

**MINISTRY OF EDUCATION AND TRAINING    MINISTRY OF FINANCE**  
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**PHAM DUC TAI**

**ATTRACTING FOREIGN DIRECT INVESTMENT INTO VIETNAM**  
**IN TERMS OF IMPLEMENTING NEW GENERATION FREE**  
**TRADE AGREEMENTS**

**Major: Finance - Banking**  
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**DOCTORAL THESIS OF ECONOMY**

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*Criticizer 1:*

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*Criticizer 3:*

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## INTRODUCTION

### 1. Urgency of the topic

International integration is deepening with every passing day; Many new-generation free trade agreements (FTAs) have been negotiated and signed, notably the Comprehensive and Progressive Agreement for Trans - Pacific Partnership (CPTPP) and the Free Trade Agreement between Vietnam and the European Union (EU) – EVFTA. Integration plays an important role in foreign policy and Vietnam's participation in new generation FTAs in order to enhance the country's position and prestige in the international arena. However, besides the opportunities that new generation FTAs bring, the big difficulty coming from these FTAs is increasing competitive pressure for the entire economy. Increased competition when participating in a new generation FTAs may cause the falling into a difficult situation of some domestic enterprises, first of all, state-owned enterprises and enterprises with outdated production technology. That has brought about unemployment in a part of labor. For the legal system, new generation FTAs require participating members to review the entire legal system of their country, first of all, in the fields of trade, investment and competition of state enterprises, labor, bidding, e-commerce, environment, dispute settlement...

Foreign direct investment is an inevitable trend of the integration process. In the context of the new situation, new requirements are set to improve the quality and efficiency of attracting and managing FDI flows in the coming period. Stemming from the above issues, the author has selected the topic: "*Attracting foreign direct investment into Vietnam in terms of implementing new generation free trade agreements*" as the research content of the thesis.

### 2. Research objectives and tasks

**2.1 Research objectives:** Proposing some solutions to attract quality FDI into Vietnam in the context of implementing new generation FTAs.

#### 2.2 Research tasks:

- Overview of the research
- Systematizing and clarifying some general theoretical issues about attracting FDI in the context of implementing new generation FTAs.
- Analyzing and evaluating the real situation of attracting FDI into Vietnam in the context of implementing new generation FTAs
- Determining the factors affecting the attraction of FDI into Vietnam in the context of implementing new generation FTAs
- Proposing a number of solutions to attract quality FDI into Vietnam in the context of implementing new generation FTAs.

### 3. Object and scope of research

#### 3.1 Object of the research

The main object of the research of the thesis: Theoretical and practical issues

of attracting FDI into Vietnam in the context of implementing new generation FTAs.

### ***3.2 Scope of the research***

- Time: In the period of 2015 - 2021, especially in the period of implementation of new generation FTAs. Proposing solutions to 2030.

- Space: FDI in Vietnam in the condition that new generation FTAs are implemented.

- Content: The thesis focuses on researching issues related to FDI into Vietnam in context of implementing new generation FTAs from the perspective of macro management of the host country.

## **4. Research Methodology**

### ***Methodology and approach***

- Methodology of dialectical materialism, historical materialism

- Qualitative and quantitative research methods

### ***Secondary data collection method***

Secondary data is collected through the statistical yearbooks of the general statistics office on the status of foreign direct investment in the years from 2015 to 2021.

### ***Primary data collection method***

Primary data information was collected through focus group discussion and survey

- *Information processing tools: SPSS 20.0 software.*

- *Research model analysis and verification tools:*

The author uses the reliability analysis through Cronbach's Alpha coefficient, analyzes the exploratory factor analysis (EFA).

## **5. Research framework of the thesis**

Overview of domestic and foreign researches on: FDI, attracting FDI in the context of

implementing new generation FTAs

Analysis of real situation through primary and secondary data

Evaluate real situation through positive results, limitations and causes

Analyzing real situation of attracting FDI into Vietnam in the context of implementing

new generation FTAs on the basis of a theoretical framework

Building a theoretical basis on the new generation of FDI and FTAs

Theory on criteria for evaluating results of FDI attraction and factors affecting FDI attraction

in the context of implementation of new generation FTAs

Propose solutions to attract FDI into Vietnam in the context of implementing

new generation FTAs by 2030

Practical experience in attracting FDI in the context of implementing new generation FTAs in some countries

### ***Research process***

Step 1: Examine summarily theories

Step 2: Realize preliminary quantitative research on a sample size of 200 respondents who are survey subjects by convenient sampling method through detailed questionnaires.

Step 3: Realize formal research to conduct scale evaluation, model testing and research hypotheses.

### ***Research sample***

In his research, the author expects to have 22 observed variables used to measure 6 factors affecting the attraction of foreign direct investment. Thus, the minimum study sample size according to Hair et al. (2006) must be:  $N = 22 * 5 = 110$

Therefore, the author must conduct a survey of at least 110 enterprises. In order to ensure the reliability of the research scales, the author conducted a survey of 200 enterprises.

### ***Sampling method***

The author followed the convenient sampling method through direct and indirect telephone interviews with the survey subjects using formal questionnaires.

### ***Data processing techniques***

Data collected from survey subjects was evaluated by reliability analysis method through Cronbach's Alpha coefficient, EFA analysis method is used to test the model and research hypotheses.

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

- ***In term of theory:*** Systematize the theoretical basis of factors affecting FDI attraction and factors affecting FDI attraction in terms of implementing new generation FTAs into a country.

- ***In term of practice:*** The comments and assessments of the thesis will help researchers and macroeconomic managers in Vietnam have a more comprehensive, complete and comprehensive view of FDI attraction. in Vietnam during the period of strong integration into the world economy.

From that situation and the experience of attracting FDI in the context of implementing new-generation FTAs of some typical countries in the world that can be applied to Vietnam, the thesis proposes perspectives and solutions for Vietnam. Vietnam aims to attract more strongly and effectively increase FDI flows into Vietnam.

## **7. Structure of the thesis**

Apart from introduction, conclusion and appendices, the thesis is divided into four chapters as follows:

**Chapter 1:** Research overview on attracting foreign direct investment capital in the context of implementing new-generation free trade agreements.

