Research Article

Strengthening the Attraction of Foreign Direct Investment to Vietnam's Dak Lak Province in the New Context, Vietnam

Doan Thi Loc
Van Lang University, Ho Chi Minh City, Vietnam
Correspondence should be addressed to thi.locdoan@gmail.com

Abstract: Dak Lak is a province with tremendous socio-economic development potentials on the Red River Delta. Dak Lak is now one of the highest and fastest-growing provinces in northern Vietnam. The Dak Lak province has been planned to be placed in the capital's metropolitan region and the north-eastern entrance of the capital Hanoi. Moreover, Dak Lak is situated on Con Minh - Lao Cai - Hanoi - Hai Phong - Quang Ninh and Nam Dinh - Lang Son - Hanoi - Hai Phong - Quang Ninh, two economic corridors. The province lies in the traffic system linked to provinces in the region, such as National Highway 1A, National Highway No.18, National Highway No. 38, the axis of Dak Lak to Lang Son, China; Cau, Duong, and Thai Binh waterways that link Dak Lak to the region's waterway port and maritime system. This is a highly positive aspect in the socio-economic growth and interactions between Dak Lak and neighboring communities. Dak Lak has a huge potential, in particular FDI for socio-ethical development, to attract investment money. Nevertheless, in the present situation, Dak Lak has to sustain effective existing FDI with a number of possibilities but also a large number of obstacles and particularly during the industrial age of 4.0 and the current economic integration.

Keywords: FDI, FDI Attraction, Dak Lak, Vietnam, New Context.

A. INTRODUCTION

Dak Lak is one of the provinces and cities attracting the most FDI in the country. Particularly in 2018, the province has issued new investment registration for 92 projects with a total registered investment capital of 156.85 million USD, granted investment registration adjustment for 80 investment projects with total registered investment capital increasing $3,342.15 million.

At the time of the provincial re-establishment in 1997, Dak Lak province had only 4 FDI projects with a total registered investment capital of US$ 177.58 million, but so far, accumulated to the end of 2018, the province has valid 581 FDI projects with the total registered capital after the adjustment is over 10,86 billion USD [2].

The number of FDI projects increased gradually over the years, especially the strongest increase in the period of 2010-2018 with more than 500 FDI projects, total FDI of over USD 9.3 billion. Most of the projects attracted in this period are in the electronics, telecommunications and industrial sectors, which support these industries, accounting for about 80% of the total FDI. Most projects use new generation machines and equipment, advanced production technology, produce clean products, do not generate any environmental impacts. Investment capital for machinery, equipment and production technology (including technology transfer) of FDI projects in this period reached 2,772.3 million USD, accounting for 60.02% of the total registered FDI capital [2]. This is a key factor to promote technology value in the value of products, minimize the factors affecting the environment, improve the competitiveness of products, production value and prices and export value, is an important basis to create a key industry of the province and attract FDI inflows. This is evidenced by Samsung's continuous
registration to expand the project in Yen Phong, starting projects SEV1, SEV2, SEV3, Samsung Display. In fact, the projects of Samsung Group investing in Yen Phong have a great pervasiveness, strongly impacting the wave of foreign investment in Dak Lak, especially the investment capital from Korea accounted for more than 72% of total foreign investment capital in the whole province [1]. However, attracting FDI into Dak Lak province in the new context will face many difficulties and challenges. On the basis of analyzing the situation, assessing the context and forecasting the context of attracting FDI into Dak Lak province, this study will propose some solutions to enhance the attraction of FDI to contribute to the rapid development and sustainable socio-economic of Dak Lak province in the coming time.

B. METHOD

Methods of collecting secondary data: Reports and documents of the Ministry of Planning and Investment; Statistical yearbooks of Dak Lak province from 2015 to 2018; Report on socio-economic development of Dak Lak province, forecasts on the trend of attracting FDI in Vietnam and Dak Lak province in the new context. Methods of data synthesis and analysis: Descriptive statistical methods; comparative analysis; professional solution; correlation method. Evaluating the relationship between quantity and value aspect; assessing the causes and factors affecting FDI attraction in Dak Lak province and the whole country. Data processing method: Using Excel 2010 software and some information technology application software in data processing.

