

# *Risks and Motivations of Cooperation between China and Vietnam in Textile Industry Based on Empirical Analysis*

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**Abstract:** Since China's accession to the WTO in 2001, China's production and manufacturing industry has developed rapidly, and China is known as the "world's factory". In the manufacturing industry, the textile industry occupies an important position. China is the largest producer and exporter of the textile industry, and China's economic stability, foreign exchange reserves, balance of payments and employment problems are also importantly affected by the stable development of the textile industry. However, in recent years, China's textile industry has shifted to Southeast Asia, and a large part of China's textile companies have chosen to invest in Vietnam to build factories. Why Chinese textile companies choose to invest in Vietnam is worth pondering. What kind of advantages Vietnam has compared with China, so that Chinese companies will turn their attention from the Chinese market to Vietnam, and in addition to Vietnam's advantages, what risks there are to invest in Vietnam need to be considered. Therefore, this article will first study and sort out the literature on the foreign investment of Chinese textile enterprises, and then analyze from the aspects of outward direct investment theory, the current situation of China's textile industry's outward direct investment, the competitiveness of Vietnam's textile industry, and the risk of investing in Vietnam, analyze the competitiveness of Vietnam's textile industry with index analysis, analyze Vietnam's investment risk with factor analysis, rank Vietnam's investment risk in the ten ASEAN countries, and measure the level of Vietnam's political and economic risk in an empirical way. Finally, this article will summarize the research conclusions of the article and put forward policy suggestions for the Chinese government and enterprises, hoping to have some reference effect on the foreign investment of China's textile enterprises.

## 1. Introduction

### 1.1 Research background and significance

In China, the textile industry is characterized by high labor intensity and dependence on import and export. The largest producer and exporter of textile industry is China, where both economic stability, foreign exchange reserves and balance of payments and other issues are greatly affected by the textile industry<sup>[1]</sup>. But China's textile industry has been a simple processing and based on China's labor force of low prices of the strategy, with the development of Southeast Asian countries, is now

gradually losing this low-cost advantage. At the same time, in order to curb the development of China's textile industry, as well as to protect their own textile industry, developed countries have set up export quotas for China's textile exports and other unfair trade practices, and trade frictions between China and developed countries have continued; domestically, the constraints of the production structure and technological level, the imperfections of the foreign trade mechanism and marketing methods, and the uncontrolled competition of the domestic enterprises are also restricting the development of the textile industry. Within the textile industry, problems such as weak independent production capacity of enterprises, upgrading of the industrial chain, increasing export costs, weak brand competitiveness, and an irrational regional structure of the textile export trade still need to be urgently resolved. Therefore, China's textile enterprises to transfer industries is an inevitable move, the best way to transfer industries is the best way to foreign direct investment<sup>[2]</sup>.

From the Ministry of Commerce announced the scale of foreign direct investment, China's textile industry has shifted to Southeast Asia, where a large part of China's textile enterprises has chosen to go to Vietnam to build factories and investment. Why Chinese textile enterprises will choose to invest in Vietnam is worth thinking about. Vietnam and China have what kind of advantages, so that Chinese enterprises will turn their attention from the Chinese market to Vietnam, and in addition to the advantages of Vietnam, to invest in Vietnam and what risks are also wanted to consider in this paper, so this paper will analyze the advantages and disadvantages of Vietnam's textile market, as well as according to the analysis will be proposed to correspond to the practical advice.

## 1.2 Literature review

In recent years, Vietnam has taken a series of measures to attract foreign investment, and as a result, many scholars have begun to study the drivers of Chinese investment in Vietnam. YT Peng<sup>[3]</sup> believed that China and Vietnam have a lot of similarities in terms of economy, culture, custom and political system, which adds convenience to economic cooperation between the two countries. Vietnam's education level, market potential, infrastructure, abundant labor force, and easy accessibility are factors for Chinese enterprises to consider when entering Vietnam for investment. Yan Yu<sup>[4]</sup> believed that although the scale of China's investment in Vietnam is very large, the investment projects are still disadvantageous projects, and the senior leaders of China and Vietnam should have political mutual trust, carry out economic and cultural forums and other channels of communication, so that the Vietnamese government and people will recognize China's "One Belt, One Road" strategy. Wei Wang<sup>[5]</sup> believed that although Vietnam is politically stable, it still faces risks such as political corruption; although Vietnam is gradually improving the laws and regulations on foreign investment, there is still a risk that the laws and regulations are not transparent enough; although Vietnam has cultural similarities with China, Vietnamese people's perceptions of China are complicated. SX Ruan<sup>[6]</sup> believed that the biggest risk facing Chinese investment in Vietnam at present is the political risk, but the overall risk of China in Vietnam is small, which also means that the economic and cultural risk of Chinese enterprises is small except for the political risk. Therefore, with the deepening of political exchanges between the Chinese and Vietnamese governments, Chinese investment in Vietnam will increase.

