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Enhanced Efficiency Attracting Many International Company Investment in Viet Nam

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Abstract
Vietnam is considered one of the countries with rapid economic growth in the region and the world. In recent times, the attraction of multinational companies has had great achievements, being awarded foreign investment to become members of an important part of the economy, actively contributing to the cause of economic development. - the country's society. Multinational companies in Vietnam have contributed to creating jobs and increasing income for workers; improve production level and capacity; increase state budget revenue, stabilize the macroeconomy; Providing basic economic services, innovating growth models; Enhance Vietnam's position and reputation in the international arena. However, in recent times, attracting multinational companies to invest in our country has had many limitations.
In the coming period, Vietnam's strategy to attract foreign investment capital will continue the trend of shifting from attracting at all costs to selectively attracting to increase national production capacity and spillover between regions. foreign direct investment (FDI) with the domestic economic sector; Limit FDI projects that negatively impact the environment or use outdated machinery and equipment that consume resources and energy; taking advantage of low-cost, low-skilled labor that creates little added value, low science and technology content... Besides, in the face of the shifting trend of FDI capital flows, as well as countries in the region are stepping up to attract high-quality FDI capital flows from multinational corporations and companies, Vietnam also needs to issue appropriate policies to welcome this wave of migration.
Based on the assessment of the current situation of multinational companies investing in Vietnam, the article proposes some solutions to improve efficiency in attracting multinational companies in the future.

Keywords: Multinational Company, Attract, Limit

1. Introduction

Supported by competitive labor costs, preferential tax and investment policies, along with a strategic geographical location, Vietnam is becoming one of the ideal destinations for multinational companies. Vietnam is becoming one of the destinations for multinational companies, playing an important role in the global supply chain. Foreign experts have determined that Vietnam will continue to promote its role as a cost production center thanks to the further expansion of existing main industries. The infrastructure project will create favorable conditions for convenient transportation connecting industrial parks with seaboards.
The world has shifted to production according to the global value chain, no one is strong like before. Each chain usually has the participation of one or a few corporations, which play a role in determining the parameters of other companies. Therefore, if Vietnam wants to have that value chain, it must invite corporations to invest in Vietnam and by all means let them connect with domestic businesses.
Currently, Vietnam is attracting great attention to multinational corporations. In the coming time, the issue is the need for appropriate policies to attract and effectively exploit this capital source, contributing to growth and modernization of the economy.

2. Theoretical basis for multinational companies

2.1 Multinational company concept

According to the United Nations, a multinational company, often abbreviated as MNC (Multinational Corporation), is a company involved in the production and sale of products or services in many countries. It initially consists of a home-based parent company and at least five or six overseas subsidiaries, with a particularly high degree of strategic and mutually supportive cooperation among its subsidiaries. Large multinational companies have budgets that exceed those of many countries. These companies can have a major influence on international relations and play an important role in the process of globalization. Some multinational companies have up to 100 foreign subsidiaries around the world, with at least 35,000 subsidiaries in the world that can be considered multinational companies [3].

2.2 Classification of multinational companies

Multinational companies can be classified into three large groups according to the structure of their production facilities:

- A "horizontal" multinational that produces the same or similar products in different countries (e.g., McDonalds).
- A “vertical” multinational has production facilities in certain countries, producing products that are inputs to its production in other countries (e.g., Adidas).
- "Multidimensional" multinationals have production facilities in different countries with which they cooperate both horizontally and vertically (e.g., Microsoft).