**Chapter 2:** Theoretical and practical basis for attracting foreign direct investment capital in the context of implementing new generation free trade agreements.

**Chapter 3:** Real situation of attracting foreign direct investment into Vietnam in the context of implementing new generation free trade agreements.

**Chapter 4:** Solutions to attract foreign direct investment into Vietnam in the context of implementing new generation free trade agreements.

## **Chapter 1**

### **Research overview on attracting foreign direct investment capital in the context of implementing new-generation free trade agreements.**

#### **1.1 Research works related to the topic**

##### ***1.1.1 Researches on the role and impact of FDI***

*1.1.1.1 Foreign researches*

*1.1.1.2. Domestic researches*

##### ***1.1.2 Research on factors affecting FDI attraction***

*1.1.2.1 Foreign researches*

*1.1.2.2 National researches*

##### ***1.1.3 Researches on FDI attraction in Vietnam***

*1.1.3.1 Foreign researches*

*1.1.3.2. Domestic researches*

##### ***1.1.4. Researches on FDI attraction in the context of implementation of new generation free trade agreements***

*1.1.4.1 Studying the impact of FTAs on FDI attraction*

*1.1.4.2. Researches on the impact of the Vietnam-EU Free Trade Agreement on FDI attraction*

*1.1.4.3 Studying the impact of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership on FDI attraction*

#### **1.2. Research gaps**

##### ***1.2.1. Theoretical research gaps***

- Most of these works have qualitative analysis without combining both qualitative and quantitative analysis of FDI and FDI attraction.

- Previous researches have only focused on analyzing the impact of traditional FTAs through commitments to eliminate tariffs on FDI, but have not comprehensively analyzed the impact of new generation FTAs with open commitments. extending beyond commitments to eliminate tariffs (such as liberalization of services, investment and other commitments) for FDI.

- There has not been any theoretical research on the impact of EVFTA on

attracting foreign direct investment. Previous researches have focused on empirically studying the results obtained from the EVFTA and the impact of the EVFTA on Vietnam's economy and society.

### ***1.2.2. Empirical research gaps***

Research to assess the pre-emptive impact, when the FTA has not yet entered into force, often use the CGE computable general equilibrium model, the econometric model, and the enterprise survey. Each method has certain advantages and disadvantages, in which researches using econometric models have some limitations in the selection of variables to be included in the model (such as not taking into account the factors of regional integration, quality...), quantity of labor, technology level...) or the selection of the representative variable is not appropriate.

Researches mainly assess the impact on GDP growth, trade, employment and investment in general, but there have not been in-depth researches to evaluate the comprehensive impact on FDI in Vietnam. In addition, the impact of an FTA on FDI is highly dependent on host country factors. However, up to now, there have been no researches evaluating the impact of EVFTA on FDI into Vietnam considering the impact of these factors. In addition, up to now, there have been very few researches analyzing and evaluating specifically the status of FDI from the EU into Vietnam.

## **1.3. Research orientation**

### ***1.3.1. Theoretical research orientation***

- Clarifying the impact of FDI on the economy, thereby studying the factors affecting FDI attraction.

- Building an analytical framework, clarifying the channels of impact and factors affecting FDI attraction when implementing a new generation free trade agreement.

- Using an impact analysis framework to identify the positive and negative impacts of the EVFTA on FDI into Vietnam; identify the industries in which FDI is most affected, the main channels of impact in the short and long term.

### ***1.3.2. Experimental research orientation***

- Studying the real situation of attracting FDI into Vietnam when implementing a new generation free trade agreement.

- Establishing an econometric model to assess the impact of the new generation FTA on FDI into Vietnam.

- Proposing a number of recommendations and solutions to intensify FDI attraction in the context of implementing new generation free trade agreements.

## **CHAPTER 1 CONCLUSION**

From overview research, the author has identified the research gaps:

- Previous researches have pointed out the positive and negative impacts of FDI on socio-economic development in both theory and practice, but there have not been many researches offering solutions to enhance it. attracting FDI, especially in terms of implementing new generation FTAs.

- The researches on FDI attraction only analyzed qualitatively without combining both qualitative and quantitative analysis.

- The researches on FDI also only evaluate on the results achieved by FDI receiving countries without any specific research in the context of implementing new generation FTAs.

Springing from the research gaps, the author chooses a theoretical and practical research orientation to attract FDI in the context of implementing new generation free trade agreements.

## **Chapter 2**

### **Theoretical and practical basis for attracting foreign direct investment capital in the context of implementing new generation free trade agreements.**

#### ***2.1 Foreign direct investment***

##### ***2.1.1. Concept of FDI***

*FDI is a form of investment across national borders by an entity residing in an economy (foreign investor) in order to control or have significant influence in the management of an enterprise residing in other economies. Foreign investors move resources (including corporeal and in corporeal resources) to the host country to carry out production and trade activities in order to obtain long-term benefits. This topic studies the movement of resources as investment including money and assets.*

##### ***2.1.2 Characteristics of FDI***

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

###### ***2.1.3.1 Based on investment purpose***

###### ***2.1.3.2 Based on market penetration strategy***

###### ***2.1.3.3 Based on the nature of ownership***

#### **2.2 New generation free trade agreement**

##### ***2.2.1 Free Trade Agreement***

###### ***2.2.1.1 Concepts***

*A free trade agreement is a trade agreement between two or more members, whereby the participating members will follow a route to reduce and eliminate tariff and non-tariff barriers in order to create a free trade area.*

###### ***2.2.1.2 Contents***

Firstly, preferential commitments on tariffs: including commitments to eliminate and reduce tariffs.

Secondly, rules of origin.

Thirdly, elimination or reduction of non-tariff barriers

##### ***2.2.2 New generation free trade agreement***

###### ***2.2.2.1 Concepts***

*The new generation free trade agreements (FTAs) are the trade agreements*

*between two or more members, whereby the participating members will follow the route to reduce deeply and eliminate tariff and non-tariff barriers; There is a strict enforcement mechanism, including in areas considered non-traditional such as labor, environment, state-owned enterprises, government procurement, transparency...*

#### *2.2.2.2 Main content of new generation free trade agreements*

Firstly, commitments related to the liberalization of trade in goods

Secondly, commitments related to the liberalization of trade in services

#### *2.2.2.3 Commitments related to other questions*

Firstly, investment

Secondly, issues of intellectual property, competition, environment, labor, transparency such as commitments on the legal environment for the operation and provision of financial - banking services; commitment to intellectual property at a higher and more comprehensive level, with a diverse range of regulatory issues covering many areas.

