

IMPROVE THE INVESTMENT ENVIRONMENT TO STRENGTHEN ATTRACT FOREIGN INVESTMENT IN VIETNAM

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ABSTRACT

The World Bank (WB) has forecast the lowest growth outlook for the global market since 1993 with a growth rate of 1.7% (except for the two years of the Covid 19 pandemic). This reflects the difficult situation of the world economy when facing the consequences of the global COVID 19 epidemic, strategic competition between major countries, geopolitical conflicts in Europe, and the Russia - Ukraine war and the recent outbreak of conflict in the Middle East between Israel and Hamas. These events have made the economic recession more and more severe, pushing the risk of increased inflation, supply chain disruption, and the risk of food shortage globally. Vietnam is one of the few countries with growth in the years affected by the pandemic, however the growth rate in 2023 does not meet expectations (6.5%) and Inflation is at risk of increasing. However, attracting foreign investment is one of the important momentum forces to help the economy quickly restore growth. Exports (including crude oil) of the region foreign investment (FDI) in 2022 reached more than 275.9 billion USD, an increase of 11.8% compared to 2021, accounting for 74.3% of the country's total export turnover. Imports reached more than 233.2 billion USD, an increase of 6.7% compared to 2021, accounting for 65% of the country's total import turnover. The FDI sector had a trade surplus of more than 42.7 billion USD, including crude oil, while the domestic business sector had a trade deficit of more than 30.3 billion USD. The FDI sector's contribution to the state budget reached about 21.2 billion USD, an increase of 21.4% compared to 2021, accounting for 28% of total state budget revenue, an increase of more than 2.2% compared to the proportion of contributions to the state budget. total budget revenue in 2021. With such a crucial role, foreign investment capital tended to decrease in 2022, total foreign investment capital (including new registration, adjustment and capital contribution and share purchase) reached nearly 29.3 billion USD, down 24.6% over the same period in 2021. Facing both domestic and international challenges, Vietnam has many solutions to continue improving the investment environment both institutions. mechanisms as well as the business

environment to continue to be an attractive destination for foreign investors.

Keywords: foreign investment, investment environment, Covid 19 pandemic.

1. Background

1.1 International background

The world situation is forecast to continue to suffer many difficulties and instability; Strategic competition between major countries, the COVID-19 epidemic and newly arising epidemics have a negative impact on the global economy, and geopolitical conflicts in Europe continue to develop in a complicated and unpredictable manner. The global economy is facing the biggest crisis since the 1970s. The World Bank (WB) forecasts global GDP growth prospects in 2023 to reach 1.7%. This is the lowest increase since the year 1993, 1993, excluding the recession in 2009 and 2020, and much lower than the 3% level announced by the World Bank in June 2022.

FDI capital flows are tending to stagnate and become saturated since mid-2022 and may decrease or move sideways in 2023 and in the medium term compared to the positive recovery of 2021. According to UNCTAD (2023), FDI Global investment in 2022 will decrease by 12% compared to 2021, of which the sharpest decrease will be in developed economies, down to 37% compared to 2021.

Interest rates of large economies increased sharply, attracting investment flows from investment channels and significantly affecting global investment flows. The US increased its policy interest rate by 25 basis points to 5.25% in the May 2023 monetary policy meeting; EU increased policy rates by 25 bps (refinancing rate, marginal lending rate and ECB deposit rate increased to 3.75%, 4.0% and 3.25% respectively); The Bank of Canada (BoC) is also ready to raise interest rates even higher than the current base overnight interest rate of 4.5% and may need to maintain it at a high level for a while due to financial pressures, wage pressure in the context of Canada's tight labor market and high service prices.

Many multinational corporations are restructuring production chains and limiting new investment activities due to declining global growth prospects, while investment costs continue to increase. According to a January 2023 survey by the Korean External Trade Association (KITA), among 1,327 Korean companies with overseas revenue of over 500,000 USD in 2022, 29.5% decided to cut investments, domestic investment, while 27.5% planned to reduce foreign investment. For large-scale companies, 43% said they would narrow the scale of investment both domestically and internationally.

Countries moving towards applying global minimum tax rules will eliminate the role of

traditional forms of incentives (such as tax incentives, land incentives...) in competition to attract FDI. Besides, competition in attracting foreign investment is increasingly fierce among countries in the region and around the world.

1.2 Domestic background

In which the macroeconomy is basically stable, inflation is controlled, economic growth is recovering, major balances are guaranteed; promptly deploy solutions to extend and reduce some taxes, fees, charges, and land rent to remove difficulties for production and business; Effectively perform regular tasks, while focusing on handling long-standing problems and promptly resolving and responding to new problems that arise, initially achieving positive results. In 2022, the average consumer price index (CPI) for the whole year only increased by 3.15%; GDP growth was at 8.02%, GDP scale was estimated at about 409 billion USD. State budget revenue was estimated to exceed 27.76% of the estimate, an increase of 14.12% compared to 2021. Total social investment capital was estimated to increase by 11.2%. Export turnover was estimated at 371.39 billion USD, up 10.6%; The economy was estimated to have a trade surplus of 11.2 billion USD (Resolution 01/2023/NQ-CP).

Investors confidence in Vietnam continues to be strengthened, existing investors believe in the Government's policies and the future development of Vietnam's economy, and many investors evaluate Vietnam is an attractive destination with lots of potential and space in the medium and long term. Vietnam's position in the electricity and electronics supply chain is increasingly strengthened, so there is a trend of many corporations manufacturing electronic products coming to Vietnam.

Vietnam's economic situation in 2023 is forecast to continue to have challenges due to the influence of the world economy. Inflation pressure, exchange rates, and interest rates are increasing; Production and business continue to face many challenges; Vietnam's large, traditional import and export markets are shrinking. The shortcomings, limitations, and inadequacies within the economy in terms of economic structure, domestic production capacity, financial, currency, and real estate markets that have accumulated for a long time have not been completely resolved. The scale of our country's economy is still modest, but its openness is large, its competitiveness and resistance to external shocks are still limited; Sudden and unexpected factors still pose risks and are difficult to predict; Diseases, climate change, natural disasters, droughts, storms and floods continue to develop abnormally and have more severe impacts (Resolution 01/2023/NQ-CP).

Business investment procedures still have inadequacies, especially procedures after granting the Investment Registration Certificate, affecting the process of facilitating the investment

environment. Institutions have been actively improved, but some aspects have not really kept up with actual requirements, especially for industries that need to be prioritized to attract and create breakthrough development such as high technology and innovation. innovation, renewable energy, supporting industries, etc. do not have a sufficiently strong mechanism to attract investment.

