

**MINISTRY OF EDUCATION  
AND TRAINING**

**MINISTRY OF PLANNING  
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**VIETNAM INSTITUTE FOR  
DEVELOPMENT STRATEGIES**

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**BUI KIEU ANH**

**FOREIGN DIRECT INVESTMENT IN  
VIETNAM IN THE NEW CONTEXT**

**Field: Development Economics**

**Field code: 9.31.01.05**

**SUMMARY OF DOCTORAL THESIS**

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## INTRODUCTION

### 1. The need to research the thesis topic

Today, the process of globalization in the world is taking place strongly in almost all aspects of socio-economic life, promoting countries around the world to exchange and trade. Countries were both investors and economies that received Foreign Direct Investment (FDI). FDI capital is a component of the total investment capital for socio-economic development in the host country. Especially in developing economies, FDI opens up access to opportunities and is an important channel for new capital sources, job creation, science and technology transfer, and knowledge and technology exchange. Therefore, many developing countries consider FDI as part of their socio-economic development strategies and actively invite and promote investment to attract foreign investors.

The mobilization and use of FDI in our country is an important part of foreign economic policy in international economic integration, related to the Free Trade and Investment Agreements that Vietnam is promoting, making important contributions to innovation and development right from the early days of the Doi Moi process. The open-door policy for FDI and trade has helped Vietnam integrate into the global economy, participate in regional production networks and diversify exports, and at the same time create many new jobs, thereby improving the state's revenue and the national balance of payments. In addition to these direct benefits, FDI also brings indirect benefits by creating spillover effects to other sectors of the economy, introducing and transferring technology, creating a competitive environment that forces businesses to in the country must innovate and be creative in business, develop and improve skills for the workforce, create more jobs in supporting industries and services.

Since the Law on Foreign Investment in 1987 was promulgated, Vietnam has achieved positive results in attracting FDI. According to data from the Foreign Investment Agency (Ministry of Planning and Investment), from 1988 to 2022, Vietnam's 63 provinces and cities have received 36.278 FDI projects from 140 countries and territories, with registered capital signed 438.7 billion USD, implemented capital 274 billion USD. The FDI sector is increasingly affirming its important role when making significant contributions to the socio-economic development of Vietnam. In 2022, the FDI sector will reach approximately \$27.7 billion, accounting for 13.5% of GDP, 74.3% of export turnover, 13.2% of state budget revenue and creating jobs for about 5 million workers.

However, FDI is also one of the areas receiving several concerns when compared to the initial expectations. First of all, the quality of FDI capital is still low, the technology content is not high, although it has attracted many good technologies, it has not achieved the goal of attracting technology (high technology, source technology) and technology transfer. The rate of new jobs creation is not commensurate, the average income of FDI workers is only slightly higher than that of the private sector. In particular, the link between FDI enterprises and domestic enterprises is still weak, the spillover effect is not high. In addition, there is still the phenomenon of FDI enterprises applying transfer pricing tricks, tax evasion, commercial fraud, some enterprises have violated environmental regulations..

In order to maintain economic success and attract FDI, the Vietnamese Party and State, on the one hand, continue to affirm the view that "The foreign-invested economic sector is an important component of the economy." Vietnam's economy, encouraged and facilitated for long-term development" and "The State respects and protects the legitimate and legitimate rights and interests of investors; ensure harmonization of interests between the State, investors and employees in enterprises". On the other hand, it also sets a requirement to overcome the remaining shortcomings and limitations in FDI attraction in the direction of "Actively attracting, selectively cooperating with foreign investors, taking quality, efficiency, technology and preserving Environmental protection is the main evaluation criterion. Prioritize projects with advanced technology, new technology, high technology, clean technology, modern management, high added value, spillover effects, connecting production and supply chains worldwide. bridge".

In the coming period, the international, regional and domestic contexts have many new points, emerging as a major trend, capable of having a strong impact on all aspects of social life, including social activities. FDI, such as the Industrial Revolution 4.0 and the formation of the digital economy, climate change, US-China trade competition and new geo-economic trends, the COVID-19 pandemic, the Russia-Ukraine conflict, Vietnam's development vision and aspirations for the period up to 2030, the 100th anniversary of the founding of the Communist Party of Vietnam and 2045 - the 100th anniversary of the founding of the Democratic Republic of Vietnam, now the Socialist Republic of Vietnam. The new context - which brings about both opportunities and poses great challenges - is demanding certain changes in the strategic orientation of FDI attraction to overcome the above-mentioned limitations, while promoting better the existing positive

aspects of FDI to make practical contributions to industrialization and modernization in the spirit of progress with the times. Therefore, the author of the thesis chooses the topic "*Foreign direct investment in Vietnam in the new context*" as the research topic, hoping to contribute more ideas to participate in the discussion on interesting and important topics. in the socio-economic development of the country.

## **2. Research goals and tasks**

### **2.1. Research goals**

Researching and summarizing theoretical and practical issues, contributing to clarifying the theoretical basis of FDI, selecting evaluation criteria to select effective and suitable FDI capital sources. Vietnam's socio-economic development conditions in the new context, contributing to the improvement of policies to attract FDI in total investment of the whole society and total national resources, contributing to sustainable development. and the common prosperity of the country in international integration.

### **2.2. Research tasks**

Research tasks of the thesis include:

- International theory and experience: Systematizing the theoretical basis of FDI and the new context. Analyzing the role of FDI in economic development from the perspective of both the investor and the investee. Presenting factors affecting FDI mobilization and standards and criteria for assessing FDI activities in the new context. Clarifying the theory of FDI attraction policies. Referencing, studying the experience of attracting FDI capital of some countries in the world. From there, draw lessons from FDI for Vietnam. Systematize Vietnam's views and policies to attract FDI.

- Current situation: Analyzing the prominent role of FDI in Vietnam's economy. Analyze the situation of attracting FDI in Vietnam, especially in the period 2010-2022. Identify limitations and causes of limitations in attracting FDI in Vietnam. Quantitative assessment of the current situation with selected criteria and criteria.

