

International Experience in the Improvement of the Positive Impact of FDI on Import and Export for Vietnam

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Abstract:

The foreign direct investment (FDI) sector has increasingly affirmed its important role in Vietnam's socio-economic development. According to statistics, FDI enterprises now contribute about 23.5% of total social investment (nearly 20% of GDP), accounting for over 70% of export turnover. To enhance the positive impact of FDI on Vietnam's import and export. This article, conducted an analysis of the actual situation as well as an analysis of the experience of some countries around the world from which to draw lessons for Vietnam. Finally, we recommend a number of measures to enhance the positive impact of FDI on Vietnam's exports and imports.

Keywords: Foreign direct investment, Vietnam

1. Introduction

The study shows that the attraction of FDI in Vietnam has brought about many important results. The total number of newly registered FDI projects, adding capital and capital contributions increased rapidly over the years, both in quantity and value. This result is due to the fact that Vietnam has aggressively implemented open-door mechanisms and policies to attract FDI over the past 30 years. Economic environment has outstanding growth, with an average annual growth rate of 6% -7%; A stable political environment is also a favorable condition to attract FDI enterprises to invest in Vietnam.

The field of investment participation of FDI enterprises is quite diverse, up to 19/21 Vietnam's economic sectors have the participation of foreign investors. This also shows the interest to promote, attract capital to develop the multi-sector economy of the State.

After more than 30 years of opening international integration, up to now, foreign direct investment (FDI) has had a strong growth and is an important resource for socio-economic development; create motivation for the development of Vietnam's economic sectors. However, in the context of deep integration into the world economy, Vietnam's FDI attraction needs to be more proactive in selecting investment projects in the direction of sustainable economic growth. Analyzing the situation of FDI attraction in Vietnam in the past, focusing on the first half of 2019, the article identifies the positives and limitations, proposing solutions to enhance the investment efficiency of FDI into Vietnam in a new context. Based on the analysis of the experience of other countries in the world, we draw lessons for Vietnam in increasing the positive impact of FDI on import and export and limiting negative impacts on import and export. of Vietnam.

2. Experience of countries in the world

We selected these two countries, China and Thailand, to study experiences in enhancing positive effects and limiting negative impacts of FDI on import and export. The author of the thesis chose China and Thailand to study because these two countries are located in Asia, having many economic, cultural and social similarities with Vietnam. Besides, the starting point of these two economies when starting to attract foreign direct investment is quite similar to Vietnam. Therefore, the study of experiences from these two countries will help the author draw many useful and suitable lessons for Vietnam in enhancing positive impacts and limiting negative impacts of FDI on import and export.

2.1. Experience of China

China is one of the successful countries in attracting FDI for the country's industrialization and modernization process. Since the early 1980s, China has been on the list of the top 10 developing countries in the world for FDI attraction. During the opening reform period, China established four special economic zones, opened 14 coastal cities, and promoted attracting foreign capital and technology with tax, land and labor incentives. ... During this period, China's FDI mainly invested in processing, manufacturing and labor-intensive industries. After joining the WTO at the end of 2001, China's policy to attract FDI has been adjusted in accordance with WTO regulations by gradually opening the door to attract FDI into the services, real estate and money sectors. Bad ... In the period 2010-2020. China clearly stated the view of attracting FDI into high-tech industries, using high quality human resources. China also carried out amendments and additions "List of guidelines for foreign investment industries", and allowed local governments to approve investment projects from US \$ 100 million to US \$ 300 million. Experience of enhancing positive impacts and limiting negative impacts of FDI on import and export of China is shown as follows:

Firstly, to prioritize attracting export-oriented FDI into the electronics industry

With significant policy reforms, abundant human resources, low labor costs and a huge market, China's electronics industry has attracted a lot of foreign investors with huge investments. It is important to build a technology and infrastructure base for the production and development of electronic products for export. By well stimulating the impact of FDI on electronics industry exports, China has become the world's No. 1 exporter of electronic products. In order to stimulate the impact of FDI on exports of the electronics industry, China has taken advantage of the benefits of technology transfer and knowledge through joint ventures with major electronics companies in the world such as: HP, IBM, Digital, Toshiba, Samsung ... The fact that Chinese multinational company is Lenovo bought the laptop production division of multinational company of US nationality is IBM is considered a strategy to Lenovo approaches IBM's superior computer manufacturing technology. Or TCL (China) 's merger with Thompson (France) into TCL - Thompson Electronics, the acquisition of Unocal (China) by National Offshore Oil Corporation (China) in the oil industry. Over time, China has built and developed its own brands and exported very large to the world market.

