VIETNAM'S FDI ATTRACTION PERFORMANCE DURING 2020–2025: LESSONS LEARNED, POLICY IMPLICATIONS, AND RECOMMENDATIONS FOR EMERGING ECONOMIES

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Abstract
The period 2020–2025 was marked by considerable volatility in global foreign direct investment (FDI), driven by the COVID-19 pandemic, supply chain disruptions, geopolitical competition, and the restructuring of international production networks. Against this backdrop, Vietnam continued to maintain relatively strong FDI attractiveness, with total registered FDI of approximately USD 203.44 billion and disbursed FDI of USD 138.27 billion; disbursed FDI increased from USD 19.98 billion in 2020 to USD 27.62 billion in 2025. The study employs a qualitative approach, combining descriptive statistics, longitudinal comparison, literature synthesis, and policy analysis, drawing on official data from Vietnamese authorities and international organizations. The findings indicate that the resilience of FDI in Vietnam is reflected most clearly in the relatively steady increase in disbursed capital. Nevertheless, the quality of FDI continues to face significant constraints, particularly with respect to linkages with domestic enterprises, technology transfer, research and development (R&D), and domestic value added. The study finds that Vietnam's FDI advantages are shifting from a predominantly low-cost proposition toward a broader combination of institutional stability, geoeconomic location, trade integration, infrastructure, and an increasingly established production ecosystem. However, these advantages do not automatically translate into technological upgrading. The authors argue that Vietnam needs to move from a quantity-oriented approach to FDI attraction toward a quality- and linkage-oriented strategy, with investment incentives tied to R&D, human capital development, supplier development, innovation, and the green transition. These findings offer policy implications of practical relevance to emerging economies.

Keywords: *FDI; Vietnam; emerging economies; global value chains; technology transfer; investment policy; high-quality FDI.*

1. INTRODUCTION
Foreign direct investment (FDI) has long been regarded as one of the key resources underpinning industrialization and international integration in developing economies. Yet the mere attraction of a large volume of capital has never meant that the recipient economy will automatically obtain commensurate gains in technology, productivity, managerial capabilities, and value added. These benefits depend on the quality of investment projects, investor characteristics, industry structure, the absorptive capacity of domestic firms, and the institutional quality of the host economy.

For Vietnam, FDI has played a particularly important role in the transition from an agrarian economy toward an export-oriented manufacturing economy. Following its accession to the World Trade Organization (WTO), increasingly deep participation in a network of free trade agreements, and emergence as an important link in Asian value chains, Vietnam has developed a relatively deep and broad-based FDI foundation. The 2020–2025 period constituted an important test of this foundation.

In 2020, the COVID-19 pandemic triggered a sharp contraction in global investment activity. Registered FDI in Vietnam fell to USD 28.53 billion, approximately 25% lower than in 2019, while disbursed FDI declined by only around 2%, to USD 19.98 billion. This divergence is significant. It suggests that although new investment decisions were postponed, existing investors continued to maintain production and disburse committed capital.

In 2021, registered FDI recovered to USD 31.15 billion, an increase of 9.2%, although disbursed FDI edged down to USD 19.74 billion. In 2022, registered FDI declined to USD 27.72 billion, whereas disbursed FDI increased to USD 22.4 billion. From 2023 onward, FDI entered a clearly discernible recovery phase: registered FDI reached USD 39.39 billion at year-end, followed by USD 38.23 billion in 2024 and USD 38.42 billion in 2025; disbursed FDI amounted to USD 23.18 billion, USD 25.35 billion, and USD 27.62 billion, respectively.

Thus, if one looks only at registered capital, the 2020–2025 period can be characterized as a story of FDI "recovery and stability." Viewed through the lens of disbursed capital, however, the story is more substantive: Vietnam has increasingly become a location where FDI enterprises actually produce, rather than merely register projects. This observation provides the starting point for the present study.

1.1. Research Gap

Previous studies on FDI in Vietnam can broadly be classified into three main strands. The first focuses on the relationship between FDI and economic growth. Using provincial-level data for the period 1996–2005, Anwar and Nguyen (2010) demonstrate the existence of a bidirectional relationship between FDI and economic growth, while emphasizing the roles of education, financial market development, and the reduction of technological gaps.