2.3 Characteristics of multinational companies

(i) Scope of operations spreads across many countries

Whether pursuing a strategy of foreign entry or global expansion, what characterizes a multinational company is the size and scope of its asset allocation. The very existence of multinational companies rests on the ease with which certain factors of production move between countries. Instead of having to limit the search for factory locations domestically, a multinational company asked: where in the world should we locate a factory? Similarly, the marketing management department looks for international, not domestic, markets to penetrate, and the financial management department does not limit its search for capital or investment opportunities to any one market. any national finances. Therefore, the key factor that differentiates multinational companies is that they seek to outsource, execute, and collaborate on manufacturing, marketing, R&D, and financing opportunities on a global rather than domestic basis. For example, IBM's superconductor project was initiated in Switzerland by a German scientist and a Swedish scientist who both received the same Nobel Prize in physics for their work on the project.

(ii) Different multinational companies have different development drivers

Because of the cost advantages that can be realized from manufacturing abroad or the income opportunities that can arise from foreign market demand, the growth potential becomes greater for companies interested in international business activities. International investments have grown strongly over time, driven by a combination of factors: the removal or reduction of barriers to foreign investment; transportation and information costs plummeted; international and domestic capital markets operate more freely, in which companies can raise huge sums of capital, currency and other risks are insurable. However, not all multinational companies have the same answer to the question of why they attack international markets. In fact, they seek very different opportunities.

2.4 Evaluate the advantages and disadvantages of multinational companies

(i) Advantages:

First, minimize operating costs

Companies tend to establish operations in markets where their capital is most efficient or wages are lowest. Companies can create and provide the best services and meet market needs in another country by establishing factories and offices there without paying additional taxes related to imports, transportation costs,…

Companies try to establish operations in places where capital works best or where labor costs are low to maximize earnings and reduce production costs. By producing the same quality of goods at lower costs, multinational companies reduce prices and increase the purchasing power of consumers around the world.

Additionally, companies can locate their headquarters in one country with lower taxes and operate in others to reduce overall tax rates. Establishing operations in many different countries, a multinational company can take advantage of tax changes by officially placing its business in a low-tax country - even while operating Its conducted elsewhere.

Second, create conditions to increase revenue

By expanding its markets, the company can increase revenue without incurring higher costs due to shipping goods worldwide.

Third, other benefits

Other benefits include increasing the company's tax revenue potential and increasing the variety of goods, promoting job growth in local economies, and transferring knowledge and experience.

Domestic workers who work at foreign companies and accumulate a lot of experience can leave the company after about 5 years of work to open their own company and become a supply partner of the foreign company they work for. worked for or were competitors of these companies. If they do not establish their own company, they will bring their experience working at large companies to work for domestic companies with better salaries and more incentives.

(ii) Disadvantages:

First, form a monopoly mechanism

The establishment and expansion of multinational corporations (MNCs) is a mechanism for companies to develop monopolies (for specific products), increasing consumer costs, limiting competition and hindering competition. innovation. MNCs are also seen as having negative environmental consequences and draining local (natural) resources.

The entry of multinational corporations into the host country's economy can lead to the failure of smaller local businesses. At the same time, many international companies are violating ethical rules, leading to unfair competition...

Second, other limitations

Multinational companies have a detrimental impact on the environment because their activities can encourage land

development and deplete local (natural) resources.
Besides, multinational companies operating in the host country can also lead to the collapse of smaller local businesses.

3. Research methods

The article uses qualitative research methods including two basic methods: data collection, synthesis and analysis and evaluation. Based on the synthesis of data related to the current situation of attracting multinational companies to invest in Vietnam, the article offers some solutions to improve the effectiveness of attracting multinational companies to invest in Vietnam. Vietnam in the near future.

4. Current status of multinational companies investing in Vietnam

According to the Ministry of Planning and Investment, by the end of April 2023, Vietnam had attracted 446 billion USD of foreign investment capital, of which nearly 280 billion USD had been disbursed [4]. Along with that, many multinational corporations with modern technology are expanding their investment in Vietnam, recording increasing quality and efficiency.

4.1 Advantages of multinational companies when investing in Vietnam

First, Vietnam has an open and stable investment environment
For many years, Vietnam has had an open and stable investment environment. It is an important factor for foreign investors to look at as they conduct internal assessments to determine the best location to invest in Asia-Pacific and gain credibility with investors. investment as well as affirming its leading position in attracting long-term foreign investment.

