent and Vietnam does not accept foreign unskilled laborers working in Vietnam, in case Vietnamese staff can meet the demands of the professionals, executives or skilled labor, Vietnamese people should be chosen. Therefore, the Chinese workers performing unskilled work in construction projects in Vietnam are inconsistent with the law that needs to be controlled strictly.

Fourth, China FDI is weak in technology transfer, mostly of them are obsolete or harmful to environment. The goal of China is to shift more labor-intensive production line, low wages, cheap goods and low technology abroad. This is the biggest drawback of Chinese FDI in Vietnam. With the advantage of cheap price, many types of machinery and equipment from China could be imported at different price for Vietnam enterprises. Bargains are factors that help the old production line of China dominating the market compared with domestic products and imports from high technology markets such as the USA, EU, Japan... Besides, another factor causing low quality goods from China rampant is due to "gaps" policy. Specifically, multiple lines, machinery imports enjoy import tax rate of 0% should compete easily with domestic goods such as machine tool, paper manufacturing machine, canned machine and many kinds of machinery for other production. Therefore, there are concerns that the import of machinery and equipment from the Chinese market really effective, or Vietnam is just a country consuming the technology outdated, backward for China... Importing technology and equipment for use only in a short time obviously spoils need to rethink. According to the survey of the management staff of the Department of Planning and Investment, 66% state that the technological level of China's enterprises are normal and more than 33% see their technological level low and energy consuming.

Because of Chinese enterprises low technology level, if the technology transfer to Vietnam really happens, it just throws technology trash to Vietnam.

Fifth, the issue of joint production between corporations is now not as expected. China FDI enterprises usually bring machinery that Vietnam could also provide, even manufacture. Along with FDI, China enterprises sometimes import massively cheap consumer goods which may terminate some manufacturing industries of host countries, specifically new ones. In fact, Vietnam domestic manufacturing industry is also strongly dependent on the material and the Chinese market, especially the export sector. For example, Vietnam agricultural sector from agricultural materials to the sale of goods is also dependent on China, which is a huge threat to life, income and employment of 70% of agriculture related people, 50% common Vietnam labor. China's increasing investment in Vietnam has raised fears about the risk of Vietnam losing control of the economy, especially Chinese companies gradually acquired the Vietnam companies of textiles, real estate, mining, thermal power, construction, processing, infrastructure, etc. Because many Vietnam financially struggling companies have to sell stakes to foreign companies, more Chinese enterprises engage in purchasing their shares. After some time, these companies could turn into Chinese companies if they could buy more shares and enjoy a majority of seats in the board.

The warning that China "silently" acquires Vietnamese enterprises is common in the media and public opinion. In fact, we can see some significant deals as Firstland Company (China) became the largest shareholder of the Bảo Minh Insurance (BMI) at the rate of 5.63% ownership. In December 2013, Chinese fund Gaoling spent 40 million USD to buy 6.2 million shares and became second biggest shareholder of Vinacafe Bien Hoa Company. It is obvious that China's increasing investment in neighboring Vietnam is inevitable trend of integration, openness and economic liberalization. But the risk here is that Vietnam economy is weak, private businesses are not facilitated in development, state enterprises have inefficient operations, therefore they have to rely more and more on top foreign investment.

Sixth, China's investment in Vietnam is facing many obstacles and problems: Infrastructure in many local Vietnam is weak, asynchronous which led to little capital investment despite their great potential. Chinese investors state that their biggest difficulty is that they do not fully understand the investment environment in Vietnam, lack of market surveys despite the neighboring hood. Meanwhile, the legal system of Vietnam on investment is still incompetent, insufficient and shift. Furthermore, Chinese enterprises are difficult to find the good cooperation partner in Vietnam to build trust with the government and local businesses, the cooperation possibility of Chinese enterprises investing in Vietnam are weak. Besides, Chinese investors largely focus on the major cities better infrastructure rather than other low infrastructure areas of Vietnam. Many Chinese enterprises regard investment environment of Cambodia better than Vietnam because three reasons: first, it is the good relations between the two countries that Cambodia pay Chinese enterprises preferential policies; second, Cambodia is an under-developed which receives many outside incentives; third, Cambodia’s starting economic development is low, so the opportunity to long term develop is better. Therefore, they chose Cambodia to build factories: they surveyed in Vietnam but then built factory in Cambodia.

3. Conclusion

Vietnam’s neighboring country China has gradually affirmed as a world economic power, therefore promoting equally economic relations with China in general and attracting healthy investment from China in particular has become Vietnam's focus on foreign economic policy. Vietnam highly appreciated the role of China FDI in contributing to socio- economic development of Vietnam and would like Chinese enterprises strengthen investment cooperation with Vietnam enterprises. In reality, there are many factors could promote Chinese investments in Vietnam. However, China FDI in Vietnam is not much with mixed outcomes and consequences. In the coming time, the cheap labor attractiveness, exploitation of mineral resources, low-tech shift, obsolete technology, environment harmfulness, energy consuming, trade deficit etc. from China investment projects in Vietnam should be prevented. Thus, the question for the two countries now is to propose strategic transitional model of socio-economic development, delve the legal system and the key areas of investment priorities. Vietnam should have theoretically comprehensive and specific strategy from awareness to action, refraining naive and gullible. In principle, both sides should always prioritize national interests to actively improve the business environment, enhance competitiveness and bravery for the authorities concerned and business partner in Vietnam.

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