The second strand examines the productivity of domestic firms. Javorcik (2004) highlights the important role of backward linkages between FDI enterprises and domestic suppliers. Subsequent studies on Vietnam indicate that spillover effects are heterogeneous. Ni et al. (2017) find that the presence of Asian firms in downstream industries is positively associated with the productivity of Vietnamese firms in supplying industries, whereas the effects of European and North American firms are weaker. Ni and Kato (2020) further demonstrate that vertical spillovers depend on investor productivity.

The third strand of research has increasingly examined institutions, human capital, finance, and trade openness as conditions determining the extent to which FDI can be transformed into economic growth. Dang (2013) demonstrates that FDI can contribute to improving institutional quality across Vietnamese localities. Dang, Nguyen, and Borz (2021) extend this line of inquiry to the determinants of FDI attractiveness in ASEAN, while Nguyen et al. (2022) emphasize the relationship between trade openness, FDI, and economic growth in Vietnam.

Nevertheless, an important gap remains.

The existing literature has predominantly examined individual factors or specific mechanisms, whereas relatively few studies have provided an integrated qualitative assessment of the 2020–2025 period as a distinctive "policy stress test," during which Vietnam had to respond simultaneously to the pandemic, supply chain disruptions, the restructuring of international investment, competition for FDI within ASEAN, changes in international tax policies, and the shift toward green, digital, and high-technology FDI.

More importantly, the gap is not simply a matter of asking how much FDI Vietnam has attracted. The more policy-relevant question is: Why was Vietnam able to maintain and relatively rapidly recover FDI after the pandemic, and which elements of this model can genuinely be transferred to other emerging economies? This study addresses that gap.

1.2. Novelty and Contributions of the Study

The study makes four main contributions. First, it conceptualizes the 2020–2025 period as a policy cycle shaped by major external shocks, rather than merely dividing the data into individual years.

Second, the study distinguishes between registered FDI and disbursed FDI, thereby advancing an important argument: the resilience of Vietnam's FDI performance is more clearly reflected in disbursed capital than in registered capital.

Third, the study proposes a "three-layer FDI resilience" framework comprising: (i) macroeconomic and institutional stability; (ii) trade and supply-chain connectivity; and (iii) domestic absorptive capacity.

Fourth, rather than simply recommending that Vietnam attract more FDI, the study shifts the policy focus toward attracting FDI capable of generating domestic

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linkages, technology, skills, and value added. This direction is also consistent with the emphasis placed by the OECD in its latest assessment of Vietnam. The OECD argues that Vietnam's next stage of development should place greater emphasis on FDI quality, productivity, knowledge transfer, domestic supplier development, skills, and the green transition.

2. LITERATURE REVIEW

2.1. FDI and Economic Growth: Benefits Are Not Automatic

Traditional economic theory views FDI as a means of augmenting the capital stock of the recipient economy. Modern approaches, however, take a broader view: FDI may be accompanied by technology, managerial expertise, production standards, market networks, and the capacity to participate in global value chains.

Borensztein, De Gregorio, and Lee (1998) argue that FDI can generate stronger growth effects than domestic investment, but such effects emerge only when the host economy possesses a sufficiently developed stock of human capital.

This point is particularly important for emerging economies. Where absorptive capacity is weak, FDI may create a modern sector alongside a relatively underdeveloped domestic business sector without generating deep linkages between the two.

2.2. Spillover Effects and Linkages with Domestic Enterprises

Javorcik (2004) demonstrates that spillover effects do not necessarily arise most strongly within the same industry; rather, they may operate through input linkages, particularly the relationships between FDI enterprises and domestic suppliers.

For Vietnam, the empirical evidence is particularly revealing. Ni et al. (2017) find that the origin of FDI matters: Asian FDI generates stronger positive vertical spillovers in certain circumstances, particularly investment originating from China and Taiwan.

Ni and Kato (2020) further show that FDI enterprises with medium levels of productivity may generate stronger spillover effects than firms with either extremely high or extremely low productivity.

This points to an important policy lesson: not all FDI carries the same economic value.

2.3. Institutions and the Investment Environment

Dang (2013) demonstrates a positive relationship between FDI and institutional quality across Vietnamese provinces. Research on ASEAN-7 by Dang, Nguyen, and Borz (2021) further shows that FDI attractiveness is associated with institutional quality, the tax burden, and macroeconomic conditions.

A more recent study of FDI across Vietnamese localities likewise finds a positive association between the Provincial Competitiveness Index (PCI) and FDI, although the effect may become more complex once spatial interactions are taken into account.

