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Foreign Direct Investment into ASEAN for the Period 2010-2016

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Abstract:

Despite the slow recovery of the world and regional economies, the total FDI inflows to ASEAN are still growing. Thus, the expansion of the free trade both inside and outside the area have contributed to the growth of FDI and the developmental benefits of linking and increasing the value of foreign investment to regional countries in economic sectors, creating jobs and contributing to economic development. This is an important opportunity for the Association of Southeast Asian Nations to take advantage of the available resources to promote foreign direct investment. However, the difference in socio-economic status, competitiveness among member countries, investment environment have made the FDI unstable attraction rate over the years in the study period. Therefore, FDI into ASEAN is assessed concretely in the period 2010-2016, proposing some policy implications to promote FDI and technology transfer. It is also important to carefully choose the type of foreign direct investment that is appropriate and beneficial to the particular development of the countries in the region.

Keywords: *International integration, foreign direct investment, technology transfer, cooperation, opportunities and challenges*

1. Introduction

Southeast Asia is located in Southeast Asia, where it borders the Pacific Ocean and the Indian Ocean, connecting the two continents of Asia, Europe and Oceania, with a particularly important position on international exchange. There are favorable conditions for exchange, economic development in general and marine economy in particular. Southeast Asia comprises 11 countries: Vietnam, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Brunei, East Timor. Most of these countries are members of the Association of Southeast Asian Nations except East Timor. ASEAN consists of a complex system of peninsulas, islands, and archipelagos, which include countries in southern China, eastern India and northern Australia. ASEAN has an important geopolitical position, has truly become one of the most important international exchanges

Vietnam officially joined ASEAN on July 28, 1995, is the seventh member of this organization, not only a turning point for Vietnam, but also a major development of ASEAN. Expressing the unity between the independent foreign policy, self-reliance, openness, multilateralization and diversification of Vietnam's international relations with a desire to build a region of peace, stability and development. ASEAN, in accordance with the trend, the main trend of the era is peace, stability and development Vietnam has had many opportunities to attract foreign direct investment (FDI), develop domestic economy, increase goods and services trade, transfer science and technology, learn advanced working styles of countries in the region. Accession to ASEAN Free Trade Association (AFTA) Vietnam has opened the economy, unleashing internal strength, promoting the role of market economy, attracting FDI. After 22 years of joining the organization, the relationship between Vietnam and ASEAN has been continuously expanded.

Therefore, this writing analyzes the situation of foreign direct investment in ASEAN in the period 2010-2016, evaluating the opportunities and challenges to promote the advantages and limit the obstacles. This is the basis for proposing policy implications for attracting FDI and the region and effectively utilizing investment capital source

2. Methodology

Method of collecting information: Socio-economic data and labor skills of member countries in the ASEAN region and FDI capital source into ASEAN, intra-ASEAN FDI among member countries and other information related to FDI in the references.

Method of synthesizing information processing: From the collected data which has been collected as a reflection of the countries in each year on the status of FDI into ASEAN in the period 2010-2016.

Descriptive statistics method: The purpose is to statistical data and describe the increase or decrease, the speed of increase of data and data collected in different ways, clarify difference or compare between years between countries, This is the basis for proposing policy implications to promote FDI attraction into ASEAN in the near future.

3. Analyzing the Situation of the Research Problem

3.1. The Socio-Economic Characteristics of ASEAN Affecting FDI Attraction

As of 12/2016, ASEAN has a total area of 4,488,839 square kilometers, accounting for 3% of the worlds' acreage, with a gross domestic product of more than \$ 2,431 billion. ASEAN is the fourth largest exporter in the world after the EU, North America and China. This is a rich region of language, religion, culture and especially the economies in the region that are assessed to have dynamic development in the world. ASEAN has become an important partner of many countries. The goal of the ASEAN Community is to step by step shape and create new impetus for closer and more coherent and dynamic co-operation and cooperation, promoting free movement of goods, services, investment and skilled labor, market connections of member countries, and thus bring about greater and more comprehensive benefits to the socio-economic development of each country and region. [3, page13]

