FDI INFLOWS TO VIETNAM BEFORE AND IN THE COVID-19 PANDEMIC: STATE OF PLAY AND PROSPECTS FOR THE END OF 2020

Ngày nhận bài: 06/11/2020

Ngày chấp nhận đăng: 14/12/2020

Vu Thanh Huong, Nguyen Thi Hai Ly

ABSTRACT

Quang Nam's cultural values are formed and developed under the impact of historical, natural and socio-economic events, as well as the results from processes of immigration exchange and acculturation. However, in the integration process, it is really difficult to "integrate" without being "dissolved" as that process has been disturbing and changing a lot of cultural values of Quang Nam. The study findings make a contribution to clarifying the positive changes which are suitable for inheritance and improvement. Then together with other localities in the country, Quang Nam carries out the mission of building an advanced culture imbued with national identity.

Keywords: Cultural values, Quang Nam's cultural values, change motivation, integration.

1. Introduction

Vietnam after 30 years of Doi Moi has succeeded at creating more favorable investment environments to attract foreign direct investment (FDI) through reducing tax burden, diversifying types of investment incentives and reforming administrative procedures. As a result, FDI flows into Vietnam has been increased over time. According to Vietnam's Foreign Investment Agency (2020a), in 2019, the total FDI inflows to Vietnam reached approximately USD 38.02 billion, increasing by 7.2% compared to that of the same period in 2018. The implemented FDI capital was USD 20.38 billion - an increase by 6.7% over the same period in 2018.

Since the beginning of 2020 when the Covid-19 pandemic appeared and broke out, the world economy has been experiencing a considerable decline in economic growth rate, trade, and investment, and facing the risk of uncertain recovery in the coming time. Disruption of global value chains, movement of supply chains and decrease in demand have led to shrinking FDI in many countries around the world, including Vietnam. Besides these negative impacts, the Covid-19 pandemic might provide Vietnam with a number of new opportunities and prospects in attracting FDI outflows from China and other countries because Vietnam is so far assessed to be successful at controlling the pandemic. The paper aims at examining and comparing the state of play of FDI inflows to Vietnam before and during the pandemic, then analyzing prospects for Vietnam's FDI inflows by the end of 2020 and eventually proposing some recommendations for promoting FDI into Vietnam in the coming time[1].

Vu Thanh Huong, Department of World Economy and International Economic Relations, Faculty of International Business and Economics, University of Economics and Business, Vietnam National University - Hanoi

Nguyen Thi Hai Ly, Faculty of International Business and Economics, University of Economics and Business, Vietnam National University - Hanoi

2. FDI inflows to Vietnam before and during the Covid-19 pandemic: State of play

2.1. FDI inflows to Vietnam before the Covid-19 pandemic

Total FDI capital and projects

2010 - 2019 was the booming period of FDI in Vietnam. During this period, the number of newly licensed projects increased sharply. In 2010, Vietnam had only 968 newly licensed projects while this figure in 2019 was 3883 (Figure 1), an increase of 4 times compared to that of 2010 and 27.5% compared to that of 2018.

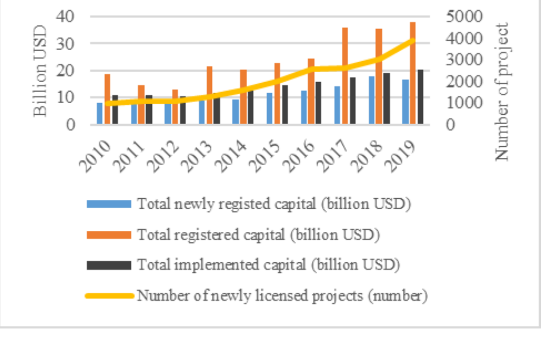

Figure 1: FDI flows into Vietnam in the period 2010 - 2019

Source: Foreign Investment Agency's FDI database from 2010 to 2019

In parallel with the increase in new FDI projects, in the period 2010 - 2019, total newly registered FDI capital in Vietnam increased at a high growth rate of 10% per year on average from USD 8 billion in 2010 to USD 16.1 billion in 2019 (Figure 1). In 2011, because of the impact of the global financial crisis and domestic issues such as sharp increase in inflation, inefficient public investment, freezing real estate market, wobbled stock market and high bankruptcy, FDI in Vietnam decreased strongly to USD 7.43 billion by nearly 7.2% compared to that of 2010. From 2012 up to 2019, FDI inflows experienced an upward trend and the highest increase was recorded in 2015 as the result of Vietnam's efforts in improving the investment-related legal system. The 2014 Investment Law, which took effect on July 1st 2015, revised the shortcomings of the 2005 Investment Law, especially the provisions on tax incentives, thereby creating a more favorable investment environment for attracting FDI into Vietnam. By 2019, the total newly registered capital was USD 16.75 billion, equivalent to 93.2% of that of the same period in 2018 (Foreign Investment Agency, 2020a).

The total registered FDI capital, which includes newly registered capital, adjusted capital and capital contributed and shares purchased by foreign investors, in the period 2010 - 2019 increase rapidly and steadily over the years. In the first year of the period, the total FDI flows into Vietnam was USD 18.59 billion. Then in the last year of the period, this figure was USD 38.02 billion, witnessing a double increase compared to that of 2010 and an increase of 7.2% compared to that of 2018. The annual growth rate of registered FDI capital in this period was 11.13% on average.