### ***2.2.3 Comparison of free trade agreement and new generation free trade agreement***

New generation FTAs have outstanding new features compared to traditional FTAs as shown in the following comparison table:

**Table 2.1: Comparison of new generation FTAs and traditional FTAs**

<b>Criteria</b>	<b>Traditional FTAs</b>	<b>New generation FTAs</b>
<b>Degree of trade liberalization</b>	Commitments to cut down tariffs in traditional FTAs, typically up to 90% of trade, are generally applied to FTAs. The tariff flows that are not committed or committed but not returned to 0% are often sensitive products for the parties.	Agreements in the new generation FTAs usually eliminate most of the tariff barriers. The economies of the member countries participating in the new generation FTAs have a high degree of openness, and products, goods and services are freely rotating among member countries.
<b>Scope of commitment</b>	Traditional FTAs usually commit in the scope of trade including: commitments to cut down, reduce tariffs, eliminate or reduce non-tariff barriers, rules of origin.	The new generation FTAs are comprehensive agreements, not only in trade and investment but also in trade-related contents and fields such as bidding, intellectual property, labor, environment... in order to create a transparent and fair trade

		environment among member countries.
<b>Flexibility of commitment</b>	Traditional FTAs specify the route for implementing preferential tariff commitments. Depending on each FTAs and its members, commitments will take effect immediately after the agreement comes into force or after a certain period of time. Normally, the tariff reduction route is applied from 5 to 10 years (except for some special items with a route of more than 10 years).	New generation FTAs with commitments to reduce tariffs according to the route are faster than traditional FTAs. With new generation FTAs, most tariffs will be eliminated after 5-7 years from the date of entering into force of the agreements.
<b>Supervision and legal mechanism</b>	Traditional FTAs often have terms on human rights, but these terms are often difficult to enforce in practice due to the lack of legal mechanisms.	<p>The mechanism to ensure human rights in the new generation FTAs has established a clear legal mechanism for the enforcement of human rights provisions, especially labor and environmental terms.</p> <p>The new generation FTAs have a stricter and stricter monitoring mechanism in the implementation process. New-generation FTAs give importing members the right to suspend tariff preferences if origin fraud is detected or exporting members fail to cooperate in systematic origin verification. New generation FTAs apply a new legal mechanism in resolving disputes.</p>

<b>Enforcement standards</b>	Traditional FTAs have lower commitments, not to mention high standards of transparency of origin, border policy, and intellectual property.	The new generation FTAs have higher and more perfect commitments. New generation FTAs set high requirements and standards on transparency, institutional reform, post-border policies, as well as provide a binding and tight dispute settlement mechanism...
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*Source: Author's own synthesis*

## **2.3 Attracting foreign direct investment in the context of the implementation of new generation Free trade agreements**

### ***2.3.1 Concept of attracting foreign direct investment in the context of the implementation of new generation free trade agreements***

Attracting foreign direct investment in the context of the implementation of new generation free trade agreements (FTAs) is a subjective activity of the host country. This includes all activities and policies aimed at attracting foreign investors to make investment decisions and capital relocation decisions under conditions where the host country has implemented new generation FTAs.

#### ***2.3.2. Content***

- Investment environment improvement policies
- Investment preferential policies and investment promotion activities
- Infrastructure development
- Human resource development

### ***2.3.3 Impact of the new generation FTAs on attracting FDI***

#### ***2.3.3.1 Positive impact***

*Firstly*, increase amount of FDI from member countries and other countries outside the member countries into other member countries

*Secondly*, Increase quality of FDI flows

*Thirdly*, higher degree of openness, liberalization for foreign investors

*Fourthly*, Transfert of the structure of investment in the modernity direction.

*Fifthly*: Multilateralizing, diversifying investment partners.

*Sixthly*, FTAs may increase the form of joint ventures between enterprises of member countries

#### ***2.3.3.2. Negative impacts***

*Firstly*, competitive pressure will cutthroat.

*Secondly*, domestic enterprises can easily be taken over, dominated market shares by these large FDI enterprises.

*Thirdly*, Policy and legal systems might not keep up with market fluctuations,

infrastructure and laws governing e-commerce might be inconsistent with other countries, issues regarding food safety and hygiene in the circulation of imported goods on the national market.

*Fourthly*, new generation FTAs might have an impact of reducing the amount of FDI.

### **2.3.4 Criteria for evaluating the results of FDI attraction in the context of the implementation of new generation FTAs**

#### **2.3.4.1 Group of criteria on capital scale and average capital scale of an FDI project**

##### **Firstly, the growth rate of capital scale**

$$\text{The increase of capital scale} = \frac{\text{Capital scale in year } (t) - \text{Capital scale in year } (t-1)}{\text{Capital scale in year } (t-1)} \times 100\%$$

$$\text{Capital scale growth rate} = \frac{\text{Increase of capital scale}}{\text{Capital scale in year } (t-1)} \times 100\%$$

##### **Secondly, the average capital scale of an FDI project**

$$\text{Average capital scale of a project} = \frac{\text{New registered capital scale}}{\text{Number of new registered projects}}$$

#### **2.3.4.2 Group of criteria of the structure of FDI**

*Firstly*, capital structure by investment field

$$\text{Capital structure by investment field} = \frac{\text{Investment by each field}}{\text{Total investment}} \times 100\%$$

*Secondly*, capital structure by the receiving local

*Thirdly*, capital structure by partners

*Fourthly*, capital structure by investment form

$$\text{Structure of investment type} = \frac{\text{Vốn đầu tư theo từng hình thức}}{\text{Total investment}} \times 100\%$$

#### **2.3.4.3 Group of criteria reflecting the efficiency of FDI use**

*Firstly*, labor in FDI sector

*Secondly*, impact on the environment of FDI sector

*Thirdly*, technology transfer of FDI sector

The technology transfer score of a country is calculated as follows

$$\text{Score} = \frac{\text{Number of technology transfer contracts}}{\text{Number of projects}} \times 100\%$$

