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Opportunities and Challenges in Attracting Foreign Direct Investment Capital in Vietnam

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Abstract:
Foreign direct investment (FDI) plays a significant role in the Vietnamese economy in the context of deep and wide integration and great fluctuations in the world economy. With the appropriate policy orientation of the Party and State since the reform in 1986, FDI capital flows into Vietnam have experienced a fluctuation but have achieved great successes, making significant contributions to the development of the economy. The image of Vietnam's healthy and attractive investment environment is increasingly strengthened, but there are also challenges to overcome. This research, based on secondary data, shows an overall picture of FDI attraction, opportunities, and challenges in attracting FDI and proposes several recommendations to relevant stakeholders to attract FDI capital into Vietnam in the context of an increasingly volatile environment.

Keywords: *Opportunities, challenges, capital, foreign direct investment (FDI)*

1. Introduction

Along with the trend of globalization and international economic integration, countries participating in the global supply chain try to take advantage of competitive advantages for socio-economic development. For developed countries, when capital resources tend to be surplus, there will be a tendency to shift investment sources to developing countries to maximize profits. When they choose investment locations, they will choose countries with comparative advantages in labor (cost, capacity), land, and political stability to increase profitability. Countries lacking capital will find ways to attract investment capital for economic development. Since 1986 in Vietnam, when the policy of opening the economy was initiated, the Party and State have issued and implemented many policies to attract FDI capital for socio-economic development. This is an important external force to supplement domestic capital, transfer technology and management know-how more quickly, participate in the global supply chain, increase the number and quality of jobs and contribute to state budget revenue. Reality has shown that after the Foreign Investment Law was introduced at the end of 1987, the new era and the entry of FDI capital flows have brought great strides to Vietnam's economy. 30 years after receiving the first FDI project, Vietnam has transformed from a country with a GDP per capita of only 100 USD/year (1989) to a place with a GDP per capita of 2,400 USD/year and officially an important strategic partner of many large economies, with a certain voice and position in the international arena. Currently, FDI is contributing 24% of total social investment capital, accounting for about 70% of export turnover and more than 50% of manufacturing and processing industrial output. Large exports have helped Vietnam's current balance improve significantly. Policy administrators, therefore, have a much easier time regulating macro factors such as inflation, exchange rates, interest rates... (*Phuong Hien, 2018*). However, the impacts of the COVID-19 pandemic, the conflict between Russia-Ukraine, the increasing protectionist trend of domestic production... have caused the global business and investment environment to change significantly. This not only affects the recovery of FDI flows but also acts as a catalyst to promote faster FDI shifting trends, affecting every country. Countries in the world, as well as current investment policies (*Nguyen Hong Thu, 2022*). Facing these challenges, Vietnam needs to have breakthrough policies to continue to become an attractive investment destination for investors around the world and ensure sustainable economic development in the new situation. This article, based on secondary data, will point out some opportunities and challenges in attracting FDI and propose some recommendations for stakeholders to take advantage of comparative advantages and promote FDI in a new context.

2. Methodology

This study is based on secondary data. Those sources are taken from articles, scientific research published in scientific journals, and information posted on government information portals such as the Ministry of Planning and Investment and the Ministry of Finance, General Statistics Office regarding the situation of attracting foreign investment in Vietnam and the impacts of foreign investment on Vietnam's economic growth. Based on this data, the author has compiled, analyzed and compared to show the current situation of attracting foreign investment into Vietnam, the impact of foreign investment on economic growth, and the opportunities and challenges in attracting foreign investment in order to have a new approach to attract foreign investment in the violate environment.

3. Foreign Investment and Contribution of the FDI Sector to the Vietnamese Economy

3.1. Status of Attracting Foreign Investment

According to the General Statistics Office (2024), implemented foreign investment capital as of December 20, 2023, is estimated to reach 23.18 billion USD, up 3.5% over the previous year, a slight increase of 0.6 percentage points compared to the first 11 months of 2023. Exports (including crude oil) of the foreign investment sector are estimated to reach 258.8 billion USD, down 6.2% over the previous year, accounting for 73.1% of exports. Exports excluding crude oil are estimated at more than 256.9 billion USD, down 6.1%, accounting for 72.6% of the country's export turnover. Imports of the foreign investment sector are estimated at more than 210 billion USD, down 9.9% compared to the previous year and accounting for 64.2% of the country's import turnover. Although export turnover decreased in 2023, the foreign investment sector still had a trade surplus of nearly 48.8 billion USD, including crude oil and nearly 46.9 billion USD, excluding crude oil. Although exports of the foreign investment sector have decreased, the trade surplus is increasing. The trade surplus offsets the trade deficit of the domestic business sector (the domestic business sector had a trade deficit of more than 21.9 billion USD) and is a platform to help the country's trade surplus of about 26.9 billion USD.