Second, the salaries foreign companies pay to workers in Vietnam are lower than those in the region and the world.
According to the Vietnam General Confederation of Labor, Vietnamese labor wages are only 7 million/month, 7 times lower than the world rate. The average monthly salary of Vietnamese workers is about 300 USD (about 7 million), much lower than that of workers in the region (1,992 USD) and the world (2,114 USD). Wages at factories in Vietnam are only half that of China, while the productivity of human resources in the two countries is similar [4].

Third, Vietnam has a favorable geographical location
Vietnam's strategic geographical position is located at the lifeblood of the regional economy where there are strong and dynamic economies; Being a bridge between the two maritime and continental economic regions of Southeast Asian and Asian countries has created favorable conditions for Vietnam to strengthen connectivity, promote cooperation and development in the region, especially Convenient for the production of high-tech products.

Fourth, Vietnam's tax policy makes it attractive to multinational companies
There are three main goals of Vietnam's global minimum tax policy: first, retain existing investors; Second, attractive enough to attract new investors; Finally, ensure fairness and equality between businesses of all economic sectors.
Being a member of more and more free trade agreements (FTAs) is considered a key strength of the business environment in Vietnam. As a factor in the ASEAN Economic Community (AEC), Vietnam has the opportunity to export all goods to countries in the community with zero tariffs.
Thus, thanks to a stable, open environment, competitive labor costs, preferential tax and investment policies, along with strategic geographical location, Vietnam is becoming one of the ideal destinations. ideas of multinational companies.

4.2 Difficulties of multinational companies when investing in Vietnam

Currently, Vietnam is on the path of economic integration with key capital sources coming from multinational companies. However, there are still some limitations that make it difficult for multinational companies to invest in Vietnam.

First, the infrastructure does not meet international standards
According to the Ministry of Planning and Investment, Vietnam has a relatively poor infrastructure system and public service quality compared to other countries in the region such as China, Thailand, Singapore, Indonesia and Malaysia... [4]. That has affected the decisions of multinational companies when investing in the Vietnamese market. Because in addition to the additional costs incurred due to having to transport production infrastructure to Vietnam, multinational companies also have to consider other factors such as legal regulations, business conditions, and geography. economy, local human resources, supply partners, etc. to transport, install, and build new infrastructure systems suitable for the business field.

Second, there is no appropriate mechanism to attract foreign workers to work in Vietnam
Currently, Vietnam is applying relatively strict and strict management policies for foreign workers working in Vietnam, specifically:
The provisions specified in Section 3 of the Labor Code No. 45/2019/QH14 [2], as well as the guiding regulations in Decree No. 152/2020/ND - CP [1] regulating foreign workers in addition to working in Vietnam and recruiting and managing Vietnamese workers working for foreign organizations and individuals in Vietnam, many conditions and procedures for recruiting foreign workers are relatively strict. gaps lead to difficulties in practical application, hindering the development of businesses in particular and the Vietnamese economy in general.
The setting of these regulations is carried out according to the development orientation, prioritizing and protecting employment sources for domestic workers, minimizing the use and recruitment of foreign workers. However, that leads to many businesses in Vietnam lacking a workforce with high professional and technical qualifications.
In addition, the restriction on foreign labor recruitment also makes foreign investors feel that Vietnam is not necessarily an open market for foreign factors, which can affect their investment decisions.

Third, the implementation of tax policies still has many shortcomings
Vietnam has many preferential tax policies for foreign investors, based on Singapore's preferential policies and

equal treatment between foreign investors and domestic investors. However, the application and implementation of state policies still has many shortcomings and needs many improvements, specifically in terms of simplifying or specifying administrative procedures. The average time foreign-invested enterprises in Vietnam spend settling tax obligations is four times higher than the average time in the East Asia and Pacific regions.