The realized FDI also increased steadily in the period 2010-2019 to reach USD 20.38 billion at the final year - the record level so far, increasing by more than 1.9 times from USD 11 billion in 2010 and by 6.7% compared to that of 2018. That Vietnam can maintain an increase in realized FDI in 2019 is encouraging given the decline in global FDI. However, the growth rate of FDI in 2019 decreased compared to that of 2017 and 2018[2] (Foreign Investment Agency, 2018, 2020a).

[2] In 2017, reimbursed FDI increased by 10.7% compared to that of 2016. In 2018, it increased by 9.1% compared to that of 2017.

Accumulated by December 2019, Vietnam had 30,827 valid projects with a total registered capital of USD 362.58 billion. The accumulated implemented capital was 211.78 billion USD, equivalent to 58.4% of the total valid registered capital

FDI by partners

In 2019, South Korea was the biggest investor with a total registered capital of USD 7.92 billion, accounting for 20.8% of total FDI flows into Vietnam. Hong Kong ranked second with USD 7.87 billion and Singapore ranked third with USD 4.5 billion (Figure 2). Japan, China, Taiwan and Thailand were also major investors in Vietnam. In 2019, FDI from China and Hong Kong increased strongly mainly due to the impact of the US-China trade war. From January to August 2019, 26 enterprises shifted from China to Vietnam. Specifically, in 2019, investment from China increased by nearly 1.65 times and from Hong Kong by 2.4 times over the same period in 2018 (Foreign Investment Agency, 2020a). FDI from China in 2019 increased by 17% compared to that of 2018, which was much higher than the increase of 7.2% of overall FDI inflows in Vietnam and the highest increase among Vietnam's top 10 biggest investors.

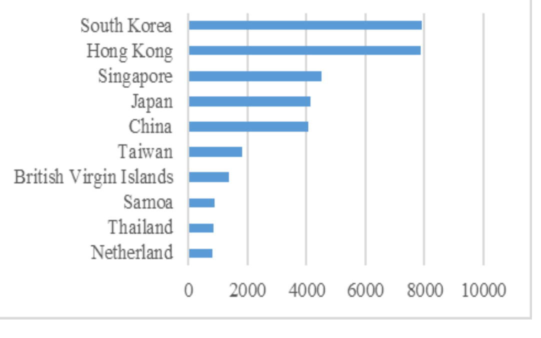

Figure 2: Top 10 FDI investors in Vietnam in 2019 (Unit: Million USD)

Source: Foreign Investment Agency' s FDI database in December 2019

Accumulated by December 2019, South Korea was the biggest investor in Vietnam with 8,467 projects worth USD 67 billion USD, followed by Japan, Singapore, Taiwan and Hong Kong (Table 1).

Table 1*: 10 biggest FDI investors in Vietnam (Accumulation of projects having effect as of December 20, 2019)*

No.	**Investors**	**Number of projects**	**Total registered investment capital** (Billion USD)	**Proportion of registered capital** (%)
1	Korea	8,467	67.70	18.67
2	Japan	4,385	59.33	16.36
3	Singapore	2,421	49.77	13.73
4	Taiwan	2,692	32.36	8.93
5	Hong Kong	1,735	23.44	6.47
6	British Virgin Islands	841	21.72	5.99
7	China	2.807	16.26	4.49
8	Malaysia	616	12.63	3.48
9	Thailand	560	10.90	3.01
10	Netherland	344	10.05	2.77

Source: Foreign Investment Agency's FDI Database in 2019

FDI by economic sector

In the period 2012 - 2019, the processing and manufacturing, and real estate sectors were always two biggest FDI recipients (Figure 3). In 2019, FDI in manufacturing and processing increased sharply and attracted more than 64% of the total newly registered FDI capital in Vietnam, followed by real estate (10.2%) and wholesale and retail, repair of motor vehicles and motorcycles (6.8%).

Accumulated by December 2019, the manufacturing and processing sector had 14,442 valid projects with more than USD 214 billions of registered capital, accounting for more than 59% of the total registered FDI capital in Vietnam. Real estate ranked second with 868 valid projects and more than USD 58 billion USD of registered capital, accounting for more than 16%. Followings are also big FDI receiving sectors: electricity, gas, water, and air conditioning production and distribution (accounting for 6.5%); accommodation and food services 3.3%); construction (2.8%) and wholesale, retail and repair of motor vechiles and motorcycles (2.2%).

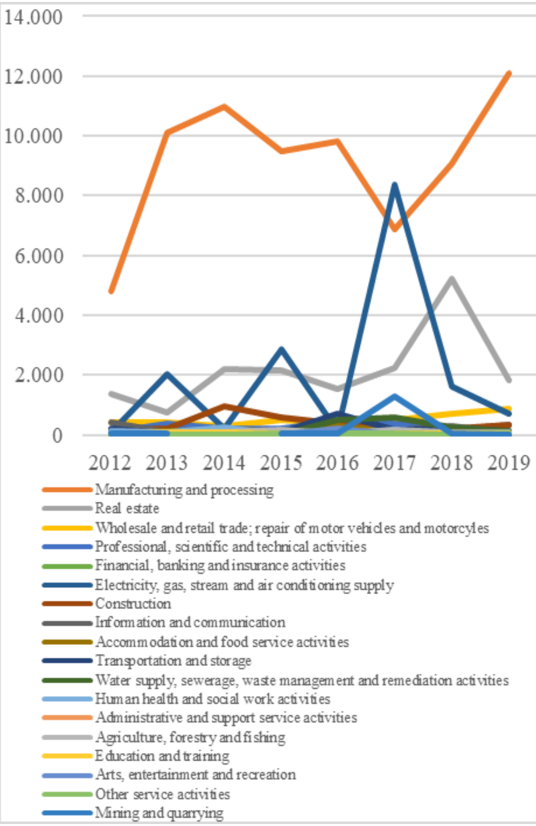

Figure 3: Total registered FDI to Vietnam by economic sectors, 2012-2019 (Unit: million USD)

Source: Foreign Investment Agency's FDI Database from 2012 to 2020

Trade of FDI sector

In the period 2010 - 2019, FDI enterprises were the main driving force to promote trade and contribute largely to Vietnam's trade surplus. Exports and imports of the FDI sector increased sharply and steadily, along with the growing contribution of this sector to Vietnam's trade surplus over time (Figure 4).