The total newly registered capital, adjustments and capital contributions, share purchases, and capital contributions of foreign investors is more than 36.6 billion USD, an increase of 32.1% compared to the previous year (*Figure 1*). In addition to the adjusted investment capital, new investment capital, capital contributions, and share purchases increased more strongly than the previous year. Specifically, there were: (i) 3,188 new projects granted investment registration certificates (up 56.6% over the previous year), total registered capital reached nearly 20.19 billion USD (up 62.2% over the previous year); (ii) 1,262 projects registered to adjust investment capital (up 14% over the previous year), total additional investment capital reached more than 7.88 billion USD (down 22.1% over the previous year); (iii) 3,451 transactions of capital contribution, share purchase, and capital contribution purchase by foreign investors (down 3.2% compared to the previous year), the total value of capital contribution reached more than 8.5 billion USD (up 65.7% compared to the previous year).

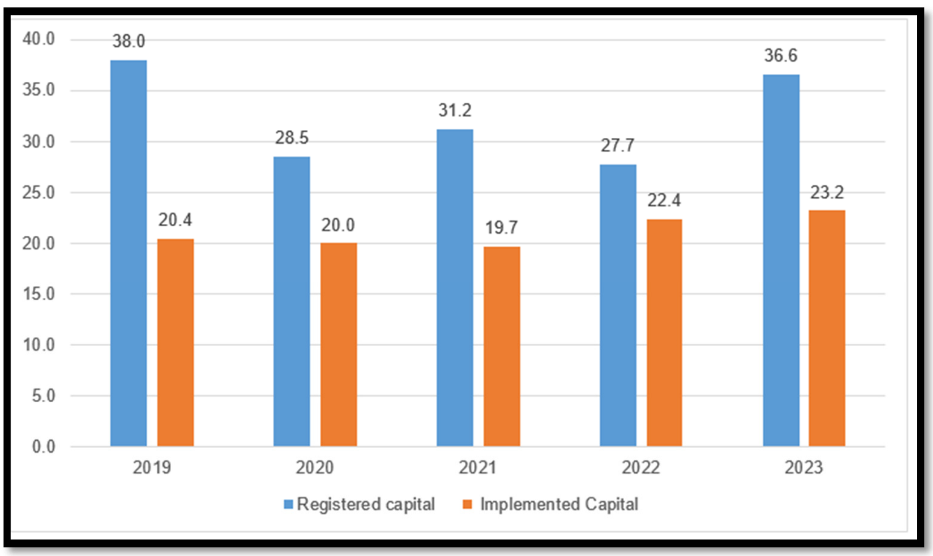

Figure 1: Foreign Investment Capital in 2019–2023 (Unit: Billion USD)
Source: General Statistics Office, 2024

Foreign investors have invested in 18 industries out of 21 national economic sectors. Of which, the processing and manufacturing industry leads with a total investment capital of more than 23.5 billion USD, accounting for 64.2% of total registered investment capital and an increase of 39.9% compared to the previous year. The real estate business ranked second with a total investment capital of nearly 4.67 billion USD, accounting for more than 12.7% of total registered investment capital, an increase of 4.8% over the previous year. Electricity production and distribution industries, Banking, and finance ranked 3rd and 4th with total registered capital of more than 2.37 billion USD (up 4.9%) and nearly 1.56 billion USD (nearly 27 times), respectively. The rest are other industries. In terms of the number of new projects, the manufacturing and processing industry is also the leading industry in the number of new projects (accounting for 33.7%) and capital adjustments (accounting for 54.8%). Wholesale and retail led in the number of capital contribution and share purchase transactions (accounting for 41.5%) (*Figure 2*).

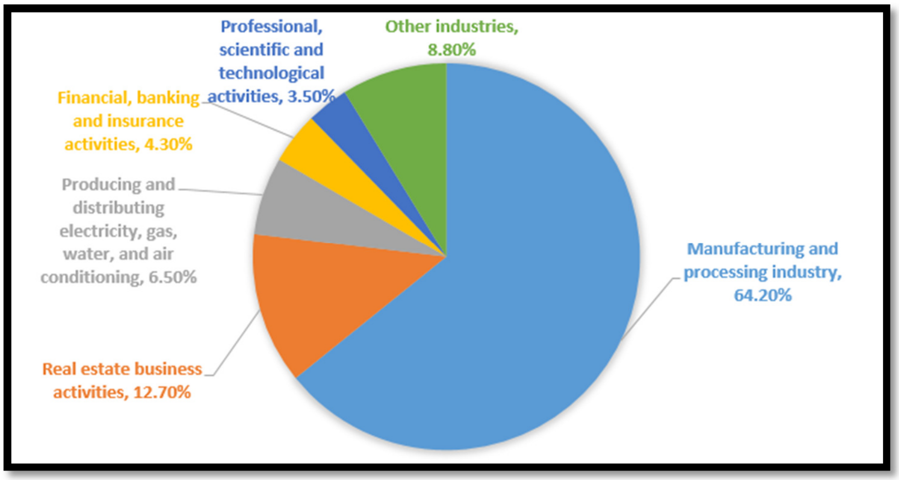

Figure 2: Foreign Investment in 2023 by Economic Sector
Source: General Statistics Office, 2024

