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Chinese FDI in Vietnam under Xi Jinping’s policy in the 21st century

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Abstract: This research study, entitled as “Chinese FDI in Vietnam under Xi Jinping’s Policy in the 21st Century”, aims (1) to study Chinese FDI in Vietnam under Xi Jinping’s policy, and (2) to study the factors of Chinese FDI in Vietnam and the change on geo-economics. The strategy of Chinese FDI in Vietnam under Xi Jinping’s policy in the 21st century is a result of President Xi Jinping's announcement of the Belt and Road Initiative (BRI). The strategy has evolved into partial cooperation between China and Vietnam, which is shaped by China's economic relations strategy with ASEAN. This extent will be a crucial driving force for China’s investment in Vietnam. Moreover, Vietnam has a high potential as a groundwork for investment, production, and export to other foreign countries. Since the factors of Chinese FDI in Vietnam and the change on geo-economics are involved with politics and economics, they have an impact on China's investment in Vietnam. The political factor has risen due to the policy of President Xi Jinping regarding the declaration of the BRI. Economic factor concerns the opening of new markets, the release of domestic supply, and the adjustment of international reserve funds by establishing the Asian Infrastructure Investment Bank (AIIB). Meanwhile, China's open strategy towards foreign countries has brought its strategic investment policies in Vietnam closer together, as well as the economic interests of both countries. This may lead to a significant impact on economic and political relations between China and Vietnam in the future.

Keywords: Chinese; Foreign Direct Investment (FDI); Vietnam

1. Introduction

China in the 21st century has emerged as the world's political and economic power. As a result of Deng Xiaoping's opening-up policy in 1978, China has made great strides in terms of economy, science, and technology. China has become a member of the World Trade Organization (WTO), and it has taken the Go-Out Policy, which is the policy of Foreign Direct Investment (FDI), and has started to become more advanced in Southeast Asia. This has resulted in the geo-politics and geo-economics of ASEAN.

At the same time, China has a foreign direct investment strategy under the Xi Jinping policy, China's fifth-generation leader. The strategy under the Belt and Road Initiative (BRI) linking Asia, Africa, and Europe, as well as the establishment of the Asian Infrastructure Investment Bank (AIIB), aims for loans to developing countries and invests in infrastructure development, such as transportation and utilities. Meanwhile, China has an advancing role in the China-Indochina Peninsula Economic Corridor (CICPEC) and is ready to invest in Vietnam for development as a resource base, product production base, and market outlet.

China and Vietnam have a long historical relationship in terms of geography and location. This geo-strategic, which is a key reason for China's investment strategy under the Xi Jinping policy of the 21st century, has significant implications for geo-economic change. The Go-Out Policy has led to China's investment strategy in Vietnam in the Southeast Asia region. This has an impact on geo-economics and on China's rise, driven by rapid, leapfrog economic development. Moreover, there was an entrance of a major competitor, such as the United States.[1]

Meanwhile, China's economic growth still relies on Vietnam, which can help support China's growth by investing in the quest for resources and raw materials and seeking regional markets. Chinese investment has led to strengthening relations as well as political stability. Wealth in the economy, as well as economic and political development to become another major power in Asia. It has also made a significant impact on Vietnam, which is part of ASEAN, and has merged into the China-ASEAN Free Trade Area. Political, economic, social, and cultural aspects aim at enhancing the equal development of China-Vietnam relations and of the corresponding interests.

Therefore, research studies Chinese investment in Vietnam under the Xi Jinping policy of the 21st century, which will be analyzed on: How does China's investment strategy in Vietnam under the Xi Jinping policy affect geopolitical change? This is in order to prepare Vietnam and determine its direction as a geo-economics, including negotiating and maintaining relations between China and Vietnam. This may affect the move towards strategic cooperation in the future.