Fourth, the supply chain is limited

With the strong shift in the global supply chain, many multinational companies and corporations have stepped up investment in Vietnam. In general, it is rare for any manufacturer to produce all the parts and components of a product on their own, including multinational companies. Therefore, foreign investors tend to look for businesses capable of partially supplying product parts and components to be able to assemble a complete product. Southeast Asia is currently ranked as one of the most potential and effective supply markets.

However, the production support technology industry in Vietnam is still young, leading to some difficulties for multinational companies in the process of building a supply chain. This reason and the substandard infrastructure system force multinational companies to invest in other countries.

5. Solutions to improve efficiency in attracting multinational companies to invest in Vietnam

5.1 With the Government

(i) Regarding information transparency:

The government needs to have policies to support multinational companies operating in Vietnamese territory. Transparency and predictability of the business environment are very important to foreign investors. Therefore, sudden changes in policies without adequate notice or duplication in rules should be avoided to maintain competitiveness and build trust of multinational companies in Vietnam.

In addition, the Government also needs to promote legal regulations to protect the interests of investors while minimizing risks in the investment process.

(ii) Regarding infrastructure:

The Vietnamese government and the business sector need to cooperate more in public investment projects with the goal of building and developing socio-economic infrastructure. Vietnam needs to prepare necessary and sufficient conditions to attract multinational companies, in which infrastructure is an important factor to increase attraction in both quality and quantity. Reality has proven that any locality with good infrastructure such as Hai Phong, Bac Ninh, Quang Ninh... will be of great interest to investors. Therefore, infrastructure development should be considered one of the focuses to build good infrastructure, and at the same time link infrastructure development between localities in the region.

5.2 With State management agencies

* With the Ministry of Finance:

(i) Review the inadequacies and inconsistency of tax legal regulations with regulations on subjects entitled to tax incentives of specialized laws to propose, develop, submit to competent authorities or promulgate according to the authority of tax legal regulations ensures synchronization with other relevant laws;

(ii) Review and improve current legal regulations and develop a roadmap for applying global minimum tax based on reference to international experience and in accordance with the context and practical situation of Vietnam;

(iii) Submit to the Government to amend regulations on personal income tax incentives for foreign experts, Vietnamese experts abroad, and high-quality domestic human resources to expand quality human resources of multinational companies in Vietnam.

(iv) Simplify and specify decrees and guiding documents to ensure that document processing specialists can be flexible in administrative procedures.

* With the Ministry of Planning and Investment:

Preside and coordinate with the Ministry of Finance and relevant ministries and branches to develop solutions to attract investment and support other than taxes, not contrary to regulations and international commitments in the spirit of harmonizing the interests of all parties, encouraging multinational companies, ensuring equal behavior among businesses.

5.3 With multinational companies in Vietnam

In addition to support from the Vietnamese Government, multinational companies need to be more proactive in finding material supplies at reasonable costs. In fact, Vietnam is a market with diverse supply capabilities, but most companies are currently facing many difficulties in finding sources of goods because of their connection networks and information systems. limited. To expand the network, businesses can consider connecting with third parties so that both can support each other in developing, finding, and establishing new trade contacts.

In addition, multinational companies in Vietnam can use diverse and reliable information sources to look up and find corresponding Vietnamese partners or can consider technical support, capital, technology transfer, management experience, etc. to Vietnamese businesses to help them participate in the global supply chain.

6. Conclusion

Although the world economy is still facing instability from the epidemic and the war between Russia and Ukraine, Vietnam has certain advantages in attracting multinational companies. However, in order for multinational companies to grow rapidly in both quantity and overcome fierce competition from countries in the region and around the world, businesses, the Government and state management agencies must We need to actively cooperate and jointly remove all obstacles and difficulties to make Vietnam truly an ideal investment destination not only in Southeast Asia but also in the world.

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