- Giving views and proposing solutions to attract FDI inflows in Vietnam in the new context.

## **3. Subject and scope of the study**

### **3.1. Research subject**

The object of the research is FDI in Vietnam, placed in a new context, affecting FDI in Vietnam such as Industry 4.0 and the formation of the digital economy, climate change, and local competition. New politics and geo-

economics, COVID-19 pandemic, Vietnam's development vision and aspirations for the period up to 2030.

### **3.2. Research scope**

- *About the content:* The research content of the topic is the theory and practice of FDI (in which the thesis focuses on the aspect of attracting FDI and the aspect is only mentioned in a limited way at relevant points), especially FDI under the impact of the new context; factors affecting the performance of FDI; criteria for evaluating and selecting effective FDI capital sources; policies to attract FDI in the new context.

- *About space:* Studying FDI in Vietnam. In the research process, there is analysis and evaluation of FDI in some other economies in the world.

- *About time:* Studying the current situation of FDI focuses mainly on the period 2010-2022; Proposing solutions to attract FDI capital in Vietnam with a vision to 2030.

### **4. Research questions**

- *About the theory and international experience of attracting FDI:* What is FDI (concept, factors affect, standards and criteria, attraction policies)? How is the new context understood? What is the international experience on FDI and what lessons can be learned for Vietnam?

- *Regarding the status of attracting FDI:* What is the status of attracting FDI in Vietnam in the period 2010-2022 (positive roles, existences, limitations and causes of those limitations)?

- *Orientations and solutions:* What new problems does the new context pose for economic development in general and FDI attraction in particular? What orientations and solutions to effectively attract FDI in the new context?

### **5. Research Methods**

#### **5.1. Research approach**

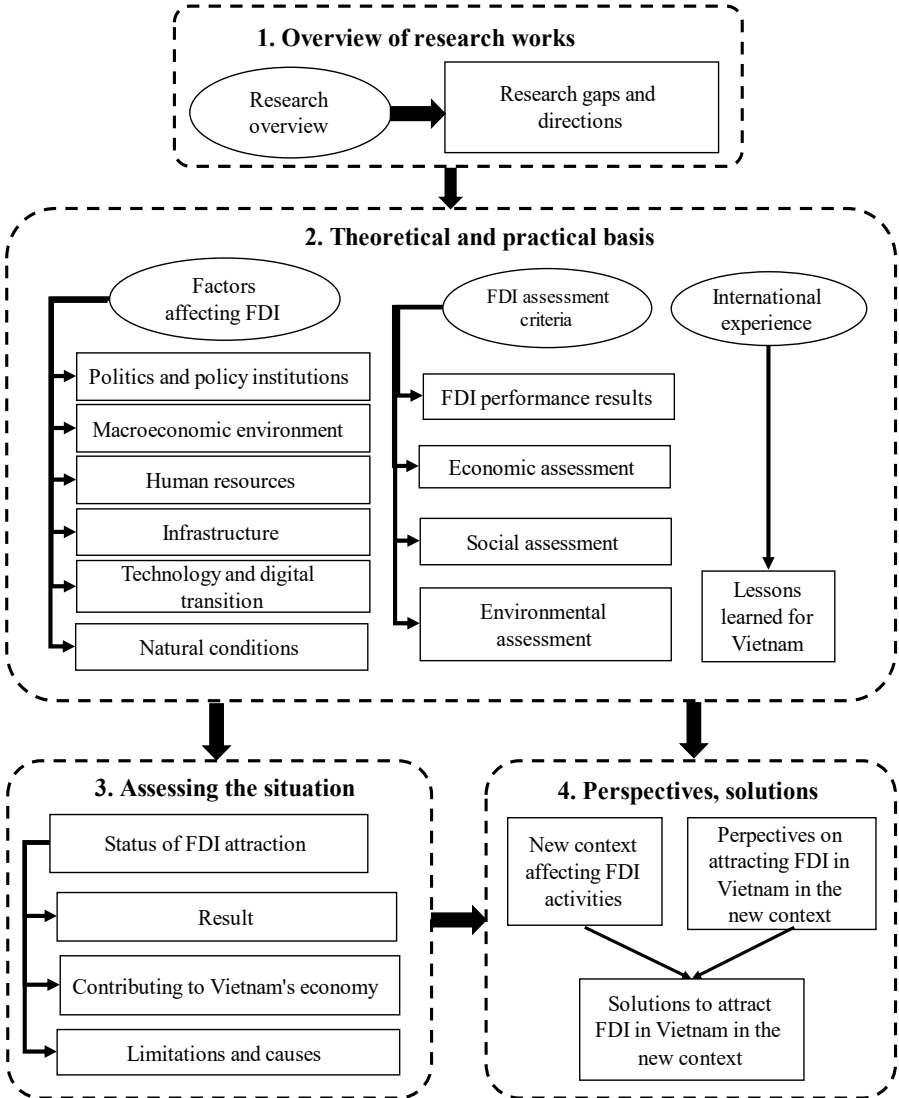
The thesis deploys research from the following main approaches: (1) Systematic approach; (2) Practical approach; (3) Approach from a territorial point of view; (4) Historical approach.

#### **5.2. Research Methods**

The thesis uses the following research methods: (1) Method of collecting and preliminary processing information and data (Method of classification and overview of documents; Method of systematization, generalization, summarization, etc.) Theoretical reasonableness; Methods of

secondary data collection; Methods of information processing and evaluation), (2) Methods of analysis, synthesis, statistics, description, comparison, (3) Methods of analysis policy analysis.

**6. Research framework**



## **7. New contributions of the thesis**

### **7.1. Theoretical and academic contributions**

The thesis studying FDI in the new context has contributed to a number of theoretical conclusions: theoretical basis for investment, FDI and new context; state the role of FDI in economic development (for both the investor and the investee); present factors affecting FDI (including 6 factors: (1) Political and policy institutions; (2) Macro-economic environment; (3) Human resource; (4) Infrastructure (5) Static advantages of natural conditions, (6) Technology and digital transition); define standards and criteria for evaluating the success of FDI activities in the new context (4 groups of standards: on FDI performance results - in terms of economy - in terms of society - in terms of environment); overview of FDI policies.