## 1.3 Research methodology

This study uses three research methods - literature analysis, qualitative and quantitative analysis, and principal component analysis - to analyze the cooperation between the textile industries of China and Vietnam. First, literature analysis was used to find articles on industrial cooperation between the textile industries of China and Vietnam, to summarize the stages of previous research as well as its conclusions, to learn the theoretical foundations of FDI in developing countries, and to collect data

on the textile trade between China and Vietnam. When studying the competitiveness of Vietnam's textile industry, qualitative and quantitative analyses are used to study MS, TC, and RCA to analyze the competitiveness of Vietnam's textile industry in comparison with the world's textile industry. Finally, the political and economic risks of Vietnam are analyzed using principal component analysis.

## **2. Overview of OFDI by Chinese Textile Enterprises**

### **2.1 Background of China's outward FDI in the textile industry**

#### **2.1.1 Macro background**

Since 1990, the world economy has been dominated by globalization and integration. Economic integration referred to the consistent, mutually beneficial, and sustainable economic development of all countries in the world. It was therefore necessary for China to develop its economy in line with the trends of the times. At the same time, it could utilize investment to promote trade.

The "One Belt, One Road" policy is to establish active economic partnerships with countries along the "One Belt, One Road", including China, through political mutual trust, economic integration, and cultural inclusion, and to utilize the existing bilateral and multilateral mechanisms between China and the countries concerned based on the existing and proven regional cooperation platforms to build communities of interest, destiny, and responsibility. This policy has encouraged foreign direct investment by Chinese companies.

#### **2.1.2 Industry Background**

In the textile industry, the main cost of the textile industry originates from direct wages and raw materials, and the cost of raw materials accounts for about 70% of the cost of spinning, and the most important raw material in the textile company is cotton. The fluctuation of raw material prices mainly stems from the change of cotton prices. In recent years, due to the impact of the epidemic, the price of cotton all the way up, resulting in spinning profits can't be guaranteed, the textile industry is struggling.

China has been known as the world's factory, China can become the world's factory, a large part of the reason is because of the low price of our labor force, can be for the manufacturing industry to produce products to reduce costs. However, in recent years, the economy has occurred rapidly, people's living standards have gradually improved, and the wage level of workers has also increased year by year, and China's previous advantages have gradually lost. Taking China and Vietnam as an example, the difference between the wages of Vietnamese manufacturing workers and those of Chinese manufacturing workers is nearly three times. Therefore, in recent years, Chinese textile enterprises have built factories in Vietnam and other Southeast Asian regions.

In 1972, the GATT Committee on Textiles signed the Multi-Fiber Agreement (MFA), which was not a fair agreement and provided a legitimate basis for curbing the development of developing countries and protecting the development of the textile industry in developed countries. With China's accession to the WTO in 2001 and the abolition of the Multi-Fiber Agreement in 2005, China's textile industry has developed rapidly, occupying most of the international market with low-cost advantages. However, due to the restriction and suppression of trade barriers in various trading countries in the textile industry, the export volume of Chinese textiles has declined.

Since China's accession to the World Trade Organization (WTO) in 2001, 85 anti-dumping cases, 57 special safeguard cases, 30 safeguard cases and 3 countervailing cases have been initiated globally against China's textile industry. In the context of the high incidence of trade remedy cases, China's textile industry is also facing a further increase in international trade risks. Therefore, China's textile

enterprises are actively looking for a way out of foreign direct investment.