Secondly, focus on developing the supporting industry, especially supporting industry for export right after starting to attract FDI.

To become an electronic power and the world's No. 1 exporter of electronic products, the Chinese Government has focused on developing SI. SI for the electronics industry of China has researched and produced plastic and metal spare parts, packaging materials, cases ... The establishment of a supply network The closed level not only increases the domestic rate, lowers production costs and enhances the competitiveness of Chinese enterprises but also attracts foreign investors, attracting a huge amount of FDI. into electronics industry and other industries. The strong development of electronic supporting industry is an important premise for China to attract FDI into the electronics industry, while increasing export value and limiting import of this industry. To become an electronic power, right from the beginning, the Chinese Government has focused on developing supporting industries on the basis of mold, forging, casting, plastic injection ... industries with millions of skilled workers. , industry of supporting industry enterprises is very developed. Therefore, creating favorable conditions for export production activities of FDI enterprises in the industry, at the same time reducing the import of supporting products, improving the added value of exports. This is one of China's successful lessons in increasing the positive impact and reducing the negative impact of FDI on import and export.

Thirdly, special attention is paid to the training of human resources for production activities of export-oriented industries.

The Chinese government also pays great attention to training quality human resources for export-oriented industries. This will enable workers in China to quickly access new technologies and knowledge as well as export markets from FDI enterprises. Since then improve the export ability of the electronics industry in particular and the export of the Chinese economy in general.

Fourth, tax incentives and interest rates for domestic exporters, focusing on developing exports of the domestic economic sector in parallel with FDI attraction.

Preferential policies on taxes, low interest rate loans can help Chinese export-manufacturing enterprises reduce production and business costs, and increase the amount of capital invested in production. technological innovation, raising the level of human resources ... help increase the export ability for domestic enterprises, thereby increasing the import value and reducing China's imports.

2.2. Experience of Thailand

FDI has always been considered as one of the important stimulating factors for the Thai economy. The Thai government right from the beginning of attracting FDI has built a preferential policy to both increase the attraction of this source of capital and promote its advantages. From 1959 to 1971, Thailand implemented the Economic Development Strategy to replace imports. Thailand soon had a policy of gradually reducing investment from the Government, encouraging private investment. In 1959, Thailand established the Ministry of Investment and in 1960 promulgated the Investment Act. In the period of 1972 - 1996, the Ministry of Investment of Thailand issued a policy to attract experts and high-quality labor from the outside with preferential land and employment incentives to implement the Export-oriented economic development strategy. Since 2005, Thailand's FDI policy has shifted towards selective investment with a policy of giving priority to domestic investors in supporting the development of non-production services and financial services picture. In order to enhance the positive impact and limit the negative impact of FDI on import and export and achieve significant achievements today, Thailand has taken the following effective measures:

Firstly, implementing the economic development policy creates a good export foundation before attracting FDI

Thailand has paid great attention to creating a good base for export activities so that FDI flows can maximize its positive spillover effects on exports. Therefore, in parallel with the formulation of policies to attract FDI, giving priority to attracting export-oriented FDI and replacing imports, Thailand has implemented a domestic economic development policy to be able to create a Good export platform. Specifically: (1) Supporting industry development, on the one hand, creating favorable conditions for the production and export activities of FDI enterprises, on the other hand, contributing to restricting the import of supporting industry products (which happens in most receiving countries. investment) and increase in the proportion of domestic and added value to Thai exports; (2) High-quality and well-trained human resources for export production activities to create favorable conditions for export production activities of FDI enterprises. At the same time, it also helps FDI enterprises to effectively carry out R&D activities in Thailand. This is a prerequisite to improve labor productivity and improve the quality of Thai exports, contributing to improving the competitiveness of Thai goods in the export market. This is also a condition for Thailand to attract high-tech FDI projects into the country; (3) Exporting enterprises and supporting industry enterprises for export are given priority in terms of capital. Capital is an important premise for businesses to have conditions to renovate technology, expand production scale, access to export markets, thereby improving export capabilities and improving export results; (4) Development infrastructure creates favorable conditions for import-export activities of domestic enterprises as well as FDI enterprises. The synchronous development of transportation system, banking system, communication system, logistics services ... helps Thai goods to easily reach foreign customers and also attracts foreign buyers. foreign investors entering Thailand; (5) Favorable and transparent business environment is an attractive condition to attract foreign investors and create favorable conditions for import and export activities. The business environment is important and decisive for Thailand's success in utilizing FDI as a lever to boost domestic export production.

