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Solutions to Attract Green FDI in Vietnam

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Abstract
Vietnam has more than thirty years of experience attracting foreign investment, in addition to the impressive results that the FDI sector has contributed to economic growth, job creation, and improving technological levels. We are facing a series of FDI projects that use outdated technology, consume energy, pollute the environment, etc. This reality requires Vietnam to make policy adjustments in revenue. Attracting FDI to ensure economic growth coupled with sustainable development, increasing the quantity while paying attention to the quality of FDI projects to create compatibility with the domestic situation, improve quality and the effectiveness of this capital flow creates a spillover effect on the Vietnamese economy. On the other hand, Vietnam is a responsible business partner globally and is making efforts to transition to a green economy. To achieve this goal, it is necessary to start from attracting green FDI, which needs to focus on Select and attract new high-tech projects that are environmentally friendly, use less resources, consume less energy and are also the least labor-intensive. This article studies the theory of green FDI, green FDI policies, the current status of attracting green FDI in Vietnam, the difficulties and challenges when implementing green FDI, and offers solutions to increase the attraction of green FDI. In Vietnam in the near future.

Keywords: Green FDI, Green FDI Policy, Vietnam

1. Introduction

After 35 years of implementing an open policy to attract FDI, up to now, Vietnam has received investment from 140 countries and territories around the world. Foreign capital flows are present in most localities across the country with projects invested by big global names such as Intel, Microsoft, Foxconn, Samsung, Sanyo, Sony, Fujitsu, Toshiba, Panasonic...

Portraying a panorama of the situation of attracting and using FDI capital in Vietnam, the 2022 Annual Report on Foreign Investment in Vietnam is conducted and published by the Association of Foreign Investment Enterprises (VAFIE). Recently announced encouraging results. That is, the FDI enterprise sector currently accounts for about 25% of total social investment capital, 55% of total industrial production value; more than 70% of export turnover. This proves that Vietnam's investment and business environment is increasingly improving, making foreign investors believe in business success in our country by increasing investment capital to expand. Business and increase profits.

Green FDI is one of the strong development trends, considered a turning point in attracting foreign investment to realize economic goals and sustainable development of many countries around the world. In the cycle of "greening" FDI capital, countries replace the target of capital quantity with the quality of FDI capital, trying to attract investment projects that contribute not only economically but also bring benefits. Benefits the environment, or in other words, green FDI projects.

Therefore, research on green FDI and policies to attract green FDI have an important practical significance for developing countries in general and Vietnam in particular. From there, it can be applied appropriately in completing policies to attract green FDI in Vietnam.

2. Theoretical basis

Perspectives on green FDI

Green FDI is a complex process and has many different international perspectives. Up to now, studies by UNCTAD (2011) and OECD (2012) are considered the basis for important studies that form a theoretical framework. Discuss green FDI later.

According to UNCTAD (2010), green FDI is the transfer of technology or products of multinational companies to the host country through FDI capital to carry out emissions reduction activities and solve environmental problems. Environmental topic. The organization also refers to two types of investment: (i) as foreign direct investment that complies with national environmental standards and (ii) as investment in the direct production of environmental products and services in the investment recipient country. UNCTAD (2010) focuses on clarifying the three concepts "low carbon", "green" and "sustainable". While “low carbon” refers to a process or product that emits fewer emissions during its life cycle than traditional processes and products; the concept of “green” refers to technology or activities that care about broader environmental issues, not just climate change; and sustainable development is a broad concept concerned with using natural resources for economic and social issues.

OECD (2011) believes that green FDI includes: (i) foreign direct investment in the field of environmental goods and services and (ii) foreign investment in processes that minimize environmental damage such as using technology. Technology is cleaner or more energy efficient. It can be seen that, whether focusing on "green" or "low carbon", OECD and UNCTAD have similarities in dividing FDI into two directions: Investment in products and services and investment in processes. Manufacture.

According to the Ministry of Commerce of China (2014), green FDI includes three aspects: (i) investment in the renewable technology sector; (ii) providing energy-saving technologies and (iii) researching and developing environmentally friendly technologies to achieve economic goals while minimizing emissions and negative impacts on the environment. School.

In Vietnam, there is no specific definition of green FDI, but within the framework of the "National Strategy for Green Growth" announced in 2012, views on "green technology" as development technology, Applying equipment and systems used to conserve the environment and resources, minimizing negative impacts from human activities or "green growth" is the process of perfecting economic institutions in the direction of using more efficient natural resources, improving the competitiveness of the economy, through increased investment in technological innovation, natural capital, and economic tools. Green FDI is a capital flow that creates a positive impact on the environment through various initiatives that have the ability to provide the economy with green effects such as clean technology transfer and some practical management skills. Effective environmental management to control the environment for the host country (Golub, Kauffmann, & Yeres, 2011).

