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Some Recommendations in Attracting FDI in Vietnamese Provinces VIa Using Time Series Data

Master Phan Thi Thu Giang
Thuongmai University, Hanoi, Vietnam
*Corresponding author : ptgiangh@yahoo.com

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ABSTRACT

The article will show Some recommendations in attracting FDI in Vietnamese provinces. In essence, FDI is the intersection of demand between the FDI-investing country and the FDI-receiving country, related to the expansion of the market of multinational investors. The results imply that the indirect spillover effect on the number of FDI enterprises has no direct role on labor productivity in the localities of our country. Based on the research results, we propose some recommendations in attracting FDI in Vietnamese provinces in order to increase their labor productivity. For ex, Vietnam needs to pay attention to the requirements of investors in a number of aspects such as: Openness, transparency, stability, predictability in terms of institutions, policies and laws; strictly and uniformly enforce the law, protect the legitimate rights and interests of investors; simple administrative procedures, ensuring the prescribed time.

Keywords: FDI, Foreign Direct Investment, Province, Vietnam.

I. INTRODUCTION

Throughout years, FDI brings in new management methods and techniques through direct and indirect contacts between foreign branches and local enterprises, facilitating knowledge and technology transfer, creating foundation for sustainable productivity growth for the host country's economy (Saurav & Ryan, 2020). Therefore, this study chooses the research topic on "Some recommendations in attracting FDI in Vietnamese provinces". The study will assess the impact of FDI on labor productivity in localities, and based on the obtained results, proposes solutions to attract FDI.

II. THEORETICAL BASE

We look at below table:

Table 1 - Summary of previous studies

Authors	Year	Contents, results
Javorcik	2004	FDI has an

		impact on the labor productivity of these subjects through international requirements and standards on services and input products, even directly transferring technology and techniques to support these industries. this object
Samuelson & Nordhaus	2009	Labor productivity here is understood as the ratio between output, in terms of goods and services, to input, in terms of resources used in the production process
Mai	2002	The Vietnamese government has argued that tax rate reform and political stability are typical factors for attracting foreign investment.
		Some studies have realized that tax incentives preferences have completely positive effects on foreign investment in Vietnam and contributed to improving Vietnam's comparative advantage in attracting FDI
Jen Yao Lee et al	2021	This study aims to examine the asymmetric relationship between trade openness and FDI (foreign direct investment) inflows to Vietnam by using NARDL (nonlinear autoregressive distributed lag) during the period from 1997 to 2019. Our findings show that the influence of FDI on trade openness is asymmetric in

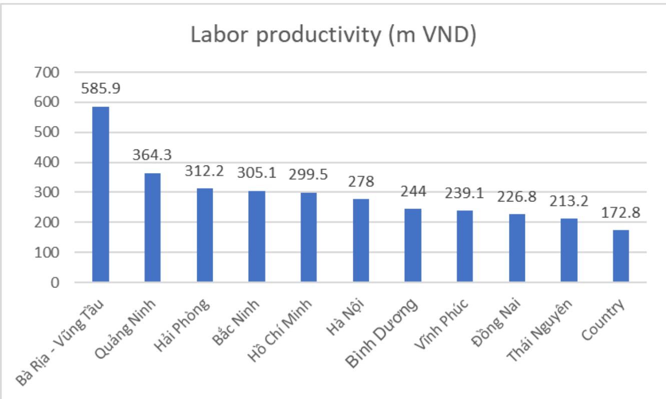
		the short-run and long-run. But the influence of trade openness on FDI is symmetric in the short-run and asymmetric in the long run.

(source: author synthesis)

III. METHODS AND MATERIAL

Collected data is further refined, eliminating years of observation that do not have enough important data needed for quantitative analysis. Finally, the research sample formed includes 677 years of observations of 63 provinces/cities in the period 2010 - 2021.

Chart 1: 10 provinces in 2021

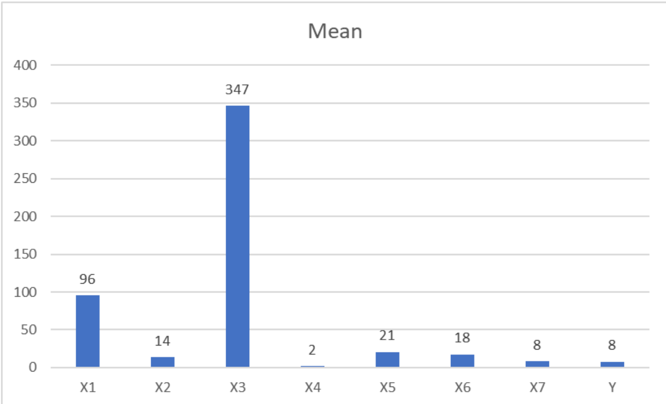


Source: General Statistics Office (2022)

3.1. Research variables

According to the multi-projection approach to clarify the role of FDI, the study uses regression analysis method with 6 independent variables showing different aspects of FDI in the local economy, including: (X1) Ratio the proportion of active accumulated FDI in comparison to the local GDP; (X2) The ratio of investment capital in the FDI sector to total investment capital in the local economy; (X3) Cumulative number of FDI projects operating in the locality; (X4) The proportion of enterprises in the FDI sector in the total number of enterprises operating in the locality; (X5) The proportion of employees in the FDI sector in the total number of local employees; (X6) The proportion of net revenue of FDI enterprises in the total net revenue of all enterprises operating in the locality; and 1 control variable is (X7) Local GDP economic growth.