In 2023 (*Figure 3*), there will be 111 countries and territories investing in Vietnam, with Singapore being the leader with a total investment capital of more than 6.8 billion USD, accounting for 18.6% of total investment capital in Vietnam, an increase of 5.4% over the previous year. Japan ranked second with nearly 6.57 billion USD, accounting for more than 17.9% of total investment capital, an increase of 37.3% over the previous year. Hong Kong Special Administrative Region ranked third with a total registered investment capital of more than 4.68 billion USD, accounting for nearly 12.8% of total investment capital, 2.1 times more than the previous year. Next are China, Korea, Taiwan, etc. In terms of number of projects, China leads in the number of new projects (accounting for 22.2%). Korea leads in the number of capital adjustments (accounting for 25.9%) and capital contributions and share purchases (accounting for 27.8%).

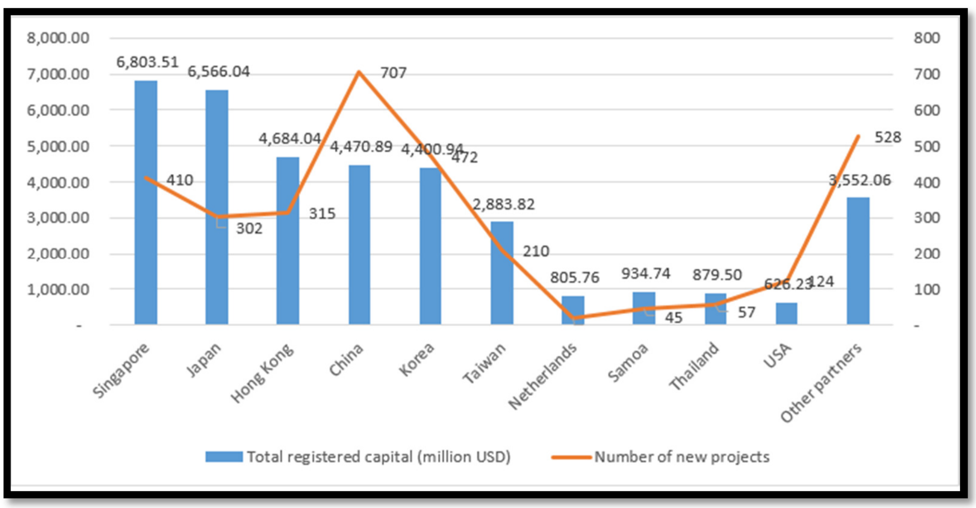

Figure 3: Foreign Investment in 2023 by Partner (Unit: Million USD)
Source: General Statistics Office, 2024

Foreign investors have invested in 56 provinces and cities across the country in 2023. Ho Chi Minh City leads in attracting investment capital with a total registered investment capital of more than 5.85 billion USD, accounting for nearly 16% of total registered investment capital, an increase of 48.5% compared to the previous year in 2022. Hai Phong ranked second with a total registered investment capital of more than 3.26 billion USD, accounting for 8.9% of the total investment capital of the country, an increase of 66.2% compared to the previous year. Next, in turn, Quang Ninh reached 3.11 billion USD, accounting for 8.5% and increasing 31.3%; Bac Giang reached 3.01 billion USD, accounting for 8.2%, increasing 148.3%... If considering the number of projects, Ho Chi Minh City is the leading area in the country in terms of the number of new projects (37.7%), number of adjusted projects (23.5%) and capital contribution and share purchase (67.1%). Investors from Asia and traditional investment partners still account for a considerable proportion of total investment capital (Singapore, Japan, Hong Kong, Korea, China, South Korea, Taiwan). These 6 partners alone will account for more than 81.4% of the country's total investment capital in 2023 (*Figure 4*).