Nationality	Square (km ²)	Population (Thousand)	Density (People/km ²)	GDP (Million USD)	The Per Capita Income (USD/person)
Cambodia	181.035	15.405.20	85	18.463	1.198.5
Laos	236.800	6.902.40	29	12.639	1.831.2
Myanmar	676.577	52.476.00	78	65.392	1.246.1
Vietnam	330.951	91.713.30	277	193.407	2.108.8
Brunei	5.769	417.20	72	12.909	30.942.1
Indonesia	1.913.579	255.461.70	133	857.603	3.357.1
Malaysia	330.290	30.485.30	92	294.389	9.656.8
Philippines	300.000	101.562.30	339	289.502	2.850.5
Singapore	719	5.535.00	7.697	291.937	52.743.9
Thailand	513.120	68.979.00	134	395.726	5.736.9
ASEAN	4.488.839	628.938.40		2.431.967	3.866.8

Table 1: Some Economic Indicators of ASEAN Countries in 2016
Source: ASEANSTATS (2018)

It can be seen that the member countries of ASEAN are diverse, rich and varied in terms of socio-economic indicators. As one of the fastest growing regions in the world, ASEAN's GDP is roughly equivalent to about 15% of the US economy [3, p15]. Data on area, population and GDP, Indonesia has the highest data, but because of large population, the average income per capita is quite low. As opposed to Singapore, very few population leads to high population density but the highest per capita income is in the region with 52.743.9 USD / person, the highest in the region and 42 times higher than that of Cambodia. most area. In the group of 4 countries Cambodia, Laos, Myanmar, Vietnam has the target GDP and per capita income difference is quite large compared to the other six countries. One of the causes of differences, differences among the countries in the block of GDP and per capita income are the causes of skill of labor in different countries not only in the current difference but the future, specifically:

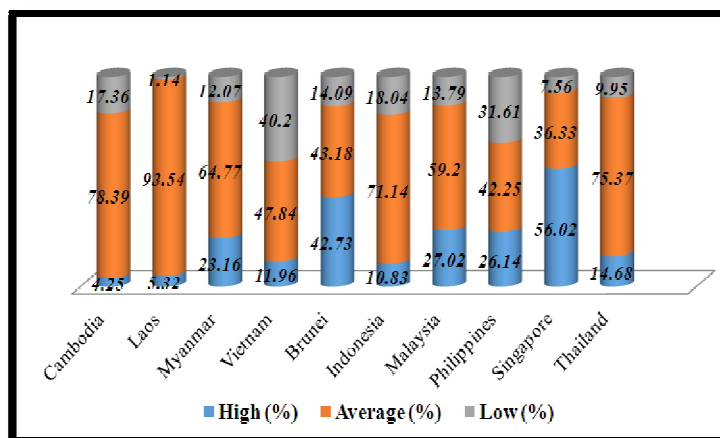


Figure 1: Skill Level of the ASEAN Workforce in 2016
Source: Le Dang Minh (2018)

The International Labor Organization divides the labor skill into three levels. High-skilled workers include managers, professionals, technicians and professionals. Average skill workers include: office workers, sales and service personnel, skilled workers in the agricultural sector, handicraft workers, machinery operators device. Low skill workers include: basic and unclassified professions. Occupational skill levels of high-skilled ASEAN countries account for a low proportion, with Singaporeans accounting for 56.02%, followed by Brunei with 42.73%, followed by Cambodia with 4.25%. The average skill level accounts for the majority of countries, Laos accounts for 93.54%, Vietnam is also quite high with 47.58%. Remaining low skill level, Vietnam accounts for 40.20% of the highest in this indicator area. It can be seen that the labor skills of these 10 countries are not high compared to the world, the impact of low labor productivity, lack of professionalism, contributing to GDP will be limited and at the same time also contribute greatly to attract FDI into the ASEAN region.