### 2.1.3 The Special Context of FDI in Vietnam

In recent years, China-Vietnam economic and trade cooperation relations have continued to develop steadily. China and Vietnam signed the Five-Year Development Plan for China-Vietnam Economic and Trade Cooperation in October 2011<sup>[7]</sup>; subsequently, the two countries signed the Memorandum of Understanding on the Construction and Development of Cross-Border Economic Cooperation Zones in October 2013<sup>[8]</sup>; and, in 2016, renewed the Five-Year Development Plan for China-Vietnam Economic and Trade Cooperation, which was signed in 2011, and signed the China-Vietnam Supplementary and Extension Agreement on the Five-Year Development Plan for Economic and Trade Cooperation. In addition to the Supplementary Agreement, China and Vietnam signed the China-Vietnam Border Trade Agreement<sup>[9]</sup>; in November 2017, the strategic docking agreement on the development of the Belt and Road Initiative and the Two Corridors and One Circle Plan was signed, as well as the agreements on e-commerce, infrastructure cooperation, cross-border cooperation zone negotiations, and the signing of the China-Vietnam Economic and Trade Cooperation Five-Year Development Plan. In November 2017, agreements were signed on the development strategies of the "Belt and Road" initiative and the "Two Corridors and One Ring" plan, as well as agreements on e-commerce, infrastructure cooperation, and cross-border cooperation zones, and a list of key projects for the five-year plan was drawn up. September 2021, a Memorandum of Understanding on the Establishment of the China-Vietnam Trade Facilitation Working Group was signed. Currently, relevant government agencies of both countries are working on the implementation plans of the "One Belt, One Road" and "Two Corridors, One Ring" strategies. The development and signing of these policies reflect the extensive cooperation between ASEAN countries, including China and Vietnam<sup>[2]</sup>.

## 2.2 Current Situation of Chinese Textile Enterprises' OFDI

China's outward FDI in the textile industry is only 163 million euros, but by 2016 there was 1.24 billion dollars, from 2009 to 2016 is the period of high growth of outward FDI in the textile industry, but after 2016, the pace of investment began to slow down, in 2017 there was 830 million dollars, and in 2018 there was only 580 million dollars, and in 2019 Because of the impact of the epidemic, the amount of foreign direct investment in the textile industry is only 230 million U.S. dollars, but thanks to China's excellent epidemic prevention and control policies, in 2020 China's textile industry FDI amount reached to 690 million U.S. dollars again.

For the time being, there are two main forms of FDI by Chinese textile enterprises. One is the regional layout mode of manufacturing industry<sup>[2]</sup>, that is, investing in the host country to build factories for production, this mode is more suitable for investment destinations seeking cheaper sources of labor and raw materials, so this mode is mainly located in Southeast Asia and South Asia, such as Tian Hong Textile Group that is the establishment of local production bases in Vietnam; the other form of outward investment is through mergers and acquisitions, the raw materials of the industrial chain, research and development, branding and market resources in the global integration, this mode is more suitable for investment destinations seeking more advanced textile experience. Another form of outward investment is through mergers and acquisitions to integrate raw materials, R&D and market resources of the industrial chain on a global scale, which is more suitable for investment destinations seeking more advanced textile experience.

### 3. Motivation and Risks of Chinese Textile Enterprises' Investment in Vietnam

#### 3.1 Development status of Vietnam's textile industry and its competitiveness

##### 3.1.1 Status of Vietnam's textile industry

Vietnam's textile industry is the pillar of development of its national economy. Vietnam can also be called the second largest factory in the world. At the same time, the textile industry is Vietnam's second largest export industry. Vietnam's textile exports increased year by year from 2014 to 2019. In 2020, textile exports declined slightly due to the epidemic, but since then, textile exports have steadily increased. Ten ASEAN countries, including Vietnam, launched the Regional Comprehensive Economic Partnership Agreement (RCEPA) in 2012. After that, the ten ASEAN countries plus China, Japan, South Korea, Australia, and New Zealand formally signed the Regional Comprehensive Economic Partnership Agreement (RCEP) in November 2020. Due to Vietnam's geographical proximity to China, it is China's second largest trading partner in the ASEAN region. However, Vietnam lacks local resources to support the raw materials needed for its textile industry. Most of the raw materials need to be imported. In addition, Vietnam's local textile technology is relatively backward and is in dire need of advanced production technology and equipment from abroad. Therefore, in order to attract foreign investment, the Vietnamese government is optimizing domestic laws and regulations to attract foreign investment and actively participating in global trade agreements so that more domestic and foreign textile enterprises can invest in Vietnam.