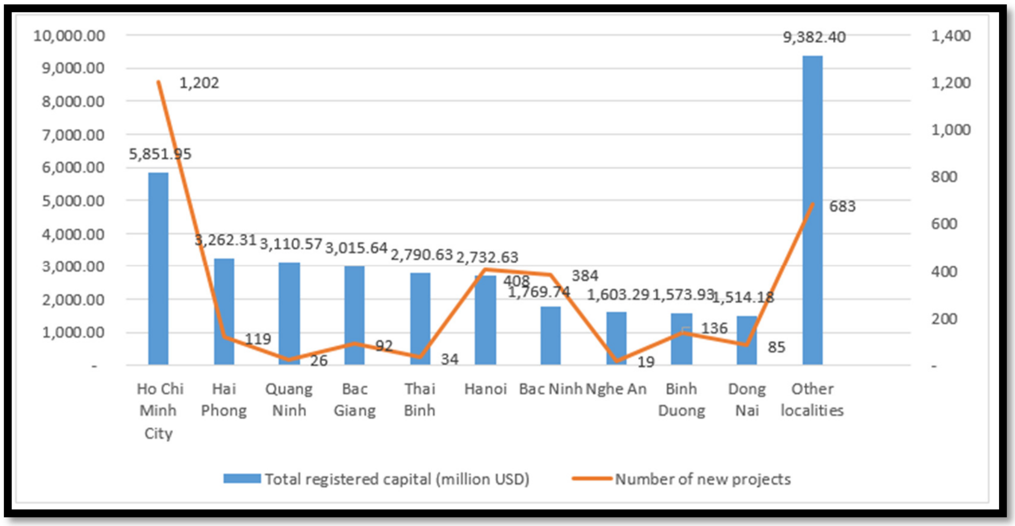

Figure 4: Foreign Investment in 2023 by Locality (Unit: Million USD)
Source: General Statistics Office, 2024

According to a report from the General Statistics Office (2024), implemented investment capital of foreign investment projects increased by 3.5% compared to the previous year as a result of the companionship of the Government and the Prime Minister; Close coordination with ministries, branches and localities in proactively approaching, grasping and removing bottlenecks and legal barriers that are hindering business investment activities of businesses has helped businesses stabilize, determine and improve production and business. Total registered investment capital increased sharply and reached the highest increase since the beginning of the year, up 32.1% over the previous year and up 17.3 percentage points over 11 months. New investment capital increased sharply in both investment capital (up 62.2%) as well as the number of new investment projects (up 56.6%), focusing more on provinces and cities that have many advantages in attracting foreign investment (good infrastructure, stable human resources, efforts to reform administrative procedures and dynamism in investment promotion,...) such as Ho Chi Minh City, Hai Phong, Quang Ninh, Bac Giang, Thai Binh, Hanoi, Bac Ninh, Nghe An, Binh Duong, Dong Nai. These 10 localities alone account for 78.6% of new projects and 74.4% of the country's capital in 2023.

Although adjusted investment capital is still down compared to the previous year, the decrease has improved. Despite the decrease in capital, the number of projects with adjusted capital still maintained an increase compared to the previous year (up 14%), affirming investors' confidence in Vietnam's investment environment and continuing to make decisions to expand the existing projects.

Although exports of the foreign investment sector have decreased, the trade surplus is increasing. The trade surplus offsets the trade deficit of the domestic business sector. With a trade surplus of nearly 48.8 billion USD including crude oil and nearly 46.9 billion USD excluding crude oil, the foreign investment sector has offset the trade deficit of more than 21.9 billion USD of the business sector in the country, is a platform to help the country trade surplus of about 26.9 billion USD.

Since the Foreign Investment Law was promulgated, the foreign-invested economic sector has continuously developed, making an important contribution to economic growth and transforming the country's economic growth model according to the direction of industrialization - modernization, promoting the economic integration process, supporting Vietnamese businesses to participate in the global value chain and enhancing Vietnam's position in the international arena. The contribution of FDI to economic growth has increased from 21.52% in 2011-2015 to 25.1% in 2016-2020. In 2021, due to the impact of the COVID-19 pandemic and social distancing measures, the contribution of the FDI sector to economic growth decreased, accounting for 14% of the growth rate for the whole year 2021. In particular, the industry is the sector attracting the largest FDI investment with a high growth rate (an increase of nearly two times in both scale and proportion in the past 10 years), especially in the processing and manufacturing industry (accounting for more than 60% of investment capital in industries and about 20% of total investment capital of the whole society) with a number of large investment projects by global technology corporations have created new growth momentum for the industry in the context that a number of large industries have reached growth ceilings (textiles, footwear, mining...) and contributed forming new industrial centers of the country (*Figure 5*).