2. Concept and Theories of FDI

The Concept of grand strategy or global strategic plan, it defines a strategy of great powers to use their resources to achieve both global military and political goals. The concept of strategy and security is a concept that has a wide and broad meaning in general. "Strategy" refers to the methods that policymakers choose to achieve their goals. But after the end of the Cold War in 1992, the implementation of the grand strategy was increasingly shifted from military to economic and social. As in the globalization era, world society is very complex, this led to a change in tools used as a mechanism to drive the implementation of the international strategy

Carl von Clausewitz gave the meaning of strategy as a contribution to the achievement of the guidelines outlined in the political, economic, and military security strategy. The type of macro strategy depends on the potential of the state. Affecting alliances have an attempt to put together their allies, such as waging war, building constructive diplomatic relations to bring the form of victory or dominance over other states in the future. It also includes expansions at any time to cooperate with allied states to create mutual long-term interests[2].

The grand strategy is a way for governments of each state to interact with other states and non-state actors, whether it be for war, cooperation, or assistance. It is an approach that has many important implications, such as politics, security, economy, society, and culture. By establishing a global strategy, all states have goals, in particular, the main ones being the National Interests, which guide states in achieving their goals in accordance with the state's strategic guidelines.

Foreign direct investment (FDI)

Foreign direct investment (FDI) has become one of the key factors in determining the status of a global relationship in both bilateral and multilateral relations. Both home countries, host countries, and multinational corporations (MNCs). Therefore, foreign direct investment is important and has implications for political and economic relations.

The eclectic theory developed by professor Dunning is a mix of three different theories of direct foreign investments (O-L-I):

(1) Ownership advantages (O): This refer to intangible assets, which are, at least for a while exclusive possesses of the company and may be transferred within transnational companies at low costs, leading either to higher incomes or reduced costs. However, TNCs operations performed in different countries face some additional costs. Thereby, to successfully enter a foreign market, a company must have certain characteristics that would triumph over operating costs in a foreign market. These advantages are the property competencies or the specific benefits of the company. The firm has a monopoly over its own specific advantages, and using them abroad leads to higher marginal profitability or lower marginal cost than other competitors.

(2) Location (L): When the first condition is fulfilled, it must be more advantageous for the company that owns them to use them itself rather than sell them or rent them to foreign firms. Location advantages of different countries are key factors in determining who will become host countries for the activities of the transnational corporations. The specific advantages of each country can be divided into three categories: a) The economic benefits consist of quantitative and qualitative factors of production, costs of transport, telecommunications, market size etc. b) Political advantages: common and specific government policies that affect FDI flows c) Social advantages: includes distance between the home and home countries, cultural diversity, attitude towards strangers, etc.

(3) Internalization (I): Supposing the first two conditions are met, it must be profitable for the company to make use of these advantages, in collaboration with at least some factors outside the country of origin [3].

This third characteristic of the eclectic paradigm, OLI, offers a framework for assessing different ways in which the company will exploit its powers from the sale of goods and services to various agreements that might be signed between the companies. As cross-border market internalization benefits are higher, the more the firm will want to engage in foreign production rather than offering this right under license and franchise. The eclectic paradigm is different from company to company and depends on context, and reflects the economic, political, and social characteristics of the host country.

National Interests

The concept of national interest can be considered a fundamental concept in the implementation of various strategies. In particular, the strategy of international cooperation is specified by the state. It is a concept at the heart of the design, formulation, and implementation of international strategic policies, depending on the country's environment, such as political, economic, and cultural systems, as well as the environment that varies from time to time. This shows the attitude that the strategist states through various policies or strategies. It is mainly for the benefit of the state, both directly and indirectly. It is often a factor that has significant implications for security, politics, economics, society, and culture. Therefore, the implementation of the strategic guidelines laid down by the state must always take the national interests first.

Hans J. Morgenthau described the concept of national interest. It determines the behavior of the state through strategic international policies that are based on the political, economic, and socio-cultural conditions of that state. International relations are primarily based on national interests. It is the national interest in the form of power through which states can exercise power to seek or defend their interests[4]. James N. Rosenau describes the meaning of the concept of national interest as a concept used in political analysis to describe or assess the sources of foreign policy. He analyzes political interactions as a means of making decisions, formulating and announcing foreign policies. In addition, a broad implication is that national interest is best for the nation-state in the conduct of international relations[5].