### **7.2. Practical contributions**

The FDI research thesis has summarized the practice of attracting FDI in the new context. The thesis evaluates the experience of attracting FDI of some countries in the world (namely China, Thailand, Singapore, according to the specific characteristics of each country in the region) and draws lessons for Vietnam. Analyzing the socio-economic development situation of Vietnam, assessing the status of FDI attraction in Vietnam in the period 2010-2022 according to 4 groups of assessment criteria, detecting successes, limitations and causes. multiplier of restriction. Analyzing fluctuations of FDI capital in the context of the new competitive context, which is the emergence of Industry 4.0 and the formation of the digital economy, new geopolitical and geo-economic trends, and climate change , the COVID-19 pandemic and Vietnam's development vision and aspirations stated in the Document of the 13th National Congress (January 2021) of the Party. The thesis gives 5 points of view and proposes 6 groups of solutions to effectively attract FDI capital, contribute to the country's socio-economic development, and to the common prosperity of the whole Vietnamese people.

## **8. Thesis structure**

In addition to the Introduction, Conclusion, References and Appendix, the thesis content is structured into 4 chapters as follows:

*Chapter 1. Overview of research works related to the thesis*

*Chapter 2. Theoretical and practical basis of FDI associated with the international and domestic context*

*Chapter 3. Situation of attracting FDI in Vietnam*

*Chapter 4. Viewpoints, solutions to attract FDI in Vietnam in the new context*

## **CHAPTER 1. OVERVIEW OF RESEARCH WORKS RELATED TO THE THESIS**

### **1.1. Overview of research works on FDI**

The research works are systematically grouped into groups (1) On the perception, conception and nature of FDI; (2) Regarding the influencing factors and the role of FDI; (3) Regarding the assessment of the current situation of FDI; (4) About international experience on FDI; (5) Regarding orientations and solutions to attract FDI.

### **1.2. Review of recent studies on new context formation**

The research works are organized into groups: (1) Topics of industrial revolution 4.0 and the formation of the digital economy; (2) The topic of climate change and green economic development; (3) Topics of US-China trade competition, Russia-Ukraine conflict and new geopolitical and geo-economic trends; (4) The theme of the COVID-19 pandemic and its impacts on socio-economic development; (5) On the vision and development aspirations of Vietnam in the coming period.

### **1.3. Research gaps and research directions of the thesis**

#### ***1.3.1. Research contents that can be inherited and issues that need further research***

Review of research works related to the topic in order to review published works in terms of topics, content, research methods..., published research results, confirm determine the contents that can be inherited and developed, those that have been studied but still need to be further researched or have not been studied yet. In the process of practical movement, things and phenomena always pose new problems to be solved, so it requires human awareness to always explore and develop to better meet the requirements of life.

The overview of the above studies shows that studying the topic of FDI in the new context can inherit a very diverse and rich source of data (Statistical data sources, analysis, evaluation, etc.). situation, results, limitations and causes..., policy implications to attract and use FDI capital effectively). If in the past, the content of the works was more about the presentation of policies and the situation of FDI attraction mainly from an economic perspective, recently, there have been more works referring to the contents related to the policy and the situation of FDI attraction. with sustainable development, quality issues of FDI, issues related to social and



environmental aspects. The sources of materials collected on some contents of the new context are also very diverse with many suggestions that are good for reference.

However, at present, there have not been many studies on FDI in Vietnam in the new context, the studies have not fully assessed the fluctuations in the world in recent years. The study of the correlation between issues of FDI in the new context still has a lot of questions ahead that need to be further answered. For example, under the impact of the COVID-19 pandemic, how will FDI inflows move, continue to increase or decrease, in which sectors/industries and geographical regions? How will the competition for position between China and the US be and how will it affect FDI in the world in general, each region and each country? In particular, how does the conflict between Russia and Ukraine, which is taking place very fiercely and complicatedly, affect FDI? Or like with Vietnam, is the aspiration to develop with the current level of innovation really attractive enough and capable of absorbing more FDI into Vietnam?... In addition, research on standards and criteria for assessing FDI in Vietnam is still modest while this is an issue that has received the attention of state management authorities. So, there are gaps for the author to continue to deepen the research.

### ***1.3.2. Research direction of the thesis***

Among many issues that need further research, the thesis focuses on clarifying the following issues:

(1) Theory and international experience of attracting FDI: A comprehensive and complete conception of FDI and the new context affecting FDI in Vietnam and in the world. International experience on FDI and lessons learned for Vietnam.

(2) Regarding the status of FDI attraction: The current situation of FDI in Vietnam in recent years, especially in the period 2010-2022. The role of FDI in Vietnam's socio-economic development. Factors affecting FDI. Standards and criteria for evaluating FDI activities in the new context. Limitations and causes of limitations in attracting and using FDI in Vietnam.

(3) Orientations and solutions: Proposing and explaining the scientific basis on orientations and some solutions to attract FDI in the coming years in line with developments in the new context.

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## **CHAPTER 2. THEORETICAL AND PRACTICAL BASIS ON FDI IN THE INTERNATIONAL AND HOME CONCEPT**

## **2.1. The concept, features, forms and the role of FDI in economic development**

### ***2.1.1. The concept***

#### ***2.1.1.1. Investment***

The concept of investment contains the following implications:

- Conditions of business investment: must have available capital and must accept not to use that capital for current consumption;
- The objective of the investment: to get a greater return in the future; That is, the sacrifice of consumption in the present will be compensated by more consumption, more utility in the future.

