

DOCTORAL THESIS IN BRIEF

NGUYỄN XUÂN TRUNG. *Some solutions to improve the quality of Foreign Direct Investment (FDI) in Vietnam (2011 – 2020)*

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Vietnam has just joined in the new developing period and strengthened the aim of fast and sustainable growth through “The strategy of socio – economic development 2011 – 2020”. This strategy also focuses on growing in depth so that Vietnam can become a modern - oriented industrial country in 2020. As a result, the strategy of attracting, managing and using the FDI has become an important part in the strategy of socio – economic development which ensure the implementation of suggested basic targets. Researches on FDI have always had its meaning and play a necessary role in both theory and practice. Today, there are many research works on FDI in Vietnam but none of them has done a completed research on the FDI’s quality in Vietnam after global crisis as well as seen FDI in a new circumstance. Nguyễn Xuân Trung has chosen “Some solutions to improve the quality of foreign direct investment in Vietnam (2011 – 2020)” to fulfill that space through his doctoral thesis.

The thesis includes three chapters excluding Introduction, Conclusion, Appendices and Reference.

Chapter 1 (page 11 to 53): foreign direct investment and its quality. Chapter has

summarized some theoretical issues on FDI and its quality such as concepts, characteristics, affecting factors as well as the concept of FDI quality evaluation. Also, it is the lesson from international experience on attracting, managing and using FDI’s quality, therefore learning experience for Vietnam.

FID activities have been very popular today. Its nature is the same thing but there are many way to access and understand it depending on each specific aspect. Author has offered a general definition of FDI by summarizing concepts: *FDI is a long term investment into economy by investors in another country, either by cash or any property in that economy. That individual or foreign company will take control of managing this business or production.* Hence, FDI is a kind of economic relationship which owns two basic characteristics and related to foreign as following: the capitalism shift in the international scope and the investor will directly join in the progress of spending their capital as well as managing the ones invested.

The thesis also offers the concept of “FDI’s Quality” connecting with the sustainable growth in Vietnam. It is: *“The general reflection of FDI’s contribution to the sustainable growth of the country which is invested in specific conditions and circumstances ”.*

A quality FDI is firstly full of characteristics of a normal FDI. However, it has some more unique features as following: firstly, the concept

of quality is subjective and “mobility”; secondly, it belongs to New Investing Method (GF) instead of Merger & Acquisition method (M&A) because of GF’s ability to create new production capability. Quality FDI projects are basically invested into those capital intensive sectors and not into labor intensive projects or exploiting mineral and resources.

Quality FDI depends on such factors as the country which is invested and the investors. For the country, they might be the local policies, reciprocal ability of local business, hard and soft infrastructure are attractive enough with investors and help them promote their strength. For investors, it could be the targets and real ability of them.

Learning experiences from China and Latin America countries, the thesis has offered lessons for Vietnam case: the target of FDI for each developing period and choosing right FDI project for that target are necessary; the focus on attracting leading transnational corporations (TNC) is highly required so that we could make full use of their technological ability, experience and the foundation of business and production. FDI has to balance the development of industries as well as regions. Experiences from China have shown that the growth between industries was balanced but there was a serious imbalance between regions. In contrast to China, the growth of Latin America countries were less balanced between regions but seriously imbalanced between industries. Also, building a different free – economic zone (special

economic zone) in legal foundation, hard and soft infrastructure to attract FDI.

Chapter 2 analyzed *the quality of FDI in Vietnam practice (2001 – 2010)* (page 54 -136).

Author has summarized the progress of FDI attraction from 2001 to 2010. Since 2001, FDI in Vietnam was low due to affects of Asian financial crisis in 1997 and 1998. Up to late 2004, FDI in Vietnam started to recover and achieved high growth. Important milestones that positively affect the amount of FDI in Vietnam includes Vietnam signed the US – Vietnam Bilateral Trade Agreement (12/2001), Investment Law (general) was valid in 2006, and especially the participation of Vietnam in WTO in 2007. Afterwards, the number of FDI registered in Vietnam achieved a fast growth before going down due to the global crisis in 2008. In comparison with region and other countries, the amount of FDI which Vietnam has attracted is remarkable even it does not exactly reflect the practice. Here are main reasons: (1) They are imaginary numbers; (2) The Vietnamese economy’s limit of attracting capital was low; (3) The scope of projects and (4) they do not meet the standard orientation when high – tech or high value – added industries do not reach the expectation.