Accordingly, competition among local governments may improve the effectiveness of investment promotion, but it may also give rise to competition over investment incentives in the absence of effective coordination mechanisms.

2.4. Trade and FDI

Vietnam's FDI performance cannot be separated from its degree of trade openness. Nguyen et al. (2022) find a positive long-run relationship between FDI and economic growth in Vietnam, while FDI, exports, and imports exhibit bidirectional causal relationships over both the short and long run.

This helps explain why Vietnam's network of free trade agreements (FTAs) has become an important asset in FDI competition. Vietnam offers investors not only a domestic market of more than 100 million people, but also a production platform oriented toward international markets.

3. RESEARCH METHODOLOGY

3.1. Research Design

The study adopts a qualitative approach combining descriptive statistics, analysis of temporal trends, before–during–after comparisons surrounding the COVID-19 pandemic, analysis of FDI composition by sector, investment partner, and location, policy analysis, and cross-validation against international evidence. Rather than estimating causal relationships through econometric models, the study focuses on developing policy-oriented interpretations grounded in the convergence of statistical data, empirical research, and institutional changes.

3.2. Data Sources

Data were collected from the General Statistics Office/National Statistics Office of Vietnam (NSO), the Ministry of Planning and Investment, the Foreign Investment Agency (FIA), the Government Portal, relevant legal documents, UNCTAD, the OECD, the World Bank, and international studies with DOI identifiers.

With respect to the legal framework, the study focuses on the Law on Investment No. 61/2020/QH14, Resolution No. 50-NQ/TW, Resolution No. 58/NQ-CP, and Decision No. 667/QD-TTg, together with other relevant policies implemented during the study period.

3.3. Principles for Data Treatment

The study distinguishes between registered FDI and disbursed FDI. Registered FDI reflects investment expectations and investment decisions, whereas disbursed FDI captures the extent to which investment commitments are translated into actual economic activity.

For 2023, the figure reported as of December 20 was approximately USD 36.6 billion, while the full-year figure was subsequently revised to USD 39.39 billion. The study uses USD 39.39 billion in the 2020–2025 series to ensure consistency in the temporal scope, while explicitly noting the difference in statistical reference dates.

4. RESEARCH FINDINGS

4.1. Vietnam's FDI Demonstrates Considerable Resilience

Table 1. *FDI Inflows into Vietnam, 2020–2025*

Year	Registered FDI (USD billion)	Disbursed FDI (USD billion)	Disbursed/Registered
2020	28,53	19,98	70,0%
2021	31,15	19,74	63,4%
2022	27,72	22,40	80,8%
2023	39,39	23,18	58,8%
2024	38,23	25,35	66,3%
2025	38,42	27,62	71,9%

Source: *Compiled from the General Statistics Office/National Statistics Office and the Ministry of Planning and Investment.*

Total registered FDI over the six-year period amounted to approximately USD 203.44 billion, while disbursed FDI reached USD 138.27 billion.

Disbursed FDI increased from USD 19.98 billion in 2020 to USD 27.62 billion in 2025, representing an increase of approximately 38.2%. The compound annual growth rate was approximately 6.7%.

This is a noteworthy outcome.

In 2020, the global economy was confronted with an unprecedented shock. Yet disbursed FDI in Vietnam declined by only around 2%. At the time, the Ministry of Planning and Investment assessed the continued operation and expansion of production by many FDI enterprises as a positive sign.

In 2022, although registered FDI declined sharply from the 2021 level, disbursed FDI increased by 13.5% to USD 22.4 billion.

In 2024, disbursed FDI reached USD 25.35 billion, an increase of 9.4% and the highest level recorded since 2020 at that time.

In 2025, disbursed FDI reached USD 27.62 billion, rising by 9% and setting a new high for the five-year cycle.

The study finds that this is a considerably more meaningful indicator than registered capital alone. An economy may announce large-scale investment projects, but if the disbursement rate remains low, its underlying attractiveness warrants further scrutiny. During this period, Vietnam demonstrated a relative strength in translating investment commitments into sustained production activity.

4.2. The Shift from Resilience to Recovery

The study period can be divided into three major phases.