Figure 4: Trade of the FDI sector in Vietnam, 2010 - 2019 (Unit: billion USD)

Source: Foreign Investment Department's FDI Database from 2010 to 2020

Particularly in 2019, imports of the FDI sector reached nearly USD 145.5 billion, increasing by 2.5% compared to that of the same period in 2018 and accounting for 57.4% of Vietnam's total import turnover. The corresponding figures for exports of the FDI sector were USD 181.4 billion, 3.4% and nearly 68% of Vietnam's total export turnover. 2019 is the fourth consecutive year that Vietnam achieved trade surplus, which has been contributed considerably by the FDI sector. In this year, FDI sector's trade surplus of USD 34.56 billion was the source to offset trade deficit of the domestic business sector and resulted in Vietnam's total trade surplus of USD 11.12 billion USD (General Department of Vietnam Customs, 2020b).

2.2. FDI inflows to Vietnam in the Covid-19 pandemic

Total FDI capital and projects

In the early months of 2020, the Covid-19 pandemic has considerably affected Multinational Corporations (MNCs)'s intention to expand existing investment as well as implement new investment, making global FDI inflows plummet. In this context, FDI inflows to Vietnam has also decreased compared to that of the same period in 2019, but there are still some encouraging signals when newly registered FDI capital continues to increase in the first four months and implemented capital tends to increase during first eight months of 2020 (Figure 5).

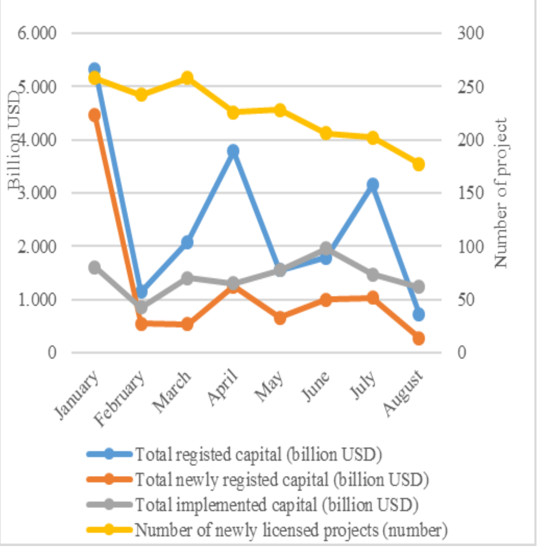

Figure 5: FDI inflows to Vietnam in the first 8 months of 2020

Source: Foreign Investment Agency' FDI Database in 2020

In the first quarter of 2020, FDI flows into Vietnam plummeted in February due to the effects of the Covid-19 epidemic and Tet holiday, and then increased in March (Figure 5). In the whole quarter, registered FDI capital reached USD 8.55 billion USD, which was equivalent to only 79.1% of that of the same period in 2019 but still increased compared to the same period in 2016, 2017 and 2018. Another positive signal is that newly registered FDI capital in this quarter reached USD 5.5 billion, an increase of 44.8% over the same period in last year (Foreign Investment Agency, 2020b). The realized capital in the first three months of 2020 reached USD 3.8 billion, equivalent to 93.4% of that of the same period in 2019. Also, during this period, there were 758 newly licensed projects, a decrease of 3.4% in number of projects over the same period last year.

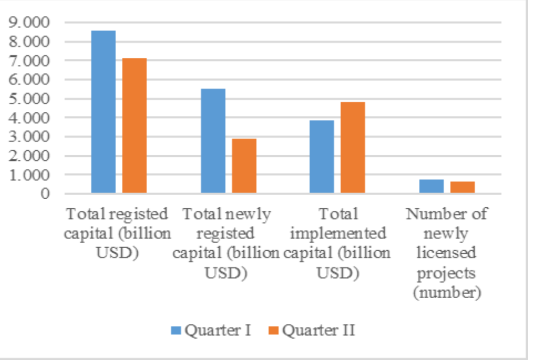

Figure 6: FDI inflows to Vietnam in the first and second quarter of 2020

Source: Foreign Investment Agency's FDI Database in 2020

Entering the second quarter of 2020, FDI flows into Vietnam after a sharp increase in April decreased in May and slightly increased again in June (Figure 5), partly due to Vietnam's good epidemic control. In the second quarter, the newly registered FDI capital reached USD 2.9 billion USD, the number of newly licensed projects was 660 and the total registered FDI capital reached USD 7.1 billion, declining by 16.79% compared to that of the first quarter of 2020 (Figure 6). One of the main reasons for the sharp decline in registered capital in the second quarter was the more complicated developments of the Covid-19 epidemic globally. However, FDI flows into Vietnam showed positive signal when the total realized capital in this quarter continued to increase relatively strongly to USD 4.8 billion, growing by 24.68% over the same period last year and 37.14% over the first quarter. It implies that in the first 6 months of 2020, FDI in Vietnam has been flowing strongly into licensed and on-going projects while capital inflows to new projects have decreased.