##### 3.1.2 Study on the Competitiveness of Vietnam's Textile Industry

The competitiveness of Vietnam's textile industry relative to other countries is very important when analyzing the status of the development of the textile industry in Vietnam. In this paper, two indices are chosen to analyze the international competitiveness of Vietnamese textile products: competitive advantage index TC and explicit comparative advantage index RCA<sup>[10]</sup>.

###### 1) Competitive Advantage Index TC

TC refers to the difference between a country's imports and exports of a certain product as a proportion of the world's total trade in imports and exports of that product. TC index = (exports - imports) / (exports + imports). The closer the index is to 1, the more competitive it is, and when it is equal to 1, it means that the industry only exports and does not import; the closer the index is to -1, the less competitive it is, and when it is equal to -1, it means that the industry only imports and does not export; and when it is equal to 0, it means that the competitiveness of the industry is at an intermediate level.

$$TC_i = \frac{EX_i - IM_i}{EX_W - IM_W} \quad (1)$$

Table 1: Vietnam Textile Competitive Advantage Index TC

Year	Value of world textile exports (billions of dollars)	Value of world textile imports (billions of dollars)	Value of Vietnam's textile exports (billions of dollars)	Value of Vietnam's textile imports (billions of dollars)	TC
2019	8,249.06	7,044.56	429.51	270.65	13.19%
2018	8,411.12	6,919.29	390.67	284.79	7.10%
2017	8,021.74	6,772.24	343.10	247.70	7.63%
2016	7,620.16	6,478.87	311.85	222.32	7.85%
2015	8,133.76	6,692.22	297.14	245.90	3.55%
2014	8,505.78	7,005.38	269.48	253.77	1.05%
2013	8,438.31	6,840.09	231.27	219.81	0.72%
2012	7,864.12	6,561.85	193.75	168.28	1.96%
2011	8,041.26	6,952.02	181.85	144.40	3.44%
2010	6,829.59	5,975.20	142.37	109.88	3.80%

Source: Global Trade Database

As can be seen from Table 1, the competitive advantage index of Vietnam's textile products is greater than 0 and shows the trend of expanding year by year, which also indicates that the competitive advantage of Vietnam's textile products is getting stronger and stronger.

## 2) Explicit comparative advantage index RCA

RCA is the index of revealed comparative advantage, which reflects the comparative advantage of a country or region in the trade of a particular industry. It is expressed through the share of the industry in the country's exports and the share of the industry in world trade in world trade, excluding the impact of fluctuations in the national aggregate and the world aggregate fluctuations, can better reflect a country's exports of a particular industry and the world's average level of exports compared to the comparative advantage of the relative advantage<sup>[11]</sup>. Revealed comparative advantage index  $RCA = (\text{the value of a country's exports of a certain product} / \text{the total value of a country's exports}) / (\text{the value of the world's exports of a certain product} / \text{the total value of world exports})$ . When RCA is greater than 1, it means that the country has a dominant comparative advantage in this commodity; when RCA is less than 1, it means that the country's commodity does not have a dominant comparative advantage<sup>[11]</sup>.

$$RCA_i = \frac{EX_i/EX_t}{EX_W/EX_t} \quad (2)$$

Table 2: Vietnam's Textile Explicit Comparative Advantage Index RCA

Year	Value of world textile exports (billions of dollars)	Value of Vietnam's textile exports (billions of dollars)	Total world exports of all products (billions of dollars)	Total Vietnam exports of all products (billions of dollars)	RCA
2019	8,249.06	429.51	205,383.52	2,855.06	3.75
2018	8,411.12	390.67	213,799.43	2,733.02	3.63
2017	8,021.7	343.10	194,977.37	2,511.59	3.32
2016	7,620.16	311.85	177,280.22	2,115.89	3.43
2015	8,133.76	297.14	182,563.35	2,024.24	3.29
2014	8,505.78	269.48	208,690.51	1,869.74	3.54
2013	8,438.31	231.27	210,263.07	1,644.14	3.51
2012	7,864.12	193.75	201,581.37	1,327.55	3.74
2011	8,041.26	181.85	202,266.10	1,234.56	3.71
2010	6,829.59	142.37	168,406.63	982.40	3.57

Source: Global Trade Database

From the RCA index in Table 2, the RCA index of Vietnam's textile products for 2010-2019 is above 3, which also shows that Vietnam's textile products are dominant, and the textile industry is competitive among Vietnam's export industries.