Fourthly, association with domestic enterprises in FDI sector

Fifthly, contribution into the State budget of FDI sector

### ***2.3.5 Factors influencing the FDI attraction in the context of the implementation of new generation FTAs***

*2.3.5.1 Political factors – P*

*2.3.5.2 Economic factors – E)*

*2.3.5.3 Social factors – S*

*2.3.5.4 Technology factors – T*

*2.3.5.5 Legal factors – L*

*2.3.5.6 Integration factors - I*

## **2.4 Experience in attracting foreign direct investment in the context of the implementation of new generation FTAs in some countries and learned lessons for Vietnam**

### ***2.4.1 Experience of some countries***

#### ***2.4.1.1 Experience of Japan***

- Japan has abolished regulations and simplified business registration procedures, including visa applications and import procedures, as committed in new generation FTAs

- FDI into Japan is also promoted through the tourism sector. Researches show an interaction between inward oriented FDI and international tourism.

- Liberalization of immigration policy is key to impulse FDI into Japan

- Japan plays a positive role in implementing new generation FTAs

- In addition, for Japan, the reforms that the CPTPP requires are also one of the "prescriptions" that Japan's economic policy has prescribed to promote private investment and restore long-term economic growth potential.

- Solving the relationship of interests in Japan FDI attraction

- Most Japanese companies currently have a lifetime employment system and a long-term salary system for labors.

- Perfecting the legal system in the orientation that ensures the harmonization of interests of subjects in FDI attraction

- In the new generation FTA implemented by Japan: the Japan-EU free trade agreement (JEFTA), this agreement has brought great advantages to Japan in term of FDI attraction.

#### ***2.4.1.2 Experience of Singapore***

- No discrimination for foreign investment

- The administrative machine quickly solves problems

- A simple and friendly tax system for investors

- The Singapore government has created a stable and attractive trade environment for foreign investors.

- The Singapore government has issued policies to encourage foreign capitalists' investment.

- In commitment when implementing the CPTPP, Singapore completely abolished tariffs for all goods as soon as the agreement was implemented. This is a very large commitment to facilitate Singapore to attract increasingly more and more quality FDI.

- The FTAs between Singapore - UK and Singapore - EU help companies of member countries have many tariff benefits. Signing new generation FTAs is considered as a tool to attract foreign direct investment and stimulate growth for the economy in this country.

#### ***2.4.2 Learned lessons for Vietnam***

- Promote proactivity and uphold the dialogue viewpoint of the organizational system to ensure the interests of all subjects in attracting FDI for industrial development.

- Build foreign investment attraction policies appropriate to each stage of the country's development to ensure that this resource serves domestic production development well, through implementing measures such as: investment promotion and preferential investment policies.

- About investment procedures, foreign investors implementing investment projects must carry out investment procedures with a rigorous process, a participation in licensing and assessing of many specialized ministries.

- Maintain and evenly develop FDI among regions and decentralize effective management.

- Attract FDI into prioritize sectors according to different stages of economic development.

- Vietnam can proactively pursue policies to establish industrial clusters and special economic zones; like the Apple headphone assembly cluster in Bac Giang province. Special economic zones can establish laws beyond the unified national regime to facilitate foreign investor development

- Vietnam needs a strong reform in terms of the quality of human resources training: labor costs are not high but constantly change in terms of minimum regional salary, which causes investors' worries.

- Having an investment promotion mechanism, close coordination between the Ministry of Planning and Investment and the provincial Departments of Planning and Investment.

- Vietnam needs to take seriously sustainable development, attracting FDI in the context of implementing FTAs requires the abolition of non-tariff measures applied to trade and investment in renewable energy production following Singapore's experience.

## **CHAPTER 2 CONCLUSION**

The research of foreign investment in the context of implementing new generation FTAs, Chapter 2 of the thesis has accomplished the following research objectives:

*Firstly*, general theory research on FDI

*Secondly*, general theory on free trade agreements

*Thirdly*, research on content of FDI attraction in the context of implementing new generation FTAs

*Fourthly*, research on experiences in FDI attraction in the context of implementing new generation FTAs in some countries and learned lessons for Vietnam: experiences from Japan and Singapore

## **Chapter 3**

### **Real situation of attracting foreign direct investment into Vietnam in the context of implementing new generation free trade agreements.**

#### **3.1 Vietnam's new generation free trade agreements**

##### ***3.1.1 General overview of new generation free trade agreements in Vietnam***

##### ***3.1.2 Contents of Vietnam's new generation free trade agreements***

##### ***3.1.2.1 Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)***

###### **a. Negotiation Process**

At first TPP agreement included 4 participant countries: Brunei, Chile, New Zealand, and Singapore, hence it was briefly referred to as the P4 Agreement.

On September 22, 2008, the United States announced its participation in P4.

In 2009, Vietnam joined the TPP as a special observer. After 3 rounds of negotiations, Vietnam officially joined this agreement at the APEC Summit held from November 13 to 14, 2010 in Yokohama city, Japan.

On February 4, 2016, the ministers of the 12 TPP participating countries attended the signing ceremony to authenticate the TPP text in Auckland, New Zealand.

However, on January 30, 2017, the United States officially announced its withdrawal from the TPP.

In November 2017, in Da Nang, Vietnam, the 11 remaining countries agreed to rename the TPP as the CPTPP with essential contents.

On March 8, 2018, the ministers of the 11 CPTPP participating countries officially signed the CPTPP in Santiago, Chile. The CPTPP officially came into effect from December 30, 2018, for the first group of six countries to complete the ratification procedures, including Mexico, Japan, Singapore, New Zealand, Canada, and Australia. For Vietnam, the Agreement took effect from January 14, 2019.

###### **b. CPTPP**

### **Firstly, overview of CPTPP**

The CPTPP includes 7 Articles and 1 Annex regarding the relationship with the TPP Agreement signed by 12 countries including Australia, Brunei Darussalam, Canada, Chile, United States, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam on February 6, 2016, in New Zealand; it also handles other issues related to the validity, withdrawal, or admission of the CPTPP.

### **Secondly, documents implementing the CPTPP in Vietnam include:**

- Resolution No. 72/2018/QH14 of the National Assembly on approving the CPTPP.