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Phase 1: 2020–2021 – Resilience. The COVID-19 pandemic caused registered FDI to decline sharply in 2020. However, disbursed FDI fell only marginally. In 2021, registered FDI began to recover. This was a period characterized by FDI resilience.
Phase 2: 2022 – Restructuring. In 2022, registered FDI declined to USD 27.72 billion, while disbursed FDI increased to USD 22.4 billion.
The authors do not regard this as a paradox. Rather, it reflects the time lag between investment decisions and disbursement, while also indicating that existing projects were capable of maintaining production even when new investment decisions encountered difficulties.
Phase 3: 2023–2025 – Recovery and Upgrading. From 2023 onward, registered FDI returned to levels approaching USD 40 billion. It reached USD 38.23 billion in 2024 and USD 38.42 billion in 2025. More importantly, disbursed FDI increased continuously, from USD 23.18 billion in 2023 to USD 25.35 billion in 2024 and USD 27.62 billion in 2025.
The authors argue that this marked the point at which Vietnam's FDI model began to shift from "resilience" toward "repositioning."

4.3. Manufacturing Continues to Be the Main Pillar

Manufacturing continues to occupy a central position. In 2022, the sector accounted for 59.3% of cumulative registered FDI.
In 2024, newly registered FDI in manufacturing reached approximately USD 13.44 billion, equivalent to 68.1% of total newly registered capital.
In 2025, manufacturing remained the leading sector, with USD 9.8 billion in newly registered FDI, equivalent to 56.5%; real estate ranked second, with USD 3.67 billion, or 21.2%. This indicates that Vietnam has established a relatively clear comparative advantage in production- and export-oriented FDI.
Yet this very success also gives rise to a paradox.
On the one hand, a strong concentration in manufacturing enables Vietnam to create jobs, expand exports, and participate rapidly in global value chains. On the other hand, if most activities remain concentrated in contract manufacturing, assembly, and other low-value-added stages, FDI may serve as an "engine of growth" without becoming an "engine of technological upgrading."
This is a point to which the OECD paid particular attention in its 2026 assessment: the current FDI model remains significantly dependent on low-value-added manufacturing. Although foreign-owned enterprises are more productive in many sectors, their strong concentration in low-value-added activities means that aggregate productivity in the FDI sector continues to raise concerns regarding structural quality.

Table 2. *FDI Structure by Major Sectors in Vietnam*

Indicator	2022 – Cumulative	2024 – Newly Registered FDI	2025 – Newly Registered FDI
Total FDI capital for the period/indicator (USD billion)	438.69*	19.73	17.32
Manufacturing	59.3%*	68.1%	56.5%
Real estate business	15.1%*	18.8%	21.2%
Other sectors	25.6%*	13.1%	22.3%

Source: *Foreign Investment Agency, Ministry of Planning and Investment; General Statistics Office/National Statistics Office of Vietnam.*

Table 2 demonstrates the persistence of Vietnam's manufacturing advantage within its FDI structure, while also revealing a considerable concentration in manufacturing. In 2022, the sector accounted for 59.3% of cumulative registered FDI; by 2024 and 2025, manufacturing remained the leading destination for newly registered capital, accounting for 68.1% and 56.5%, respectively. This structure clearly reflects

Vietnam's comparative advantage in export-oriented production activities, while simultaneously highlighting the need to increase the share of activities characterized by greater value added, technological intensity, and R&D capabilities.

4.4. Investor Structure: Asia Continues to Dominate

The study period was characterized by a pronounced presence of Asian investors in Vietnam's FDI landscape.

In 2021, Singapore ranked first, with more than USD 10.7 billion, accounting for 34.4%; South Korea contributed approximately USD 5 billion, while Japan accounted for nearly USD 3.9 billion.

In 2022, Singapore remained the leading investor, with USD 6.46 billion, followed by South Korea with USD 4.88 billion and Japan with USD 4.78 billion.

In 2023, Singapore accounted for more than USD 6.8 billion, while Japan contributed approximately USD 6.57 billion.

In 2024, Singapore became the largest source of FDI, with USD 10.21 billion, followed by South Korea with nearly USD 7.06 billion.

In 2025, considering newly registered projects alone, Singapore ranked first with USD 4.84 billion, followed by China with USD 3.64 billion, Hong Kong with USD 1.73 billion, Japan with USD 1.62 billion, and Sweden with USD 1 billion.

This shift is noteworthy. The authors argue that Vietnam is moving toward a more distinctly multipolar Asian FDI structure. Whereas South Korea, Japan, and Singapore were particularly prominent in earlier periods, China, Hong Kong, and several European economies have assumed increasingly important roles in recent years.