## 3.2 The motivation of Chinese textile enterprises to invest in Vietnam.

### 3.2.1 Vietnam's policies to attract foreign enterprises.

First, the Vietnam Investment Law stipulates that foreign investors are free to choose the industry, form, point and scale of their investment, as well as their investment partners, project duration and financing channels. In addition to this, foreign investors can also register in one or more sectors in Vietnam and foreign investors can choose their registered investment activities<sup>[12]</sup>.

Secondly, in terms of foreign business taxation, Vietnam chooses the same tax standards for both domestic and foreign-invested enterprises, but different tax rates as well as the duration of tax exemptions and reductions are applied within different industries. Vietnam's corporate income tax rate is generally 20%, meet the relevant conditions of foreign-invested enterprises can enjoy income tax concessions of 10-17%, and enjoy the "four exemptions and nine halves" or "six exemptions and thirteen halves" preferential policies. For projects with large scale of investment and high

technological content, they can enjoy up to 30 years of preferential policies on income tax reduction by half, approved by the Prime Minister; Vietnam has three VAT rates: 0%, 5% and 10%, and export processing enterprises are exempted from VAT on their exports.

Finally, in terms of financing channels, if the investor operates legally, engages in investment activities that do not fall into the areas where financing is explicitly prohibited by the Central Bank of Vietnam, and meets the conditions of internal compliance and internal control requirements of each financial institution, he/she can apply for financing. Financing channels for foreign investors include bank financing, debt issuance, issuance of shares (IPO), etc.

### 3.2.2 Lower overall cost of textile industry

Vietnam's minimum wage rates are divided into four categories. Among them, the first class areas with the highest minimum wage in Vietnam include Hanoi and Ho Chi Minh City; the second class areas with the second minimum wage in Vietnam are the rural areas of Hanoi and Ho Chi Minh City and the urban areas of can tho, Danang, and Haipong; the third part of the third class areas are the provincial capitals and the urban areas of Binh Ninh, Bn Giang, Hai Duong, and Vinh Phuoc; and the last class of the fourth class areas are the other areas. From January 1, 2021, the monthly minimum wage for areas in categories I to IV will be VND4,420,000 (about US\$190), VND3,920,000 (about US\$169), VND3,430,000 (about US\$148), and VND3,070,000 (about US\$132), respectively. The average salary of an enterprise employee in Vietnam in 2020 will be VND7,840,000 per month, which is about CNY2,200 hospital yuan. The above shows that labor costs in Vietnam are very low, with wages only about 30% of Chinese wages. But the ensuing problem is that Vietnam's labor force is not skilled enough and labor efficiency is low.

In 2020, Vietnam's working population over the age of 15 will be about 54.6 million, of which 48.3 million will be of working age. The proportion of laborers who have received diplomas or certificates through skills training is 24.1%, and this part of the labor force accounts for 39.9% in urban areas and 16.3% in rural areas. In 2020, the actual number of employed laborers of the right age in Vietnam will be 53.4 million people, and as can be seen in Figure 6, the employed labor force in the primary industry will be about 17.5 million people, accounting for 32.8%; 16.5 million people in the secondary industry, accounting for 30.9%; and 19.4 million people in the tertiary industry, accounting for 30.9%; tertiary industry 19.4 million people, accounting for 33.3%. Compared to countries with a higher degree of development than Vietnam, Vietnam's labor supply is very sufficient.

The price of electricity and water in Vietnam is low compared to other countries in the world. Vietnam adopts a ladder price for water, with higher prices for higher usage. From August 5, 2021, the basic price range for residential and industrial/commercial water is: VND3,500-18,000 (US\$0.15-0.79) per cubic meter for special and first-class cities; VND3,000-15,000 (US\$0.13-0.79) per cubic meter for second, third, fourth and fifth class city centers; and VND2,000-15,000 (US\$0.13-0.79) per cubic meter for second- and third-class cities. VND (\$0.13-0.66) per cubic meter; and VND2,000-11,000 (\$0.08-0.48) per cubic meter in rural areas. China also adopts a stepped water price, in China's Shandong Province, for example, the stepped water price is (0.47-1.29-yuan USD)/cubic meter This price is higher than that of Vietnam's special municipalities and first-class municipalities.