C. RESULT AND DISCUSSION

1. Current Status of FDI Attraction in Dak Lak Province

Foreign direct investment (FDI - Foreign Direct Investment) is a type of international capital transfer among countries, in which the owner of capital is also the person directly managing and operating the activities of investment capital use [7]. FDI attraction is an activity aimed at exploiting and mobilizing direct investment capital from foreign governments, organizations and individuals into the country to meet the investment needs of the socio-economic development of countries receiving investment (WTO, 2010).

In a narrow sense, FDI attraction includes a combination of mechanisms and policies of the local State as well as localities receiving investment in order to create conditions for foreign investors to directly invest in the domestic market in many different forms, contributing to the socio-economic development of the locality and the country.

In a broad sense, attracting FDI is the overall elements, conditions and policies of the host country (Technical - social infrastructure, existing environmental resources, mechanisms and policies, ...) affecting the investment environment in the invested areas, thereby promoting foreign investors investing the capital in different forms of FDI, in line with the common interests of both investors and recipients [7].

In 5 years (2014-2018), Dak Lak province has continuously promoted and attracted investment, creating an attractive and safe investment environment for domestic and foreign investors, especially created many impressions for FDI investors. As a result, Dak Lak becomes a locality in the top of the country in FDI attraction. In 2014, FDI attraction reached USD 1.58 billion, in 2015 reached USD 3.7 billion, ranking first in the country; in 2017 reached 3.64 billion USD, ranking the second in the country; 2018 reached 1.146 billion USD. In the period 2014-2018, Dak Lak attracted 839 FDI projects, with a total capital of 11 billion USD.

In 2018, Dak Lak province granted new investment registration for 92 FDI projects with a total registered investment capital of USD 156.85 million. Accumulated until the end of 2018, Dak Lak province has granted investment registration for 581 valid FDI projects with a total adjusted investment capital of 10.86 billion USD [2].
Firstly, attracting FDI by economic sectors of Dak Lak province: FDI in Dak Lak province has invested in 15 out of 21 sectors in the national economic classification system.

Table 1: Data on FDI Attraction by Sector in Dak Lak Province (2015-2018)

<table>
<thead>
<tr>
<th>Industries</th>
<th>Accumulated until 2015</th>
<th>Accumulated until 2016</th>
<th>Accumulated until 2017</th>
<th>Accumulated until 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of FDI projects</td>
<td>Total FDI capital (mUSD)</td>
<td>Proportion (%)</td>
<td>Number of FDI projects</td>
</tr>
<tr>
<td>Manufacturing and processing industry</td>
<td>568</td>
<td>9,920</td>
<td>91</td>
<td>881</td>
</tr>
<tr>
<td>Real estate business</td>
<td>8</td>
<td>500</td>
<td>4.6</td>
<td>43</td>
</tr>
<tr>
<td>Others (construction, service)</td>
<td>5</td>
<td>480</td>
<td>4.4</td>
<td>29</td>
</tr>
<tr>
<td>Total</td>
<td>581</td>
<td>10,900</td>
<td>100</td>
<td>952</td>
</tr>
</tbody>
</table>

Source: Dak Lak Department of Planning and Investment

In the period 2014-2018; Accumulated by 2015, FDI capital was concentrated in processing and manufacturing industries with 568 projects, total investment capital of 9.885 billion USD (accounting for 91% of total registered FDI capital of Dak Lak province); by 2016, the processing and manufacturing industry accounted for 92.5% of the province's total FDI; by 2017, it will account for 93.5% and by 2018 increasing to 93.8%.

Figure 1 Attracted FDI Structure by Sector in Dak Lak Province (2015-2018)
Source: Authors’ Calculations According to the Reports of Dak Lak Department of Planning and Investment

The second and third sectors attracting FDI the most are real estate and other fields. Accumulated up to 2015, there are 8 real estate projects with a registered capital of US $ 99.7 million (accounting for 4.6% of total registered FDI capital of Dak Lak province), 4.5% in 2016, 4.32% in 2017 and 3.95% in 2018. In other areas, the investment capital has fluctuated unstably, in particular, in 2016, the scale decreased but the number of projects increased compared to 2015, both in scale and number of projects decreased compared to 2016, by 2018, this item tends to increase slightly in scale and proportion, reaching 0.39 billion USD and accounting for 2.25% (see Table 1 and Figure 1).
Secondly, attracting FDI into industrial zones (IZs) and outside IZs in Dak Lak province: FDI projects in Dak Lak province are mainly focused and increasing in industrial zones with over 90% of FDI capital and above 70% of projects in the province (see table 2).