This represents both an opportunity and a challenge.

The opportunity lies in Vietnam's ability to diversify its sources of capital. The challenge is to strengthen investment-screening capacity so as to ensure that new FDI is aligned with national objectives concerning technology, environmental sustainability, and economic security.

One of the most important findings of the study is the identification of a change in the underlying nature of Vietnam's FDI advantages. Previously, these advantages were primarily characterized by:

- relatively low-cost labor;
- political stability;
- competitive production costs;
- geographical location.

During 2020–2025, however, a new configuration of advantages emerged: stability + FTAs + supply chains + industrial infrastructure + production capabilities + geoeconomic positioning.

UNCTAD notes that ASEAN has continued to demonstrate strong resilience as an FDI destination; FDI inflows into ASEAN reached a record USD 230 billion in 2023, even as global investment flows declined.

Within this environment, Vietnam has benefited from the diversification of supply chains. Yet this advantage is not permanent.

UNCTAD warns that global FDI is becoming increasingly concentrated in strategic industries, high technology, artificial intelligence, semiconductors, energy, and digital infrastructure. In 2025, strategic industries accounted for approximately 44% of the value of global greenfield projects, representing a substantial increase compared with 2020. Accordingly, the "China+1" advantage will be difficult to sustain if it rests primarily on low costs.

4.5. FDI and Exports: A Major Success, but Also a Vulnerability

The FDI sector plays a very substantial role in Vietnam's exports. In 2025, FDI enterprises accounted for approximately 77.3% of total merchandise exports, equivalent to USD 367.09 billion. This represents a clear success of Vietnam's export-oriented FDI model. However, in the authors' view, this share also reveals the considerable dependence of national export capacity on FDI enterprises.

Without strengthening the capabilities of domestic firms, Vietnam risks reaching a situation in which FDI enterprises lead exports while domestic enterprises lag behind in technology. This is precisely the issue that earlier spillover studies have highlighted.

Nguyen et al. (2020) find that horizontal spillover effects can be negative in certain circumstances, whereas backward spillovers tend to exert more positive effects. From a policy perspective, this implies that supply-chain linkages matter more than simply increasing the number of FDI enterprises.

Table 3. *The Role of the FDI Sector in Exports and Workforce Training in Vietnam*

Indicator	2023	2024	2025
Total merchandise exports (USD billion)	—	405.53	475.04
Exports by the FDI sector (USD billion)	258.80	290.94	367.09
Share of exports accounted for by the FDI sector	73.1%	71.7%	77.3%
Share of FDI enterprises providing training opportunities	—	—	≈20%
ASEAN comparison	—	—	42%
OECD comparison	—	—	58%

Source: *General Statistics Office/National Statistics Office of Vietnam; OECD (2026), FDI Qualities Review of Viet Nam: Powering the Next Growth Phase.*

Table 3 reveals both a major strength and a significant vulnerability of Vietnam's FDI model. The FDI sector has consistently accounted for more than 70% of merchandise exports, reaching 77.3% in 2025, underscoring the deep integration of FDI enterprises into international production and trade networks. However, the extent of spillovers to the domestic economy remains disproportionate to this contribution. OECD (2026) reports that only around 20% of FDI enterprises in Vietnam provide training opportunities, substantially below the corresponding shares of 42% in ASEAN and 58% in OECD economies. This reinforces the argument that Vietnam's current challenge is no longer simply to sustain FDI inflows, but to strengthen its capacity to translate FDI into productivity gains, skills, technology, and capabilities among domestic enterprises.

4.6. FDI Policy Has Shifted from "Incentives" to "Selectivity"

Vietnam has not remained passive in the face of changes in the FDI environment. Resolution No. 50-NQ/TW established the objective of improving the quality and effectiveness of FDI cooperation; Resolution No. 58/NQ-CP in 2020 translated this objective into a concrete action programme; and Decision No. 667/QD-TTg in 2022 approved the Strategy for Foreign Investment Cooperation for 2021–2030. Decision No. 308/QD-TTg in 2023 subsequently incorporated the strategy into an action plan.

In particular, the 2020 Law on Investment, which came into force in 2021, established a new legal foundation for investment activities. From 2024 onward, a new variable entered the equation: the Global Minimum Tax.