Evaluating the quality of FDI from 2001 to 2020, the thesis focused on following concepts: (i) The efficiency of capital utilization and economic growth; (ii) FDI and State Budget; (iii) FDI and Marco – economic balance; (iv) FDI and the improvement of technology ability; (v) The collaboration of FDI enterprises

and Vietnamese ones in the value chain; (v) FDI, labor and some social issues; (vii) Issues of environmental conservation.

Author gave out his opinion through analysis and evaluation of concepts of FDI's quality. According to the targets of current growth, FDI has satisfied and even surpass the expected purposes in the number but their quality is still limited, for example, low capital efficiency. FDI projects have created more jobs but not met the expectation of its position in Vietnam when most jobs of FDI projects are still simple. FDI has not led to the technology transmission and not helped the local enterprises to develop or join in the global value chain of TNC. Also, FDI projects negatively affect the environment.

The quality of FDI in Vietnam therefore was low and does not improve in comparison with the 1990s. FDI enterprises brought new energy for the production, business and even increased the competition; however, the long term benefit of FDI would have been much greater with larger expanding ability. FDI should have improved the technological ability and connected with local enterprises by which supported them to effectively join in the global value chain. This leading purpose of FDI attraction, however, does not meet expectation in the period of empowering the industrialization.

All limitations of FDI have their own reasons. Firstly, it is the problems of "development model and economic structure" of Vietnam. Secondly, the mechanism of policy and law is overlapped and low efficiency. The

general planning work and FDI projects' distribution are not transparent and do not completely follow State management office's direction. Also, it is the low ability of local economy as well as Vietnam has not had an industry which is enough to support for the country to meet all requirements.

The FDI's theory and its quality were analyzed and clarified in the new developing circumstance. Through the FDI quality's evaluation in the period 2001-2010 in accordance with the aim of sustainable growth, thesis has provided its opinions as well as solution to improve the FDI quality in Vietnam during the period of 2011 to 2012 (Chapter 3, page 137 – 176).

Firstly, author gave out some forecast on FDI global trend till 2020 based on the international circumstance which affect FDI; the foreign investment strategy of TNC in the future as well as prospect of global FDI.

Secondly, it is the strategy of socio – economic development of Vietnam (2011 – 2020_ and the requirements of FDI. The thesis has clearly pointed out the aim of socio – economic development in next century as focusing on the quality of growth, ensuring the harmony between development in width and depth as well as the ability of FDI to meet those aims. It means that the structure of attracting and using FDI needs to be changed.

Thirdly, it is the opinions about FDI: FDI plays an important role in Vietnam's socio – economic development, therefore detailed strategies are required; The improvement of FDI quality has to be in

accordance with the growth model; Also, FDI attraction needs to be selective, hence the number of FDI projects coming to Vietnam may decline or not increase in the future; Sixth, it is necessary to put the technological factor on top of attracting FDI; Finally, it has to attract those top TNC.

Fourthly, thesis offered 7 groups of solution to improve the FDI quality. It has to attract as much as possible high quality investors. On the other hands, it is the improvement of local factors (system, law, domestic enterprises and inter – market so on) by which achieving the FDI's effectiveness.

- Departments and local governmental offices need to reach an agreement and strongly determine to implement the economic restructure as well as growth model shift according to Party Central Committee's spirit and Government's direction.

- Improve the ability of technology transmission of FDI enterprises. The core solution is to implement the equal policies between business's types and focus on attraction of R&D projects.

- It requires attracting more leading TNC's investments so that they can enhance the connection between local and foreign enterprises. In order to complete those above purposes, FDI need to strengthen the information ability, the concentration of local enterprises as well as their effort to access TNC. Finally, it is the non – stop increasing the products' quality and offering method.

- Complete the law and policy systems. They need to be schynchnorized and

transparent. Also, it requires some adjustment of law and policies by which better attract and manage FDI projects in the new developing strategy of Vietnam.

- Increase the ability and efficient management of State against FDI.

Management and Organization: Policies for FDI attraction need to be clarified the technical standards and the criteria of technology as well as environment. They will be the foundation of granting investment certification.

Supervision and Operations: More checking and monitoring are required for following issues: the management and FDI project's grants at local, and how Foreign Investment Enterprises (FIE) do their obligation and business.

- Improve the quality of human resource: focus on job training; strategies and policies of future job in human resource training are essential; promotion and requirements of enthusiastic staff as well as offer them commensurate remuneration based on their level, ability as well as job efficiency.

- Increase the quality of infrastructure; prior and selective policies for important economic zones in order to avoid the shortage of synchronization; Build up "Free Economic Zone" different with others to attract high quality projects of FDI.

Thesis was successfully defended at The thesis Committee of State in the meeting at Graduate Academy of Social Sciences, Vietnam Academy of Social Sciences (March, 2012).

*Introduced by
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