3.2. Situation of Foreign Direct Investment in ASEAN

In the period 2010-2016, FDI inflow into ASEAN region will be relatively high, the improvement of the regional investment environment as well as the preparation for an effective integration process in the AEC in 2016 will create more the attraction of other countries in the world direct investment in 10 countries in the region

Nation	2010	2011	2012	2013	2014	2015	2016
Cambodia	782.55	891.75	1.557.13	1.274.90	1.726.53	1.700.97	2.279.67
Laos	332.59	466.85	294.38	426.67	913.24	1.079.15	1.075.69
Myanmar	2.248.79	2.058.20	1.354.20	2.620.90	946.22	2.824.48	2.989.48
Vietnam	8.000.00	7.519.00	8.368.00	8.900.00	9.200.08	11.800.00	12.600.00
Brunei	625.39	1.208.30	864.81	725.47	568.18	171.32	-150.44
Indonesia	13.770.19	19.241.61	19.137.87	18.443.84	21.810.42	16.916.79	3.520.83
Malaysia	9.155.88	12.000.89	9.399.97	12.297.38	10.875.31	11.289.60	11.328.82
Philippines	1.298.00	1.815.94	2.797.01	3.859.79	5.814.57	5.724.22	7.933.06
Singapore	57.214.10	39.162.60	60.426.90	60.379.60	74.420.30	61.284.80	53.912.20
Thailand	14.746.67	2.473.69	12.899.04	15.935.96	3.720.21	8.027.49	2.553.17
ASEAN	108.204.46	86.838.82	117.099.31	124.864.51	129.995.07	120.818.81	98.042.49

Table 2: FDI in ASEAN Countries for the Period 2010-2016 (US \$ Mil.)

Source: ASEANSTATS (2018)

FDI flows into ASEAN unstably increased and decreased in the period 2010-2016, but with the attractiveness of ASEAN derived from the strong economic foundation and the growth of the market has achieved encouraging numbers. The highest level is 2014 with a record number of 129,995.07 million USD, higher than the world's largest FDI attraction, which is 119,560.02 million USD. In spite of falling to \$ 98,042.49 million in 2016, the 20% decrease in regional inflows reflects a general decline in global FDI flows and flows into developing countries. Singapore is the country that attracts the largest share of FDI in the region, accounting for 52.8% in 2010 and 54.9% in 2016 compared to ASEAN's total FDI. Achieving this is due to the low tax advantage and the legal system and other policy mechanisms. Indonesia has the second highest FDI attraction in the region, attracting US \$ 13,770.19 million in 2010 and continuing to increase in the coming years. However, by 2016, the attractiveness is only US \$ 3,520.83 million. Is still higher than Malaysia. Malaysia ranked third with a relatively stable growth rate in the period, by 2016 reached an attractive \$ 11,328.82 million. The four ASEAN member countries, including Vietnam, Laos, Myanmar and Cambodia, although having a much lower level of FDI attraction, have also made significant gains in the region. China and ASEAN are big investors in Cambodia and Laos, ASEAN is the leading investor in Myanmar and Korea is the largest investor in Vietnam. Vietnam ranks fourth in the region in terms of FDI attraction, although not quite high but relatively stable growth in the region and gradually increasing over the year, 2016 FDI attraction is \$ 12,600.00 million only After Singapore, according to the Ministry of Planning and Investment, up to 2016, the number of licensed projects increased by 27% compared to 2015. Processing industry creates the largest FDI attraction and then real estate activity.