Vietnam's National Assembly adopted Resolution No. 110/2023/QH15 on the application of top-up corporate income tax under the global anti-base erosion rules, while also endorsing the establishment of an Investment Support Fund financed from the resulting revenues to support strategic investors and priority sectors.

In the authors' view, this represents a pivotal shift. In a world where traditional tax incentives are constrained by the Global Minimum Tax, Vietnam can no longer compete primarily through "tax exemptions and reductions." Instead, it needs to compete through:

- infrastructure;
- human capital;
- R&D;
- logistics quality;
- reliable electricity supply;
- administrative efficiency;
- supplier ecosystems;
- public services;
- institutional quality.

4.7. Semiconductors: A Clear Example of Strategic Transformation

On September 21, 2024, the Prime Minister issued Decision No. 1018/QD-TTg approving the Strategy for the Development of Vietnam's Semiconductor Industry to 2030, with a Vision to 2050. The strategy adopts the formula "C = SET + 1," under which Vietnam seeks to become a new, secure destination within global semiconductor supply chains.

For the 2024–2030 period, the strategy sets targets of establishing at least 100 semiconductor design companies, one small-scale chip fabrication plant, and 10 assembly and testing facilities, while developing a workforce of more than 50,000 engineers and bachelor's-level graduates. This provides a clear illustration of the changing policy mindset: the question is no longer simply "Will investors come to Vietnam?" but rather "Which stage of the value chain will investment in Vietnam enable the country to advance to?" This is precisely the question that other emerging economies need to ask.

5. DISCUSSION

The study shows that Vietnam has maintained its FDI attractiveness during a period of exceptional uncertainty through a combination of several fundamental factors. First and foremost are political stability and macroeconomic policy stability—factors of particular importance for long-term investment decisions, as investors consider not only current costs but also the predictability of the business environment over a 10–20-year horizon. In addition, deep trade integration through an extensive network of FTAs has enabled investors to use Vietnam not merely as a consumer market but also as an export-oriented production base. Vietnam's favorable geoeconomic position—at the heart of East Asian supply chains, in close proximity to China, while maintaining deep trade relations with the United States, the European Union, Japan, and South Korea—further reinforces this advantage. The ability to sustain production during the pandemic, reflected in the approximately 2% decline in disbursed FDI in 2020, demonstrates the considerable resilience of the existing production base. At the same time, Vietnam has developed a sufficiently extensive system of industrial parks, FDI enterprises, and supplier networks, meaning that new investors are not entering an "empty" economy but rather an established ecosystem in which companies such as Samsung, LG, Intel, Foxconn, and numerous international suppliers are already present. Finally, FDI policy is gradually shifting toward more selective attraction, as reflected in the semiconductor development strategy, investment support policies, and Vietnam's response to the Global Minimum Tax.

However, success in attracting FDI does not necessarily translate into success in technology transfer or spillover generation. Empirical evidence indicates that FDI spillovers in Vietnam do not arise automatically, largely because of three structural constraints: a technology gap, whereby domestic firms remain too weak to absorb technologies from multinational enterprises (MNEs); limited supplier linkages, as FDI enterprises may continue to source most components from global supply networks rather than from Vietnamese firms; and weak absorptive capacity, including deficiencies in human capital, R&D capabilities, and managerial capacity. This is consistent with the argument advanced by Borensztein et al. (1998) and subsequent research on the role of human capital in determining the capacity of host economies to generate FDI spillovers. Accordingly, attracting large volumes of FDI, in itself, does not guarantee that the domestic economy will fully capture the associated benefits in technology, productivity, and knowledge.

Another noteworthy finding is that "good FDI" does not necessarily mean the most technologically advanced FDI. FDI policy should not be built on the simplistic assumption that the higher the technology level, the better the investment. The study by Ni and Kato (2020) suggests that FDI enterprises with intermediate levels of productivity may generate stronger spillover effects. One plausible explanation is that highly advanced firms may operate through relatively closed global supply chains, whereas very weak firms may lack sufficient technological capabilities to generate meaningful spillovers. Firms in the intermediate range, by contrast, may possess both the incentives and the capacity to establish linkages with domestic suppliers. Vietnam should therefore select FDI not merely on the basis of capital scale or the "high-tech" label, but, more importantly, according to its capacity to build ecosystems, establish linkages, and strengthen the capabilities of the domestic economy.