Table 2: Structure of FDI Attraction by Location in Dak Lak Province (2015-2018)

<table>
<thead>
<tr>
<th>Location</th>
<th>Accumulated until 2015</th>
<th>Accumulated until 2016</th>
<th>Accumulated until 2017</th>
<th>Accumulated until 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of FDI projects</td>
<td>Total FDI capital (billion USD)</td>
<td>Proportion (%)</td>
<td>Number of FDI projects</td>
</tr>
<tr>
<td>Inside the industrial zone</td>
<td>581</td>
<td>10.90</td>
<td>93.97</td>
<td>952</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outside the industrial zone</td>
<td>216</td>
<td>0.70</td>
<td>6.03</td>
<td>232</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>797</td>
<td>11.6</td>
<td>100</td>
<td>1,184</td>
</tr>
</tbody>
</table>

Source: Dak Lak Department of Planning and Investment

The number of investment projects outside IZs has low registration numbers and small capital scale. This result is due to the fact that industrial zones already have infrastructure, quick procedures, the province also has preferential policies to encourage investment in industrial zones such as land clearance, tax incentives, infrastructure construction ...making the increases of FDI projects into IZs (see Figure 2).

Figure 2: FDI Capital Structure Attracting Industrial Zones in Dak Lak Province (2015-2018)

Source: Authors' Calculations According to the Report of Dak Lak Department of Planning and Investment

Thirdly, attracting FDI to Dak Lak province by foreign investment partners: By the end of 2018, there were 15 countries and territories with FDI projects invested in Dak Lak province. Accumulated to the first quarter of 2019, Korea and Japan are the two countries with the largest number of FDI projects as well as the largest amount of FDI capital invested in Dak Lak.
Table 3: Data on FDI Attraction in Dak Lak Province by Investment Partners (2015-2018)

<table>
<thead>
<tr>
<th>Nation</th>
<th>Year 2015</th>
<th>Year 2016</th>
<th>Year 2017</th>
<th>Year 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of FDI projects</td>
<td>Total FDI capital (billion USD)</td>
<td>Number of FDI projects</td>
<td>Total FDI capital (billion USD)</td>
</tr>
<tr>
<td>Singapore</td>
<td>72</td>
<td>1.05</td>
<td>85</td>
<td>1.08</td>
</tr>
<tr>
<td>Taiwan</td>
<td>70</td>
<td>0.96</td>
<td>74</td>
<td>0.97</td>
</tr>
<tr>
<td>South Korea</td>
<td>167</td>
<td>6.06</td>
<td>201</td>
<td>7.01</td>
</tr>
<tr>
<td>Japan</td>
<td>106</td>
<td>1.55</td>
<td>121</td>
<td>1.89</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>69</td>
<td>0.92</td>
<td>76</td>
<td>0.93</td>
</tr>
<tr>
<td>Other</td>
<td>97</td>
<td>0.36</td>
<td>395</td>
<td>0.52</td>
</tr>
<tr>
<td>Total</td>
<td>581</td>
<td>10.9</td>
<td>952</td>
<td>12.4</td>
</tr>
</tbody>
</table>

Source: Dak Lak Department of Planning and Investment

In 2015, Korean investors has a total of 167 active projects accounting for the largest proportion (29% of projects) with a total capital accounting for nearly 50% of the total FDI capital into the province. In 2016, South Korea had 201 projects with an investment of US $ 7.01 billion; in 2017 there were 260 projects with accumulated capital of USD 8.6 billion; in 2018 there were 381 projects with accumulated capital of 9.12 billion USD. As for Japanese investors, in 2015, they had 106 projects with 1.55 billion USD, accounting for 14.2% of the total FDI capital of the province; 121 projects with 1.89 billion USD in 2016; 201 projects with a total capital of 2.8 billion USD in 2017; 320 projects with 2.99 billion USD in 2018. The rest are investors from other countries and territories such as Taiwan, Finland and Thailand, etc.