The operations of international relations are primarily based on national interests. It is the national interest in the form of power that states can use to seek or defend the interests of the state. The strategist considers the national interests that are pushed into the strategic diplomatic milieu, especially the economic and political dimensions. This has led to a complex interdependence in the world today.

3. Chinese Foreign Direct Investment (FDI) in Vietnam

During the 21st century, China adopted the “Going Out Policy”, with the development of industries such as textiles, machinery, electronics, and automobiles. In addition, China has been Vietnam’s largest trading partner in the past decade, and in 2016, Vietnam surpassed Malaysia to become China’s biggest ASEAN trade partner. The two countries have agreed to align the BRI with the “Two Corridors and One Economic Circle” plan, which is set to connect northern Vietnam and southern China, whereas Vietnam used to purchase electricity from China. Policymakers’ commitment to macroeconomic reforms has led Vietnam to invite Chinese companies to build power plants in the nation. The Vinh Tan 1 Power Plant, being constructed by China Southern Power Grid, involves an investment of USD 1.8 billion. Meanwhile, the China-Vietnam (Shenzhen-Haiphong) Economic and Trade Zone is under construction, and upon completion, it is expected to achieve an annual output of about USD 1 billion[6].

There are several projects of Chinese investment in Vietnam that are beneficial to restructuring the Vietnamese industry and increasing employment opportunities, while China and Vietnam also issued a joint statement that “Both countries will discuss plans to develop cross-border economic cooperation zones, to drive the project to develop basic facilities.” Although China and Vietnam have border conflicts, Chinese investors have been helping to accelerate their expansion in Vietnam to benefit from Vietnam's free trade agreements with many countries. Chinese investment is spread out in 54 cities with good infrastructure and near the border with Vietnam and China, provinces where Vietnamese people of Chinese descent live, such as Lao Cai Province, Quang Binh and Haiphong provinces, and the southern capital is Ho Chi Minh City. The southern provinces have the largest distribution of Chinese investment projects, such as Binh Thuan Province and Toei Ninh Province, etc.

China’s first FDI in Vietnam was in 1991, when a Guangxi enterprise (China) joint-ventured with a Vietnam group to open Hoa Long restaurant in Hanoi. Since then, Chinese FDI has increased, although not consistently. For example, China’s FDI in Vietnam in 2012 was USD 312 million, while in 2013, it rose to USD 2.3 billion. China’s 2016 FDI in Vietnam accounted for 7.7 percent of the total FDI at USD1.88 billion[7] .

China's projects in Vietnam, the construction of the Vietnamese capital's first urban railway was planned to run as a project from 2008 to 2013 at a cost of some USD 552 million, with USD 419 million loaned from China. Ground was not broken until 2011. Costs were then projected to run to USD 868 million by 2016, with an additional USD 250 million pumped in by Chinese lenders. The final disbursement is now due in March, but complicated procedures applied by China Exim Bank have hindered the Chinese consortium headed by China Railways Sixth Group [8].

The delayed test run is the latest problem on the controversial project, which has been dogged by accidents, fatalities, and injuries to passersby, poor quality materials, faulty installations, and untrained workers, raising safety concerns. During his first official visit to Beijing, Prime Minister Nguyen Xuan Phuc said the slow pace of work and accidents have, among other things, contributed to congestion in Hanoi, causing public dissatisfaction. There are plans to ask the Chinese embassy to work with the consortium on ameliorating the situation.