These findings point to an important shift in policy thinking: from "FDI attraction" to "FDI orchestration." Under the traditional model, the State primarily undertakes investment promotion, licensing, and the provision of incentives. Under the emerging model, its role needs to expand to identifying strategic industries,

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selecting suitable investors, connecting MNEs with domestic enterprises, encouraging workforce training and supplier development, monitoring R&D activities, assessing impacts, and supporting the expansion of effective projects. This approach is closely aligned with the OECD's orientation toward high-quality FDI, under which FDI performance is assessed not only by the scale of capital inflows but also by its capacity to generate productivity gains and innovation, improve skills and job quality, promote gender equality, and advance the green and digital transitions. Accordingly, the policy objective is no longer simply to attract more FDI, but to orchestrate FDI and enhance the value it creates for the Vietnamese economy.

6. LESSONS LEARNED FOR EMERGING ECONOMIES

Lesson 1. Long-term FDI competition should not be based on low costs. Low-cost labor may provide an initial advantage, but it is not a sustainable one. As wages rise, FDI will relocate if productivity does not increase accordingly. Emerging economies therefore need to pursue a strategic progression from *low-cost* to *efficient-cost* and ultimately to *high-capability*.

Lesson 2. FTAs can serve as an instrument for attracting FDI. FDI and trade should not be planned as two separate policy domains. Emerging economies need to view FTAs as an integral component of an *investment platform strategy*.

Investors need to know: "If I produce in this country, which markets can I access?" This is one of Vietnam's most distinctive advantages.

Lesson 3. A supplier development policy is essential.

This is perhaps the most important lesson. Without sufficiently capable domestic firms, FDI may create an "island of modern production" within the host economy. Accordingly, policy support should encompass:

- certification assistance;
- access to credit;
- technology support;
- training;
- quality standards;
- MNE–SME linkages; and
- supplier databases.

Lesson 4. Tax incentives should not be used as the sole instrument of competition. The Global Minimum Tax has weakened the advantages traditionally associated with tax incentives. Emerging economies therefore need to shift toward investment incentives linked to actual investment expenditure and performance, particularly in:

- R&D;
- training;
- technology transfer;
- innovation;
- green investment; and
- supplier development.

This is also consistent with the direction recommended by the OECD for Vietnam.

Lesson 5. Countries need to develop national investment intelligence. A country cannot pursue selective FDI attraction effectively unless it knows:

- who is investing;
- what investors are looking for;
- which supply chains are relocating;
- which industries have growth potential;
- which technologies need to be attracted; and
- which domestic firms are capable of establishing linkages.

Accordingly, emerging economies need to develop a national-level Investment Information and Analytics Platform.

7. POLICY IMPLICATIONS FOR VIETNAM

7.1. Shift from capital-based incentives to performance-based incentives

The authors argue that Vietnam should adopt a "pay-for-performance" mechanism. Rather than granting incentives primarily because an enterprise registers a large-scale project, additional incentives could be linked to:

- the number of high-skilled workers employed;
- R&D expenditure;
- the number of Vietnamese firms developed into suppliers;
- the value of domestic procurement;
- the number of training hours provided;
- patents; and
- the share of clean energy used.

7.2. Establish a national program for FDI–Vietnamese enterprise linkages

Vietnam needs a dedicated program with a specific budget and measurable performance indicators. The objective should not be to "increase the number of meetings." Rather, the key question should be: how many Vietnamese firms have become Tier-1 or Tier-2 suppliers to MNEs? This is a far more substantive indicator.

7.3. Build a human-capital ecosystem for next-generation FDI

Future FDI is likely to be increasingly concentrated in:

- semiconductors;
- AI;
- data centers;
- electronics;
- renewable energy;
- logistics;
- digital finance; and
- business services.

The OECD finds that only around 20% of FDI enterprises in Vietnam provide training, although this proportion is approximately twice that among domestic enterprises. Accordingly, policy should require or incentivize strategic projects to participate in workforce development and training.

7.4. Develop green FDI

Green FDI should not be understood merely as investment in renewable energy projects. The concept should be extended to:

- low-carbon manufacturing;
- new materials;
- green logistics;
- the circular economy;
- waste-treatment technologies; and
- energy-efficiency technologies.

An international study shows that the environmental effects of FDI vary across investment modes; greenfield FDI is not inherently "greener" than M&A. Vietnam therefore needs to assess actual environmental outcomes rather than relying solely on the label attached to an investment project.