Chart 2: Descriptive statistics



3.2 Analytical Methods

To test the impact of the contributing aspects of FDI on the productivity of local labor receiving investment, the article uses the linear regression method. The regression model is built as follows:

$$Y = a_0 + a_1{*}X1 + a_2{*}X2 + a_3{*}X3 + a_4{*}X4 + a_5{*}X5 + a_6{*}X6 + a_7{*}X7 + \varepsilon$$

In there:

- a0 to a7: coefficients to find;
- Y: Local labor productivity, measured by the average GDP of workers;
- X1, .., X6: independent variables on local FDI;
- X7: control variable for local economic growth;
- ε: error.

IV. RESEARCH RESULTS

4.1 Background information

Foreign investors have invested in 19 industries out of a total of 21 national economic sectors. In which, the processing and manufacturing industry leads the way with a total investment of more than 16.8 billion USD; Real estate business ranked second with total investment capital of more than 4.45 billion USD. Next are the electricity production and distribution industries; scientific and technological activities with registered capital of more than 2.26 billion USD and nearly 1.29 billion USD respectively. The rest are other industries.

In terms of the number of new projects, the wholesale and retail sectors, the manufacturing and processing industries, and professional science and technology activities attracted the most projects, accounting for 30%, 25.1% and 16 percent, respectively. .3% of total projects.

According to investment partners, there have been 108 countries and territories investing in Vietnam in 2022. In which, Singapore leads with a total investment of nearly 6.46 billion USD, South Korea ranks second with nearly 4 .88 billion USD, Japan ranked third with total registered investment capital of more than 4.78 billion USD. Followed by China, Hong Kong, Taiwan.

In 2022, foreign investors have invested in 54 provinces and cities across the country. Ho Chi Minh City leads the way with a total registered investment capital of more than 3.94 billion USD. Binh Duong ranked second with more than 3.14 billion USD. Quang Ninh ranked third with nearly 2.37 billion USD. Followed by Bac Ninh, Hai Phong, and Hanoi respectively. New projects focused on investment by foreign investors during the year are mainly in big cities with convenient infrastructure such as Ho Chi Minh City. Ho Chi Minh, Hanoi. In particular, Ho Chi Minh City leads in the number of new projects (43.9%), the number of CPVs (67.6%) and second in the number of projects with capital adjustment (17.3% after Ha Noi). Internal is 18.6%).
(source: mof.gov.vn)

4.2 Quantitative analysis

The results of regression analysis using STATA software are presented in the table below for 06 independent variables related to FDI and 01 variable controlling local economic growth. Accordingly, the F- statistic of Robust standard error regression model reached 109.88 with Sig value. = 0.000 < 0.05 shows that the model fits the collected data and has significant explanatory variables. This indicator allows to confirm that the regression model is reliable.

The regression analysis shows that the proportion of FDI enterprises in the total number of enterprises operating in the local economy (variable X4) does not have a significant impact on labor productivity (variable Y) in different countries. locality at 95% confidence level with statistical coefficients B = -0.007926 & p = 0.088 > 0.05, respectively. The results imply that the indirect spillover effect on the number of FDI enterprises has no direct role on labor productivity in the localities of our country.

V. DISCUSSION AND CONCLUSION

Therefore, the net revenue of FDI enterprises contributes directly to local GDP, the higher it is, the positive contribution to increasing local labor productivity, which is calculated by the average GDP per local worker. The author approaches to analyze the impact of FDI on labor productivity at localities and in-depth in a developing country, specifically in Vietnam.
There are some proposed solutions:
Vietnam needs to pay attention to the requirements of investors in a number of aspects such as: Openness, transparency, stability, predictability in terms of

institutions, policies and laws; strictly and uniformly enforce the law, protect the legitimate rights and interests of investors; simple administrative procedures, ensuring the prescribed time.

Secondly, for developed localities that need to attract high-tech projects, future technologies and modern services; Paying attention to meeting the requirements of transnational corporations in terms of time for negotiation, signing of agreements and implementation.

Third, domestic enterprises must strive to improve their capacity in all aspects, from technology to the capacity and qualifications of the workforce and management. Only then will FDI enterprises come to order and assist in completing the production process to meet their requirements.

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Conflicts of interest

There is no conflict of interest.

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