July 2020 witnessed a sharp increase in total registered FDI capital compared to that of the previous months of the year (after April only) and the same period in 2018

(Figure 5). In the first 7 months and especially in July, thousands of experts from Korea, Hong Kong and Japan have received supports to enter Vietnam to maintain and expand production. However, in August, the total registered capital, newly registered capital, implemented capital and the number of new projects all fell sharply compared to the previous four months. The decline in August are related to the second Covid-19 outbreak in Vietnam, so investors decide to halt investment activities and wait to see further progress of the epidemic.

By the end of August 2020, the total registered FDI capital reached USD 19.5 billion, declining by 13.7% compared to that of the same period in 2019 (Figure 6). The newly registered capital was over USD 9.7 billion USD, up by 6.6% and the realized capital was USD 11.3 billion, down by 6% over the same period last year. In these eight months, there were 1,797 new licensed projects, a decrease of 25.3% over the same period in 2019 (Figure 7).

Accumulated by the end of August 2020, there are 32,539 valid FDI projects investing in Vietnam with a total registered capital of nearly USD 381.12 billion and implemented capital of USD 223.1 billion (Foreign Investment Agency, 2020d).

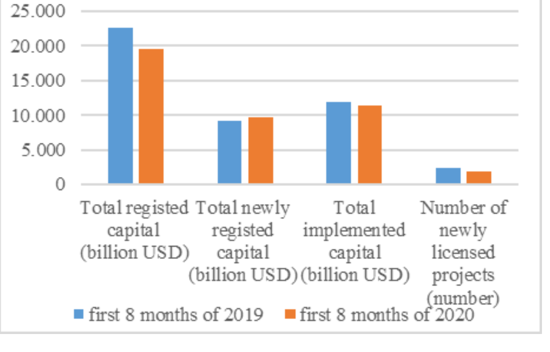

Figure 7: FDI inflows to Vietnam in the first 8 months of 2019 and 2020

Source: Foreign Investment Agency's FDI Database by month in 2019 and 2020

In summary, the Covid-19 epidemic with considerably negative impacts on the world economy has resulted in stagnation and difficulties in production and business globally. The restricted movement of investors and the exchange of goods and services on a global scale has thereby negatively affected investors' decisions on new investment and expansion of ongoing projects in Vietnam. These factors have made the total registered FDI, the realized FDI as well as the number of newly licensed projects in the first 8 months of 2020 in Vietnam decrease compared to those of the same period in 2019. However, there are still some remarkable results when the total newly registered FDI increased in comparison with that of the same period last year. In addition, FDI in Vietnam increased in April and July when the Covid-19 has been in good control in Vietnam. Therefore, in the current situation when the second Covid-19 wave in Vietnam seems to be under good control, Vietnam's outlook of attracting FDI in the last months of the year is relatively positive.

FDI by partner

In the first 8 months of 2020, investment promotion activities have undergone big changes. The number of delegations coming to Vietnam to search investment opportunities have sharply declined, especially from major partners such as Japan, Korea, Singapore, ASEAN, the US and the EU. Many investment seminars, conferences and forums have to be postponed or canceled.

In the first eight months of the year, 106 countries and territories have invested in Vietnam. Singapore is the largest investor, accounting for 33.5% of the total investment capital in Vietnam, followed by South Korea (Figure 8). Other major investors in Vietnam are China, Japan, Thailand and Taiwan. Compared to the list of the top 10 largest investors in Vietnam in 2019, the list in 2020 (as of August) adds Cayman Island while Samoa is out of the list. In addition, ranks of the largest investors also change significantly when Singapore jumps from 3rd place in 2019 to 1st place in 2020. Correspondingly, China's rank is from 5th to 3rd place while South Korea's rank drops from 1st place to 2nd place and Hong Kong from 2nd to 7th.

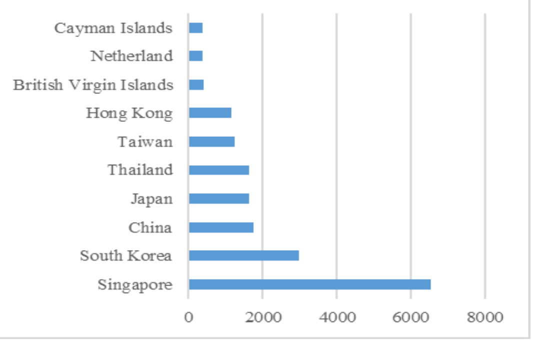

Figure 8: FDI inflows to Vietnam by partners in the first 8 months of 2020 (Unit: million USD)

Source: Foreign Investment Agency's FDI Database by month in 2020

Accumulated by the end of August 2020, 137 countries and territories have invested in Vietnam, of which Korea ranks first with a total registered capital of more than USD 70 billion, accounting for 18.4% of total registered FDI inflows to Vietnam. Japan ranks second with 15.81%, followed by Singapore (14.43%), Taiwan (8.71%) and Hong Kong (6.54%).

FDI by economic sector

In the first 8 months of 2020, foreign investors have invested in 18 economic sectors, of which the processing and manufacturing sector ranked 1st with total registered capital of over USD 9.3 billion, accounting for 47.66% of total registered FDI in Vietnam and representing a decline by more than 40% over the same period in 2019. Electricity production and distribution ranked 2nd with total registered capital of over USD 4 billion, accounting for 20.6% of total registered capital; followed by real estate business, and wholesale and retail (Table 2). Notably, while FDI in almost all sectors decreased, FDI in some sectors increased impressively including electricity, gas, water and air conditioning production and distribution (639%); finance, banking and insurance (920%); agriculture, forestry and fishery (162%), and education and training (104%).