- Decision No. 121/QĐ-TTg dated January 24, 2019, by the Prime Minister approving the plan to implement the CPTPP.

- Official letter No. 903/BCT-DB dated February 14, 2019, of the Ministry of Industry and Trade proposing Ministries, sectors, and localities to develop their agency's plan to implement the CPTPP.

- Decision No. 456/QĐ-BCT dated March 1, 2019, on the Plan to implement the CPTPP of the Ministry of Industry and Trade.

- Circular No. 07/2019/TT-BCT dated April 19, 2019, of the Ministry of Industry and Trade regulating the export of textiles and garments to Mexico under the CPTPP, Circular No. 03/2019/TT-BCT dated January 22, 2019, of the Ministry of Industry and Trade stipulating rules of origin for goods in the CPTPP, Circular 06/2020/TT-BCT dated March 24, 2020, of the Ministry of Industry and Trade amending some provisions of Circular 03/2019.

- Decree No. 57/2019/ND-CP dated June 26, 2019, on the Special Preferential Import and Export Tariff to implement the CPTPP for the period 2019 - 2022.

### **c. CPTPP affection of FDI attraction in Vietnam**

**Firstly**, rules of origin

**Secondly**, preferential tariffs

**Thirdly**, cross-border investment activities

#### *3.1.2.2 EU-Vietnam Free Trade Agreement (EVFTA)*

##### **a. Negotiation process**

October 2010: The Prime Minister of Vietnam and the President of the EU agreed to start EVFTA negotiations. December 2015: Finish negotiations and start to check in legal procedure in order to prepare the signing of the Agreement. September 2017: The EU officially proposed Vietnam to separate the content of investment protection and the dispute resolution mechanism between the state and investors (ISDS) from the EVFTA as a separate agreement:

- *Free Trade Agreement*

- *Investment Protection Agreement (IPA)*

June 2018: Vietnam and the EU formally agreed to divide the EVFTA into two agreements, the EU-Vietnam Free Trade Agreement (EVFTA) and the

Investment Protection Agreement (IPA).

### **b. EVFTA**

#### **Firstly, overview of EVFTA**

- *Trade in goods*
- *Trade in services and investment*
- *Government procurement*
- *Intellectual property*
- *State-owned Enterprises (SOEs)*
- *E-commerce*
- *Transparency*
- *Trade and sustainable development*
- *Other contents of the EVFTA*

#### **Secondly, documents implementing EVFTA in Vietnam**

- Resolution No 102/2020/QH14 of the National Assembly on ratifying the Free Trade Agreement between Vietnam and the European Union

- Decision No. 1201/QĐ-TTg dated August 6, 2020, of the Prime Minister approving the Plan to implement EVFTA.

- Official letter No. 6548/VPCP-QHQT dated August 10, 2020, on the Annex attached to Decision No. 1201/QĐ-TTg approving the plan to implement EVFTA of the Government.

- Decision No. 2091/QĐ-BCT dated August 6, 2020, on the Plan to implement EVFTA of the Ministry of Industry and Trade.

- Circular No. 11/2020/TT-BCT dated June 15, 2020, prescribing rules of origin of goods in the free trade agreement between Vietnam and the European Union of the Ministry of Industry and Trade.

- Decision No. 1949/QĐ-BCT denying Circular No. 11/2020/TT-BCT of the Ministry of Industry and Trade.

- Circular No. 30/2020/TT-BCT guiding the implementation of the Free Trade Agreement between Vietnam and the European Union (EVFTA) and trade defense of the Ministry of Industry and Trade.

- Government Decree No. 111/2020/ND-CP on Preferential Export Tariff Schedule, Special Preferential Export Tariff Schedule of Vietnam to implement EVFTA in the period 2020 – 2022

### **c. EVFTA impacts on FDI attractions in Vietnam**

**Firstly**, commitment on tariffs.

**Secondly**, trade in services and investment

**Thirdly**, transparency, trade and sustainable development

## **3.2. Analysis of the real situation of attracting foreign direct investment into Vietnam in the context of implementing the new generation FTAs**

### **3.2.1 Situation of FDI attraction into Vietnam in the period 2015-2021**

#### **3.2.1.1 Scale of capital and average capital scale of a project**

##### **a. Growth rate of capital scale**

In general, both registered and implemented capital grew strongly in the period 2015-2021, the years 2020 and 2021 saw a decline compared to 2017, 2018, and 2019 due to the impact of the Covid pandemic.

The growth rate of the scale of registered capital and implemented capital has seen strong fluctuations in the period 2015-2021.

##### **b. Average capital scale of a project**

The average capital scale of an FDI project in Vietnam over time has changed quite a lot. In 2019, it continued the downward trend, the average project capital scale only reached 4.3 million USD / project. The year 2020 marked a turning point when Vietnam officially participated in two new generation FTAs, CPTPP and EVFTA, which brought positive signals when the average project capital scale increased to 5.8 million USD / project. In 2021, the average project capital scale reached 8.8 million USD / project.

#### **3.2.1.2 FDI structure**

##### **a. FDI structure by investment sector**

FDI concentrates in the processing and manufacturing industries, which mainly require low skills. Foreign investors want to take advantage of cheap labor and the domestic market advantage in Vietnam.

##### **b. FDI structure by recipient local**

In the period 2015-2021, FDI into Vietnam was present in all provinces and cities, in which Ho Chi Minh City, Hanoi, Binh Duong, Hai Phong, Dong Nai, Bac Ninh... are often the localities receiving large FDI.

##### **c. FDI structure by investment partner**

Investment partners in the period 2015 – 2018 and the period 2019 – 2021 have not changed much. FDI investment partners in Vietnam mainly come from Asian countries such as: Singapore, South Korea, China, Japan, Taiwan, Hong Kong. Other potential partners from EU and US regions in 2021 were heavily affected by the Covid-19 pandemic, which also affected investment activities to Vietnam and other foreign markets.

##### **d. FDI structure by form of investment**

If in previous years, investment of FDI projects accounted for a high proportion, in recent years, the trend of joint ventures, capital contribution, share purchases has become more popular.