The Hanoi metro has been seized upon by critics as a prime example of problematic China-backed projects. Surveys suggest most projects suffer from quality concerns, delays, and cost overruns. These include: the USD 69 million My Dinh National Stadium in Hanoi; the USD 360 million steel complex expansion in Thai Nguyen province; the USD 264 million iron and steel mill in Lao Cai Province; a USD 1.4 billion bauxite-alumina project in the central highland; waste-treatment and energy-related projects; and several textile factories. Common to all the projects were low bids and cheaper cost of investment arrangements. According to Pham Chi Lan, a Vietnamese economic analyst, this will turn out to be very expensive in the long run. Costs will continue escalating for low-quality results.

During the period from 1991 to 2000, China’s investments in Vietnam were mainly concentrated in the light industry and consumer sectors. In recent years, China's FDI in Vietnam has shifted strongly towards construction, manufacturing, processing, and large construction projects and projects in the energy sector. The processing and manufacturing industry now accounts for 61.4% of total investment capital, followed by production and distribution of electricity, gas, water, and air conditioning at 18.2% and real estate at 5.6%. (Vietnam Briefing, 2021). As of 2018, the average investment capital of a Chinese project is about USD 6.3 million, with many projects valued in the range of USD 1 million to USD 10 million. China ranked fifth among Vietnamese investors, after Japan, South Korea, Singapore, and Hong Kong.

This statistic shows the annual flow of foreign direct investments from China to Vietnam between 2009 and 2019. In 2019, the outflow of foreign direct investments from China to Vietnam amounted to around 1.65 billion U.S. dollars[9] .

Table 1. Annual flow of foreign direct investments from China to Vietnam between 2009 and 2019

Year	FDI Flow in Million USD
2009	112.39
2010	305.13
2011	189.19
2012	349.43
2013	480.5
2014	332.89
2015	560.17
2016	1,279.04
2017	764.4
2018	1,150.83
2019	1,648.25

Source: Annual FDI flows from China to Vietnam 2009-2019, 2020

The Chinese projects are spread all over Vietnam. In the north, some large-scale Chinese projects include: a Vietnam-China Mining and Metallurgy project in Lao Cai province (USD 337.5 million); a fabric plant in Quang Ninh province (USD 300 million) belonging to Texhong Group; the Tan Cao Tham rubber processing plant in Lao Cai province (USD 337.5

million); an iron and steel plant extension (USD 340 million) in Thai Nguyen province; the Cat Linh-Ha Dong urban railway (with an initial Chinese investment of USD 419 million); the Da River water pipeline (USD 450 million); a steel refining and rolling factory (USD 33 million) in Thai Binh province; a real estate project (USD100 million) in Tien Giang province; a footwear project in Dong Nai province (with USD 60 million from Phuong Dong– China).

In the central part of Vietnam, the major investments are the Nam Thanh Dong I urban area project, which includes a halal food production plant (USD 20 million) in Hai Hung province; plastic injection molding and plastic product manufacturing (USD 420 million); and electronic component manufacturing (US$18 million) in Da Nang.

In the south, key Chinese projects include: a MDF plywood project (with USD 10 million from Glory Wing, China) in Long An province; project services related to inkjet printing, graphics, advertising products, advertising services of spray printing Hai Thai Co., advertising Shandong (USD 10 million) in Ho Chi Minh City; a Vinh Tan 1 power plant (USD 1.76 billion) in Binh Thuan province; a Viet Lan Tire Plant (USD 400 million) in Tay Ninh province; the Hung Nghiep Formosa Dong Nai Textile Limited Company project (nearly USD 1 billion) in Nhon Trach Industrial Park[10].

According to Vietnam's Foreign Investment Department, in 2019, there were 125 countries and territories with investment projects in Vietnam. Korea ranked first with total investment capital of 7.92 billion USD, accounting for 20.8% of the total investment capital into Vietnam; Hong Kong ranked second with total registered investment capital of 7.87 billion USD (including 3.85 billion USD of shares purchased in Vietnam Beverage Co., Ltd. in Hanoi, accounting for 48.9% of Hong Kong's total investment capital); Singapore ranked third with a total registered investment capital of 4.5 billion USD, capturing 11.8% of total investment capital. Followed by Japan, China, etc. In which investment from China and Hong Kong tends to increase over the same period due to the impact of the US-China Trade War. Specifically, investment from China increased nearly 1.65 times, from Hong Kong increased 2.4 times as compared to the same period in 2018[11].