Table 2*: Total registered FDI inflows to Vietnam by economic sector in the first eight months of 2019 and 2020*

No.	Sector	2019 (Unit: million USD)	2020 (Unit: million USD)	Growth rate (%)
1	Manufacturing, processing	15740.2	9312.8	-40.83
2	Electricity, gas, stream and air conditioning production and distribution	543.0	4015.9	639.56
3	Real estate	2311.9	2872.7	24.26
4	Wholesale and retail trade; repair of motor vehicles and motorcycles	1185.6	1208.4	1.92
5	Professional, scientific and technical activities	1094.6	687.2	-37.22
6	Construction	548.9	273.6	-50.16
7	Financial, banking and insurance activities	26.1	267.7	925.43
8	Accommodati	176.4	259.1	46.90

	on and food service activities			
9	Information and communication	275.9	209.9	-23.92
10	Transportation and storage	168.3	149.3	-11.33
11	Agriculture, forestry and fishing	51.3	134.7	162.71
12	Education and training	34.1	69.5	104.16
13	Administrative and support service activities	69.3	32.7	-52.77
14	Public health and social work activities	177.9	20.5	-88.48
15	Water supply, sewerage, waste management and remediation activities	131.8	10.2	-92.25
16	Mining and quarrying	39.9	5.3	-86.61
17	Other service activities	10.1	5.0	-50.81
18	Arts, entertainment and recreation	42.2	3.9	-90.82
	Total	22627.36	19538.34	-13.65

Source: Foreign Investment Agency's FDI Database in 2019 and 2020

Five big FDI projects in the first eight months of 2020 are in electricity, gas, water and air-conditioning production and distribution, and manufacturing and processing sectors, namely: (1) Liquefied natural gas power plant project (LNG) Bac Lieu (Singapore) with registered capital of USD 4 billion; (2) Southern Vietnam Petrochemical Complex (Thailand) project in Ba Ria - Vung Tau, adjusted to increase capital of USD 1.39 billion; (3) Radian Jinyu Tire Factory Project with a total capital of USD 300 million by Chinese investors in Tay Ninh; (4) Victory project - High-tech electronics manufacturing factory in Dong Van, Ha Nam (Taiwan), total investment capital of USD 273 million and (5) Office project at 29 Lieu Giai (Singapore), adjusted to increase capital by USD 246 million.

Trade of the FDI sector

Despite being affected by the Covid-19 epidemic, the first eight months of 2020 has witnessed an upward trend of FDI sector's export turnover, except for May (Figure 9). August recorded strong growth of both exports and imports of the FDI sector as its exports increased by 20.44% and imports by 11.37% compared to that of July. Besides, the FDI sector still recorded a trade surplus of USD 22.5 billion, offsetting the trade deficit of USD 11.6 billion of the domestic sector and contributing to Vietnam's trade surplus of USD 10.9 billion in the first 8 month of 2020.

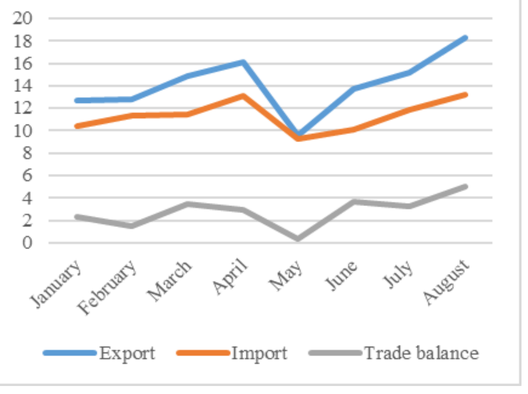

Figure 9: Trade of FDI sector in the first 8 months of 2020 (Unit: billion USD)

Source: Foreign Investment Agency's FDI Database in 2020

However, compared to the same period last year, trade of the FDI sector has witnessed a decline. For the first 8 months of 2020, FDI sector's exports reached USD 113.31 billion, down by 4.47% while imports reached USD 90.75 billion, down by 5.34% as compared to that of the same period in 2019 (Foreign Investment Agency, 2020d). This is a remarkable change compared to the previous Covid-19 when the FDI sector has always been the driving force for Vietnam's trade growth. In Covid-19, the domestic sector from the beginning of the year up to now continues to be a bright spot when its trade turnover in the first 8 months increased compared to the same period last year, in which export increased by 15.3% and imports by 2.9% (General Department of Vietnam Customs, 2020). The main export products of the FDI sector in 2020 continue to be mobile phones and accessories; computers, electronic products and components; textiles and footwear. Meanwhile, the FDI sector imports mainly computers, electronic products and components; machinery, equipment, tools and spare parts.

3. Prospects for fdi inflows to vietnam at the end of 2020

3.1. New context and prospects for global FDI flows

The world economy is facing a "crisis like no other" and in uncertain recovery as the Covid-19 pandemic continues to be out of control in many countries and is always at danger of coming back even in well-controlled countries (IMF, 2020). The pandemic incorporating with trade tensions between the United States and China, and increased trade protectionism are posing a series of unprecedented challenges. These combined factors have led to breakdown of global value chains, decline in demand, and disruptions of supply, and eventually result to disruptions, contractions and even closures of production by many MNCs around the world. Besides, reinvested earnings of MNCs also decrease in the Covid-19 period, leading to the decline in global FDI flows in both greenfield investment (GI) and Mergers & Acquisitions (M&A) (OECD, 2020; UNCTAD, 2020). In the first two months of 2020, the value of GI projects in non-OECD countries decreased by 36% in comparison with that of the same period in 2019 and by 15-30% compared to that of 2018 (OECD, 2020). From the beginning of the Covid-19 crisis to March 2020, investors removed from developing countries USD 83 billion, which was the largest capital outflow ever recorded (Thomson, 2020). FDI in the industrial sector fell the most. The decline of FDI flows due to the Covid-19 epidemic has had strong impacts on developing countries that has heavily been dependent on this source of capital for economic development (OECD, 2020).