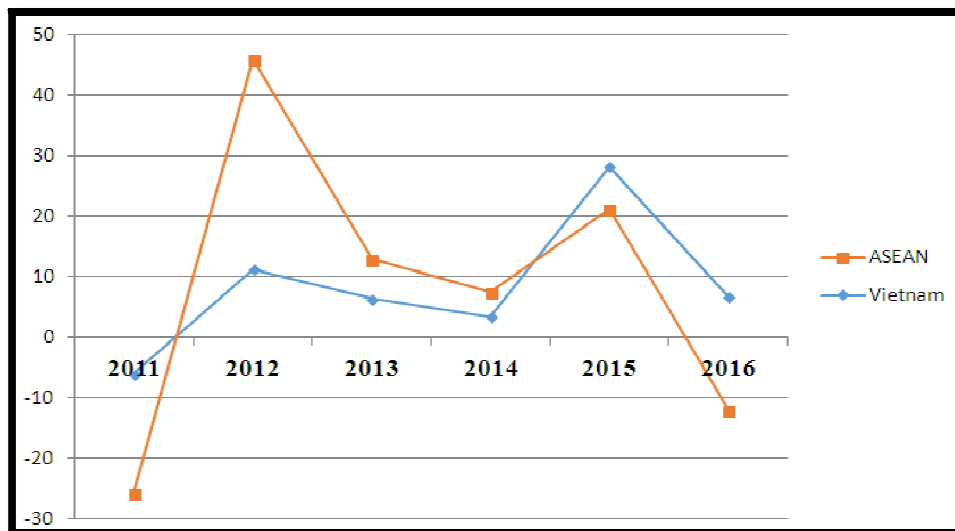


Figure 2: Growth Rate of FDI into ASEAN and Vietnam (%)
Source: Author's Data Synthesis (2016)

The growth rate of ASEAN's FDI during the research period is unstable, in 2011 the rate is -19.7%, the rate of 2012 will be high with the rate of 34.8%, by 2016 the end of the decline again down -19.7%. In Vietnam alone, there are some years of uniformity in the rate of increase and decrease in the same region, in 2011 the rate of -6.1% is quite stable growth rate in the next two years but by 2016, significant at 6.7%. This problem is due to the influence from the domestic investment environment and the impact of the world economic context on attracting FDI into the region..

FDI capital of ASEAN member countries in the period 2010-2016 is relatively stable, accounting for about 18.4% in the period compared with attracting foreign direct investment (FDI) into ASEAN as shown in Table 1.

Nation	2010	2011	2012	2013	2014	2015	2016
Cambodia	348.99	223.82	523.02	298.85	372.48	425.41	932.78
Laos	135.38	75.00	73.64	104.61	137.94	221.83	280.22
Myanmar	25.50	84.60	151.20	1,186.80	683.62	2,230.65	2,987.76
Vietnam	1,300.88	1,517.34	1,262.55	2,078.59	1,547.08	2,153.46	3,434.24
Brunei	89.52	67.47	31.47	-57.98	141.20	86.65	-70.64
Indonesia	5,904.21	8,334.45	7,587.88	8,721.11	13,083.72	9,498.96	4,020.63
Malaysia	525.63	2,664.32	2,813.90	2,187.50	2,283.98	2,719.01	2,962.81
Philippines	40.22	-74.10	145.17	-41.71	137.10	66.22	82.55
Singapore	5,715.10	1,353.00	12,117.90	4,556.20	5,214.10	3,416.30	2,837.77
Thailand	2,220.92	952.22	-745.35	528.21	-1,466.77	1,413.72	725.45
ASEAN	16,306.36	15,198.13	23,961.38	19,562.18	22,134.44	22,232.21	18,193.57

Table 3: FDI of ASEAN Countries in the Period 2010-2016 (US \$ Mil.)
Source: Author's Data Synthesis (2018)

In 2010, FDI inflows within the ASEAN region reached \$ 16,306.36 million, the highest increase of which was in 2013 with \$ 23,961.38 million, followed by a slight decline in the following years and a low level in 2016. compared to 2015 is 18,193.57 million, but these are successes not only in development investment but also in the attachment and support in other friendly relationships. The group of countries with high FDI inflows in the region are Singapore, Indonesia, Malaysia and Vietnam. Compared with the rest of the country, Vietnam has reached a higher level of FDI because of its competitive advantage in attracting FDI, such as social security and skilled labor at a cost. The infrastructure is being invested quite well such as energy, ports, and roads; has a large market. In addition, Vietnam is also deeply integrated and a member of many bilateral and multilateral trade agreements.

According to analysts, the cause of ASEAN's FDI increased relatively well in the period thanks to economic growth of countries in the region; the investment climate of these countries is improved; The demand for components and electronic devices in the world increased; the successful privatization of state property in some countries; oil prices increase [1].