#### **3.2.1.3 Effectiveness of FDI use**

##### **a. Labor in FDI sector**

The number of labor in FDI sector in 2015 was 3.212 million people; 2016 was 3.635 million people; 2017 was 3.99 million people; 2018 was 4.2 million

people and by 2019 was 4.6 million people, 2020 was 5 million people, and 2021 was 4.6 million people. In 2021, about 18% of FDI enterprises reduced an average of about 4 workers/enterprise.

### **b. Impact on the environment of FDI sector**

According to the inspection results of the General Department of Environment in 28 Northern provinces in the years 2017, 2018 and 2019, the proportion of FDI enterprises violating environmental protection regulations increased over the years. Specifically, in 2017 there were 12/27 violating businesses, accounting for 44.5%; in 2018, there were 14/25 violating enterprises, representing 56% and in 2019 there were 13/19 violating enterprises, representing 68%.

### **c. Technology transfer of FDI sector**

Vietnam is being evaluated as a country with a very low effectiveness of technology transfer from FDI sector and is trending backwards. In the period 2006-2015 out of 14,000 FDI projects, there were about 600 technology transfer contracts, scoring 4.28. In 2018, Vietnam's technology transfer score was only 4.1 (with 125 technology transfer contracts out of 3046 projects).

### **d. Connection with domestic enterprises of FDI sector**

In 2021, according to a survey by VCCI [73] with a sample size of 1,600 FDI enterprises about customers, suppliers of FDI enterprises in the period 2016-2021.

### **e. Contribution to the state budget of FDI sector**

The contribution of FDI sector to the country's GDP increased from 9.3% in 1995 to 16.9% in 2008 and 19.6% in 2017. The proportion of state budget revenue from FDI sector also increased significantly, from 1.8 billion USD in the period 1994-2000 to 23.7 billion USD in the period 2011-2015, accounting for nearly 14% of total state budget revenue. In the period 2015-2021, the proportion of state budget revenue from FDI sector fluctuated from about 15% to over 20%.

## **3.2.2 FDI attraction into Vietnam in the context of implementing CPTPP and EVFTA**

### **3.2.2.1 FDI attraction into Vietnam in the context of implementing CPTPP**

After more than 3 years of joining the CPTPP, the trend of newly registered FDI from partner countries seems to be less optimistic. This might not be a cause for concern considering the global decline in FDI investment with an increasing trend of trade protectionism and the complicated development of the pandemic, which has brought about immense human and property damage.

To have a general view, the topic summarizes the registered FDI from six member countries of the CPTPP including Mexico, Japan, Singapore, New Zealand, Canada, and Australia over the years 2018, 2019, 2020, and 2021 as follows

**Table 3.12: Scale of FDI registered from CPTPP partners into Vietnam**

*Unit: Million USD*

<b>Country</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
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<b>Mexico</b>	0,01	0,12	0,02	0,02
<b>Canada</b>	85,38	177,14	61,6	62,35
<b>Japon</b>	8.598,95	4.137,60	2.368	3.879,48
<b>Singapore</b>	5.071,02	4.501,71	8.994	10.711,98
<b>Newzealand</b>	7,51	135,09	1,12	1,31
<b>Australia</b>	609,07	226,47	71,26	65,25
<b>Total</b>	<b>14.371,94</b>	<b>9.178,13</b>	<b>11.496</b>	<b>14.720,39</b>

*Source: Foreign Investment Department - Ministry of Planning and Investment [30,31,32,33]*

### 3.2.2.2 FDI attraction into Vietnam in the context of implementing the EVFTA

The impact of EVFTA on FDI attraction into Vietnam is still modest. The amount of FDI from the EU to Vietnam remains unstable and not yet commensurate with the potential in terms of capital, technology, and skills of EU investors.

The EVFTA has come into effect, but the impact of this agreement needs to be measured over time, not overnight. This is due to the fact that the EVFTA implementation period spans over decades. About 2/3 of the tax flows for EU exports were abolished since the EVFTA came into effect (August 1, 2020). The remaining tax flows, up to 99%, will be eliminated over a decade for more sensitive goods.

## 3.3. Factors affecting the FDI attraction in to Vietnam in the context of implementing new generation FTAs

### 3.3.1 Cronbach's Alpha Test

The research results show that the Cronbach's Alpha coefficient of the variables are 0.7 and the correlation coefficient of the total variable is 0.3, so these factors are acceptable and continue to be included in further analysis, including the factors: politics (0.721); economy (0.736); society (0.863); technology (0.705); law (0.742); integration (0.749).

Thus, the results of the Cronbach's Alpha coefficient test all show the reliability of the 6-factor measurement scales affecting the FDI attraction.

### 3.3.2 Exploratory Factor Analysis (EFA)

After verifying the reliability of the measurement scale, the 35 observed variables of 7 component scales were put into exploratory factor analysis (EFA). The results of the exploratory factor analysis (EFA) showed that the KMO coefficient = 0.775 indicating that the data are suitable for factor analysis ( $0.5 < \text{KMO} < 1$ ) thus all the verification coefficients meet the requirements (Appendix 2).

With the quantitative analysis results, it can be seen that there are 6 factors affecting the FDI attraction into Vietnam in the context of implementing new generation FTAs: politics, economy, society, technology, law and integration.

### **3.4. General evaluation of the real situation of FDI attraction into Vietnam in the context of implementing new generation FTAs**

#### **3.4.1 Positive results**

The scale of capital, the average scale of FDI projects into Vietnam in the past period generally tend to increase and have achieved noteworthy results

On the other hand, besides the traditional sources in the CPTPP all showed signs of resurgent growth in 2021, FDI from new partners in the CPTPP into Vietnam (Canada, Mexico) or traditional small partners (Brunei, New Zealand) was positively improved in 2019, 2020, and 2021.

- The field that foreign investors as Vietnam's strength is the processing and manufacturing industry

- The FDI enterprises sector has been had increasingly important contributions to the socio-economic development of Vietnam.

- FDI also contributes to international economic integration, enhances economic management capacity, business administration; builds and perfects the state management staff on foreign investment.

#### **3.4.2 Limitations**

- Although impressive FDI results have been achieved, Vietnam is still not the most attractive country for foreign investors compared to the Asia region.

- The amount of FDI from the EU into Vietnam is still unstable and not adequate with the potential in capital, technology, and skills of EU investors.