Synthesizing from the above perspectives, green FDI can be considered as foreign direct investment in the production of products that use energy efficiently or production processes that minimize negative impacts on the environment for the purpose of development. Economic development associated with environmental protection.

Based on the OECD's definition of green FDI, it can be divided into two types: (1) Investment in the production of environmental goods and services: Can be seen in FDI in industries related to the environment. These industries typically include the production and distribution of renewable energy, some environmental services such as recycling and waste management and (ii) Investment in production processes that minimize waste. Environmental damage: The goal is to increase the amount of environmentally friendly technology and industrial know-how in more areas such as: Implementing energy-efficient production processes, introducing cleaner processes and technologies, helps reduce greenhouse gas emissions, uses green construction techniques in construction, researches energy efficiency and energy recycling.

Policy framework to attract green FDI

GFDI priorities in target countries and especially the decisions of multinational companies include: (i) general policy framework: Environmental, energy, climate policies and regulations and industry; (ii) economic factors: General determinants of FDI, such as market seeking, resource seeking, efficiency seeking and strategic asset seeking factors; (iii) business facilitation: National and local policies favor low carbon investments and (iv) production costs: Cost reduction due to savings in materials, resources and energy (Hanni, van Giffen, Kramer, Krüger, & Mirza, 2011; UNCTAD, 2010).

Thanks to such government priorities, MNCs are increasingly aware that greening their businesses and value chains can increase their competitiveness and create new markets for their products and services. Services, technology and green innovation (Bisgaard, Henriksen, & Bjerre, 2012). In this study, we focus on the group of policies that facilitate investment in green projects, including:

Table 1: Policy framework for green FDI development

<table>
<tr><th>Investment policy</th><th>Elements of a green FDI policy framework</th><th rowspan="5">Environmental policy</th></tr>
<tr><td>Policies to encourage investment in green fields and minimize negative impacts on the environment</td><td>- Policies to facilitate and mobilize investment: Transparency, investment protection, non-discrimination, protection of intellectual property rights.
- Open and competitive market: Reduce non-tariff barriers for green products and services; competition policy.
- Other regulations and policies to create markets and remove investment barriers.</td></tr>
<tr><td>Financial policy</td><td>- Discount
- Green credit package
- Green financial package</td></tr>
<tr><td>Technology policy</td><td>- Encourage invention with R&D policy
- Training, education and human resources: Labor market policies and skills development.</td></tr>
<tr><td>Policy on resource exploitation for a green economy and adaptation to climate change</td><td>Market incentives for LCR investment: Carbon tax, emission rights trading system, clean development mechanism (CDM), cap-and-trade policy...</td></tr>
</table>

Source: UNCTAD (2010) and Corfee Morlot *et al* (2012) [3]

3. Current status of implementing Green Marketing strategy in Vietnam

After more than 30 years of implementing innovation policies, FDI continues to be identified as an important factor promoting economic growth and helping Vietnam quickly realize development orientations. In recent years, with the competitive advantage of an open investment environment, stable political and macroeconomic environment, abundant human resources at low costs, Vietnam is one of the attractive countries. With foreign investors. By the end of 2022, the country has 34,700 valid projects with a total registered capital of over 418.8 billion USD. The accumulated realized capital of FDI projects is estimated at nearly 254.3 billion USD, equal to 60.7% of the total valid registered investment capital. Of which, the processing and manufacturing industry accounts for the highest proportion with over 247.7 billion USD, accounting for 59.1% of total investment capital. Next is the real estate business with nearly 64.4 billion USD (accounting for 15.4% of total investment capital); electricity production and distribution with over 36.2 billion USD (accounting for 8.7% of total investment capital). From this data, it shows that the number of green FDI projects expressed through the number of high-tech projects, green urban areas with low emissions,... is still quite modest, most of the current projects are All belong to the processing and manufacturing industry, which has the risk of causing environmental pollution if not strictly controlled.

Reality shows that most FDI projects in Vietnam focus on areas that are less environmentally friendly, have high levels of emissions, low added value, and have the potential to cause huge environmental pollution. Many FDI projects are raw production industries, highly processed, have high levels of emissions, and lack foundational industries such as supporting industries and high technology.

According to the Ministry of Planning and Investment (2022), the number of FDI enterprises with high technology capabilities is limited, only 5% of FDI enterprises have high technology, 80% have medium technology, the remaining 14% are Use low technology. Recently, there have been a number of cases of violations of environmental protection laws by FDI enterprises, causing serious consequences, affecting the environment and people's quality of life. The most typical incident is the incident of polluting the marine environment in 4 central provinces of Hung Nghiep Formosa Ha Tinh Iron and Steel Company Limited in 2016.

Some FDI projects operating inside and outside industrial parks and export processing zones have not strictly complied with legal regulations on environmental protection. Many FDI enterprises have imported outdated machinery and equipment that pollute the environment into Vietnam but were not detected in time, leading to environmental consequences in some locations, with long-term impacts on the economy. people's health and the regional ecosystem, causing conflicts of interest between the manufacturing and processing industries and the agriculture and tourism industries, as well as between FDI enterprises and the residential community. Although there are currently no official statistics on the number of green FDI projects, if you consider the overall criteria related to "green factors", the majority of current projects do not meet the criteria. To sue.