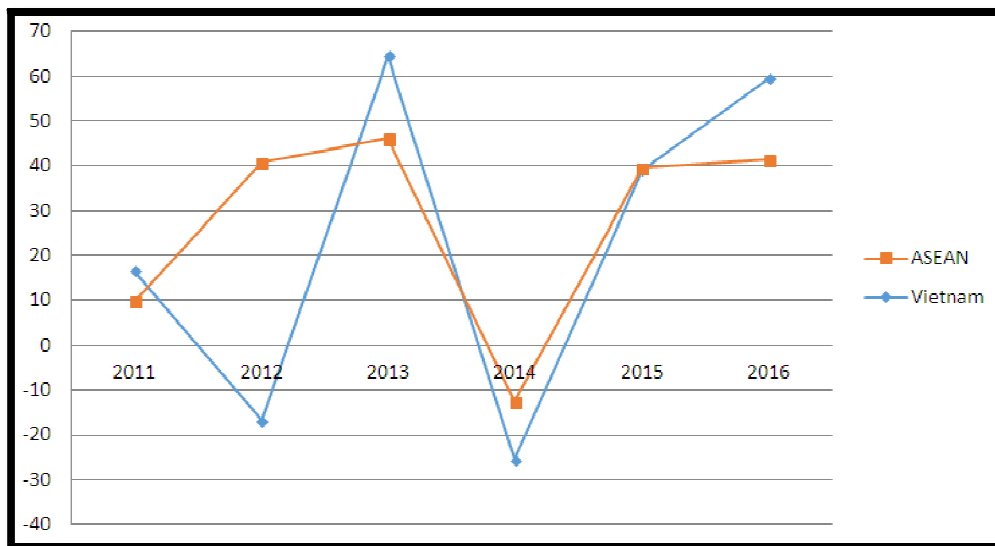


Figure 3: FDI Growth Rate of Intra-ASEAN and Vietnam (%)
Source: Author's Data Synthesis (2018)

The rate of increase in intra-ASEAN and intra-ASEAN FDI flows has increased unstably over the years. In 2011, ASEAN's growth rate reached 6.8% by 2012 with a very high rate of 57, 6% and to -18.1% by 2016. The rate of increase of this capital source for the member country is also the same, the increase and decrease is not stable. However, this is also an important achievement in terms of support, investment cooperation within the same block for a common development goal. ASEAN has focused on intra-regional cooperation, increased attractiveness for investors, and increased economic strength

4. Opportunity and Challenge

4.1. Opportunity

After 50 years of development from 8/8/1967 - 8/8/2017, ASEAN has achieved many great achievements, being recognized internationally as the most successful multilateral cooperation organization, ensuring peace, and stable in Southeast Asia. Confirming the development of ASEAN in the future, marking a new integration step of ASEAN economies with the aim of building a close, competitive, dynamic and creative ASEAN economic space. This is a very important factor, which gives the opportunity for all member states and residents of ASEAN, namely:

ASEAN's regional integration is improving, based on the open space advantage of an open market and increasing its competitiveness on the basis of a unified production base. ASEAN is one of the region's most trade-related regional organizations and is negotiating the Comprehensive Economic Partnership Agreement (RCEP), opening up large space for investment attraction not only in the region Southeast Asia, but also the Pacific. ASEAN is also discussing with Canada on the formulation of a free trade agreement; discuss with the Eurasian Economic Community the possibility of forming a free trade agreement. ASEAN will continue to implement policies to promote integration, attracting FDI to create great opportunities for businesses in the region.

FDI has provided an important source of capital for ASEAN countries, became the bridge for many investments of multinational companies based in ASEAN. Projects of ASEAN countries invest in intra-regional and Vietnam focus on manufacturing, processing and manufacturing industries. ASEAN has become one of the important drivers of FDI, helping member countries maintain sustainable growth.

The ASEAN economy is the seventh largest economy in the world, thus member countries will have plenty of opportunities to attract FDI to boost international trade in all areas once the AEC is formed. The ASEAN Economic Community (AEC) is one of the key pillars of the ASEAN Community, designed to facilitate access to the four main components of the business community, including capital, technology, markets and labor. The opportunity that AEC brings is equally to the business of ASEAN. This is an opportunity for intra-ASEAN businesses to study and expand their activities in the ASEAN market, such as conducting business innovation, promoting information and understanding of AEC. Understanding the situation of AEC in particular and ASEAN in general will help businesses to integrate effectively with the region, towards the global market.