Thus, in this thesis, investment is *the sacrifice of consumption in the present to carry out certain activities in order to obtain certain results in the future that is greater than the sacrifice spent to achieve the desired results. The result of investment is an increase in physical assets (factories, workshops, equipment...), intellectual property (professional qualifications, science and technology...), intangible assets (development, inventions...) and future consumption. The results of investment contribute to increase the productive capacity of the society, improve the quality of life for development goals.*

#### ***2.1.1.2. FDI***

The concept of FDI has been introduced by IMF (1993), OECD (2008), UNCTAD (2007), WTO (2002), Law on Foreign Investment in Vietnam (1996) ... Inheriting the above definitions, in this thesis, FDI (FDI) is understood as *an investor (individual or organization) of one country investing his capital in another country in the form of establishing a business establishment and directly manage that business.*

#### ***2.1.1.3. New context***

The concept of “context/context” is very commonly used in everyday literature. Usually, it is understood as actual situations or situations that affect things and phenomena in a certain space and time period. In this sense, the new context of FDI can be understood as economic, social, and political phenomena that have emerged as a major trend, capable of having a strong impact on all aspects of social life, including FDI activities. Within the framework of the thesis, the content of the current new context of FDI should be limited to five issues: *(1) Industrial Revolution 4.0 and the formation of the digital economy; (2) US-China trade competition; The Russia-Ukraine conflict and new geopolitical and geo-economic trends; (3) Climate change;*

*(4) The COVID-19 pandemic and other epidemics; and (5) Vietnam's development vision and aspirations stated in the Document of the 13th National Congress (January 2021) of the Party.*

### **2.1.2. Features of FDI**

Like foreign indirect investment (FPI), FDI comes about because of the need for international economic integration and the purpose is to generate profits for investors outside the invested territory. However, FDI has two distinctive features that distinguish it from FPI:

- Firstly, FDI investors directly hold the right to manage and control production and business activities. Investors make their own decisions on investment, production and business decisions and are solely responsible for losses or profits.

- Secondly, the income of FDI investors is business income, depending on the production and business results that have been invested, not the profit.

### **2.1.3. Forms of FDI**

Forms of FDI are classified based on many different criteria.

- In terms of penetration methods, FDI includes the following forms: (1) Greenfield investment and (2) M&A.

- In terms of legal form, FDI is divided into 4 main forms, including: (1) Enterprises with 100% foreign capital; (2) Joint venture; (3) Joint venture cooperation contract; (4) Build – operate – transfer, build – transfer – operate, build – transfer contracts.

### **2.1.4. The role of FDI in economic development**

#### ***2.1.4.1. For investors***

- Positive: Investors will make decisions in their favor to ensure the efficiency of investment capital, exploit the advantages of the market (abundant natural resources, cheap labor costs, etc.). large consumption market, etc.), avoiding barriers to trade protectionism and trade fees of the host country.

- Limitations: When investors bring FDI to other economies, such investment in their respective domestic markets will be lost. FDI enterprises will face many risks in the event of an armed conflict in the host country, changes in investment policies, etc.

#### ***2.1.4.2. For the investee***

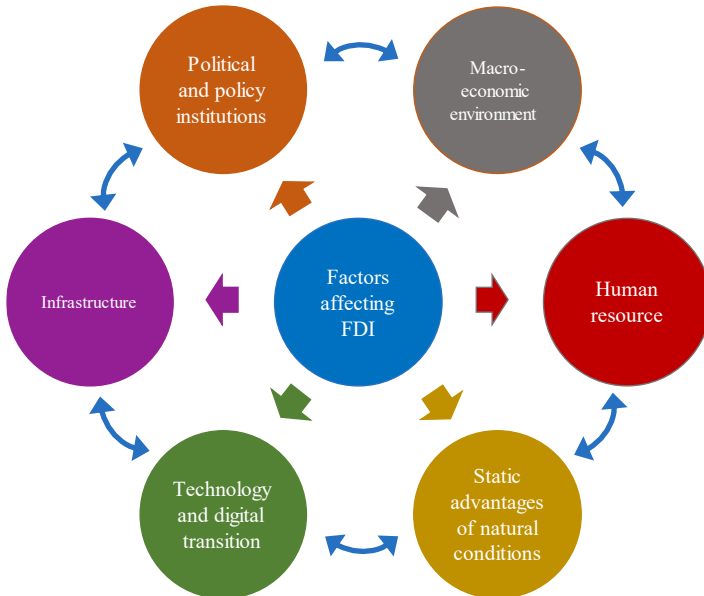
- Positive: FDI is an important additional capital channel for the economy, helping to increase state budget revenue, increase export turnover,

contribute to promoting economic restructuring for investment recipient countries, create jobs and increase economic growth. income for workers. Opportunities in acquiring and transferring technology, modern techniques, business know-how and management and administration experience.

- Limitations: The risk of losing the balance of payments of the host country. Commercial frauds such as tax evasion, transfer pricing, evasion of social responsibility or environmental pollution, depletion of natural resources, etc.

## 2.2. Factors affecting FDI

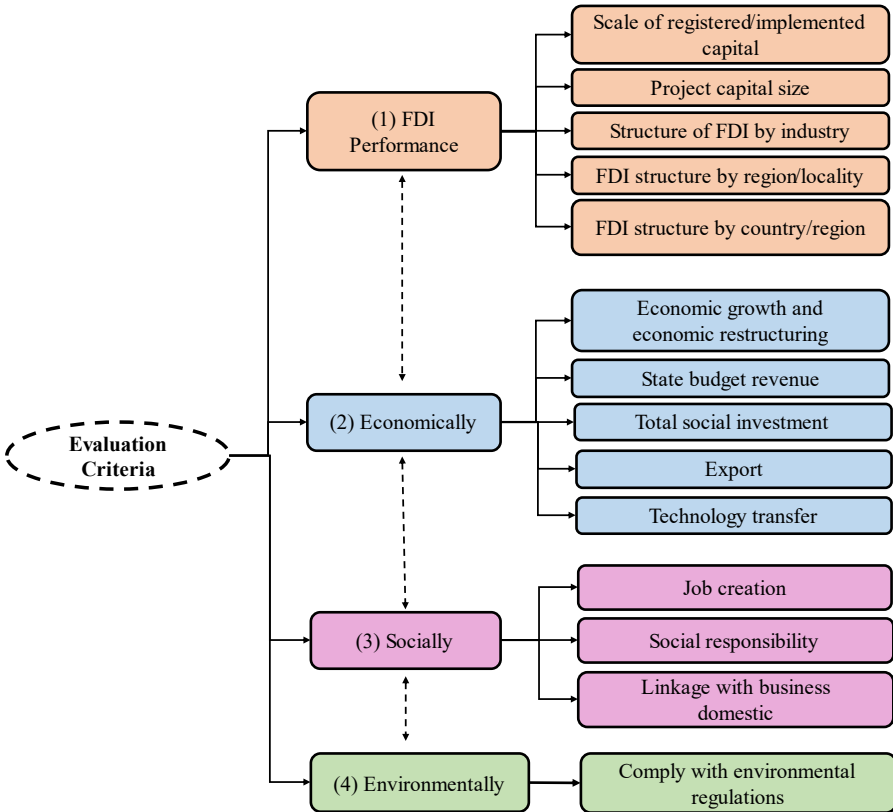
In its research, the thesis proposes 6 factors affecting FDI: (1) *Political and policy institutions*; (2) *Macro-economic environment*; (3) *Human resource*; (4) *Infrastructure* (5) *Static advantages of natural conditions*, (6) *Technology and digital transition*.