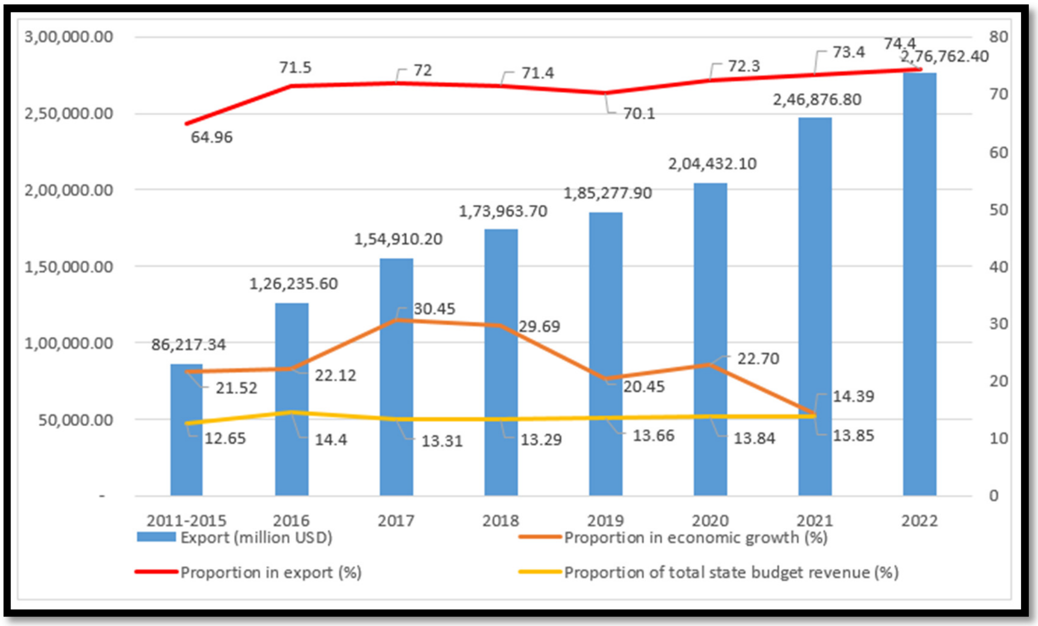

Figure 5: Contribution of FDI in Vietnam's Economy
Source: General Statistics Office, 2023

The FDI sector makes an important contribution to creating jobs for employees. In 2011, the FDI sector provided jobs for 2.1 million employees (accounting for 4.2% of the total number of working employees) and by 2015, it was about 3.2 million employees (accounting for 6%) and increased to 4.59 million workers in 2021 (accounting for 9.35%). Of which, the income ratio of workers in operating foreign-invested companies accounted for 31.62% in 2015, increasing to 38.31% in 2020, equivalent to an average of 7.5 million VND/month in 2015 and increased to 10.52 million VND/month in 2020. Particularly for females, the FDI sector has contributed to creating jobs for the majority of them in the economy. Accordingly, in foreign-invested enterprises, the number of female employees in 2015 was 2.56 million (accounting for 43.3% of the total number of female employees working in currently operating businesses), which increased to 3.12 million people (accounting for 45.38%) in 2020. Besides, FDI companies also create many other jobs indirectly due to the stimulating effect of domestic investment, such as developing satellite businesses and industries that provide goods and services to FDI enterprises (*Table 1*).

Year	Number of Employees Working in Foreign-Invested Areas		Number of Female Employees in Operating Foreign-invested Companies		Income of Workers in Foreign-invested Companies Compared to Total Income (%)	Average Monthly Income of Employees in Operating Foreign-invested Companies (Thousand VND/person)
	Number of Employees (Thousands of Persons)	Ratio (%)	Number of Employees (Thousands of Persons)	Ratio (%)		
2011	2,098.6	4.2	1,714.7	36.54	24.3	4,994
2012	2,249.8	4.4	1,831.2	37.80	27.32	5,996
2013	2,518.3	4.8	2,055.4	39.92	29.99	6,768
2014	2,868.1	5.4	2,337.1	42.79	30.54	6,955
2015	3,197.8	6.0	2,560.9	43.29	31.62	7,502
2016	3,591	6.7	2,786.0	43.19	33.71	8,504
2017	4,207.8	7.8	2,993.0	44.68	33.55	9,035
2018	4,541.2	8.4	3,071.5	44.40	35.13	9,764
2019	4,768.4	8.7	3,188.4	44.45	35.23	10,066
2020	4,733.8	8.83	3,115.3	45.38	38.32	10,516.0
2021	4,568.3	9.35				

Table 1: Employment and Income of Employees in the Foreign Invested Sector
Source: General Statistics Office, 2023

Besides these positive results, FDI capital flows into Vietnam still reveal some limitations, affecting the effectiveness of this investment capital flow. The first limitation lies in the small scale of FDI projects, where the number of projects with investment capital of less than 5 million USD accounts for 76%, and the number of projects under 1 million USD accounts for 45%. Foreign investors still tend to invest in labor-intensive projects that have not created a positive spillover impact on domestic businesses operating in the same field. Many FDI enterprises use technology that is less modern than existing technology in Vietnam. During their operations, many FDI enterprises do not comply with Vietnamese laws on environmental protection, violate regulations on labor, wage/salary, social insurance, taxes, etc., and commit acts of sophisticated price transfer. (*Le Nguyen Dieu Anh, 2023*).

Most investment capital in the industrial sector focuses on industries with short payback periods, such as consumer goods manufacturing and food processing. There are not many investment projects in high technology and modern production lines. According to the survey report of the General Statistics Office (2021), in terms of technology level, about over 30% of businesses said they are still using manual control equipment, over 50% use semi-automatic equipment, just over 10% of businesses use automation equipment and less than 10% of businesses use robots in production lines. Supporting industries develop slowly, cannot meet the needs of domestic export industries, and the localization rate in industries is low. Most domestic supporting industry products are simple, mainly have medium and low technology content, and have a small value in the product value structure. In addition, the majority of supporting industry enterprises have not applied international standards. Only about 20% of enterprises have ISO 9000 certification, and 9% of enterprises have ISO 14000 certification. The level of association and cooperation between FDI enterprises and domestic ones is still limited and has not created many development links in the direction of specialized cooperation. Many businesses invest in a closed manner and have not coordinated their available capacity with other businesses to increase internal resources for the industry and achieve higher production and business efficiency. The reason is that the majority of FDI enterprises are those participating in the final processing stage of the production chain for export and are located in specialized industrial zones/clusters, while companies in the first segment of the value chain - usually domestic private enterprises - are mostly located outside these zones/clusters, leading to weak links between FDI enterprises and domestic enterprises, limiting technology and modern management skills diffusion (*Vu Huyen Trang, 2023*).