The recovery of FDI globally requires substantial efforts beyond financial packages. MNCs are generally larger and more productive, and perform more R&D than their domestic firms. Therefore, the reposition strategy of MNCs will help governments cope with the effects of this crisis. Cross-border collaboration between companies can support to find long-term business solutions such as restoring production while protecting workers. In the long term, Covid-19 may lead MNCs to shift their production geographically, especially from China to other Asian countries such as Indonesia, Malaysia, India, Vietnam, Thailand, and the Philippines. The trend of shifting investment at the global scale has been conducted before the Covid-19 pandemic under the impact of the US-China trade war. In fact, the pandemic is the catalyst that makes this process faster and more drastic.

The Covid-19 pandemic has also created a new impetus for companies to build up a more flexible production network, construct supply chains closer to the retail markets and accelerate digitization. Under the influence of Covid-19 and increased protectionism, they can also accelerate the trend of restructuring Global Value Chains (GVCs) towards a simpler, more flexible and shorter value chain. MNEs are as a result can shorten the distance between suppliers and customers, and further promote vertical integration for improved production flexibility and sustainability.

In the new and uncertain context of Covid-19, global FDI inflows are predicted to fall by 40% in 2020 to below USD 1 trillion USD, then further decline by 5-10% in 2021 and possibly recover by 2022. However, this forecast is uncertain as the global capital flow outlook is highly dependent on the length of the pandemic and the effectiveness of government policy interventions. In addition, geopolitical and financial risks, and trade tensions also increase the uncertainty of global FDI flows in the future (UNCTAD, 2020).

The impact of Covid-19 although severe everywhere will vary by groups of countries. Developing countries are forecast to see the biggest decline in FDI as they depend more on FDI inflows in industries which are deeply involved in global value chains. These industries are heavily affected by the pandemic but have not received economic supports as much as those in developed countries. FDI inflows to Africa are estimated to decrease by 25-40% while that of developing Asian countries will be hit severely to fall by 30-45% due to their vulnerability to disruption of supply chain, heavy reliance on FDI in industries that are deeply involved in global value chains and pressure from the diversification of production sites of MNCs. For developed countries, FDI inflows to Europe are projected to decrease by about 30-45%, while that of North America and other developed economies will decline by about 20-35%.

The impact of the Covid-19 pandemic will also vary across economic sectors. Most sectors will be affected, but FDI will continue to plummet in sectors such as aviation, hotels, tourism, restaurants, entertainment, and the energy sector (UNCTAD, 2020). Meanwhile, FDI may increase in the digitization and health-related sectors (OECD, 2020).

For M&A, the global M&A felt sharply in the first half of 2020 but investors delay negotiating new deals rather than withdrawing from deals that they have negotiated. It is difficult and costly for investors to cancel the deals, so investors tend to continue postponing deals to wait and see economic developments in the future (OECD, 2020). Therefore, in the short term, from now to early 2021, if the world economy recovers, it is likely that M&A deals will increase sharply. On the other hand, if the prospect of economic recovery is low, investors will start to cancel transactions and make M&A flows decline sharply, especially in developed countries where M&A plays an important role and accounts for more than half of the total value of global M&A deals. The divestment phenomenon is also likely to increase if the recovery prospects of the world economy are low in 2021.

3.2. Prospects for FDI inflows to Vietnam

With the impact of the US-China trade war, new contexts of the world economy in the Covid-19 pandemic and projections of the decline in global FDI, FDI inflows to Vietnam in the last months of 2020 will be difficult to be out of this trend. However, if

Vietnam can take full advantage of two factors, namely the ability to control well the epidemic up to now and the Vietnam - EU Free Trade Agreement (EVFTA) that has just come into effect at this special time, then Vietnam can restart economic activities faster than other countries around the world. These factors will bring about advantages for Vietnam over other countries in receiving the current shifting investment flows, thereby possibly helping FDI flows into Vietnam recover to 2019 levels by the end of 2020 and slightly increase in the first half of 2021.

There might be a change in FDI inflows to Vietnam by industry. Before the Covid-19 epidemic, FDI in Vietnam mainly focused on processing and manufacturing industries, real estate, and wholesale and retail. Since the Covid-19 epidemic happened, foreign investors in Vietnam have been strongly shifting their investments to areas namely: (i) information technology and high technology, for example Samsung; (ii) logistics; (iii) e-commerce such as Alibaba, and (iv) consumer goods and retail such as Zara, H&M. In the near future, besides the above-mentioned sectors, FDI projects will be likely to continue pouring into: (i) Vietnam's exporting sectors such as textiles and garments, and furniture; (ii) Asia's common traded commodities such as food, paper, plastics and rubber, metal products, construction materials, and machinery-related products such as computers, phones and electronic components. For machinery and equipment sector, Vietnam has been an attractive destination of a series of MCNs such as Samsung, LG, Intel and Panasonic before the pandemic. For textile and garment sector, Vietnam has potential to boost FDI inflows in producing facemask and workwear. Healthcare is another potential industry which is capable of attracting FDI in the near future when Vietnam is considered to have good epidemic control and begins to produce medical equipment to fight against the epidemics. In addition, due to Vietnam's increasing demand for energy, which is also the top priority development area of the Government, the energy sector is also a potential sector to attract FDI into Vietnam.