Case Studies

1. SF Express Corporation of China: SF Express was established in 1993, a state-owned enterprise of China, Guangdong Province[12] . The company has developed IT technology and equipment to support logistics market information and express services. SF Express opens parcel delivery center for businesses in Vietnam. To provide services for import and export products, the opening of an office in Vietnam is another evidence of the company's continued effort in investing. and expanding the network in ASEAN. SF Express's international business operations in Vietnam are an important market in ASEAN. It is also a key trading partner under the Chinese government's BRI program, which aims to strengthen economic ties. In addition, China's SF Express is considered the number one operator, which has an income of about 500 million US dollars, or 60 percent of door-to-door carriers. SF Express also generates 12 percent of its profits compared to major carriers in China. Compared to competitors, it has an average profit margin of only 4 percent and can generate about 8 percent of the total revenue or profit in Vietnam, which is considered a success for the Chinese company SF Express, as well as establishing a network with state-owned enterprises within Vietnam. SF Overseas, a subsidiary of China's largest courier company SF Express, has formed a joint venture with Affluent Woods to provide logistics solutions in Vietnam. The two companies need to contribute a total of about SGD 7 million (USD 5.2 million) in the first year to GS Express, with SF Overseas pouring in SGD 2.7 million (USD 2 million)[13].

2. Aluminum Corporation of China: a state-owned enterprise, the company has followed China's go out strategy, acquiring the large mining company Rio Tinto Corporation in 2010,

and also buying a 7% stake in Alcoa Corporation in the United States in 2011, also expanding to Australia, Canada, and Peru. At the same time, China has invested in the Mekong sub-region. The southern highlands of Laos and the central highlands of Vietnam have 8.3 billion tons of bauxite, the third largest in the world. Until 2007, China negotiated with the leader of the Communist Party of Vietnam. To complete the deal, CHINALCO has signed a mining and upstream aluminum production facility worth USD 1.3 billion. Bauxite is mined. There are six in Vietnam in the central highlands of Vietnam, and two main factories producing 600,000 tons/year of ready-to-refined aluminum/year for repatriation to China.

There are two mines in Lam Dong and Dac Nong, each with an investment of USD 600 million. The investment comes from Chinese government loans and more from Japan to support domestic business. This allows China to build networks and direct relations with the Vietnamese government to increase its bargaining power in driving the economy within China. In addition, Vietnam has benefited from Chinese investment in the long term, although there was resistance from local Vietnamese people and increasing environmental problems after the government made a deal with China.

3. Suncity Group Holdings Limited: An investment company engaged in real estate development, including renting real estate Management through 4 parts: real estate development, real estate rental hotel management, One-stop resort and travel consulting services, as well as leasing commercial space in Guangdong, Liaoning and Anhui provinces in China, Suncity Group Holdings has invested in casinos in Hoiana, Vietnam[14]. There are also expanding projects along the three-kilometer coastline in central Vietnam (Danang), where the casino project in Hoiana is worth more than $4 billion, covering nearly 1,000 hectares of land, including restaurants, golf courses, and a water park. It is backed by Suncity Group Holdings Ltd. Hoiana is the Suncity Group's first casino as an owner and joint venture with the local government. It owns a third of Vina Capital, an investment management company, and a Vietnam real estate company (VMS Investment Group).