However, successful FDI attraction, especially in the second half of 2023, contributes to realized FDI capital flows in Vietnam reaching 23.2 billion USD, an increase of 3.5% compared to the previous year but in terms of scale. It is the year that has reached the highest scale of realized FDI capital ever. The recovery and resumption of growth of FDI capital flow into Vietnam begin in the second half of 2023 (first 6 months of 2023, total registered FDI capital decreased by 4.6% over the same period). This is an important driving force to promote Vietnam's economic growth in 2023 and the following years in the context of the world economy and the domestic economy, which is still facing many difficulties and challenges. Affirming foreign investors' confidence in stable macroeconomic policies; Vietnam's investment environment is open and safe; The Government and Prime Minister always accompany and support the business community to overcome difficulties, stabilize and develop production and business; many fiscal and monetary policies to support businesses have been implemented effectively. These factors have positively influenced foreign investors to decide on new investments and expand existing projects in Vietnam (*General Statistics Office, 2024*).

3.2. Opportunities and Challenges in Attracting FDI to Meet Development Goals in the Coming Time

Encouraging foreign investment is a major policy of the Vietnamese Government to create motivation for the development of the economy. Accordingly, it is necessary to mention opportunities to attract investment as a competitive advantage for sustainable socio-economic development. Despite the severe impact of the COVID-19 pandemic, Vietnam still maintains economic growth momentum, abundant human resources, a tendency to increase quality, potential markets, and increasingly developed infrastructure. Upgraded time costs and business support services are increasingly improved, always supporting and accompanying businesses. The opportunities that Vietnam continues to take advantage of to attract foreign investment are specifically:

Firstly, Vietnam has a strategic location in the center of Southeast Asia - convenient for trade with the world, both the connection center of the region and the gateway to penetrate other economies. Economy in the western region of the Indochina peninsula. Compared to India and Indonesia - countries that compete directly with Vietnam in attracting FDI in Southeast Asia, Vietnam has many more advantages. With a geographical location close to China, Vietnam can directly access China's market of more than 1 billion consumers. Vietnam has the advantage of maintaining the fastest economic growth rate in the world and the ASEAN region and is a comprehensive partner of many major countries in the world. By 2024, Vietnam has: 7 Comprehensive Strategic Partners, 18 Strategic Partners (including 7 Comprehensive Strategic Partners) and 12 Comprehensive Partners. Out of them, 8/10 countries are CPTPP members (excluding Vietnam), with one country being a Comprehensive Strategic Partner, 4 countries being Strategic Partners and 3 countries being Comprehensive Partners. The remaining two countries that do not have high-level partnerships are Peru and Mexico. With ASEAN countries, Vietnam has currently established high-level diplomatic relations with all 9/9 member countries (excluding Vietnam) with 5 countries being Strategic Partners and 2 countries being Comprehensive Partners; The remaining two countries, Cambodia and Laos, are under Special Relations. Another special case among Vietnam's partners is the United States, which has had its relationship level upgraded from Comprehensive Partnership (established in 2013) to the highest level of Comprehensive Strategic Partnership (established in 2023), which ignores the Strategic Partnership level (*Wikipedia, 2024*).

Secondly, the Party and State continue to pay attention to perfecting legal and policy mechanisms to create safe and attractive destinations for foreign investors, such as tax incentive policies and industries that encourage foreign investment. The land law is amended and supplemented; administrative procedures are gradually opened, and Reduced inspection, testing and unofficial costs are factors that always attract foreign investors. Vietnam is considered by international organizations to be one of the most successful countries in attracting FDI. Joining 17 FTAs is creating an important foundation for foreign investment capital to flow into Vietnam. These include new-generation FTAs, such as the Vietnam - EU Free Trade Agreement (EVFTA), CPTPP, and the Regional Comprehensive Economic Partnership (RCEP).