Secondly, to closely combine the development of domestic export production with the policy of attracting and adjusting FDI

Thailand's experience is a close combination between the development of domestic export production and the policy of attracting and adjusting FDI so that the FDI inflow will maximize its effect in promoting the production of export goods. of Thailand. The basic feature of the Thai government's economic management is that it attaches great importance to the private sector in a multi-sector economy, operating under a regulated market mechanism of the State. Increasing FDI attraction but focusing on economic development of the private sector. This is one of Thailand's successful lessons in promoting the role of FDI inflows to promote the development of the domestic private sector. From an agricultural economy, Thailand has become a key production and export center of the world. Currently, Thailand is the largest automobile manufacturer in the ASEAN region and is heading to the top 10 globally. Many of the major automobile manufacturers in the world have set up factories in Thailand such as Ford, General Motors, BMW, Mitsubishi, Mazda, Toyota, Nissan, Honda, Yamaha, Suzuki, Isuzu ... Not only the automobile industry, industry Thai electronics are also very developed. Thailand is currently the second largest hard drive manufacturer in the world, providing up to 40% of the world's output after China.

Third, the regulatory role of the Thai Government in the direction of FDI cooperation

positive impact on export development

Right from the beginning of attracting FDI, the Thai Government has adopted a policy to select FDI in the direction of economic development towards export. The attraction and use of FDI are always controlled and adjusted so as not to deviate from the initial set goals. In addition, the Thai Government has paid special attention to the development of supporting industry, training and improving the quality of human resources for the key export industries. The Thai government has also prioritized infrastructure development from transportation systems, communication systems, airport systems, seaports, banking systems, finance and insurance ... creating the foundation. Good for export activities. The business investment environment has also been highly appreciated by the Government of Thailand for improving, transparency and creating the best conditions for the activities of foreign investors as well as promoting export activities.

With these effective measures, Thailand has been very successful in stimulating the positive spillover effects and limiting the negative effects of FDI on import and export, becoming one of the largest exporting countries. in the region and in the world.

3. Current situation of FDI attraction in Vietnam

- Implemented FDI capital: Statistics show that FDI projects have disbursed about 7.3 billion USD, up 7.8% compared to the same period in 2018. Generally 10 years (from 2009 to May / 2019), FDI disbursement over the years tended to increase, the average growth rate reached 9% -10% / year. In 2018 alone, the disbursed capital nearly doubled compared to 2009, reaching 19.1 billion USD

- Import and export situation: In the first 5 months of 2019, exports of foreign invested sector (including crude oil) reached 70.4 billion USD, up 4.7% over the same period in 2018 and accounted for 69.9% of export turnover. Imports of foreign invested sector reached 52.85 billion USD, up 6.6% over the same period in 2018, accounting for 56.9% of import turnover.

Situation of issuing investment registration certificates. As of May 20, 2019, the total newly and additionally registered capital and capital contributed and shares purchased by foreign investors was 16.74 billion USD, up 69.1% over the same period in 2018. Of which :

- By investment area: Generally for the first 5 months of 2019, foreign investors have invested in 19 industries and fields of Vietnam, in which the most concentrated are processing and manufacturing industries with the

total total capital reached 12 billion USD, accounting for 71.8% of total registered investment capital; Real estate business ranked second, with total investment capital of 1.38 billion USD, accounting for 8.2% of total registered investment capital; third is the wholesale and retail sector with a total registered capital of 864 million USD, accounting for 5.2% of the total registered investment capital.