8. RECOMMENDATIONS FOR EMERGING ECONOMIES

Drawing on the Vietnamese experience, the authors propose a six-pillar policy framework—the 6Ps:

1. Political stability: Without stability, it is impossible to build a long-term FDI strategy.
2. Market-access platform: FTAs and logistics should be treated as integral components of the FDI strategy.
3. Production ecosystem: The objective should not be merely to attract a large factory, but to attract the entire network of suppliers surrounding it.
4. People: High-quality FDI requires high-quality human capital.
5. Productivity linkages: The ultimate objective is to raise productivity among domestic enterprises.
6. Policy reliability: Investors may accept somewhat higher taxes, but they are unlikely to accept abrupt policy changes and inconsistent administrative procedures.

9. CONCLUSION

The 2020–2025 period was one of the most consequential periods for FDI in Vietnam since the global financial crisis. Viewed solely through the headline figures, the story appears relatively straightforward: registered FDI declined during the pandemic, subsequently recovered, and disbursed FDI reached a record high in 2025. The findings of this study, however, point to a deeper story. Vietnam has demonstrated the resilience of its FDI model in the face of major disruptions, but this cannot yet be taken as evidence that the challenge of improving FDI quality has been fully resolved.

Three achievements stand out during 2020–2025. First, Vietnam maintained the stability of disbursed FDI during a period of unprecedented uncertainty. Second, it leveraged supply-chain restructuring and its geoeconomic position to consolidate its role in Asian production networks. Third, it gradually shifted from broad-based FDI attraction toward more selective investment, as reflected in the 2021–2030 FDI Strategy, policy responses to the Global Minimum Tax, and the semiconductor development strategy.

Nevertheless, structural constraints remain pronounced. FDI continues to be heavily concentrated in manufacturing; the FDI sector accounts for a dominant share of exports; linkages with domestic enterprises remain disproportionate to the scale of FDI inflows; and R&D capacity, human-capital quality, and technological absorptive capacity continue to constitute major bottlenecks. Recent OECD assessments likewise suggest that Vietnam's next stage of development should not be defined simply by *more FDI*, but by *better FDI*—investment capable of generating productivity gains, skills, innovation, stronger business linkages, and progress toward the green transition.

In the authors' view, this represents a turning point in Vietnam's FDI thinking and policy. If the 1990–2010 period can be characterized as an era of "capital attraction," and 2010–2020 as an era of "value-chain integration," then the post-2020 period needs to become an era of "upgrading value from FDI." For emerging economies, the central lesson from Vietnam is not simply to lower taxes in order to attract FDI, but to build an economy in which investors choose to locate not merely because costs are low, but because they can produce more efficiently, establish deeper linkages, innovate more rapidly, and access broader markets. This is the true foundation of a sustainable FDI strategy.

10. RESEARCH LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

This study adopts a qualitative approach based primarily on secondary data and therefore does not permit causal relationships to be established between individual policies and FDI flows. In addition, registered FDI may include large-scale projects with substantially different disbursement schedules, while the use of end-of-period data may also be affected by statistical revisions. The findings should therefore be further validated using more granular data at the provincial and firm levels.

Future research could focus on quantifying the impact of the Global Minimum Tax on FDI decisions; examining the effects of FDI on the productivity of Vietnamese enterprises and the role of the Provincial Competitiveness Index (PCI); evaluating the effectiveness of supplier development policies and the impact of high-tech FDI; and analyzing differences in the economic effects of FDI originating from China, South Korea, Japan, Singapore, the EU, and the United States. Another important avenue is to investigate the effects of FDI on the green transition and carbon emissions, thereby providing a more comprehensive assessment of the quality and sustainability of FDI in Vietnam.

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CONFLICT OF INTEREST

The authors declare that they have no financial or non-financial conflicts of interest that could have influenced the design, analysis, or conclusions of this study.

DATA AVAILABILITY STATEMENT

The data used in this study consist primarily of publicly available secondary data published by Vietnamese government agencies and international organizations.

USE OF ARTIFICIAL INTELLIGENCE

In preparing this manuscript, the authors used an AI tool (ChatGPT) to assist with literature searches, language editing, and the formatting of the manuscript and figures. AI was not involved in developing the scientific content, analyzing the data, or drawing the conclusions of the study.

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