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Factors Affecting FDI Attraction into Vietnam in the Conditions of Implementing New Generation FTAs: Case Study at Bac Ninh Industrial Park

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Abstract
Vietnam has signed and is currently implementing commitments of many new generation free trade agreements (FTA). This is the driving force to help the economy recover quickly, becoming an ideal destination for foreign investors during the pandemic. However, how to take advantage of new generation FTA and effectively attract FDI capital from new generation FTA is a question for Vietnam. This article studies the factors affecting FDI attraction into Vietnam under the conditions of implementing new generation FTA. Using quantitative research methods, survey data processed through SPSS26 software, the article shows that there are 6 influencing factors: (1) political, (2) economic, (3) social, (4) technology, (5) law, (6) integration. From the research results, the author proposes a number of recommendations to attract more strongly and increase the efficiency of FDI capital flows into Vietnam.

Keywords: FDI, FDI Attraction, New Generation FTA

1. Introduction
Foreign direct investment (FDI) is an important resource that greatly contributes to the total investment capital for social development and has become an important growth driver of the Vietnamese economy. In addition, the signing of new generation FTAs has made Vietnam a favorable place for international investment despite the Covid-19 pandemic that has disrupted global production and supply chains, especially especially with many of the world's largest manufacturers. In recent years, Vietnam has prepared investment opportunities and advantages through participating in strong international economic integration, signing and implementing many new generation FTA, thereby creating waves and dynamism new growth forces, as well as new international economic links for Vietnam. The new generation FTA that Vietnam is participating in will open up international trade and investment flows into Vietnam. However, how to take advantage of new generation FTA and effectively attract FDI capital from new generation FTA is a question for Vietnam.

2. Literature review and Theoretical background
2.1 Literature review
There are many models to study factors affecting FDI attraction such as:
Dunning (1988) researched the determinants of FDI through the theoretical model OLI (Ownership-Location-Internalization) including 3 groups of advantage factors: Ownership advantage (O), location advantage. advantage (L) and internalization advantage (I). The goal of FDI is to reduce market research costs, tariff and non-tariff barriers.
Nunnenkamp, P. (2002) studies the determinants of FDI in developing countries in the context of globalization. The results show that globalization has an impact on FDI. In addition, non-traditional factors - such as costs, additional factors of production and economic openness - gradually become important and traditional factors - such as market size and growth - is on the decline. However, traditional factors are still the dominant factors shaping FDI allocation.
Empirical research related to factors affecting FDI using different methods. Demirhan, E., & Masca, M. (2008) identify factors affecting FDI of 38 developing countries in the period 2000 - 2004, using a cross-sectional data analysis model, including: scale market; inflation rate; infrastructure; labor costs; economic openness; political and tax risks. The results show that the above factors all have a positive influence on FDI attraction, in addition to labor costs and political risks.
In particular, PEST is a useful analysis tool that helps organizations understand the "panorama" of the business environment in which the organization is operating, thereby identifying potential opportunities and threats in the future. there. The PEST

model was published in the 1967 book "Scanning the Business Environment" by Harvard professor Francis Aguilar.

2.2 Theoretical background

Concept of FDI

FDI is defined in many different ways, according to the International Monetary Fund (IMF) in its annual balance of payments report "FDI is a form of investment with long-term benefits of an enterprise in another country (country). receiving investment), not in the country where the enterprise is operating (investing country), for the purpose of effectively managing the enterprise. This viewpoint mainly emphasizes the long-term nature of investment activities and the investment motive is to gain management and executive rights.

Foreign Direct Investment (FDI - Foreign Direct Investment) is a long-term investment activity in which the capital owner directly manages and directs capital use activities.

OECD (2008) [2] also defines "FDI as a form of cross-border investment made by an entity residing in an economy (direct investor) with the purpose of establishing a long-term benefit. in an enterprise (enterprise receiving direct investment) residing in an economy other than the investor's economy". Similarly, according to UNCTAD (2012), "FDI is a long-term investment associated with the interests and long-term control of an investor in this country (foreign direct investor or parent company) into a company in another country (foreign direct investment company or subsidiary). These two perspectives refer to the interests and control rights of investors in foreign enterprises.

In 2020, Vietnam's Investment Law defines "overseas investment activities as the transfer of investment capital from Vietnam to foreign countries by investors, using profits earned from this investment capital to implement investment and business activities abroad". Thus, this Law does not specifically mention the concept of foreign direct investment but only introduces the concept of investment activities abroad. Accordingly, foreign investment includes both direct investment and indirect investment.

Thus, the above views are unanimous: FDI is a form of investment that allows investors to participate in operating investment activities in the receiving country, the investment purpose is profit. Within the scope of research of the topic, FDI is a form of investment across national borders by an entity residing in an economy (foreign investor) to control or have significant influence on the manage a business resident in another economy. Foreign investors move resources (including tangible and intangible resources) to the receiving country to conduct production and business activities to gain long-term benefits. This topic studies the movement of resources, which is investment capital, including money and assets.

Overview of new generation FTA

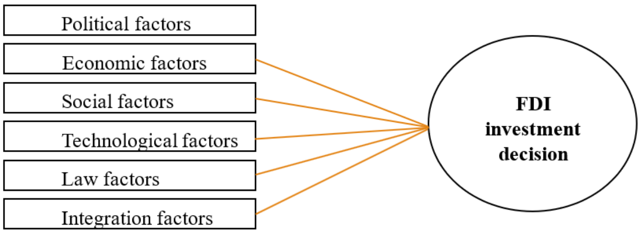
The New Generation Free Trade Agreement (FTA) is a trade agreement between two or more members, under which the participating members will follow a roadmap to deeply reduce and eliminate remove tariff and non-tariff barriers; There is a strict enforcement mechanism, including areas considered non-traditional such as labor, environment, state-owned enterprises, government procurement, transparency, etc.