Vietnam has the prospect to attract FDI flows shifting from China under the complicated context of the Covid-19 integrating with other reasons, for example the US-China trade tension is escalating, protectionism is increasing, and the MNCs are promoting the reorganization of production chains and shifting investment from China to other countries to reduce risks, diversify production chains and take advantage of new opportunities from new potential markets. In such a context, Vietnam is emerging as a potential destination to receive FDI outflows from China. The revised Enterprise Law and Investment Law have created a corridor and a more favorable environment for Vietnam in attracting foreign investment. In addition, Vietnam's deep international economic integration, increasing living standards, and similar advantages as China in terms of culture, politics, and geographic location help foreign investors reduce production displacement costs while maintaining a close relationship with production facilities in China. In fact, in the first few months of 2020, some MNCs have plans to shift their investment to Vietnam, such as Google plans to produce cheap smartphones (Pixel 4a) in Vietnam while Microsoft plans to produce notebooks and desktops in the second quarter of 2020. Additionally, Apple has an intention to produce wireless headphones (Air Pods) in Vietnam instead of China with 3-4 million units. Komatsu also shifts the production lines of components used for motorized chassis and electrical wires back to Japan and to Vietnam. It implies that the prospect for Vietnam to attract FDI outflows from China will be more realistic and faster under the impact of Covid-19. However, it would be worth noting that the movement of MNCs out of China will not be taken place immediately but there must be a roadmap usually about 2-5 years. Global supply chains have been settled down and MNCs cannot move or shift their investment quickly as the cost-benefit analysis of movement must be taken into careful consideration. In addition, MCNs can move just a part of their supply chains rather than moving entirely out of China where is still a large-scale and attractive market with many advantages in supporting industries, human resources and high-tech ecosystems. Therefore, the opportunity for Vietnam to attract capital flows out of China is a reality, but the shift of investment out of China will not be massive, fast, and short-term. In addition, the movement speed of FDI from China into Vietnam also depends on Vietnam's capacity of enterprises and the whole economy, as well as the FDI attracting policies in the coming time.

Vietnam also has the prospect of attracting FDI from other countries in the world in the coming time when MNCs try to expand and diversify their supply chains. It is because Vietnam is a bright spot in controlling Covid-19, and a potential market with nearly 100 million people and cheaper costs than some other ASEAN countries such as Malaysia, Singapore, Thailand and Indonesia, especially labor and land costs. Vietnam now has implemented a series of FTAs with a lot of big trade partners around the world. Typically, out of 30 enterprises participating in Japan's support program to diversify their supply chains to ASEAN countries, 15 desire to open more factories in Vietnam (Thuy An, 2020). In addition to MNCs from Japan, MCNs from Korea - Vietnam's biggest foreign investor, from the EU - where Vietnam has the advantage that EVFTA has just come into effect on August 1st 2020, and from the US - whose trade tension with China is escalating - are possible to promote investment in Vietnam. This prospect is also consistent with Vietnam's policy of attracting high-quality, high-tech and environmental-friendly FDI. However, there are some obstacles for Vietnam to become a new attractive investment destination replacing China when Vietnam still has low local content rate and intransparent legal regulations, and lacks of high-quality human resources.

The outlook of attracting FDI into Vietnam in the coming time is also positive when Vietnam has achieved new turning point in international economic integration, especially with the effective EVFTA in the Covid-19. EVFTA taking effect in this special time will bring about valuable opportunities as well as more advantages for Vietnam over other countries in attracting FDI not only from EU businesses but also businesses around the world who want to access the EU market. Attracting FDI from the EU will also help increase the quality of FDI into Vietnam, especially in the sector that the EU enterprises have advantages in such as high-tech processing and manufacturing industries, clean energy and renewable energy ... In addition, FDI from the EU to Vietnam may also increase in the service sectors that are advantages of the EU and more opened to the EU than other WTO members such as financial services, logistics, computer services, environmental services, higher education, distribution, telecommunications and health.

4. Conclusion and implications

The paper analyzes FDI inflows to Vietnam before and in the Covid-19 epidemic. The results show that before Covid-19, 2010 - 2019 was the booming period of attracting FDI in Vietnam as the number of newly licensed projects increased continuously, and the total registered and implemented capital tended to increase over years. In 2010-2019, Vietnam's total newly registered capital, total registered capital, and total implemented capital increased by an average of 9.21%, 11.13% and 7.27% per year, respectively. The biggest investors in Vietnam during this period were Korea, Japan, Singapore, Taiwan and Hong Kong. The two biggest FDI receiving sectors were processing and manufacturing, and real estate. The FDI sector has always been the engine of Vietnam's trade growth during this period.

Starting in early 2020, the Covid-19 pandemic has immediate impacts on FDI inflows to Vietnam although these effects are not serious. Vietnam cannot avoid the general trend of FDI decline in the world, therefore total registered FDI, realized FDI and the number of new FDI projects have all decreased in the first eight months of 2020 in comparison with that of the same period in 2019. However, there are still encouraging results when total newly registered FDI has still increased over the same period last year. Imports and exports of the FDI sector has decreased by only around 4-5%. It shows that in the Covid-19, FDI inflows to Vietnam as well as the performance of FDI sector in Vietnam have been affected but not too severe. In terms of partners, there are some changes in investor ranks when Singapore and China replace South Korea and Hong Kong to become the largest investors in the first 8 months of 2020.