- The FDI quality is still low, investment projects are only in the downstream stages of the value chain, mainly in processing, light industry, small project scale.

- The effectiveness of using FDI has not met the demands of the country in the transition to orientation of innovation, science, technology, and high-quality human resources.

- The rate of FDI enterprises violating environmental regulations has been increasing in recent years. The association between FDI sector and domestic enterprises is still limited.

- Many Vietnamese enterprises have not been able to participate in the global supply chain because most of them are medium and small enterprises, so they are weak in capital and lack high technology [61].

#### **3.4.3 Causes**

##### **3.4.3.1 Causes of positive results**

- Stability of security and political situation is important conditions to decide on establishing long-term investment activities in Vietnam.

- Vietnam's economic indices are a outstanding point among FDI attractiveness indices in which the two main groups of investment attractiveness factors include macroeconomic stability and economic growth, labor costs and productivity.

- At present, the labor cost in Vietnam is about 1 USD/hour, significantly lower than countries in the region in general and developing countries in particular.
- System of laws, policies, and regulatory institutions for investment and trade in Vietnam is continually improving.
- Integration factor: Vietnam's readiness and active participation in new-generation FTAs are crucial factors attracting effective FDI.

#### *3.4.3.2 Causes of limitations*

- The checking stage of FDI investment projects in Vietnam still has weak spots in management.
  - Complicated and wordy related procedures.
  - At present, Vietnam does not have a good technology infrastructure system such as telecommunications, internet, information...
  - Vietnam's human resource development policy and human resource development policy for FDI sector only focus on breadth and have not yet focused on the depth of quality.
- The Covid-19 pandemic has directly affected the economy, including agriculture, industry, construction, commerce, and services. Thus, when the manufacturing sector is affected, investment activities are immediately impacted, reducing the overall economy's investment in the short and long term, especially the investment of FDI sector and the non-state sector.
  - The number of enterprises understanding EVFTA, CPTPP is still limited.
  - Commitments on institutions need more time to take effect.

## **CHAPTER 3 CONCLUSION**

Firstly, this chapter provides an overview of the implementation of new-generation free trade agreements in Vietnam and their impact on FDI attraction. The two new-generation FTAs analyzed are CPTTP and EVFTA.

Secondly, this chapter analyzes the real situation of foreign direct investment attraction into Vietnam in the context of implementing new generation free trade agreements.

Thirdly, this chapter give a general assessment of the real situation of FDI attraction into Vietnam in the context of implementing new generation free trade agreements.

## Chapter 4

### **Solutions to attract foreign direct investment into Vietnam in the context of implementing new generation free trade agreements.**

#### **4.1. Viewpoint and objective of FDI attraction into Vietnam in the context of implementing new generation FTAs**

**4.1.1 Viewpoint FDI attraction into Vietnam in the context of implementing new generation FTAs** The viewpoint of attracting new-generation FDI is a transference from attracting suitable investors for Vietnam's "products" to developing a suitable product (which means a suitable trade environment and investment conditions) for the type of investment that Vietnam needs in the future. This will maximize the pervasive effects and FDI added value. The FDI attraction needs to transition to a proactive state, that means actively "hunting" large investors that meet requirements, are suitable for infrastructure, and provide the greatest benefits.

**4.1.2 Objective of FDI attraction into Vietnam in the context of implementing new generation FTAs** - Wide and deep objectives: First, enhance the provision of key skills to facilitate new-generation FDI. Second, build and complete a new generation foreign investment promotion agency to lead the implementation of the strategy. Third, reform the current preferential policy framework. Fourth, modernize investment promotion, identify priority areas for proactive promotion. Fifth, implement a 4.0 business and investment environment. Sixth, open up sectors that support competitiveness and growth to FDI. Seventh, apply strategic foreign FDI promotion policies. Eighth, have specific policies to enhance the connectivity and spillover effects of FDI enterprises. (World Bank).

- Specific objectives for FDI: registered capital of about 150 to 200 billion USD (30 to 40 billion USD/year); actual capital of about 100 to 150 billion USD (20-30 billion USD/year); the rate of businesses using advanced technology, modern management, environmental protection, aiming towards high technology increases by 50% in 2025. The localization rate increases from the current 20 to 25% to 30% in 2025; the rate of trained labor in the labor use structure increases from 56% in 2017 to 70% in 2025.

#### **4.2 Opportunities and challenges in FDI attraction into Vietnam in the context of implementing new generation FTAs**

##### **4.2.1 Opportunities in FDI attraction into Vietnam in the context of implementing new generation FTAs**

First, CPTPP facilitates cross-border investment, creating conditions for Vietnam to attract investment from other member countries as trade is associated to investment, especially with countries where Vietnam has not yet signed an FTAs, such as Canada, Mexico.

Second, FTAs contribute to enhancing the trade relationship between Vietnam and its partners, removing trade barriers to further participate in the global production and supply chain, thereby creating more favorable conditions for Vietnam to attract FDI from its partners.

Third, this is an opportunity for us to continue to improve the economic legal system, including the socialist-oriented market economic institutions, one of the three strategic breakthroughs has been identified by our Party.

Fourth, participating in the CPTPP will create opportunities to increase growth.

Fifth, when the EVFTA is implemented, Vietnam expects many innovations and institutions, improving the investment environment due to the implementation of the Agreement will create a great attraction for investors.

Sixth, there is an opportunity to expand the export market for goods coming from Vietnam.

#### ***4.2.2 Challenges in FDI attraction into Vietnam in the context of implementing new generation FTAs***

First, to implement the commitments in the CPTPP, it will be necessary to adjust and amend some legal regulations on trade, customs, intellectual property, labor, unions...

Second, the competition increases.

Third, Vietnam is still in the transition period, the market economic institutions continue to be completed but not yet fully synchronized with the conventions of the market economy in countries with higher levels of development, hindering the implementation of innovation and exploiting the opportunities of integration, including attracting and using FDI. The market of production input factors is not operating effectively, especially the raw material and intermediary input market, that make increase production costs.

Fourth, the abundant and cheap labor force will no longer be a factor creating a competitive advantage in attracting FDI into Vietnam, especially in the context of the 4.0 industrial revolution.