- By investment partners: There were 88 countries and territories having investment projects in Vietnam in the first 5 months of 2019. Hong Kong took the lead with a total investment of 5.08 billion USD, accounting for 30.4 % total investment; South Korea ranked second, followed by Singapore, China and Japan.

- By investment area: Foreign investors have invested in 55 provinces and cities of Vietnam in the first 5 months of 2019, of which Hanoi is the locality attracting the most foreign investment, with a total of Registered capital is more than 4.79 billion USD, accounting for 28.6% of total investment capital. Next is TP. Ho Chi Minh City, with a total registered capital of 2.78 billion USD, accounting for 16.6% of total investment capital. Binh Duong ranked third with a total registered capital of 1.25 billion USD, accounting for 7.4% of total investment capital.

Accumulated to May 20, 2019, the whole country had 28,632 valid FDI projects, with a total registered capital of 350.5 billion USD. The accumulated realized capital of FDI projects reached about 198.7 billion USD, equaling 56.7% of the total valid registered capital. Foreign investors have invested in 19/21 branches in the national economic sub-system, of which the processing and manufacturing industries account for the highest proportion, with nearly 204.2 billion USD, accounting for 58.3% of total investment. The fields that attract FDI are mainly processing and manufacturing industries; real estate business; Producing and distributing electricity and gas.

Foreign investment is now present in 63 provinces and cities, including Ho Chi Minh City. Ho Chi Minh City is still the leading province in attracting FDI about 45.5 billion USD (accounting for 13% of total investment capital). Next is Hanoi with about 33.4 billion USD (capturing 9.5% of total investment capital), Binh Duong is 32.7 billion USD (capturing 9.3% of total investment capital) ...

The number of registered projects and the value of FDI capital into Vietnam over the past time has grown very well, however, the current FDI attraction is still not methodical. Vietnam has not been really proactive, selectively attracting FDI projects with high technology content and strictly controlled pollution levels. Many FDI projects are crude manufacturing, high processing capacity, large emission levels, low added value, and lack of basic industries such as supporting industries and high technologies. The capacity of preventing, controlling and protecting the environment of some FDI enterprises is still inadequate ...

The spread of FDI inflows to economic sectors is not commensurate with expectations. The level of localization in Vietnam is still low when the ratio of imported inputs to product value is largely above the threshold of 50% ...

4. Lessons learned for Vietnam

Through practical research on enhancing the positive impact and reducing the negative impact of FDI on import and export of China and Thailand - countries that are quite similar to Vietnam in terms of production conditions, The author draws some lessons for Vietnam as follows:

Firstly, developing the domestic supporting industry

Domestic supporting industry development will create favorable conditions to attract FDI. At the same time, the development of domestic supporting industry also creates conditions for FDI enterprises and domestic enterprises to link with each other in production and trade, thereby reducing input imports for FDI enterprises and increasing domestic value for export goods. This is a great lesson for Vietnam.

Secondly, developing high quality human resources

High quality human resources will help FDI enterprises as well as domestic enterprises to improve labor productivity, improve product quality, improve product competitiveness in domestic and international markets, leading to improved export capabilities. In addition, high quality human resources will help domestic enterprises to access faster and better absorb technology and knowledge when linking production and business with FDI enterprises, thereby improving export production capacity of domestic enterprises, while reducing imports from abroad. Case studies of China and Thailand have clearly seen this experience. Thirdly, encourage FDI enterprises to closely associate with domestic enterprises

The close connection between FDI enterprises and domestic enterprises is a basic premise for the receiving countries to have access and absorb technology and knowledge from FDI enterprises. Thailand has shown success in utilizing FDI as a lever to stimulate the technological development of domestic enterprises by enforcing a certain localization rate for exported goods. This forces FDI enterprises and domestic enterprises to associate with each other in the production of export goods. This is a great lesson for Vietnam if it wants to improve the domestic value of its exports.

Fourthly, synchronous development of infrastructure

Both China and Thailand have focused on synchronous development of infrastructure to attract FDI as well as paving the way to maximize the impact of this capital source on import and export activities. Lessons learned in the two countries show that the developed infrastructure helps countries strongly attract FDI capital, while helping to reduce transportation costs and international transactions in import and export activities, thereby promoting import and export activities.