Vietnam's electricity price also adopts a tiered charge, with the price of industrial electricity of 110 kV and above in 2021 at about US\$0.067 during ordinary hours, about US\$0.043/kWh during the low-peak period, and about US\$0.12/kWh during the peak period, compared to China's average value of US\$0.1/kWh for industrial electricity consumption. Relatively speaking, the electricity price in Vietnam is also relatively low.

### 3.3 Risks of investing in Vietnam

#### 3.3.1 Empirical analysis

To have a more detailed understanding of Vietnam's political and economic risks, this paper collects nine indicators that reflect the political and economic risks of the ten ASEAN countries to be analyzed. The data comes from the Political Risk Rating of Countries 2021 published by ESG Risk Ratings. A lower score on the rating indicator indicates that the country has a lower risk for that indicator, and a higher score indicates that the country has a higher score for that indicator. In this paper, the data of ten ASEAN countries are selected because, firstly, ASEAN is an important region along the "Belt and Road" policy, and secondly, ASEAN has historically surpassed the European Union to become China's largest trading partner, so it is more valuable to analyze the political and economic risk of other ASEAN countries compared with Vietnam.

The political and economic sub-index is divided into nine indicators: strike and civil unrest, terrorism, war and civil unrest, country economic risk, currency non-convertibility risk, sovereign credit risk, expropriation, contractual agreement repudiation, and legal and regulatory risk.

Table 3: Political and Economic Risk Ratings for the Ten ASEAN Countries

ASEAN-10	Strikes, riots and civil unrest	Terrorism	War and civil unrest	Country economic risk	Currency non-convertibility risk	Sovereign credit risk	expropriation	Contractual agreement denial	Legal and regulatory risks
Brunei	1.4	0.5	1.1	2.5	2.1	1.5	2.3	2.2	4.1
Cambodian	6.2	7.6	5.7	4.5	5.7	6	4.6	5.2	6.6
Indonesia	5.6	5.4	4	3.9	3.9	4	5.3	5.4	6
Laos	2.6	2.1	2	4.9	6.7	6.4	5.2	5.3	6.4
Malaysia	3.6	3.3	2	2.6	2.9	2.7	2.8	3.9	3.5
Myanmar	5.8	5.1	5.4	4.9	5.3	5.8	5.5	5.5	7
Philippine	4.8	7	5.1	3.2	3.3	3.4	5	5.3	5.4
Singaporean	1.4	0.5	1.1	3.1	2.5	2	2	2.3	4
Thailand	4.3	5.5	3.9	2.3	3.2	3.4	2.3	4.8	4.8
Vietnam	4.4	1.4	2.4	3.3	4.6	5.1	3.4	3.1	5.3

Source: ESG risk ratings

Note: The higher the score, the higher the risk

Table 4: Political and Economic Risk Ratings for the Ten ASEAN Countries

Country	Rank	Country	Rank
Cambodian	1	Thailand	6
Myanmar	2	Vietnam	7
Indonesia	3	Malaysia	8
Philippine	4	Singaporean	9
Laos	5	Brunei	10

Data source: obtained by the authors using MATLAB software to process the risk rating indices in Table 3; Note: The higher the ranking, the greater the risk.

As can be seen from Table 4, among the ten ASEAN countries, Cambodia, Myanmar, and the Philippines have high scores and rank relatively high, with high political and economic risks. Malaysia, Singapore, and Brunei have less political and economic risks, of which Vietnam is ranked seventh, which indicates that compared to the ten ASEAN countries, Vietnam has a lower ranking of political and economic risks, but still has certain risks that investors need to pay attention to.

#### 3.3.2 Political and economic risks

Politically, Vietnam is a socialist country like ours, with a very similar political system, and Vietnam's development process has been characterized as "crossing the river by touching China". However, the level of corruption in Vietnam is particularly serious, as Vietnam ranked 104th out of



180 countries and regions in the global corruption index at the end of 2020, while in 2016, it ranked 113th in the corruption index. This is all thanks to the fact that after the 12th National Congress of the Communist Party of Vietnam (VCP) in 2016, Vietnam entered a large-scale, comprehensive, and in-depth anti-corruption phase. In terms of legislation, in 2017, the Vietnamese government made relatively big changes to its Law on Preventing and Combating Corruption; in terms of property declaration, Vietnamese civil servants are required to declare their real estate; at the same time, Vietnam has also introduced a series of relevant decrees and resolutions, such as the Law on Forensic Science, Law on Supervision, Law on Employees, Law on Whistleblowing, Law on Declaring Complaints and Law on Access to Information, and these laws and regulations also help the Vietnamese government to reduce the corruption rate to a certain extent. To a certain extent, these laws and regulations have also helped the Vietnamese government to reduce the level of corruption in Vietnam. Vietnam's ranking on the Corruption Index has risen to 87, while China's ranking on the Corruption Index was 66 in the same period. Therefore, in comparison, the Vietnamese government is making great efforts to combat corruption in the country and has already achieved significant results. However, Vietnam's corruption index is still relatively high, and investors should still be cautious.