Governments of member countries have been stepping up their integration into the region and the world in order to create more playgrounds and conditions for intra-regional businesses. The AEC playground will help enterprises to integrate more stably.

4.2. Challenge

The world is emerging anti-globalization trend; protection of trade comes from a large number of countries. This leads to a common challenge for ASEAN and Vietnam.

ASEAN has faced many difficulties in attracting FDI into the region such as the development gap between countries, the difference between the capital size of the economy, enterprises, technical level, labor, ... different levels of development, laws, institutions, awareness of business community and people. Many issues also arise in the integration process such as different development objectives, population aging, middle income traps, inequalities and non-traditional threats.

Labor skills of many ASEAN members are medium, low labor productivity, the risk of a regional economy with cheap labor and low labor productivity is very high. This will not be an attractive destination for intra-regional investment in pioneering technology or manufacturing. And this will be the reason for separating the countries that joined ASEAN later, such as Vietnam, Laos and Cambodia, and away from countries with better background in ASEAN such as Myanmar and Singapore. It will lose the competitive edge of regional labor and reduce the attractiveness of ASEAN investment environment.

The FDI attracting industries of some member countries are also the priority sectors of many other ASEAN countries. VD: Vietnam attracts mainly FII in the processing industry; Thailand gives priority to the development of automobile, electronics, machine building, food processing; Philippines will give priority to investment in tourism, business services, electronics, mining, real estate ... Therefore, competitiveness in exports and FDI attraction between countries.

ASEAN member countries have not really integrated into the AEC. The problem is in the information. Intra-industry firms are not fully recognized, but only a small number of firms actually understand the AEC. To overcome this limitation, the enterprises of other countries need to connect and dialogue with the Government more, considering this as the "key" to success

5. Conclusions and Policy Implications

To help the AEC operate effectively, take advantage of the advantages and accelerate the flow of FDI. ASEAN regional governments should have a policy and regulatory system that will help them to make their business operations more convenient, enabling many companies to be established and developed. Businesses in ASEAN countries will also become easier. Investment will bring about technology transfer and job creation. Governments must have clear, specific, convenient policies and create a consistent regulatory system throughout ASEAN.

Member governments should also work with small and medium businesses to facilitate their productivity and creativity as they drive the region's economy, attract attractive FDI. Enterprises in each country need to improve their competitiveness in order to receive FDI inflows, while at the same time, creating cohesion to learn and take advantage of opportunities from these countries. Promoting trade promotion, advertising image of enterprises, products. As a result, the ability to attract business cooperation and cooperation from businesses inside and outside ASEAN will be enhanced. Enterprises themselves need to respond promptly to the government for policies, rules, regulations. This is also a way for the government to better manage the business community.

Intra-regional businesses take advantage of the opportunities offered by AEC. For greater integration, businesses need to increase awareness of the opportunities offered by the AEC; sharing, exchanging experiences, information; Focus on labor skills, improving productivity, language skills, communication. Encourage the development of logistic industries, invest in growing areas to increase the localization of raw materials and reduce dependence on suppliers from abroad; To raise the efficiency of investment promotion activities; Continue to build and improve the investment environment.

Continuing to promote intra-ASEAN strength, the propaganda and promotion of the ASEAN Economic Community to the business community is always a priority of each ASEAN country, including Vietnam, after 50 years of establishment of ASEAN Leaders, researchers, businesses share, discuss, clarify, find new ideas and ways to help communities and businesses seize opportunities, ready to face challenges in The current AEC integration process is underway

Looking back on the past with full of exciting events and difficulties and challenges of ASEAN, but the members have always expressed the spirit of active, active and responsible in the work of the same. ASEAN and ASEAN continue to strengthen and promote investment, peace, security and development cooperation in the region. In the process of building a strong ASEAN community, solidarity and prosperity, each country will continue to take advantage of opportunities to develop and overcome difficulties and challenges, confirming their role and status in terms of regional and international countries

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