2. Status of the investment environment in Vietnam

2.1 Institutional environment

Vietnam has issued many mechanisms and policies to create a favorable business environment as well as encourage and attract foreign investment. Recently, an important document that has a guiding nature for attracting foreign investment is Resolution No. 50 - NQ/TW dated August 20, 2019, of the Politburo on orientations to perfect institutions and policies to improve the quality and efficiency of foreign investment until 2030. The resolution mentions many comprehensive contents on many aspects, specifically: i) Innovate, raise awareness, thinking and unity in action on foreign investment; II) Enhance socio-political and macroeconomic stability; improve the business investment environment; improve productivity, quality, efficiency, competitiveness and independence and autonomy of the economy; iii) Improve institutions and general policies on foreign investment; iv) Improve institutions and policies to attract investment.; v) Improve institutions and policies to protect and promote the responsibility of investors; vi) Improve institutions and policies for investment management and supervision; vii) Innovate and improve the efficiency of investment promotion; viii) Improve the effectiveness and efficiency of state management of foreign investment.

In addition, the Investment Law 2020 amended and supplemented many contents compared to the 2014 Investment Law such as: abolishing many conditional business lines; Adding many industries with investment incentives; adding more forms of investment incentives (lower tax rates than normal, longer incentive periods, import tax exemption for goods and assets according to regulations; land use fee exemption and reduction, application of accelerated depreciation for some cases; and more subjects eligible for investment incentives. Decree 31/2021/ND-CP dated March 26, 2021, of the Government detailing and guiding several articles of the Investment Law.

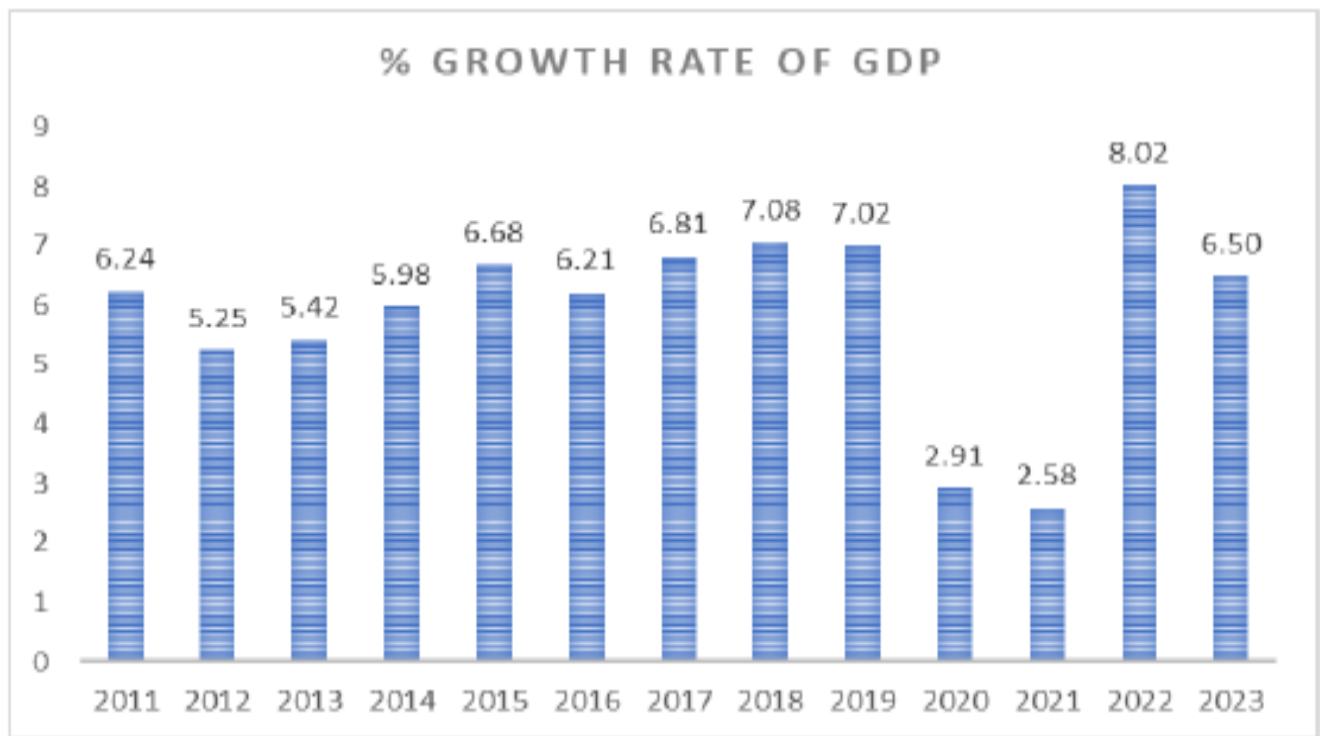
To concretize the policies and directions of the Politburo, the Prime Minister issued Decision No. 667/QĐ -TTg dated June 2, 2022, of the Government approving the Foreign Investment Cooperation Strategy for the period 2021-2030 and Decision 308/QĐ -TTg dated March 28, 2023, approving the Action Plan for implementing the foreign investment cooperation strategy.

2.2 Macro environment

The socio-political situation is stable, Vietnam's foreign relations are increasingly expanding (15 FTAs signed in recent years). Vietnam's position and prestige in the international arena continues to improve: ranked 44/194 countries in the Global Innovation index (according to WIPO) - highest among low-middle income countries (2021); ranked 67/194 countries on the global competitiveness index (GCI), increasing 10 places in 2019 compared to 2018.

The Government synchronously implemented many solutions to recover and develop the economy after the pandemic. Vietnam's economy in 2023 will continue to face challenges but still maintain a high growth rate in the region (6% - 6.5% in their period of 2011-2023) – **Figure 1**, inflation is expected to be controlled at 3.2% - 3.6% (according to the Ministry of Finance).