Fifth, at present, the tranfert of FDI flow from China to some other countries, including Vietnam, is more and more clear, that has brought about challenges if Vietnam does not have an effective attraction and selection strategy, Vietnam may attract outdated technology projects that cause pollution.

### **4.3 Some solutions to attract FDI into Vietnam in the context of implementing new generation FTAs**

#### ***4.3.1 Perfecting the legal system***

- Amending and supplementing legal regulations on labor, employment and salary, ensuring a balance of interests between workers and employers in a transparent manner, meeting the requirements of international integration.

- Perfecting the legal framework on anti-transfer pricing, amending some tax management regulations for enterprises having related transactions; increasing penalties and forms of punishment for transfer pricing behaviors to ensure the seriousness of the law; constructing and perfecting the national database system, information about investment projects and FDI enterprises.

- The Vietnamese government needs to review the intellectual property law in order to adjust it to deeper commitments in EVFTA and other new generation FTAs.

#### **4.3.2 Perfecting material infrastructure, stability and growth of economy**

- Investment in infrastructure
- Perfecting the system of national database and information
- Prioritizing budget capital to quickly complete pending projects.
- Furthermore, to reinforce investor confidence, Vietnam needs to improve the trade environment, including the following aspects:

- + Environmental protection
- + Enhancing intellectual property protection
- + Reducing the implementation time and simplifying administrative procedures

#### **4.3.3 Focusing on selective FDI attraction**

Việc thu hút, hợp tác đầu tư nước ngoài sẽ theo hướng có chọn lọc, lấy chất lượng, hiệu quả, công nghệ và bảo vệ môi trường là tiêu chí đánh giá chủ yếu.

The attraction and cooperation of foreign investment will be selective and quality, efficiency, technology, and environmental protection are the main evaluation criteria.

#### **4.3.4. Improving the quality of human resources**

- Encouraging researches and scientific and technological investment at enterprises.

- Having encourage policies for foreign enterprises in term of training, improving skills and level of Vietnamese labor.

- Promoting training activities for small and medium-sized enterprises on a national scale, focusing on enhancing their capacity in terms of the value chain.

#### **4.3.5. Developing support industries**

Building develop mechanisms and policies to proactively support the development and promotion of Vietnamese enterprises, stimulating the development of supporting industries, and creating connections and pervasion between FDI and domestic enterprises.

#### **4.3.6. Improving efficiency of investment promotion**

Periodical organization of online investment promotion conferences demonstrates innovation in investment promotion methods

Vietnam needs to perfect projects to build foreign investment data in Vietnam as a basis for building related policies.

Vietnam needs to intensify foreign investment attraction, support enterprises in improving their operational quality in order to increase the effectiveness of foreign investment, and promote key industries.

The dissemination et propaganda of CPTPP and EVFTA in the future needs to be detailed, with content designed in a practical way, concise and suitable for the

concerns of each specific enterprise group.

## **CHAPTER 4 CONCLUSION**

Chapter 4 of the thesis has accomplished research objectives including:

Firstly, studying the viewpoint and goals of the Vietnamese government in FDI attraction in the context of implementing new generation FTAs.

Secondly, studying the advantages and challenges of Vietnam in the context of implementing new generation FTAs.

Thirdly, analyzing the limitations and reasons in FDI attraction in Vietnam, proposing a group of solutions: (1) Improving the legal system, (2) Perfecting physical facilities, stability, and economic growth, (3) Focusing on selective FDI attraction. (4) Enhancing the quality of human resources, (5) Developing auxiliary industries, (6) Investment promotion.

## **CONCLUSION**

It can be affirmed that the negotiation, signature, and enforcement of FTAs have and will create conditions as well as bring great opportunities for Vietnam in attracting FDI not only from FTAs partner countries but also from many countries in the region and around the world. However, alongside the opportunities, there will be many difficulties and challenges, especially for small and medium enterprises in Vietnam. Recognizing the importance of the research issue, the thesis has completed specific research tasks as follows:

Firstly, the thesis has synthesized researches on FDI attraction in the context of implementing new generation FTAs.

Secondly, the thesis has clarified the theoretical and practical basis for FDI attraction in the context of integration of new generation FTAs, evaluation criteria, influencing factors, and lessons learned from countries over the world.

Thirdly, the thesis has analyzed the real situation of FDI attraction into Vietnam in the context of implementing new generation FTAs. Based on the real situation, the thesis evaluates the achieved results, limitations, and causes of FDI attraction into Vietnam in the context of implementing new generation FTAs.

Lastly, the thesis analyzes the viewpoint and goals of FDI attraction into Vietnam in the context of implementing new generation FTAs in the future, and at the same time, proposes solutions to attract FDI into Vietnam in a more effective and qualitative manner.

**DANH MỤC CÁC CÔNG TRÌNH ĐÃ CÔNG BỐ CỦA  
NCS PHẠM ĐỨC TÀI**

<b>TT</b>	<b>Tên công trình</b>	<b>Năm công bố</b>	<b>Tên tạp chí/ Hội thảo</b>	<b>Vai trò</b>
1	Phát triển kinh tế- xã hội giai đoạn 2016-2020	2016	Thanh tra tài chính	Tác giả
2	Các KCN, KKT nộp NSNN hơn 66 nghìn tỷ đồng	2016	Thanh tra tài chính	Tác giả
3	Hợp tác APEC- Cơ hội và thách thức cho cộng đồng DN Việt Nam	2017	Thanh tra tài chính	Tác giả
4	FDI in Vietnam - A recent view on inadequacies and shortcomings	2019	Hội thảo quốc tế "International Finance and Accounting Research Conference"	Tác giả
5	Finalize the institution, policy on attracting foreign direct investment in Vietnam following the orientation of transparency, equality and appropriateness for the international practice	2021	Journal of Finance & Accounting Research	Tác giả
6	Thu hút vốn FDI trong điều kiện thực hiện CPTPP và EVFTA	2022	Tạp chí Công thương	Tác giả
7	Increasing Investment Promotion Activities To Attract Foreign Direct Investmen	2022	Hội thảo quốc tế "Proceedings the fifth international conference on sustainable economic development and business management in the context of globalisation (SEDBM-5)"	Tác giả