Fifth, select technologies and foreign direct investment partners

Modern and advanced technology will bring more benefits to the host country than low and backward technology. Investment partners from developed economies with source technology will facilitate the positive spillover effects of FDI to import and export in the host country through technology transfer and knowledge transfer. Therefore, identifying the source of technology and investment partners is very important for the recipient country in strengthening the positive effects and limiting the negative effects of FDI on imports and exports in the country. recipient country. This is also considered as a lesson for Vietnam in selecting technology sources and identifying strategic partners in attracting FDI.

Sixthly, regulating and directing FDI inflows into Vietnam according to economic development goals in each specific period

Thailand has shown success in regulating and directing FDI flows towards development goals in each stage through policies that attract and use FDI very rationally and appropriately in each stage of development. The selection as well as the regulation of FDI flows according to the goals of economic development in each specific development stage will help the recipient countries to best promote the positive effects of FDI on economic development in general. and develop export activities in particular because each country has different development goals in different periods and stages of development. This is a very useful lesson learned for Vietnam in the current period.

Seventh, create a favorable and transparent business environment

A favorable and transparent business environment always creates a great attraction for foreign investors. At the same time, it also helps to make import and export activities easier. Both China and Thailand are well aware of this problem. They have vigorously reformed the domestic investment environment very early. This has played an important role in attracting FDI and promoting import and export activities in both countries.

5. Solutions to increase FDI attraction into Vietnam

In order to bring into play favorable factors and overcome difficulties, increase FDI attraction in the context of integration, Vietnam needs to proactively attract FDI in the direction of focusing on quality and enhancing the role of businesses in the global value chain. Specifically:

Firstly, promoting stable and sustainable economic growth, creating a favorable and open business environment. A stable economic growth will create favorable conditions for businesses to develop, creating a premise to attract more FDI in the future.

Second, maintain a stable political environment; Studying to perfect mechanisms and policies to attract strategic investors and multinational corporations to invest in administrative - economic units, development of industrial parks, export processing zones and technological parks ... Foreign investment promotion agencies need to build a forecasting capacity and meet the sourcing needs of foreign investors. Building a national database of supportive suppliers and business connections; help businesses overcome information obstacles in the era of Industrial Revolution 4.0.

Third, sectors and levels need to strengthen inspection and supervision of the process of licensing and managing foreign investment projects. At the same time, promoting disbursement and non-licensing of outdated technology projects that have bad impacts on the environment; thoroughly examine projects that use a lot of land and conditionally allocate land according to the project progress; Considering the rate of investment / land area, including industrial park land.

Fourth, improve infrastructure, increase planning towards modernization. The planning and improvement of infrastructure needs to be carried out synchronously among localities and key economic regions throughout the country.

Fifth, invest in developing education, improving the qualifications of workers, building a team of high-quality human resources, increasing the knowledge content in products, improving labor productivity.

Sixthly, the Industrial Revolution 4.0 has been and will affect all sectors of the economy, so it is necessary to prioritize the attraction of FDI in some high-tech industries and products, creating added value. large increases such as information technology, electronics, internet of things, artificial intelligence, virtual reality, cloud computing, big data analysis, manufacturing mechanics, automation, biotechnology, objects new materials, education and training of high quality human resources, research and development, public health care.

Seventh, proactively select green FDI projects, address issues related to environmental pollution and select projects with great spillover. Vietnam also needs to give priority to attracting FDI into hi-tech and advanced industries and fields, environmentally friendly technologies, clean and renewable energies; develop modern technical infrastructure, especially new industries based on industry 4.0.

Eighth, attracting FDI must be suitable with the advantages, conditions, development level and planning of each locality in regional linkages, ensuring the overall socio-economic-environmental efficiency. For developed cities like Hanoi and Ho Chi Minh City Ho Chi Minh City, Da Nang, Hai Phong ... need to focus on developing high-quality industries and services, creating great added value; resolutely not to select FDI projects that employ a lot of labor, causing environmental pollution and greenhouse gas emissions. For localities and underdeveloped economic regions, the project may use labor-intensive projects (such as weaving, dyeing, sewing, thick leather) but must commit to invest in ensuring environmental protection ...

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