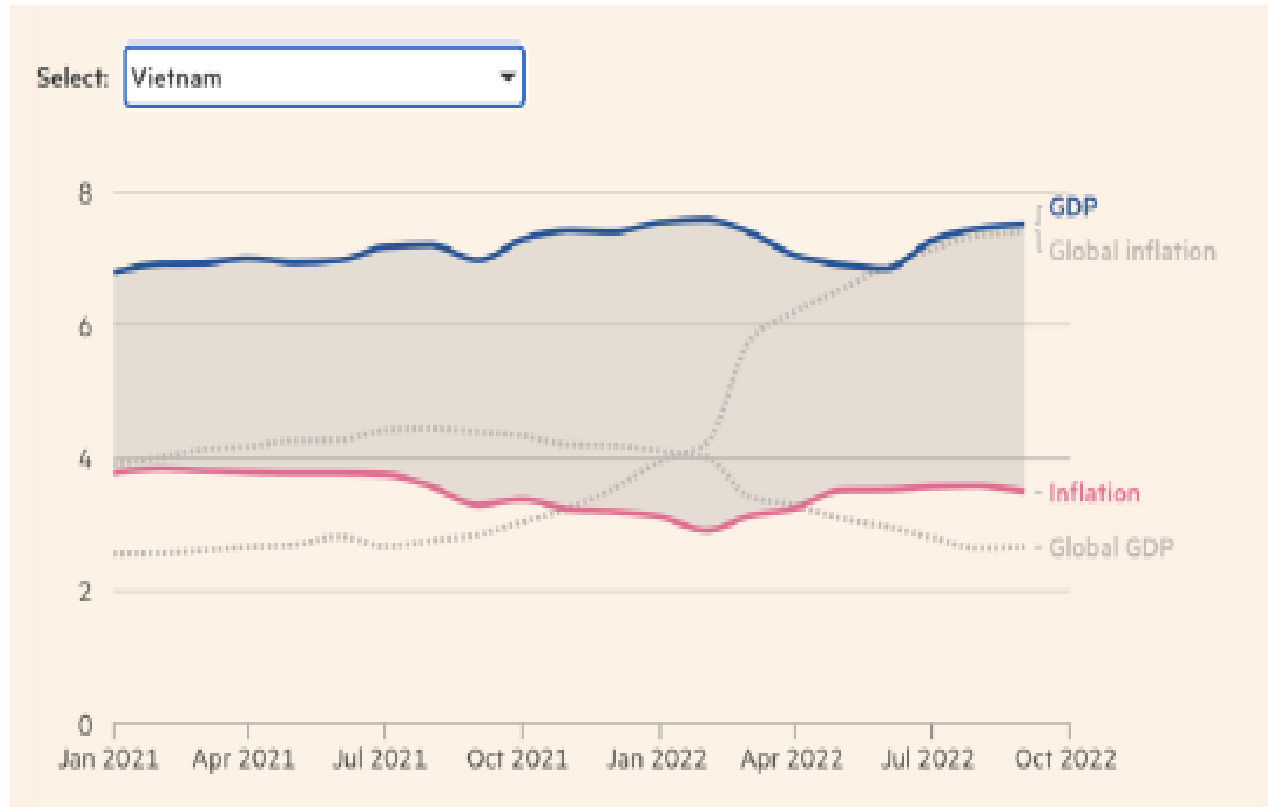
Figure 1: Vietnam's GDP growth in the period 2011-2023



Source: General Statistics Office, Vietnam

Vietnam is one of the few countries in the world in recent years with positive GDP growth – **Figure2** (with the nominal GDP growth is higher than the increase in inflation), while global real growth is at a negative level (Financial Times, 2022).

Figure 2: GDP growth and inflation in Vietnam and the world period 2021-2022



Source: Financial Times

Vietnam's position in the global electricity and electronics supply chain is increasingly prestigious. Vietnam is implementing synchronous policies to attract foreign investment, including land rental policies, tax policies and other incentives.

2.3 Government's efforts and commitment

The Government of Vietnam has organized major investment promotion conferences within the framework of business trips of senior leaders to the United States, Japan, Korea, Australia, New Zealand, and some European countries such as the United Kingdom, UK, Netherlands, Belgium, Luxembourg, Bulgaria, Hungary, Switzerland; some ASEAN countries such as Thailand, Philippines, Singapore.

To enhance transparency as well as the government's commitment to a stable business environment, many conferences to announce socio-economic development planning combined with investment promotion have been organized. At these conferences, many Memorandums of

Understanding were signed and exchanged between Vietnamese and foreign agencies, organizations and businesses. At the same time, through the media, promote the potential of localities to the world.

To strengthen trust and have timely solutions for the foreign investment sector, the Prime Minister has chaired many conferences with foreign investment enterprises to grasp the domestic and international context; Identify challenges, investment opportunities and offer solutions to seize investment cooperation opportunities in the new situation (September 17, 2022, Workshop with the theme "Overcoming challenges, seizing opportunities Association, development cooperation" was organized). In addition, on-site investment promotion activities and solving difficulties for businesses are regularly organized.

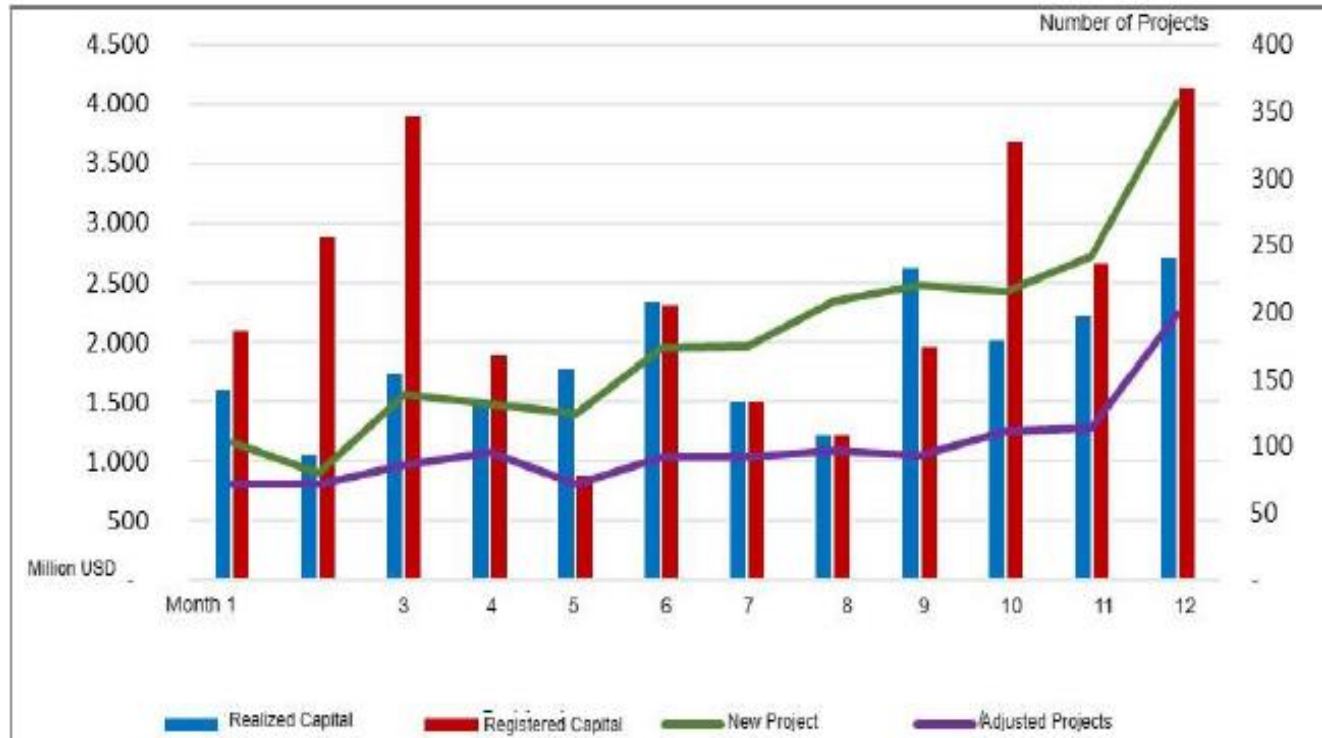
Localities proactively implement investment promotion work after the covid 19 pandemic in the direction of innovation, focus and priority on strategic markets for key fields (high technology, technology information, high quality services...Localities have focused on promoting on-site investment, removing difficulties for businesses investing locally; proactively and actively carry out investment promotion activities such as: (i) Organizing events to promote the investment environment and connect investments; (ii) organize investment promotion groups in a number of countries that are major investment partners to reopen cooperative activities; (iii) proactively approach and support large corporations and businesses that are planning to expand/make new investments; Sign cooperation memorandums with major investment partners; (iv) develop publications, documents, and films to serve investment promotion activities; (v) increase support for businesses and investors before, during and after licensing to quickly recover after the Covid epidemic and boost production.