New generation FTAs are creating a stronger second wave of integration for Vietnam, helping Vietnam access the free markets of 55 countries, including 15 countries of the G20 group. The wave of investment attraction is expected to strongly boost export activities. The EVFTA Agreement opens opportunities for Vietnam to attract businesses to invest, not only in European businesses but also in businesses around the world. In particular, the Vietnam - EU Investment Protection Agreement (EVIPA) provides an opportunity to attract FDI capital flows not only from Europe but also from other countries that want to benefit from preferential tax policies. Within the framework of the business trip of the high-ranking Vietnamese delegation led by Prime Minister Pham Minh Chinh to participate in the High-Level Week of the 78th session of the United Nations General Assembly in the United States, on September 20, Minister of Finance Ho Duc Phoc has had working meetings with credit rating organizations S&P and Moody's. The Minister said that Prime Minister Pham Minh Chinh issued Decision No.412/QD-TTg dated March 31, 2022, approving the "Project to improve national credit rating until 2030". The specific goal of the Project is that by 2030, Vietnam will achieve an investment credit rating (from Baa3 on Moody's scale). Accordingly, the Vietnamese Government aims to enhance Vietnam's position and reputation in the international arena, create favorable conditions for raising the national credit rating to an investment level by 2030, contribute to reducing mobilization costs, mobilize capital and reduce national credit risk. S&P and Moody assess that Vietnam's economy will continue to benefit in many fields, especially in the ability to continue attracting foreign investment into the manufacturing and processing sector (*An Nhien, 2023*).

Thirdly, the infrastructure of industrial parks, export processing zones and economic zones continues to be completed and upgraded. Furthermore, factors such as a potential market with a population of nearly 100 million people, of which up to 40% of the population is under the age of 25, increasing average income per capita, and orientations to attract foreign investment are considered. Infrastructure continues to be developed, geographical location is also favorable, and land resources and labor resources will also be strengths for Vietnam to attract foreign investment. Successfully controlling the COVID-19 epidemic early gives Vietnam an advantage over other countries. Vietnam is still the main beneficiary of the shift in production thanks to its own favorable factors including low labor costs, a large, relatively skilled and well-trained workforce with educational qualifications. High. Direct access to large markets such as China and ASEAN is also advantageous. Labor costs in Vietnam (329 USD/month) are only one-third of those in China (1,119 USD/month), lower than Malaysia (862 USD/month). Along with investment incentives, a favorable investment environment continues to be the factor that "attracts" foreign investors to register new investment projects and disburse investment capital. Vietnam's main investment incentives focus on three groups:

- Corporate income tax incentives,
- Import and export tax incentives, and
- Financial and land incentives.

The flow of foreign direct investment registered in Vietnam is maintained positively in the context of many unpredictable fluctuations in the world economy. The high competitiveness of domestic supporting enterprises helps Vietnam attract more high-tech FDI projects and source technology from the US. Compared to the level of investment abroad from the US (about 200 - 300 billion USD/year), direct FDI investment capital from the US into Vietnam is not much, on average just over 1 billion USD/year (*Pham Thi Thanh Binh, Le Thi Thu Huong, 2024*).

Fourthly, Vietnam's macroeconomy continues to be stable, inflation is controlled, and major balances of the economy are guaranteed. Currently, Vietnam has become the third largest economy in ASEAN, with a GDP of over 400 billion USD. Vietnam ranks 5th in ASEAN on the global AI index. According to the Ministry of Science and Technology in Vietnam, on January 26, 2021, the Prime Minister issued Decision No.127/QD-TTg on "National strategy on research, development and application of AI until 2030". The strategy sets the goal of "promoting research, development and application of AI, making AI an important technology field in Vietnam in the 4.0 Industrial Revolution," contributing to socio-economic development and gradually making Vietnam a bright spot in AI research, development and application in the region and the world (*Hoang Giang, 2024*). Create momentum to expand and attract investment in developing high-tech fields with much potential for development.

Besides opportunities, Vietnam is facing a number of challenges that require efforts to overcome, such as:

Firstly, the global economic recovery after the Covid-19 pandemic is still slow, combined with the escalation of widespread political conflicts in the world, such as between Russia and Ukraine, which have not tended to cool down for a long time, leading to economic recovery is slow. The US and China - Vietnam's main trading partners and FDI investors - are forecasted to grow slowly in the coming years.

Secondly, although the link between the FDI sector and domestic enterprises has developed, it is still low compared to some other countries. According to many FDI enterprises, improving the localization rate of raw materials, components, and domestically produced equipment in Vietnam has a positive impact on expanding the investment and business activities of enterprises. At the same time, this is also a factor that affects foreign investors' decision to invest in Vietnam. Currently reaching nearly 42%, according to Mr. Takeo Nakajima - Chief Representative of JETRO in Vietnam, although still low compared to China, Thailand, India, and Indonesia, the growth rate of Vietnam's localization rate is high. In the past 10 years, it was very good, ranking 2nd among markets where Japanese businesses operate, after India (*Ha My, 2024*). Despite improvements in localization rates, important components of many products are still not produced in Vietnam; they must be imported from Malaysia and Indonesia. Due to this limitation, the value created in Vietnam is still low, making it difficult for many FDI enterprises to develop scale and invest in depth. Most FDI enterprises focus on exploiting the advantages of cheap labor, available resources, and "easy-going" consumer markets to assemble and process products for domestic consumption and export. Therefore, further improving the localization rate is a requirement to attract more FDI sources.