## 2.3. Standards and criteria for assessing FDI in the new context

FDI activities are considered successful or not evaluated from many different angles. Within the scope of the thesis, the author evaluates FDI activities on criteria (criteria), in each standard there are many specific criteria (indicators), which can be quantitatively assessed: (1) *Standards for assessment of FDI activities. FDI performance results*; (2) *Economic evaluation criteria of the FDI sector*; (3) *Standards for assessing the FDI*

sector in terms of society; (4) Standards for assessing the FDI sector in terms of environment.



## 2.4. FDI attraction policies of FDI receiving countries

FDI attraction policy is a part of the socio-economic development policy of a country, specifically the FDI receiving country. FDI attraction policy is understood as the totality of ideas, opinions, measures and tools that the State uses to create a favorable environment to effectively attract FDI capital in a certain period of time, trying to achieve goals according to a country's socio-economic development strategy. FDI attraction policy has some main characteristics as follows: (1) it is an important socio-economic policy, a tool that the State uses to manage the economy; (2) it is issued by the State and the main content is shown in the State's documents; (3) there are changes over time when the domestic and international context changes or the main viewpoint and orientation of the State changes. FDI attraction

policies play a role in helping to create an investment and business environment, increasing attractiveness to foreign investors; is a tool to help the State direct the activities of the FDI sector; is a channel to connect and support consultants through information systems and databases.

## **2.5. International experience on FDI and lessons for Vietnam**

In fact, the level of investment in each country is different due to the difference in natural conditions, human capital, infrastructure... leading to different investors' interest. Besides, FDI policies are an important factor determining the success level in attracting and using this capital. The thesis focuses on studying the experience in FDI activities of three Asian countries, including: China, Thailand and Singapore, in which China and Thailand are two countries in the process. industrial. These are also neighboring countries of Vietnam, which have many similarities in terms of natural and cultural conditions, which are considered as examples of successful FDI attraction that Vietnam can learn and share.

Lessons learned on attracting FDI for Vietnam:

- *Firstly*, to have a strategy to attract FDI suitable to the country's socio-economic situation over time.
- *Second*, to clearly define the sectors and fields of investment promotion, the main priority investment partners in each period.
- *Third*, to improve the business investment environment and the institutional environment to create favorable conditions for investors.
- *Fourth*, to improve the quality of infrastructure to increase the attractiveness of foreign investors in attracting FDI.
- *Fifth*, to develop highly qualified human resources to attract high-quality FDI inflows.
- *Sixth*, to set and control standards on environmental protection and technology transfer.

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## **CHAPTER 3. THE SITUATION OF ATTRACTING FDI IN VIETNAM**

### **3.1. Vietnam's economy in the period 2010-2022**

Research contents include: *3.1.1. Economic growth; 3.1.2. Economic restructuring; 3.1.3. Development capital; 3.1.4. Export - import; 3.1.5. Reducing poverty and social problems.*

- Over the past 20 years, Vietnam has maintained a relatively high and

relatively stable economic growth rate. The average period 2011-2015 reached 7.78% and the period 2016-2019 reached about 7.25%. By 2020 and 2021, due to the complicated situation of the COVID-19 epidemic, GDP growth will reach 2.87% and 2.56%, respectively. In 2022, the scale of the economy reached 9,513.3 trillion VND, the economic growth rate reached 8%. CPI has been stable at ~2% from 2015 to present.

- In the period 2010-2022, the AFF sector decreased by 3.5%, the industry and construction industry increased by 5.24% and the service sector increased by 0.7%. The labor structure by industry also had a positive change, the structure of the AFF sector decreased by 21.09%, the labor in the construction industry and the service sector increased by 11.75% and 9.34%, respectively. By economic type, the non-state sector accounts for the highest proportion in terms of both GDP and employment. The state economic sector tends to decrease in terms of both GDP and labor structure while the FDI sector tends to increase.

- Total social development investment capital in the period 2010-2022 increased by 6% on average; in which period 2010-2015 increased by 5.1%, period 2016-2021 increased by 6%. In 2022, the scale of development investment capital will reach VND 2110,74 trillion, an increase of 1.6 times compared to 2015 and 2 times compared to 2010. Investment capital structure has also changed: The proportion of state economic sector has decreased, the proportion of non-state economic sector has increased sharply, the proportion of FDI sector has been quite stable but has tended to decrease.

- The total value of import-export turnover in 2022 will reach about 730 billion USD, of which exports are worth 371.3 billion USD, and imports are worth 358.9 billion USD. In general, in the period 2010-2022, in the overall trade balance, Vietnam has almost a trade surplus. In the balance of trade, the domestic sector always has a trade deficit, in contrast to the general picture, the FDI sector always has a trade surplus.

- From 2010 to 2022, the poverty rate has decreased significantly, after more than 10 years it has decreased by 9.9 percentage points. In which, in the 2016-2022 period, a decrease of 4.9 percentage points (according to the multidimensional poverty line). Both urban and rural areas decreased, especially rural areas decreased sharply.