3. Evaluate the results of attracting foreign investment into Vietnam in 2022 and the first 9 months of 2023

3.1 Status of investment attraction in 2022

In 2022, total registered foreign investment capital (including new registration, adjustment and capital contribution and share purchase) will reach nearly 29.3 billion USD, down 24.6% over the same period in 2021. Although new investment and capital adjustments decreased (down 31.3% of newly registered capital and 15.5% of additional capital), the number of new investment projects as well as the number of projects adjusted to expand capital both increased. compared to 2021 (*an increase of 19.3% in the number of new projects and an increase of 8.8% in the number of adjusted projects*) and tends to increase in the last months of the year.

Figure 3: Vietnam's foreign investment in 2022 by month



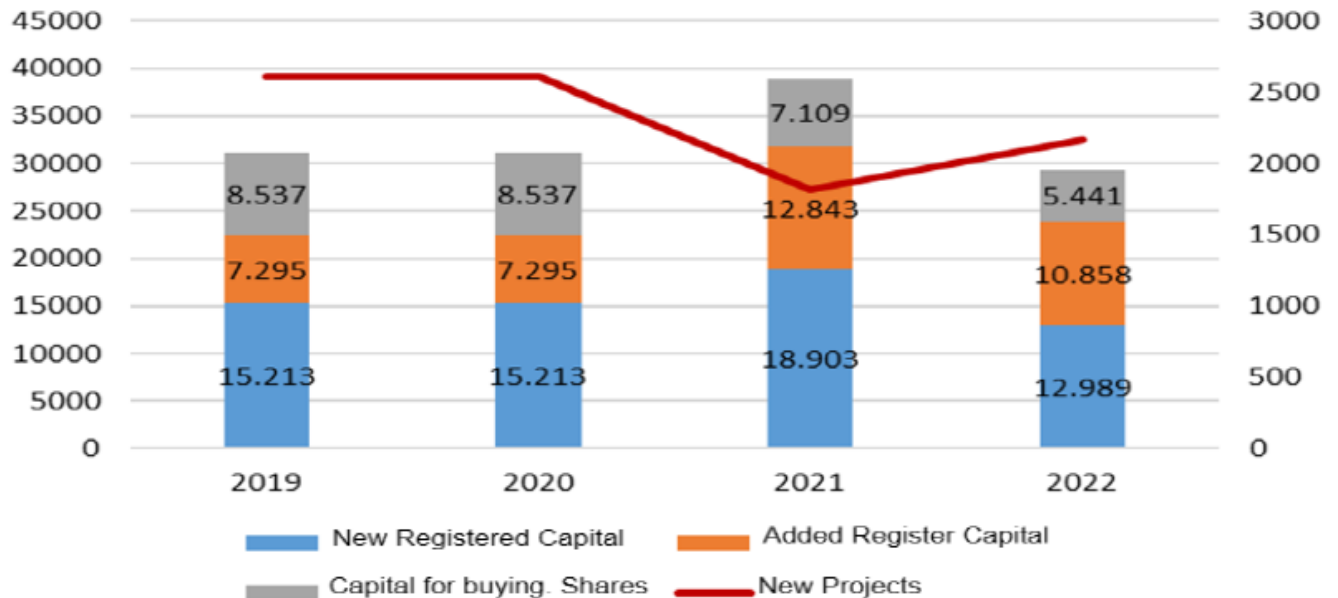
Source: Foreign Investment Department, Ministry of Planning and Investment, Vietnam

i) Regarding capital structure according to investment method

New investment accounted for a large proportion of the total FDI capital attracted and was the method most chosen by FDI investors when researching and deciding to invest in Vietnam in 2022. Of the total of nearly 29.3 billion USD FDI capital was attracted across the country, newly registered investment capital reached nearly 13 billion USD, accounting for 44.3%. The average capital scale of each new project in 2022 would reach nearly 6 million USD, although smaller than 2021 (10.4 million USD), but still higher than in 2020 and 2019 (4.3 million USD and 5.8 million, respectively) – **Figure 4**.

The proportion of adjusted investment capital of existing projects tends to increase compared to previous years (37.1% in 2022 compared to 33.1% in 2021; 23.5% in 2020; and 15.3% in the year 2019). This proves that Vietnam's investment environment is increasingly improving, giving foreign investors firm confidence in the success of business investment in Vietnam.

Figure 4: Foreign investment in the period 2019 - 2022 by investment method



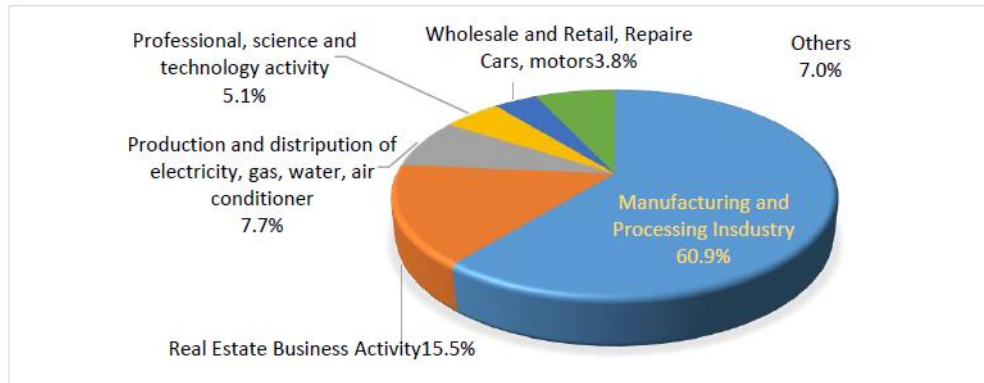
Source: Foreign Investment Department, Ministry of Planning and Investment, Vietnam