In terms of the economy, Viet Nam's inflation rate has always been higher than the world level, except for individual years. In 2008 and 2011, Vietnam's inflation rate was much higher than the world level, reaching 23.1% in 2008 and 18.7% in 2011. Such a high inflation rate in Vietnam is mainly due to two reasons. First, Vietnam's foreign exchange reserves are scarce, and Vietnam's local resources are also scarce, so its textile industry cannot rely solely on local resources for raw materials, mainly dependent on imports. Rising prices of imported raw materials make the total amount of imports continue to increase, and the gap between the number of exports continues to grow, and finally the government can only make the devaluation of the national currency, which will further increase the inflationary situation in Vietnam. Secondly, the implementation of loose monetary policy in Vietnam, these measures in turn worsened the domestic inflation situation. Inflation makes the domestic economy unstable, and investors need to pay attention when investing.

## 4. Research findings and policy recommendations

### 4.1 Findings

This paper analyzes the background of FDI by Chinese textile enterprises, the history of FDI by Chinese textile enterprises, and the current situation of FDI by Chinese textile enterprises in three aspects: the macro-environment, the industrial environment, and the specific environment of FDI in Vietnam. It is concluded that Vietnam's policy of attracting foreign investment and the low comprehensive cost of Vietnam's textile industry are important reasons for Chinese textile enterprises to invest in Vietnam.

Next, the index analysis method is used again to analyze the competitiveness of Vietnamese textile enterprises by analyzing the two indexes of Vietnam's Competitive Advantage Index TC and Revealed Comparative Advantage Index RCA, and it can be obtained that Vietnam's textile enterprises are competitive relative to the world's textile enterprises.

Then next it can be analyzed to get that Vietnam's competitiveness can be expressed in Vietnam's strong attraction policy to foreign businessmen, and its lower comprehensive cost, and finally with the friendly trade pattern between Vietnam and China since ancient times, so these are the motivation to push China's textile enterprises to invest in Vietnam.

Finally, Principal Component Analysis (PCA) was used to analyze the investment risk between Vietnam and ASEAN countries. MATLAB software was used to rank the political and economic risks of the ten ASEAN countries, resulting in the political and economic risks of investment in Vietnam being in the seventh position among the ten ASEAN countries, although the ranking is relatively high, there are still risks that investors need to pay attention to.

## 4.2 Policy recommendations

### 4.2.1 Government

Improving China's OFDI laws and regulations. Compared with some developed countries, China lacks domestic legislation for the protection of enterprises' OFDI, and there is no mature and complete OFDI protection mechanism. This is not conducive to Chinese enterprises obtaining a fair position in OFDI. Therefore, China should form corresponding domestic foreign investment protection legislation as soon as possible, form a corresponding legal system, and establish a mature foreign investment insurance system to protect Chinese FDI enterprises.

### 4.2.2 Enterprise

Before investing, please do sufficient research and study the textile market to avoid blind investment. At the same time, OFDI enterprises need to investigate the host country of their investment in terms of political, economic, and cultural aspects, and then take measures to cope with the risks they may face.

The relevant authorities can use insurance mechanisms to reduce losses caused by political risk. Vietnam's political and economic risks need to be highly valued by investors and appropriate countermeasures should be formulated according to the types of risks to reduce the risks that enterprises need to bear.

This will enhance the competitiveness of enterprise talents and strengthen the training of local textile talents in Vietnam. Although Vietnam's labor cost is very low, but its education level is not high, the enterprise technical talents still need to be hired from the domestic high salary. Therefore, when Chinese enterprises make foreign direct investment in Vietnam's textile industry, they need to cultivate Vietnamese local textile talents, and at the same time, innovate the enterprise's textile technology to improve the core competitiveness of the enterprise.

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