### **3.2. Viewpoints and policies to attract FDI in Vietnam**

Aware of the position and role of the foreign-invested economic sector in the country's development, the Party and State of Vietnam have always been consistent with the development policy of the FDI sector in the direction

of economic development. multi-component economy. Perspectives and policies to attract FDI have been raised from the VI Congress (1986) to the XIII Congress (2021). Understanding the Party's viewpoint, over the years, the State has gradually improved the legal system and policies related to attracting FDI. Since its inception in 1987, the Law on Foreign Investment has undergone 7 amendments and supplements in 1990, 1992, 1996, 2000, 2005, 2014 and 2020 in order to adjust to the domestic context. and international.

### **3.3. Achievements in FDI attraction in Vietnam**

#### ***3.3.1. Attracting FDI in Vietnam before 2010***

- Since the Law on Foreign Investment in Vietnam was introduced in 1987, in the first three years of 1988-1990, the results of FDI attraction were still limited. During 1996-2000, FDI had a decrease in both registered capital and project size. In the period 2006-2010, FDI fluctuated erratically.

#### ***3.3.2. Attracting FDI in the period 2010-2022***

Research contents include: ***3.3.2.1. FDI capital scale; 3.3.2.2. Capital scale of FDI projects; 3.3.2.3. FDI capital by industry; 3.3.2.4. FDI capital is divided by regions and localities; 3.3.2.5. FDI capital divided by investment partners.***

- *Regarding the scale of FDI capital:* FDI into Vietnam tends to increase relatively steadily. The number of licensed projects in this period increased by 4.8%/year on average, the registered capital and implemented capital increased by 3.3%/year and 6.1%/year, respectively. Vietnam is among the top three ASEAN countries in attracting FDI (behind Singapore and Indonesia).

- *Regarding capital scale of FDI projects:* The capital scale of both registered and implemented projects tends to increase in the period 2010-2021, however by 2022, due to the impact of the COVID-19 pandemic and the global recession, the capital scale of implemented projects and registrations decreased by 4.9% and 36.8% compared to 2021, respectively.

- *Regarding FDI by sector:* Foreign investors have invested in 19 industries and sectors, in which overall, FDI inflows into Vietnam mainly focus on processing and manufacturing industries; real estate business and electricity production and distribution.

- *Regarding FDI capital by regions and localities:* FDI inflows mainly focus on regions with favorable geographical conditions and developed socio-economic conditions such as the Southeast, the Red River Delta, the



North Central Coast and Central Coast. FDI investors have invested in 54 provinces/cities, focusing on large cities such as Ho Chi Minh City, Hanoi.

- *Regarding FDI by investment partners:* Vietnam's main investment partners are mostly economies in Asia such as Korea, Japan, Singapore, China, Taiwan, and Hong Kong.

### **3.3.3. Contribution of FDI to Vietnam's economy in the period 2010-2022**

Research contents include: **3.3.3.1. Economic growth and restructuring;** **3.3.3.2. Contribute to job creation;** **3.3.3.3. Contributing to state budget revenue;** **3.3.3.4. Promote economic institutional reform and international integration.**

- *Regarding economic growth and restructuring:* The FDI sector contributes about 23.2% to economic growth (second only to the non-state economic sector), tends to increase its proportion in the GDP structure. up 0.7%). FDI has always been a dynamic development area, having an impact on promoting the transformation of economic sectors.

- *Contributing to job creation:* By 2022, FDI projects in Vietnam are employing about 5.1 million workers, accounting for 10% of the country's labor force (in 2022, the increase will nearly triple compared to 2010).

- *Contribution to state budget revenue:* Compared to 2000, budget revenue from the FDI sector in 2021 has increased by more than 45 times. For the whole period 2011-2021, budget revenue from the FDI sector accounted for an average of 13.2% per year of total state budget revenue.

- *Regarding promoting economic institutional reform and international integration:* The export value of goods of the whole country increased by 72.6%, reaching 371.3billion USD in 2021. In which, the FDI sector made a large contribution with nearly 276 billion USD, accounting for 74.3% of export value.

## **3.4. Limitations in FDI attraction and causes of limitations**

### **3.4.1. Limitations in FDI attraction**

#### **3.4.1.1. About technology transfer**

- The number of technology transfer contracts in Vietnam is still limited. Technology transfer contracts are mainly done in the form of transfers from the parent company to a subsidiary located in Vietnam, there are very few transfer contracts from FDI enterprises to domestic enterprises. Technologies transferred under FDI projects are often technologies based on investors' interests, not on Vietnam's technological innovation needs.

- Vietnam's FDI investment partners mainly do not come from countries that hold source technology such as the United States, EU, and Japan, but mainly from Asia such as China, Korea...

- The ability to absorb technology of domestic enterprises is still low, and the level and ability to decipher technology is still not high.

#### ***3.4.1.2. About linkage with domestic enterprises***

- The connection between FDI enterprises and domestic enterprises is still blurred and quite poor, the "harmonious benefits, risk sharing" have not been realized, the spillover effects on technology and labor productivity are still limited.

- The supporting industry in Vietnam is still slow to develop, unable to meet the requirements of the manufacturing and assembly industry, especially supplying components to foreign-invested enterprises.

- There are about 73% of FDI enterprises in the form of 100% foreign capital, the form of joint venture accounts for only 21.4% (VCCI, 2021). This shows that FDI investors want to be completely active in the management and implementation of FDI projects instead of linking joint ventures with Vietnamese enterprises.

- There are still limitations in training and improving skills for workers in the FDI sector.

#### ***3.4.1.3. About transfer pricing***

- In recent years, in Vietnam, there is much evidence that FDI enterprises evade taxes through transfer pricing tricks to distort the business status of enterprises. Many businesses report losses but still expand production and business and have higher revenue next year than last year.