Meanwhile, investing by contributing capital to buy shares tended to decrease in both the number of transactions and the value of capital contribution. In 2022, there was 3,756 capital contribution and share purchase transactions with a total capital contribution value of more than 5.4 billion USD, accounting for 18.6% of total investment capital (the corresponding numbers for 2021, 2020 and 2019 was 3%, 27.5% and 40% respectively). Large-scale capital contribution and share purchase transactions were small, on average each transaction had a value of nearly 1.5 million USD/transaction (smaller than the average of 1.8 million USD in 2021 and higher than the average of 2020 of over 1.3 million USD and in 2019 it was over 1.4 million USD)

ii) Regarding structure by industry

In 2022, foreign investors invested in 19 industries out of 21 national economic sectors, of which, the processing and manufacturing industry continued to be the industry that attracts a lot of attention from FDI investors. with a total investment capital of more than 17.8 billion USD, accounting for 60.9% of total registered investment capital – **Figure 5**. This was also an industry in which traditional partners such as Korea, Japan, and Singapore interested in investing a lot in Vietnam to take advantage of production costs. Many new investment projects as well as a series of large-scale capital adjustment projects in the electronics sector in 2022 had promoted electronic and high-tech activities increasingly strongly in Vietnam.

Figure 5: Structure of foreign investment in 2022 by industry



Source: Foreign Investment Department, Ministry of Planning and Investment, Vietnam

In terms of the number of new investment projects, the wholesale and retail industries, manufacturing and processing industries and professional science and technology activities attracted the most projects, accounting for 29.6%, 24,5% and 16,5% respectively of total projects.

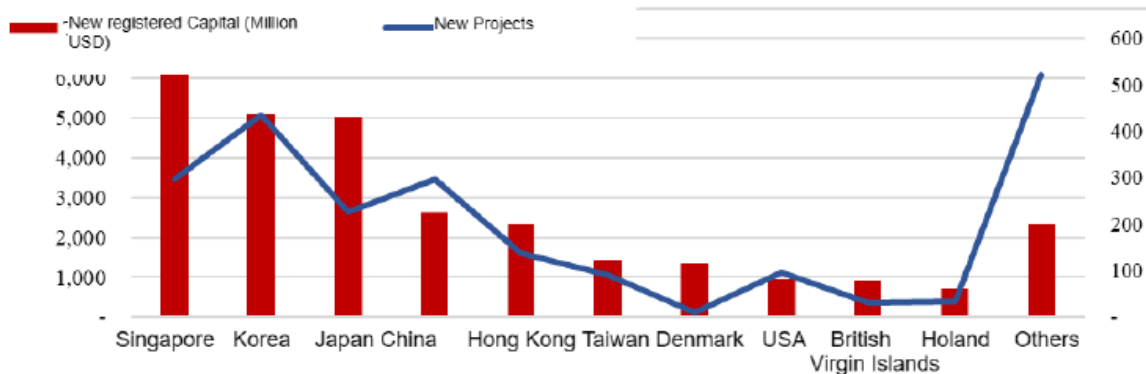
iii) Regarding structure according to partners

There had been 109 countries and territories investing in Vietnam in 2022. In 2022, the largest investment partners in Vietnam were still partners from Asia, accounting for 80.6% of total registered capital. Europe ranked second with 9.3%, of which 91.6% were from European Union- EU member countries. EU investment has tended to increase since EVFTA took effect. EVFTA is a catalyst to promote attracting FDI from Europe to Vietnam in a relatively positive direction, this is shown by the significant increase in newly registered investment flows from the EU region into Vietnam. 2022 (from 246 million USD of new investment capital in 2021 to nearly 1.55 billion USD in 2022). This increase was reflected not only in the total capital but also in the average scale of projects (from an average of 1.5 million USD/project in 2021 to 14.8 million USD/project in 2022).

Just like in 2021, the three largest investment partners in Vietnam in 2022 were still Singapore, Korea and Japan respectively. Of which, Singapore reached more than 6.55 billion USD, accounting for 22.3%, down 42.3% compared to 2021. South Korea reached nearly 5.1 billion USD, accounting for 17.4%, down 33.8% compared to 2021. with 2021. Japan reached more than 5 billion USD, accounting for 17.1%, an increase of nearly 16% compared to 2021. Next were China and Hong Kong. Although the United States was Vietnam's leading import-export partner, US investment only ranked 8th among partners with foreign investment in Vietnam in 2022. According to the number Number of projects, Korea was still the partner with investors

interested in and making new investment decisions as well as expanding investment projects and GVMCP the most in 2022 (accounting for 20.1% of new projects). , 32% of adjustments and 35.6% of GVMCPs).

Figure 6: Structure of foreign investment in 2022 by partner

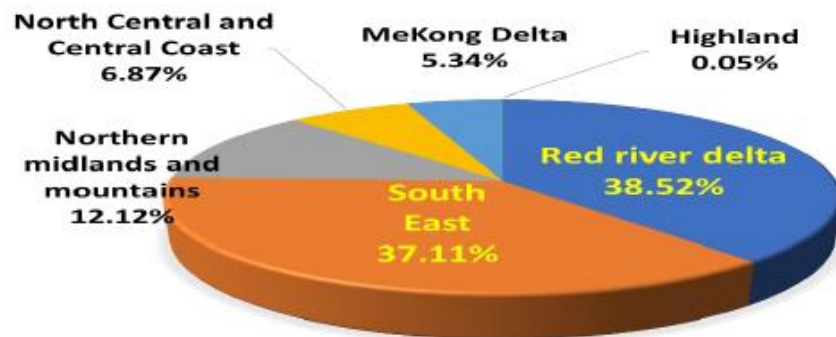


Source: Foreign Investment Department, Ministry of Planning and Investment, Vietnam

iv) Regarding structure by region and locality

In 2022, the structure of FDI capital by region changed compared to 2021 (**Figure 7**). FDI capital was more concentrated in key economic regions, with many large provinces/cities. The Red River Delta led in attracting FDI with 38.5% of total registered capital (higher than 33.4% in 2021). Next was the Southeast with 37.1% (higher than 34.7% in 2021), Northern Midlands and Mountains with 12.1%; North Central and Central Coast 6.9%, Mekong Delta 5.3% and Central Highlands 0.05% of total registered capital.