Figure 3: Structure of FDI in Dak Lak Province by Foreign Partners (2015-2018)

Source: Authors' Calculations According to the Report of Dak Lak Department of Planning and Investment

Large FDI projects in Dak Lak province mainly were invested in high-tech electronics, electronics and telecommunications sectors of multinational corporations (MNCs) such as Canon (Japan), Samsung (South Korea), Foxconn (Taiwan), ABB (Sweden) ... create vivid images of Dak Lak industrial zones. At the same time, this is the basis for Dak Lak province to establish a key industry which focus on electronic industry, precision engineering, new materials and high-tech processing.

The completion of the provincial development plan until 2018 and the orientation to 2020 contributed to the distribution and adjustment of the socio-economic space of the province, most clearly shown to promote the development of the infrastructure system such as:
electricity, water, transportation, etc. create evenly development, mutual support between the northern and southern areas of Duong River.

Up to now, Dak Lak province has approved 15 infrastructure construction investors (including 10 domestic investors; 5 FDI enterprises), of which 10 are licensed infrastructure investment projects with a total capital of hundreds of millions of USD. In particular, the province has attracted a number of large infrastructure investment projects such as: VSIP Dak Lak (Singapore), IGS Group (Korea), Foxcon Honghai, NICE (Taiwan) etc., have good capacity in access and negotiation with big investors. Particularly, industrial zone and urban VSIP in Dak Lak province have established infrastructure business model in industrial infrastructure (Mapletree Singapore).

Fourthly, some typical FDI projects in Dak Lak province can be mentioned as follows: The largest FDI project in Dak Lak province is the project of Samsung Electronics Vietnam Co., Ltd. licensed on March 25, 2008 of investor Samsung Electronics Asia Holding Pte. Ltd, Singapore. The total investment of the project is 2.5 billion USD. This project producing electronic products of high technology, providing manufacturing services, assembly of electronic products.

The second position belongs to licensed project of Samsung Display Co., Ltd in Dak Lak on June 21, 2007 by investor Samsung Display Co., Ltd (Korea). Total investment capital of the project reaches 1 billion USD. These projects focus on the areas of manufacturing, marketing or selling all kinds of Smartphone screens etc.

2. Overall assessment of FDI attraction in Dak Lak province

Firstly, the biggest success of Dak Lak province in attracting FDI is through preferential mechanisms and policies of the State and the Province, contributing to the creation of a business environment, open and convenient investment, making the FDI investors choose Dak Lak as an investment location. The most obvious manifestation of this success is reflected in the reform of administrative procedures, organizational reform of administrative apparatus, modernization of public administration and improvement of provincial competitiveness index (PCI).

Secondly, FDI attraction policies were issued promptly, quickly, in accordance with the objectives, directions and socio-economic development tasks of Dak Lak province in each period, with flexible application according to State regulations and laws.

Thirdly, the application of policies into practice is implemented promptly and effectively. Besides the issuance of preferential policies, Dak Lak province has reorganized the organizational structure and functions; The task of the agencies has been reviewed and specifically regulated, more clearly, more fully. Through it, step by step eliminating the situation of overlapping or missing functions; creating synchronization between functions, tasks and organizational structure of provincial state management agencies. Therefore, administrative procedures for FDI have been simplified, PCI index of Dak Lak province in many years has always been in the top 10 provinces with the best ranking index.

Fourthly, Dak Lak province has formed an online information channel to support the exchange of information between provincial state management agencies and FDI enterprises. This is a new activity in the state management policy at the provincial level, promptly settling recommendations and inquiries of FDI enterprises on related issues in the process of operation. Through the provincial electronic portal and component electronic portals, FDI enterprises can actively send questions to managers, the management agencies are responsible for coordinating and responding to the petitions of FDI enterprises in the shortest time, strengthening the support of FDI enterprises.
Fifthly, by the attractive FDI attraction policies, Dak Lak province has achieved many great achievements in the socio-economic development process, which has changed Dak Lak from a pure agricultural province to a province with a value of large industrial production in the key economic region of the North, with the top industrial growth rate of the Red River Delta region, in the top 10 provinces and cities with greatest investment attractiveness (especially FDI) of Vietnam, is the key province on State budget revenue.