The paper also provides some outlook of the world economy and global FDI, thereby analyzing FDI prospects in Vietnam in the coming time. The paper argues that Vietnam is possible to avoid a further decline in FDI in the last months of the year if it can take full advantage of two factors namely the ability to control well the Covid-19 and the entry into force of EVFTA. Besides traditional FDI receiving sectors including garments and textiles, real estate, wholesale and retail, furniture, machinery and equipment, some emerging areas potential to attract more FDI are health and energy. Besides, Vietnam has the potential to attract FDI flows shifting from China as well as other countries when MCNs try to expand and diversify their supply chains. Based on these analyses, the paper proposes some implications for Vietnam to realize these prospects.

Firstly, Vietnam needs to effectively implement policies to support economic recovery and growth in the Covid-19: (i) continue to strictly control the epidemics in order to consolidate confidence of foreign investors in Vietnam’s market stability; (ii) promote efficient public investment in the second half of the year to offset the difficulties of domestic enterprises, thereby creating a driving force for economic growth in this difficult time.

Secondly, Vietnam needs to quickly and transparently construct and publish policies to attract shifting capital flows with clear information on priority sectors and regions. At the same time, it is necessary to review the existing industrial parks and then propose strategies of preparing infrastructure for future investment such as adjusting and expanding the existing industrial parks, or constructing new industrial parks. Together with FDI attracting policies, it is of great importance to design proper policies to select high-quality, high-technology and environmental-friendly FDI projects to Vietnam.

Thirdly, Vietnam should continue improving FDI attracting policies. It is a necessity to prioritize to attract FDI into a number of fields such as information technology and telecommunications to develop high-tech infrastructure, catch up with the digital trend and thereby increase the ability to meet foreign investors' future demand when entering Vietnam. In addition, Vietnam should keep on track of administrative reforms in order to facilitate foreign investors when investing in Vietnam and continue improving investment environment on basis of combating corruption and improving the quality of human resources.

Fourthly, Vietnam needs to quickly issue policies and action plans to implement EVFTA and the Vietnam-EU Investment Protection Agreement (EVIPA) in order to take full advantage of attracting FDI from the EU. The government should also promote promulgation about EVFTA for businesses and the community as a whole.

Finally, improving the competitiveness of the whole economy is a long-term solution to attract high quality FDI inflows to Vietnam on the basis of increasing the economy's resilience to external shocks, utilizing all available resources to efficiently invest in infrastructure development, promoting economic restructuring, and strengthening the quality of human resources and technology.

TÀI LIỆU THAM KHẢO

Foreign Investment Agency (2018), *The current situation of foreign investment in 2018,* Available*:* https://dautunuocngoai.gov.vn/detail/6109/tinh-hinh-thu-hut-dau-tu-nuoc-ngoai-nam-2018 [Accessed 5 September 2020].

Foreign Investment Agency (2020a), *The current situation of foreign investment in 2019,* Available: https://dautunuocngoai.gov.vn/detail/6318/tinh-hinh-thu-hut-dau-tu-nuoc-ngoai-nam-2019[Accessed 5 September 2020].

Foreign Investment Agency (2020b), *The current situation of foreign investment in the first 3 months of 2020,* Available: https://dautunuocngoai.gov.vn/tinbai/6344/Tinh-hinh-Dau-tu-nuoc-ngoai-3-thang-dau-nam-2020, [Accessed 10 September 2020].

Foreign Investment Agency (2020c), *The current situation of foreign investment in the first 7 months of 2020,,* Available: https://dautunuocngoai.gov.vn/tinbai/6374/Tinh-hinh-thu-hut-dau-tu-nuoc-ngoai-7-thang-dau-nam-2020 [Accessed 10 September 2020].

Foreign Investment Agency (2020d), *The current situation of foreign investment in the first 8 months of 2020,,* Available: https://dautunuocngoai.gov.vn/tinbai/6374/Tinh-hinh-thu-hut-dau-tu-nuoc-ngoai-7-thang-dau-nam-2020 [Accessed 10 September 2020].

IMF (2020), *World economic outlook update – June 2020: A crisis like no other, an uncertain recovery*, International Monetary Fund, Washington, D.C,. the US.

OECD (2020), *OECD Policy respones to Coronavirus (Covid-19): Foreign direct investment flows in the time of Covid-19*, Organization for Economic Cooperation Development, Paris, France.

Thomson, L. (2020), *The Great Lockdown: Worst Economic Downturn Since the Great Depression*, Available: https://www.imf.org/en/News/Articles/2020/03/23/pr2098-imf-managing-director-statement-following-a-g20-ministerial-call-on-the-coronavirus-emergency [Accessed 5 September 2020].

Thuy An (2020), "Many countries are in shock when 15 Japanese enterprises choose Vietnam", *VTV News* 24/7/2020, Available: https://vtv.vn/kinh-te/nhieu-nuoc-lan-can-soc-khi-15-doanh-nghiep-nhat-chon-viet-nam-20200724070811522.htm [Accessed 20 August 2020].

UNCTAD (2020), *World investment report 2020: International production beyond the pandemic*. United Nations Conference on Trade and Development, New York, the US.

Vietnam's General Customs (2020), *The current situation of Vietnam's imports and exports in December and 12 months of 2019, Truy cập từ: https://www.customs.gov.vn/Lists/ThongKeHaiQuan/ViewDetails.aspx?ID=1734&Category=Ph%,* truy cập ngày 10/9/2020