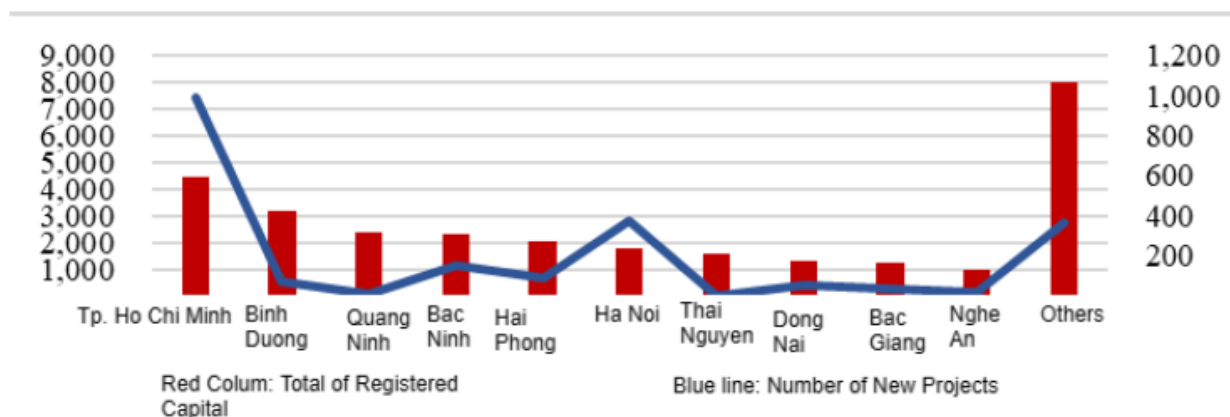
Figure 7: FDI capital structure by region



Source: Foreign Investment Department, Ministry of Planning and Investment, Vietnam

FDI investors invested in 54 provinces and cities across the country in 2022. Of which, Ho Chi Minh City was the locality attracting the largest FDI with over nearly 4.47 billion USD, accounting for 15.3% of total capital. investment, down 37.8% over the same period (**Figure 8**). FDI in Ho Chi Minh City was mainly investment in expanding existing projects and contributing capital to buy shares. Although new investment attracted many projects, the capital scale was small (average 0.75 million USD/project).), only accounted for 16.6% of the City's total investment capital. BinhDuong ranked second with a total registered investment capital of nearly 3.2 billion USD, accounting for 10.9% of total registered investment capital and an increase of 17.8% over the same period in 2021. Following in turn were Quang Ninh, Bac Ninh, Hai Phong.

Figure 8: FDI structure in 2022 by locality



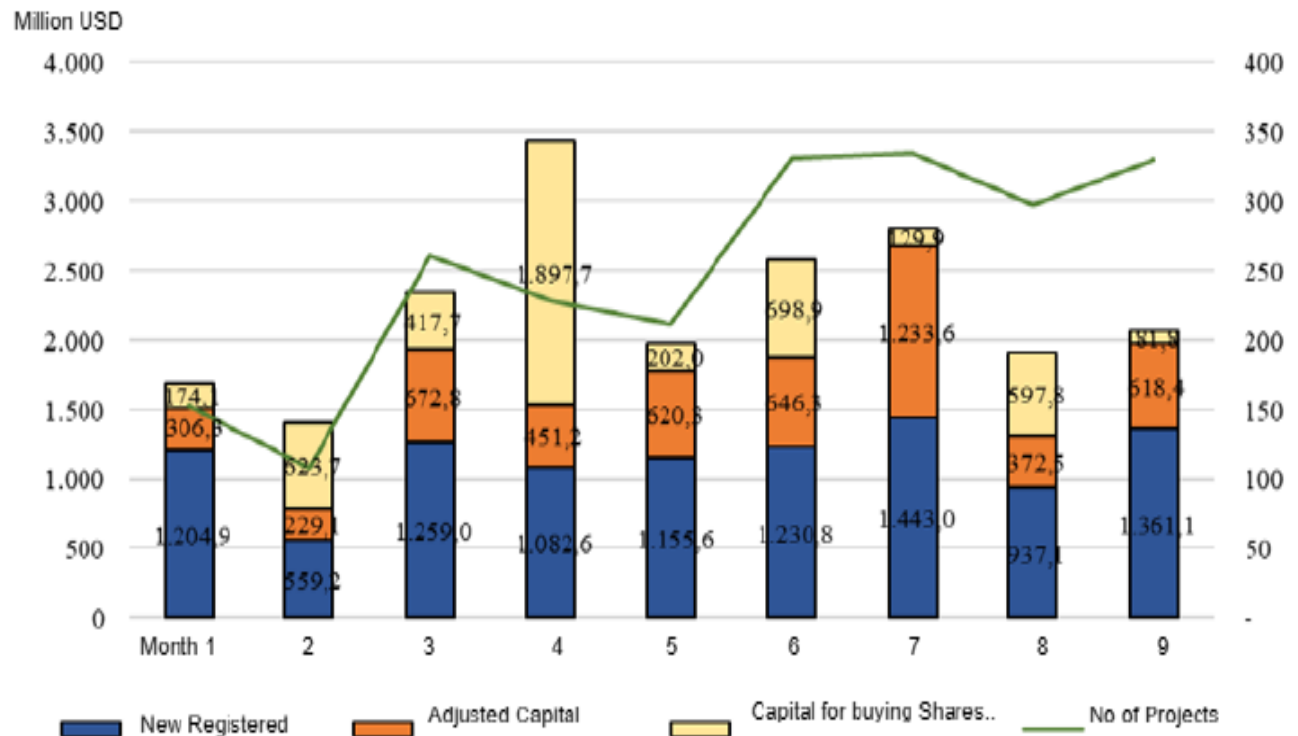
Source: Foreign Investment Department, Ministry of Planning and Investment, Vietnam

3.2 Investment attraction results in the first 9 months of 2023

As of September 20, 2023, the total newly registered capital, adjustments and capital contributions, share purchases, and capital contributions of foreign investors was nearly 20.21 billion USD, an increase of 7.7% over the same period, down 0.5 percentage points compared to the first 8 months of the year (**Figure 9**). In addition to the adjusted investment capital, new investment capital and capital contributions and share purchases continued to increase over the same period. Specifically, there were 2,254 new projects granted Investment Registration Certificates (up 66.3% over the same period), total registered capital reached more than 10.23 billion USD (up 43.6% compared to the same period). In terms of Capital adjustment, there were 934 projects registered to adjust investment capital (up 21.5% over the same period), total additional investment capital reached more than 5.15 billion USD (down 37.3% over the same period). In terms of Capital contribution, stock purchase, capital contribution purchase, there were 2,539 capital contribution and share purchase transactions of foreign investors (down 5.9% over

the same period), the total value of contributed capital reached more than 4.82 billion USD (up 47% over the same period).