4. China Luoyang Float Glass Group Co., Ltd.: CLFG is the largest comprehensive glass manufacturer in China and the birthplace of “Luoyang Float Process,” one of three float processes in the world. Preparations were made for setting up the company in 1956. CLFG possesses two affiliated companies, eleven majority-controlled sub-companies (excluding secondary majority-controlled companies), three share-holding sub-companies, and one collectivized sub-company. CLFG has 12,000 employees and total assets of RMB 3.9 billion (1 RMB = 0.121 USD) with net assets of 2.5 billion. China Luoyang Float Glass Group, with China Luoyang Float Glass Group Co. Ltd. appearing as its core, is not only one of 56 large-scale business groups of China selected for experimentation, but is also one of the business groups that are on a special list of the national planning. The Chinese government selected qualified, large state-owned enterprises (SOEs) for reform experiments during the 1980s. The decision-making power was then passed to the managers of these enterprises from the Chinese government. During the early period of transition from a centrally planned economy to a market economy, only a few SOEs had been selected. China Luoyang Glass Co. Ltd. - a majority-controlled subsidiary sponsored and created by CLFG, has consecutively listed H and A shares in Hong Kong and Shanghai, raising capital of RMB 1,2 billion. This has allowed it to enter into financial markets both at home and abroad, and has opened a new financing channel[15].

In 1990, CLFG realized a wholesale agent from Guangxi province had a high demand for glass, typically consisting of ten train carriages per month, with additional special train arrangements for shipment. After market investigation, CLFG discovered that all the products had been sold to Vietnam. Based on the information gathered from Guangxi province, CLFG decided to send a delegation to Vietnam for marketing research. The delegation interviewed different ministry officials, customers, and local Vietnamese glass distributors, and also collected data on glass consumption in the different parts of Vietnam. The research report showed that market demand in Vietnam for CLFG glass was very high, mainly from the construction industry. There was only one glass factory in Vietnam in 1990, with no foreign companies manufacturing in Vietnam. Thus, there was little competition at that time. The technologies used in Vietnam were far behind those used by CLFG. Based on the report and the organization's strategy, CLFG management decided to invest in Vietnam.

5. TCL Holdings Co. Ltd.: TCL was established in 1981; TCL is a state-owned enterprise. It is engaged in business ranging from R&D, manufacturing, and sale of electronics and telecommunication products to information technology products. TCL has formed four series of products represented by the TCL King brand color television in the industries of audio-visual products, telecommunication, information appliance and electrical components. Moreover, the corporate strategy is positioned at hastening the enterprise developments by integrating audio and video products represented by King brand TV and mobile communication products represented by cell phone. TCL maintains a cutting edge by continuously enhancing its core competitiveness[16] .

TCL, top three global television brand and leading consumer electronics company, laid the foundation for its new integrated manufacturing base in Binh Duong (Ping Yang), Vietnam[17] . The move signifies Vietnam's strategic position in TCL's global development as a regional manufacturing hub. It also underpins the company's long-term commitment to the Vietnam market. Covering an area of approximately 73,000 square meters, the new manufacturing base has a two-phase construction plan with a total investment of over USD 53.56 million. The production capacity of phase one is expected to be up to 1 million TV units per year with an investment of USD 37.19 million, which is double the current production capacity of the factory in Dong Nai. Once construction of phase two is complete, with an additional investment of USD 16.37 million, the production capacity will reach a maximum of 3 million units per year. The integrated manufacturing base will supply products to both the Vietnam market and other overseas markets, including the Philippines, Thailand, the U.S. and Europe, to meet the growing demand for superior quality TVs.

4. Factors of Chinese FDI in Vietnam

Although China's direct investments can generally be found in many provinces and localities across Vietnam, they are mainly concentrated in densely populated cities with good infrastructure connectivity facilitating ease of travel between China and Vietnam, a strong focus on import and export of goods, and the factors of Chinese investment in Vietnam consist of Political factor and economics factor:

Politics Factor

After the implementation of China's open country policy in 1978, China has increased cooperation with foreign countries in other regions. Especially countries in Southeast Asia, China has helped and built friendly cooperation. Chinese investment abroad and China can strengthen its political and economic influence in the regions. China has implemented the Go South Policy, which is a policy that aims to investment in neighboring countries in the Greater Mekong Sub-region (GMS), such as Cambodia, Lao PDR, Myanmar, Vietnam and Thailand. China initiated the China-ASEAN Free Trade Agreement in 2010. In addition, China declared Guangxi as a gateway to ASEAN, and China seeks to take the lead in the region through the Belt and Road Initiative.