- Transfer pricing from FDI enterprises has many negative impacts on Vietnam's economic development, firstly causing tax revenue loss, leading to loss of budget revenue. Besides, transfer pricing increases import value, negatively affects the balance of trade and balance of payments; creating an unfair competitive environment between businesses; contributing to the decrease in the efficiency of using FDI capital in particular and investment capital in general...

#### ***3.4.1.4. About the social responsibility of FDI enterprises***

- Many FDI enterprises engage in fraudulent business practices, produce poor quality goods, use outdated technology, and pollute the environment. Many enterprises only recruit young workers, discriminate against female workers, infringe on workers' rights (debts on social

insurance, violate the rights of salary, bonus, overtime, break in between. hours and other benefits).

- The biggest concern of enterprises is to achieve maximum economic profit, so enterprises have not identified and seriously paid attention to social responsibilities in their long-term business strategy.

#### ***3.4.1.5. About the environment***

- The industry structure of FDI currently mainly focuses on assembly, low added value, recently there has been a tendency to shift the flow of FDI which consumes energy and resources and is not environmentally friendly. FDI enterprises investing in Vietnam basically have an average level of production technology. Many FDI enterprises do not voluntarily comply with regulations on environmental protection, causing serious environmental pollution.

- Not only Vietnam's environment but the global environment is negatively affected by FDI activities, especially FDI enterprises in China producing raw materials, processing, outsourcing... leading to large emissions.

#### ***3.4.2. Causes of limitations***

There are several causes of limitations in FDI activities, but the thesis focuses on the following main reasons:

- FDI receives many incentives, but the contribution of this sector to the economy is not really commensurate.

- Limitations are reflected in the inconsistency in policies and competition between local provinces.

- The development and implementation of policies to create linkages between domestic enterprises and FDI enterprises are still slow.

- Although Vietnam's policy to encourage technology transfer has been improved, it has not been effective, and regulations on implementing technology transfer are inconsistent.

- Training and skill improvement for workers in the FDI sector is still limited.

- FDI enterprises have not fully understood the meaning and effects of social responsibility, and lack of seriousness when implementing social responsibility.

- There are loopholes and inconsistencies in the provisions of the law

on environmental protection.

- There are also market factors and climate change.

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## **CHAPTER 4. VIEWPOINTS AND SOLUTIONS FOR INTERESTING FDI IN VIETNAM IN THE NEW CONTEXT**

### **4.1. New context affects FDI activities**

#### ***4.1.1. FDI trends in the world***

Research contents include: ***4.1.1.1. FDI trends by country and territory (FDI by economies and outward FDI by economies); 4.1.1.2. FDI trends by type and economic sector (Greenfield investment projects and cross-border M&A projects).***

#### ***4.1.2. Industry 4.0 and the formation of the digital economy***

- Industry 4.0 and the formation of the digital economy Industry 4.0 and the development of the digital economy have had a strong, comprehensive and profound impact on almost all socio-economic activities of mankind. , including FDI attraction activities.

- For developing countries, including Vietnam, this is both an opportunity and a challenge in attracting FDI: (1) Vietnam's advantages of abundant labor resources and low labor costs are limited. impact; (2) shift from relying on the workforce to using technology; (3) opportunity to narrow the development gap with advanced countries.

#### ***4.1.3. US-China trade competition, Russia-Ukraine conflict and new geopolitical and economic trends***

- The US-China trade war and the Russia-Ukraine conflict not only have negative effects on world economic growth and global trade, but also have a significant impact on FDI flows due to global supply chains broken.

- Vietnam is considered as one of the important destinations of FDI flows out of China.

- The rise of trade protectionism (prominent since 2016), coupled with a slowdown in world economic growth, has led to a decline in FDI.

#### ***4.1.4. Climate change and the environment***

- Climate change is one of the problems with the most serious global consequences. Vietnam is considered as one of the countries most affected by climate change. Climate change is forecasted to delay Vietnam's achievements in poverty reduction.

- Climate change has also been negatively affecting production and business activities of enterprises in Vietnam: production and business interruptions, lack of supply of production materials, increased production costs, and increased energy consumption. Labor productivity and revenue decrease.

#### ***4.1.5. COVID-19 pandemic and other diseases***

- The pandemic has made the trend of shifting FDI flows stronger, disrupting many global supply chains, negatively affecting links from production, processing, transportation and other logistics activities in the chain. supply. FDI enterprises tend to move their capital flows to other countries to diversify supply or back to the country where the parent company is located to minimize losses.

- In Vietnam, the pandemic has brought unprecedented challenges, significant impacts on socio-economic development, including FDI activities (big shocks on both the supply and demand sides, production and business activities were disrupted, opportunities to welcome FDI moving from China, promote enterprises to innovate, etc.).

#### ***4.1.6. Vietnam's development vision and aspirations stated in the Document of the 13th National Congress (January 2021) of the Party.***

- The private sector is growing strongly, is the economic component that accounts for the highest proportion of GDP, creates the most jobs and is an important driver of the economy.

- Vietnam has the advantage of an abundant labor force and a young dynamic structure.

- Continuing the line of renovation, opening-up and integration for economic development, the 13th Party Congress sets the target that by 2030, Vietnam will be a developing country with modern industry and high middle income; By 2045, it will become a developed, high-income country.

- In the process of renovation and opening up and economic integration, our Party and State have consistently considered the FDI sector as an important part of the national economy.

#### **4.2. Perspectives on attracting FDI in Vietnam in the new context**

The thesis proposes five perspectives to attract FDI in Vietnam in the new context as follows:

(1) Attracting FDI must be consistent with the growth model, orientation of economic restructuring and sustainable development goals.

(2) Attract FDI on the basis of cooperation, fair competition and harmonization of interests with other economic sectors.

(3) Attracting FDI selectively, prioritizing high-tech projects with spillover effects, connecting global production and supply chains.

(4) Attracting by diversifying partners, investment forms, focusing on social security, environmental protection and ensuring national defense and security.

(5) Attracting FDI must be managed by the State, involved by enterprises and supervised by the society.