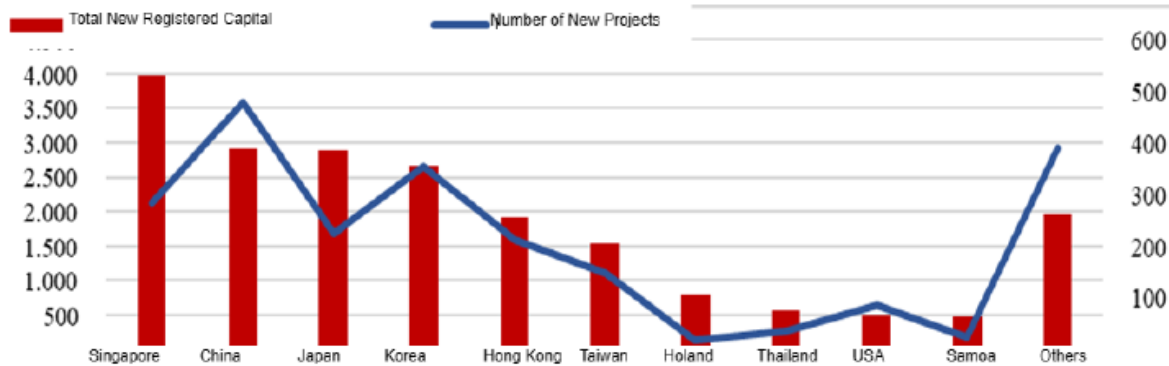
Figure 9: Foreign investment capital structure in 9 months of 2023 by month and by method of capital investment



Source: Foreign Investment Department, Ministry of Planning and Investment, Vietnam

In the first 9 months of 2023, there were 102 countries and territories investing in Vietnam. Of which, Singapore led with a total investment capital of more than 3.98 billion USD, accounting for more than 19.7% of total investment capital in Vietnam (**Figure 10**), down 15.2% over the same period in 2022; China ranked second with 2.92 billion USD, accounting for 14.5% of total investment capital, an increase of 94.9% over the same period. Japan ranked third with a total registered investment capital of nearly 2.9 billion USD, accounting for more than 14.3% of total investment capital, an increase of 51% over the same period. Next were Korea, Hong Kong, Taiwan, ... In terms of number of projects, China led in the number of new projects (accounting for 21.2%). Korea led in the number of capital adjustments (accounting for 26.7%) and capital contributions and share purchases (accounting for 28.5%).

Figure 10: Investment attraction results in the first 9 months of 2023 by investment partner



Source: Foreign Investment Department, Ministry of Planning and Investment, Vietnam

4. General assessment

4.1 Result

FDI attraction in 2022 and the first 9 months of 2023 still achieved impressive growth results (13.5% increase in realized capital in 2022 compared to 2021; 2.2% increase in the first 9 months of 2023 over the same period 2022,) despite facing many difficulties and challenges in the post-COVID-19 epidemic period. Accumulated as of September 20, 2023, the whole country has 38,379 valid projects with a total registered capital of 455.06 billion USD. Accumulated realized capital of foreign direct investment projects has been estimated at 289.9 billion USD, equal to 63.7% of total valid registered investment capital:

The foreign investment sector has made a very positive contribution to Vietnam's recovery and development in the past year, specifically: Exports (including crude oil) of the FDI sector in 2022 will reach more than 275.9 billion USD, an increase of 11.8% compared to 2021, accounting for 74.3% of the country's total export turnover (increased compared to the proportion of 2021 of 73.4%, 72.3% of 2020 and 72.3% of 2020). 2019 is 70.3%). The most exported products of FDI enterprises in 2022 were phones of all types and components (57.8 billion USD, accounting for 21.1% of export turnover); computers, electronic products and components (54.6 billion USD, accounting for 20%) and machinery, equipment, tools, and spare parts (42.5 billion USD, accounting for 15.6%). Imports reached more than 233.2 billion USD, an increase of 6.7% compared to 2021, accounting for 65% of the country's total import turnover. The FDI sector had a trade surplus of more than 42.7 billion USD, including crude oil, while the domestic business sector had a trade deficit of more than 30.3 billion USD. Like exports, computer products, electronic products and components (75.2 billion USD, accounting for

32.3%); machinery, equipment, tools, and spare parts (31.2 billion USD, accounting for 13.4%); Phones of all kinds and components (20.1 billion USD, accounting for 8.6%) were also the leading products in import value of FDI enterprises in 2022. The FDI sector contributed to the state budget reached about 21.2 billion USD, an increase of 21.4% compared to 2021, accounting for 28% of total state budget revenue, an increase of more than 2.2% compared to the proportion contributing to total budget revenue in 2021 (Ministry of Finance, 2022)

International organizations all have positive assessments of Vietnam's investment environment. UNCTAD has assessed Vietnam as among the top 20 attractive countries attracting FDI in the world. According to a survey conducted by the Ministry of Planning and Investment in collaboration with the Vietnam Business Forum (VBF) Alliance in September 2022, it showed positive information about production and business activities of investors. foreign investment in Vietnam. Specifically, as follows: (1) Over 90% of businesses achieve average and high business efficiency and financial situation; (2) 76% of businesses rated the effectiveness of the Government's production and business support policies at medium or high levels.

Many large multinational corporations in the world are paying attention to Vietnam. Several large corporations have implemented the process of shifting production supply chains to Vietnam such as Apple, Dell, Foxconn, Pegatron, Nike, Adidas... Several large Korean corporations are also continuing to research and learn. and is expected to implement investment projects soon.

Vietnam has initially made a positive shift in implementing circular economy in many industries and technologies, economic zones have gradually transformed into eco-industrial parks, attracting many large corporations in the world to invest. high-tech products such as Samsung, LG, Intel, Lego,

The quality of many projects was consistent with Vietnam's green growth goals, such as Lego's first carbon neutral factory, the factory uses 100% renewable energy of Pandora Group (Pandora, a Danish jewelry brand, has signed an agreement to build a new jewelry manufacturing facility in Vietnam Singapore Industrial Park 3, Binh Duong with an investment value of 100 million USD. The facility will enter the construction phase in early 2023 and will begin production in late 2024).

4.2 Limited and causes

The investment and business environment were being assessed as "open first, then tighten". Investment and business procedures were simple and convenient; But procedures for land, construction, fire prevention, environment, and customs still had some steps that caused difficulties for businesses (VBF Forum 2022).

There was a situation of avoidance and reluctance to handle difficult and complex issues by some ministries and local branches. The situation of sending dossiers and documents for comments to "community responsibility", causing prolongation of procedures (Eurocharm reflects the slow processing situation of localities, affecting investment expansion). Starting from this situation, the Prime Minister must issue Official Dispatch No. 280/CD-TTg dated April 19, 2023, to rectify and strengthen the responsibility in handling the work of ministries, agencies and localities.

The shortage of labor, especially high-quality labor, and local lack of raw materials in some industries and localities have not been thoroughly resolved, leading to the risk of local supply chain disruptions and disruptions. Short-term. Foreign investors are focusing on converting to automation, modernization, and improving lines and systems to increase efficiency and performance. Therefore, high-skilled workers and labor are required to meet the requirements. Meanwhile, Vietnamese workers are mainly unskilled and low-skilled workers. Therefore, the Vietnamese market will lack competitiveness and attraction to foreign investors.