The BRI is an important source of funding that Vietnam may want to tap to finance its infrastructure projects. To an extent, it is found that the demand for infrastructure investments in Vietnam is going to increase in the next few years. However, the nation would not be able to meet the need for development due to a lower official development assistance inflow, barriers in the boost of Public Private Partnership projects and limited funded investment from the state. As a result, Vietnam joined the BRI project and signed the Memorandum of Understanding (MOU) in 2017. Vietnam welcomed the closer economic and logistics ties outlined as part of the BRI proposal with efforts to promote economic and regional connectivity.

From another point of view, many economists stated that Vietnam is offering diplomatic support to China's BRI, Vietnam may be seen as a crucial part of the maritime component of China's ambitious BRI. Nevertheless, Vietnam ought to be cautious about applying for loans from BRI projects. To achieve sustainability and effectiveness in project implementation, the principles of consensus, equality, voluntariness, transparency, openness, mutual respect and benefits, and compliance with the UN Charter and international law must be ensured between Vietnam and China. The view of Vietnam relating to China's ambitious project will be dependent on the commercial terms of BRI loans and the credibility of Chinese contractors. Therefore, in order to ensure the BRI's long-term success in Vietnam and in other countries generally, the performance of the first batch of BRI projects should meet the expectations of not only the beneficiary countries but also of the international community[18].

Especially, as part of the BRI, Vietnamese business communities have an upbeat attitude over the prospects of the country. Positive trade prospects in the long term could be expected by both parties. Notwithstanding the foregoing, Vietnam is still waiting for the outcome of the first batch of BRI projects before making any further decisions, although some other countries in the region are now looking for significant benefits from working with China [19] .

Vietnam, which is included in the BRI's geographical scope and has a great need for infrastructure investments, stands to benefit from the Initiative. However, apart from some statements welcoming the BRI and proposing principles for its implementation, Vietnam's reactions to the Initiative remain largely ambivalent because of the complex political, economic and strategic relationship between the two countries. This essay will analyses the BRI's implications for Vietnam, Vietnam's initial responses to the Initiative, and its future prospects in the country.

During President Xi Jinping's visit to Hanoi in November 2017, the two countries signed a Memorandum of Understanding (MOU) on promoting connection between the "Two Corridors, One Belt" framework and the BRI. The "Two Corridors, One Belt" (TCOB) framework was proposed by China in 2003 to promote bilateral economic cooperation. The two "economic corridors," namely the Kunming-Lao Cai-Ha Noi-Hai Phong-Quang Ninh corridor and the Nanning-Lang Son-Ha Noi-Hai Phong-Quang Ninh corridor, were designed to improve connectivity between Yunnan and Guangxi with 12 cities and provinces in North Vietnam. Meanwhile, the Tonkin Gulf "economic belt" was meant to enhance economic cooperation between provinces of the two countries located around the Tonkin Gulf. However, the TCOB had not been implemented until it was revived and aligned with China's newly proposed BRI.

The Belt and Road Initiative (BRI) was proposed in 2013 by Chinese President Xi Jinping with the purpose to foster regional cooperation and connectivity on a transcontinental scale. By combining of the Maritime Silk Road and Silk Road Economic Belt, China's BRI is a development strategic project which is made up of shipping lanes and overland corridors. In reality, trillions of dollars are used for infrastructure and international trade investments. From a standpoint of view, it is agreed that the BRI can connect the people over the world and facilitates various opportunities for global peace and this ambitious project might help China strengthen trading and investment activities with more than sixty countries throughout Asia, Middle East and Europe[20] .