Difficulties and challenges

Reality shows that Vietnam still faces many difficulties, challenges and barriers in attracting green FDI, specifically:

Vietnam does not have much experience, mechanisms and environmental standards to effectively screen FDI projects; the potential risks of environmental pollution of some FDI projects have not been fully anticipated. There are still no complete and clear criteria for green FDI that can be compared, applied... to attract FDI close to the set goals and requirements.

The coordination of all levels and sectors in controlling waste sources from FDI projects is not effective, synchronous, and tight. Meanwhile, investors' awareness in the process of implementing environmental protection regulations is still not high. Lack of binding responsibilities and sanctions to ensure compliance with investor commitments.

There is still a situation of overlooking environmental protection, especially in the process of appraisal, approval, and implementation of FDI projects. Many localities have rolled out the red carpet to attract FDI projects at all costs, are less selective, and have even accepted FDI enterprises that exploit cheap resources with outdated technology, causing serious environmental pollution.

The trend of exporting pollution from developed countries to developing countries through FDI investment is increasing and Vietnam is at risk of becoming one of the countries with high pollution import levels. Meanwhile, the capacity to prevent, control, and protect the environment of some FDI enterprises is still inadequate, and the management capacity of relevant agencies still does not meet the set requirements.

4. Recommendations

Attracting green FDI means attracting environmentally friendly FDI projects, with investors who are conscious and responsible in protecting the environment for the goal of sustainable development. In the coming time, in order to promote the attraction of green FDI, we need to focus on the following issues:

Firstly, continue to promulgate specific policies to encourage FDI attraction into the renewable energy industry

To attract FDI into this field, it is necessary to have a clear policy framework that is consistent with the actual situation such as exemption and reduction of import tax on equipment, inconsistent and confusing enforcement of laws and policies. Arbitrarily. In addition, due to decentralization of management, some guiding documents of ministries, branches and localities tend to be tightened and add more processes, leading to overlap and lack of system, causing difficulties for the operations of agencies. Enterprise. Many regulations do not demonstrate transparency because many of the contents are not clear enough to control economic behavior, and in some cases of inconsistency, many regulations issued later also have different content, even contrary to previous regulations or the regulations of one industry overlap with the regulations of another industry, making it impossible for businesses to determine which regulations are followed. Therefore, it is necessary to strengthen policies to encourage FDI into the renewable energy industry to ensure ease of understanding, transparency and fairness.

Second, Complete preferential and incentive policies to attract FDI into the field of high-tech research and development and technology transfer.

To attract foreign investors into the high-tech field, it is necessary to implement a combination of preferential financial policies and investment in infrastructure development to encourage investors. Specifically: Offering specific incentives for foreign investors to transfer technology into Vietnam. Only encouraged for advanced and modern technologies "green technology"; limit, advance and thoroughly eliminate outdated and middle-class technologies that pollute the environment. In addition, there is exemption of import tax and value added tax for machinery and equipment used to research and develop new products; Financial support such as loans with low interest rates and long periods for new technology research and development projects. In today's difficult conditions, it is necessary to reduce corporate income tax, reduce land rent, and appropriately extend tax payment time according to the right beneficiaries.

Third, develop and promulgate criteria, standards and regulations on exploitation and use of natural resources and environmental protection in attracting and using FDI. Environmental requirements and environmental impact assessment should be given top priority. Upgrade environmental standards as a basis for not accepting projects that do not encourage investment (such as: Textile dyeing using old technology). Always ensure the principle of not attracting FDI at any cost; do not attract projects that risk destroying natural resources and the environment.

Fourth, Strengthen inspection, supervision and inspection work in association with enhancing the responsibility of local authorities and leaders for the observance of the Party's guidelines and policies and relevant State laws. To foreign investment; promptly detect, prevent and strictly handle violations of environmental protection.

Fifth, Training and coaching to improve the qualifications of management teams related to FDI, focusing on updating knowledge about green FDI trends; green FDI criteria in the world; experience in green FDI project management; Experience in handling environmental risks, including from FDI projects that have been committed to "green".

5. Conclusion

The role of FDI capital flows in green development strategy has been identified by the Government of Vietnam in the framework of "Strategy on green development" and "Strategy and strategic orientation to attract new generation FDI", but Up to now, the implementation still faces many difficulties due to the lack of a roadmap and specific guiding regulations. Although there have been efforts to improve the relevant legal system to increase the effectiveness of attracting green FDI projects, the effectiveness achieved is not high, the main reason is due to inadequate policies and the implementation still has many shortcomings. Policies need to be strengthened and stricter, and additional regulations and implementation guidelines are needed.

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