### **4.3. Solutions to attract FDI in Vietnam in the new context**

The thesis proposes 06 groups of solutions to attract FDI in Vietnam in the new context as follows:

#### ***4.3.1. Solutions on improving institutions and policy frameworks on FDI***

- It is necessary to continue to review the legal system and policies on investment and business to amend the contents to be synchronous and consistent, suitable to the economic context of Vietnam.

- Develop a long-term investment promotion strategy.

- Continue to improve the effectiveness and efficiency of state management of FDI.

- It is necessary to support domestic enterprises to develop domestic production, improve the competitiveness of domestic goods, and reduce dependence on the FDI sector.

- Continue to strengthen economic diplomacy activities to expand export markets, develop a system of trade promotion agencies in large and potential market areas.

#### ***4.3.2. Solutions to improve growth quality, contribute to economic recovery after the COVID-19 pandemic***

- Focus on increasing the capacity of the domestic business sector, especially private enterprises.

- Prioritize attracting FDI projects with source technology, advanced, with high added value.

- It is necessary to improve the business investment environment, enhance its position and attractiveness through global competition indicators.

- Continue to promote tourism opening after the pandemic because

opening tourism is also opening up the economy.

- To further strengthen measures to prevent diseases, especially infectious diseases.

#### ***4.3.3. Solutions related to technology transfer***

- It is necessary to complete legal documents related to investment, technology transfer, modern, environmentally friendly and sustainable development.

- Domestic enterprises need to improve their endogenous capacity, innovate and improve techniques to be able to absorb high technology content from FDI enterprises.

- Select FDI projects with appropriate technology, environmentally friendly and beneficial to the country.

#### ***4.3.4. Solutions to strengthen economic links***

- It is necessary to enhance the role of the State as a bridge in building appropriate linkage models, promoting the role and responsibility of FDI enterprises in supporting and connecting with domestic enterprises.

- Develop mechanisms and policies to protect the domestic distribution market in order to create favorable conditions for domestic enterprises to develop.

- There should be incentives and encouragement for domestic enterprises and start-ups through supporting capital sources.

- Strengthening business connection activities such as organizing conferences, seminars, exhibitions, fairs...

- Building a database and regularly updating information on FDI enterprises and domestic suppliers.

#### ***4.3.5. Solutions to improve the quality of human resources and corporate social responsibility***

- Renovating the education and training program based on surveying and studying the labor demand of the market in general and FDI investors in particular.

- Strengthening the forecasting of population in general and human resource needs in industries and fields in particular to proactively avoid the shortage and imbalance of human resources.

- Developing high-quality human resources through S&T research institutions that play a key role in technology transfer and innovation.

- Strengthening information and propaganda so that agencies, businesses and people properly understand the nature of social responsibility of FDI enterprises and the Code of Conduct, especially in enterprises.

- Amending and supplementing legal regulations on labor, employment and wages, ensuring harmonization of the interests of workers and investors to meet the requirements of international integration.

- Completing, amending and supplementing regulations and sanctions to strictly handle fraudulent acts in business...

#### ***4.3.6. Solutions for environmental protection***

- Actively monitor and monitor climate and climate changes with modernization of the monitoring system and hydro-meteorological forecasting technology.

- Select and prioritize FDI projects from developed countries with high environmental standards, using advanced and environmentally friendly technologies.

- Strictly control from the stage of approval, through the FDI project with serious, clear, correct environmental impact assessments and in full compliance with environmental regulations.

- Clearly define the investor's responsibility for environmental protection during the investment process and impose heavy penalties for acts that negatively affect the environment.

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### **CONCLUSION**

FDI is an important component of the economy, playing an important role in contributing to the overall development of the country. FDI opens up opportunities to access new capital sources, contribute to economic growth and restructuring, supplement revenue for the state budget to solve social and environmental problems, contribute to balance balance of payments, creating jobs and stabilizing incomes for people. In addition, FDI also has spillover effects to other industries and economic areas, promoting technology transfer and advanced management level. Therefore, developing countries, including Vietnam, consider FDI as part of their socio-economic development strategy and actively and actively promote investment to attract foreign investors.

Through the research, the thesis has answered the research questions in the opening part:

(1) Theory and international experience of attracting FDI:



Systematize, interpret and build a theoretical basis for FDI and new contexts, including: theory of investment, of FDI, of context new; the role of FDI in economic development from the perspective of both the investor and the investee; factors affecting FDI; criteria to evaluate FDI activities in the new context. Analyzing and synthesizing experiences of attracting FDI capital of some countries in the world such as China, Thailand, Singapore and drawing lessons for Vietnam.

(2) On the status of FDI attraction: Systematize the viewpoints and policies on FDI attraction of Vietnam since opening and renovation. Analysis and assessment of the current situation of FDI in Vietnam focuses on the period 2010-2022, the role of this capital source in the country's socio-economic development. Identify the limitations in FDI activities in Vietnam and the causes of those limitations.

(3) Orientations and solutions: Give 5 perspectives and propose 6 groups of solutions to attract FDI inflows in Vietnam in the new context.

Regarding the limitations of the thesis, although the research has been carried out with great effort and a high demand attitude, the thesis cannot avoid certain shortcomings. The first is the difficulty of data, some indicators such as the Global Competitiveness Index (GCI), the number of technology transfer contracts in Vietnam, the rate of FDI enterprises violating regulations on security environmental protection... has not been updated until 2021 due to limited information and documents. Secondly, the forecast of FDI trends in the world is only in the near future and by qualitative methods, not using specific forecasting models. Thirdly, the proposed solutions are based on logical reasoning and refer to the international experience of some countries that have not been tested in practice.

Regarding the direction of further research, in order to continue to improve on the basis of the contents studied and researched in the thesis, the contents that need to be paid attention to in-depth research include::

(1) Quantitative study of FDI by region/locality in Vietnam in the new context.

(2) Studying the economic, social and environmental effects of FDI at the enterprise level.

(3) Studying the ratio of criteria to evaluate the performance of FDI in the new context.

(4) Studying Vietnam's direct investment abroad in the new context./.

**LIST OF PUBLISHED RESEARCH WORKS OF THE AUTHOR  
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