Thirdly, the proposal to establish a minimum tax rate for multinational corporations around the world aims to prevent multinational corporations from engaging in extreme tax planning strategies such as profit shifting. Moreover, tax base erosion minimizes tax liability. Global minimum tax rates may vary depending on the proposed agreement between countries. The overall goal is to set a minimum tax rate that multinational corporations must pay, regardless of the region in which the multinational corporation operates. According to this Resolution, the tax rate will be 15% for multinational enterprises with total consolidated revenue of 750 million euros (about 800 million USD) or more in 2 years of the 4 most consecutive years. Taxable investors will be forced to pay global income tax in Vietnam. Through a review by the General Department of Taxation, there are about 122 foreign corporations investing in Vietnam that are affected by global income tax. The budget is estimated to collect more than 14,600 billion VND when 122 foreign investment corporations in Vietnam pay this tax. However, the imposition of taxes will directly affect the benefits of foreign-invested enterprises during the period of tax exemption and reduction incentives, with the actual tax rate lower than 15%. This means that Vietnam's tax incentives for foreign businesses will no longer be effective in affecting the investment environment (Thu Trang, 2024).

Fourthly, neighboring countries in the region, such as Thailand and Malaysia, with better resources, have increased FDI attraction by reducing taxes and providing more support for foreign investors, making Vietnam a hotspot for foreign investors and less attractive than before. Attracting FDI simply through cheap labor is not the solution for quality FDI. Currently, the rate of trained workers with degrees and certificates in the third quarter of 2023 is 27.3%, an increase of 0.5 percentage points compared to the previous quarter and an increase of 1.0 percentage points compared to the same period last year. Thus, by the third quarter of 2023, the country still has 38.1 million untrained workers. This number shows that there is no small challenge in improving the technical expertise of workers. Attractiveness needs to be based on other aspects (solid infrastructure, skilled labor and attractive non-tax factors) than simply low wages. Therefore, developing specific policies and training programs is a very urgent requirement in the coming time to attract foreign investment in high-tech fields (*General Statistics Office, 2023*).

Fifthly, potential risks in terms of security and ecological environment still exist. Some FDI projects have caused environmental incidents as well as created risks related to national security and defense. These are huge challenges for Vietnam in minimizing the unexpected impacts of FDI capital.

4. Conclusion and Recommendation

The benefits that FDI capital brings are undeniable for continued socio-economic development. To continue to maintain an attractive destination for foreign investors, especially attracting high-tech industries that reduce environmental pollution and increase value in the new situation, stakeholders need to pay attention to some of the following aspects:

Firstly, the Party and State need to continue to have effective policies and solutions in managing a strong macro-economy, controlling inflation, and perfecting relevant policies and legal institutions (taxes, land, protection strategies and priorities for foreign investment,..) in accordance with future investment trends and in accordance with Vietnam's socio-economic development orientation and strategy to create a legal corridor and clear conditions for foreign investors, appreciate digitalization in administrative procedures to reduce cumbersome administrative procedures, create favorable conditions for FDI investors to coordinate with management agencies in the process of applying for investment licenses quickly and effectively, pay attention to building appropriate incentives and incentive mechanisms to increase links between foreign investment and domestic investment in areas that need priority in attracting, such as foundation industries, transfer technology and management for modern businesses into Vietnam, invest in training and improving professional qualifications and skills for Vietnamese workers in high-tech industries.

Secondly, the Party and State need to continue to invest in upgrading infrastructure to improve the competitiveness of the economy (transportation infrastructure, logistics, living areas, school facilities, hospitals, commercial areas) in regions with great potential to attract foreign investment for socio-economic development. The infrastructure is not yet guaranteed for foreign investors to feel secure in investing. Investing in the construction of essential infrastructure is one of the decisive factors in improving the investment environment, production and business environment to release the productive capacity of all economic sectors, create conditions to strengthen regional connectivity, and strongly attract internal and external resources to invest in development.

Thirdly, local authorities need to pay attention to developing vocational training networks, supporting businesses in training and recruiting highly qualified and disciplined workers with professional working attitudes to meet the needs of workers and the demands of the economy. Vietnam currently has great opportunities to develop the semi-conductor industry ecosystem. However, Vietnam needs to train more engineers to serve the large-scale semi-conductor manufacturing industry. Therefore, encouraging international cooperation in training high-quality human resources is a trend that needs to be promoted to improve the quality of human resources in areas where our country has not yet had the opportunity to develop.

Fourthly, the Government needs to continue to pay attention to specifically identifying the list of industries and fields that need to attract foreign investment and those that only domestic investors should publicize and update information on, investing in developing clear regulations, standards and criteria in selecting investment projects with advanced, clean, environmentally-friendly technology. High economic growth contributes to sustainable economic development along with maintaining and ensuring the country's national security and defense.

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