China's foreign policy has focused attention on ASEAN regions such as (1) One Belt and One Road (OBOR) to restore the Silk Road to link Asia, Europe and Africa. For economic benefit and to disseminate Chinese culture (2) Project to connect the 3 Pan-Asia

Railway Network: Eastern Line (China-Vietnam), Central Line (China-Lao PDR) and west line (China-Myanmar) to connect the southwestern territories of China with the countries of Southeast and South Asia. To expand economic cooperation, trade and landlocking China's investment strategy will focus on investment in transport systems, Logistics, business Cargo, infrastructure and other sectors such as energy, mining and agriculture.

Economics Factor

Chinese investment abroad rose sharply in 2016, China is the second largest investor in the world after the United States. In Vietnam, despite the lack of smooth relations with China, and in the 1990s, relations with China and Vietnam improved. There is a border trade between China and Vietnam. China is still the No. 1 import market for Vietnamese products and China has invested in Vietnam in many industries such as mining, textiles and garments and infrastructure development, etc. Vietnam has important resources such as rice, rubber, tea, coffee, tobacco, pepper, fishery, coal, petroleum, and natural gas.

China is a large capital group that plays a role in the economy, there are two factors to investment (1) China's overseas investment promotion policy, such as investment in infrastructure construction, industrial, and service industry. The Chinese government encourages Chinese companies to invest abroad to enhance their competitiveness. By relocating production bases to seek resources, and low production costs, (2) China's soft power strategy is a strategy for foreign policy implementation from the founding of the Asian Infrastructure Investment Bank (AIIB), dedicated to providing funding, assistance long term loan, the development of modern transportation systems, with both political and economic goals at the same time.

In addition, China began to develop “Pan-Asia Railway Network”. It is a distance of approximately 4,500-5,500 kilometers to link the contact line between China and ASEAN. It is divided into three main routes: (1) the west line from Kunming-Tali to Yangon, Bangkok, then Kuala Lumpur, Singapore (2) the east line from Kunming, Hanoi, Ho Chi Minh City, then into Phnom Penh, Bangkok, Kuala Lumpur, Singapore (3) the middle line from Kunming, Yuxi, Vientiane, Bangkok, Kuala Lumpur, Singapore.

The Guangxi-Vietnam Railway Project has reinforced the Gateway to ASEAN strategy on November 28, 2017, with the opening ceremony of the international freight train route from Nanning to Hanoi. The city of Nanning is a logistics center connecting with ASEAN member countries. The train route spans 400 kilometers, starting from Nanning-Hanoi, Vietnam. Total time is not more than 20 hours (including customs clearance time). The key is high security and able to transport in large quantities, on time, and save more than 20 percent on transportation costs compared to by car. The route will strengthen economic ties and create infrastructure links between China and Vietnam.

At the same time, the strategy of being a gateway to ASEAN has China Railway Company as an important player. There are four joint operations companies: CRCT Company, Guangxi Ningtie International Logistics, a subsidiary of China Railway Nanning Group, Nanning Zhenyang Logistics, and Guangxi Tiesheng International Logistics Co., Ltd. The transport route started service on 2018, and products from China can be exported to Vietnam and neighboring countries. The Vietnamese side was able to deliver products to China. The development of transportation and logistics systems is in line with the promotion of the BRI strategy, as well as promoting the role and building of China-Vietnam economic, trade and investment links in the future.

5. Conclusion

From the diplomatic relations between China and Vietnam from 1991-2021 to the present, 30th anniversary, China and Vietnam are very close due to geographical proximity and Geo-Economics. China and Vietnam have an economic renovation, a policy of liberalization of trade and investment with foreign countries. China prioritizes geo-economics in the Greater Mekong Subregion Economic Cooperation, with Yunnan Province as the southern gateway to the GMS. Moreover, Guangxi Province has become the gateway to ASEAN, where China has expanded investment in Vietnam. Meanwhile, Chinese goods were sent through the Vietnamese border and spread to countries in the GMS. Under the BRI, China has a series of arrangements and agreements with its Asian neighbors, including Vietnam, as the BRI is expected to alter the regional geo-economic by further enhancing development and connectivity in the future.

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