In some localities, the electricity supply was not guaranteed. Many businesses reported sudden power cuts. Many businesses want to access renewable electricity, but the supply capacity is not yet ready.

The implementation of global minimum tax rules caused large corporations to delay new investment plans and expansions for large-scale projects, to observe the policy responses of investment-receiving countries, to Select the optimal and most competitive location.

Devaluation of local currencies in countries and territories with the largest investments in Vietnam, slowing down the investment decision-making process of investors in these areas (October 2022, VND The Japanese Yen depreciated nearly 27%, the Korean Won depreciated 22%)(according to Nikkei Asia, September 2023).

Due to the difficult world economic situation, orders have decreased. In addition, many orders have had to be transferred to other countries, because products require carbon credits or must use renewable energy sources.

The market's purchasing power decreased due to general difficulties in the economy and is expected to continue at least until mid-2023, causing difficulties for production and business activities of enterprises in general and FDI enterprises in particular.

4.3 Foreign investment trends in Vietnam

Some of Vietnam's major FDI partners such as Japan and South Korea tend to reduce investment abroad due to increased investment costs due to currency devaluation and the governments of

these countries have introduced many policies to attract foreign investors. Investors returned to invest domestically. The Japanese yen is at its lowest in 33 years compared to the USD, depreciating about 30% in October 2022 (151.94 JPY/USD) compared to the beginning of 2022 (115 JPY/USD) and trading at 133 JPY /USD in the session April 13, 2023, in Asia. The Korean won lost about 20% in October 2022, falling to a record low and hitting a 13-year low (below 1,420 won/USD), then gradually increased again and reached about 1,320 won/USD. USD in April 2023.

European countries are promoting cooperation with other countries in ASEAN to diversify supply chains. Some areas that European investors are interested in are clean, renewable energy, green hydrogen production, semiconductor chip production, research and development of artificial intelligence, and robotics.

The US government encourages US businesses and investors to move production chains out of China. The US has a policy of reducing textile, garment, and footwear orders from a large market (China) by 30% to shift to other countries (including Vietnam) to avoid dependence on one market. These types of investments also limit the import of goods originating from China, opening opportunities for Vietnam to attract investment in this field.

Taiwanese investors are tending to move strongly into Vietnam in the fields of electronics and technology. Taiwan's supporting enterprises are planning to invest in the Northern provinces. In addition, investing in the semiconductor industry is also a major investment trend in the world.

Chinese enterprises producing goods for export to the European and American markets... are actively establishing new facilities outside of China to meet product origin requirements and take advantage of trade commitments. free trade of the host country, in which Vietnam is a good place to choose to invest.

Singapore and third countries located in Singapore are also tending to expand investment in Vietnam.

Businesses have a strong need to use renewable energy and have carbon credits to export to the EU and North American markets. If Vietnam can take advantage of its advantages such as forest area and renewable energy power projects to convert

5. Some suggestions and recommendations to continue improving the investment environment in Vietnam

Firstly, continue to take measures to ensure macroeconomic stability, control inflation, ensure major balances of the economy, promote production and business activities, and contribute to

recovery and development. Socioeconomics. Implement three strategic breakthroughs: strengthening the infrastructure system; develop high quality human resources; Improve the investment environment, associated with environmental protection.

Second, continue to reform administrative procedures, especially the implementation of procedures after issuance of Investment Registration Certificates such as land, construction, fire prevention, environment, customs... Strictly implement Official telegram No. 280/CD-TTg dated April 19, 2023, of the President on rectifying and strengthening responsibility in handling the work of ministries, agencies and localities.

Third, research and build breakthrough mechanisms related to financial, stock and monetary policies. Focus on building and completing the Financial Center project in Ho Chi Minh City and Da Nang to create breakthrough motivation and socio-economic development.

Fourth, there needs to be synchronous support for promoting the attraction of foreign investment in several fields with potential to create breakthroughs such as high technology, semiconductors, innovation, green hydrogen ; Create maximum conditions and encourage businesses to deploy R&D activities or cooperate in technology transfer in Vietnam. Select potential investors in key fields (high technology, information technology, high quality services...) to proactively approach exchanges and invite investment in Vietnam.

Fifth, promote digital transformation, green transformation, energy transformation, innovation, and deploy information technology infrastructure to serve people and businesses.

Sixth, research and promulgate appropriate policies to adapt effectively and flexibly to the impact of the global minimum tax, ensure investor confidence, and maintain the attractiveness of the investment environment. Accordingly, in addition to the current investment incentives and support being applied based on profit, it is necessary to research and develop investment incentives and support based on cost. These are solutions that many countries around the world (United States, Korea, India,) are applying without violating regulations of the OECD, WTO, FTAs and are evaluated by foreign investors. High.

Seventh, prepare the necessary conditions for infrastructure, clean land, energy, and human resources to attract large, truly meaningful investment projects for socio-economic development. Accelerate the implementation progress of public investment projects, especially projects in the field of transportation infrastructure to meet investors' requirements.

Eighth, strengthen on-site investment promotion, research and propose practical and specific solutions to remove difficulties for businesses.

Ninth, develop supporting industries, closely following regional and global production networks and value chains; create a mechanism for domestic enterprises to contribute capital to joint ventures and buy shares in foreign enterprises in projects using high technology, advanced technology, and supporting industries. This is the strategy Vietnamese businesses need to approach to quickly innovate production technology and global management skills, towards sustainable development in the context of international integration.

Tenth, strengthen inspection and supervision and improve the efficiency of state management of investment. Ministries, branches and localities: urgently implement the solutions stated in Decision No. 667/QD-TTg dated June 2, 2022, of the Government approving the Foreign Investment Cooperation Strategy for the period 2021- 2030 and Decision No. 308/QD-TTg dated March 28, 2023 approving the action plan to implement the foreign investment cooperation strategy for the period 2021 - 2030.

6. Conclusion

Vietnam in recent years, especially in the years after the Covid 19 pandemic, has had many mechanisms and policies to improve the investment and business environment in general and attract foreign investment in particular. The most important highlight in that institution was the Politburo's issuance of Resolution No. 50 - NQ/TW dated August 20, 2019, of the Politburo on orientations to perfect institutions and policies to improve the quality and efficiency of foreign investment until 2030. This was a comprehensive guiding document on all contents of investment attraction foreign investment: from changes in awareness, unity of action, promulgation of mechanisms and policies to attract foreign investment; Direct management, supervision and improve the effectiveness and efficiency of foreign investment management activities. Next, the Government issued the Strategy and Action Plan to concretize the policies and guidelines of the Politburo, changing the viewpoint from attracting foreign investment to foreign investment cooperation. This spirit is expressed in the process of accompanying foreign investors during their operations in Vietnam with the principle of "harmonious benefits, shared risks".

With the efforts of the Government, activities to attract foreign investment have achieved encouraging results, the foreign investment sector has contributed largely to GDP.

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