Sixthly, some preferential policies to attract FDI are insufficient and weak; planning policies are inadequate, need to be amended and supplemented, some key sectors and areas have not had development plans such as supporting industries, high-tech industries, etc.

Seventhly, the preferential policies to attract FDI of the province are not strong enough, there are no breakthrough points. The form of FDI mobilization is still single, passive, and its efficiency is not high, mainly investment promotion programs are organized by the Ministry of Planning and Investment. Although the locality has actively promoted FDI attraction, countries that have been mobilized are not yet diversified but mainly in the past years only focused on Japan and South Korea.

Eighthly, although the planning of socio-economic development of the province has been raised each year, the period but not enough detailed information on FDI projects to provide to investors. Information on FDI projects only includes project names, total investment capital, geographical areas, but without specific scale and specifications.

Ninthly, FDI attraction policies must towards to the improvement of the quality and effectiveness on the basis of ensuring national and provincial interests, restructuring the economy in the direction of "developing in width” to “deep development”, moving from quantity to quality of each FDI project. Local preferential FDI policies need to be selected and cannot be favored for all projects equally; Every investor has the same incentives such as land, tax, etc. The FDI attraction policies of Dak Lak province is not attractive enough for potential investors in high-tech and environmentally friendly sectors; At the same time, it has not created technical barriers to low-tech FDI projects causing environmental pollution.

Tenthly, in addition to the policies to support and attract FDI, Dak Lak province is too focused on attracting new FDI projects, but has not given adequate attention to the management, supervision and support of FDI enterprises after granting investment licenses (just stopped at the licensing stage, have not focused on the post-licensing stage), leading to the effect of some FDI projects is not high; Supporting and resolve in difficulties for FDI enterprises after licensing is still difficult, the consultancy and support agencies, for foreign investors have been not professional enough.

Eleventhly, Dak Lak's FDI environment improvement policies were available, but not strong enough to affect the results of FDI attraction as well as the socio-economic development of the province; there is an imbalance in FDI capital structure by location (mainly concentrated in the North of Duong River); It has happened that FDI enterprises discharge waste into the environment without treating waste; FDI sector paid to the budget not commensurate with the scale of investment capital as well as land use; some FDI projects have low investment efficiency and have not created high added value, etc. According to the evaluation of VCCI, PCI of Dak Lak have been outstanding increase in the past years, but the quality of each component index is still inadequate, with a lower index than other localities, compared to the year 2010 PCI has downward indexes. PCI of the province in the previous year’s always maintained in the top 10 of the whole country. However, by 2015, PCI of Dak Lak decreased to 13/63, in 2018 ranked 15/63.
D. CONCLUSION

Attracting FDI contributes an important part to boost the socio-economic development of Vietnam in general and of Dak Lak province in particular, especially in the new context with 4.0 industrial revolution and when Vietnam has been out of the low average income countries group, along with trade agreements and new generation investment. Dak Lak province needs to have new awareness and synchronous implementation of solutions to effectively attract FDI for sustainable economic development in Dak Lak province, meeting the requirements of international economic integration trend. The province needs to implement some basic solutions to attract FDI associated with new constraints and conditions, contributing to Dak Lak province to overcome the consequences and negative impacts of FDI.

REFERENCES

1. Dak Lak Department of Planning and Investment. (2018). Reports on the situation of foreign investment over the years; Report on construction investment over the years; Socio-economic report of Dak Lak over the years; Report on the situation of foreign direct investment in the province over the years. Dak Lak.


6. People's Committee of Dak Lak Province. (Two Thousand and Thirteen). Decision No. 293/QD-UBND dated August 12, 2013 approving the project on attracting investment in Dak Lak province in the period of 2013-2020, vision 2030. Dak Lak.