New generation FTA are used to refer to FTA with extensive and comprehensive commitments, including commitments on free trade in goods and services such as: "Traditional FTA"; deepest level of commitment (tax cuts almost to 0% according to the roadmap); have a strict enforcement mechanism, including areas considered "non-traditional" such as: labor, environment, intellectual property, state-owned enterprises, government procurement, transparency, mechanism to resolve investment disputes... The "new" nature of these agreements includes a high degree of liberalization for trade and investment and advanced, reformative trade rules that go beyond the framework of investment disputes. within the regulations of the World Trade Organization (WTO).

3. Research methods

Research model and hypothesis

From the research overview, the research team proposed the following research model:



Source: Author's calculations

Research model with 5 research hypotheses:

H1: Political factors affect FDI attraction
H2: Economic factors affect FDI attraction
H3: Social factors affect FDI attraction
H4: Technological factors affect FDI attraction
H5: Law factors affect FDI attraction
H6: Integration factors affect FDI attraction

Qualitative research methods

The author uses a combination of qualitative research methods and quantitative research methods. Qualitative methods are used with the purpose of discussing the indicators used to measure the influence of factors affecting FDI attraction in the context of implementing new generation FTA. To evaluate the level of influence, the author uses a 5-level Likert scale to answer the statements in the questionnaire.

Quantitative research methods

Collect data

According to Hair *et al* (1998), the smallest sample size must be 50, preferably 100 and the ratio of observations/measured variables is 5/1, so the author distributed 115 survey questionnaires to FDI enterprises in Bac Ninh industrial parks. The results were 95 valid survey forms.

Data manipulation

The following step involves analyzing survey data in order to weed out survey forms that aren't acceptable since the responses are inconsistent or leave blanks. There were 95 survey questionnaires that were included in the data analysis. The primary analytical approaches for the questionnaires used in the study include regression analysis, EFA testing, scale testing, and descriptive statistics. The surveys are input and processed using SPSS26 software. Lastly, there is the paper presentation and the presenting of study findings.

4. Results

Descriptive statistical results

After conducting 115 surveys, the author received 95 valid votes. The author conducted data processing and data analysis. The initial descriptive results are obtained:

Table 1: Describe general information of the research sample

		Frequency	Rate (%)
Gender	Male	56	58.95
	Female	39	41.05
Age	under 40 years old	31	32.63
	From 41 to 59 years old	42	44.21
	Up 60 years old	22	23.16
Degree of academia	Graduated from high school	0	0.00
	University	53	55.79
	Master's degree/PhD	42	44.21

Source: Author's calculations

Cronbach's Alpha test

All Cronbach's alpha coefficients of the variables were ≥ 0.6, thus meeting the requirements to be included in factor analysis. At the same time, the total correlation coefficients of the observed variables all meet the requirement of ≥ 0.3, ensuring that the given scales can be trusted in a statistically significant way.

Table 2: Reliability Statistics

The Scale	Observed variables	Cronbach's Alpha
PF	PF1, PF2, PF3, PF4, PF5	.818
EF	EF1, EF2, EF3, EF4	.715
SF	SF1, SF2, SF3, SF4, SF5, SF6	.732
TF	TF1, TF2, TF3, TF4	.782
LF	LF1, LF2, LF3, LF4, LF5	.801
IF	IF1, IF2, IF3, IF4, IF5	.814
FDI	**FDI1, FDI2, FDI3, FDI4**	**.861**

Source: Author's calculations

EFA exploratory factor analysis

The results of testing the data with KMO = 0.785 (> 0.5), Sig of Bartlett's Test is 0.000, smaller than 0.05, showing that these observations are correlated with each other and completely consistent with factor analysis. Factor loading factor of the observed variables are all > 0.5, the total variance extracted is 76.42% (> 50%) and the Eigenvalue coefficient = 1.415 (> 1). These tests were warranted for exploratory factor analysis.

Thus, all the scales selected for the variables in the model meet the requirements and can be used in subsequent analyses.

Table 3: Rotated Component Matrixa

KMO	0.785
Sig.	0
Eigenvalue	1.415
Cumulative %	76.42

Source: Author's calculations

Results of regression analysis

The results of the regression analysis of the model of factors affecting the intention to use T with 6 independent variables are as follows: Model fit test value sig. = 0.000 (< 0.05 shows that the variables in the model can explain the change in the dependent variable. From the above analysis, all 6 factors are significant (sig < 0.05) and the model is as follows:

Table 4: Coefficients[a]

Model	Beta coefficient is not standardized		Standardized Beta Coefficient	t	Sig.
	B	Std. Error	Beta		
Blocking coefficient	3.146	.672		7.015	.000
PF	.424	.063	.382	5.078	.000
EF	.319	.044	.279	7.311	.000
SF	.286	.041	.265	7.029	.000
TF	.204	.038	.202	5.414	.000
LF	.172	.041	.158	4.217	.000
IF	.319	.044	.279	7.311	.000
a. Dependent Variable: FDI					

Source: Author's calculations

The linear regression model shows the impact of factors affecting the application of green accounting in businesses:

$$FDI = 0.382 *PF + 0.279*EF + 0.265*SF + 0.202*TF + 0.158*LF +0.279*IF + \alpha$$

Testing the regression model and research hypotheses shows that the adjusted R2 coefficient (Adjusted R Square) = 0.6423 (62.3%), so the research model is consistent with the research data at 62.3%. In addition, the Durbin-Warson value = 1.937 shows that there is no correlation between the residuals. The model does not violate the assumptions of independence of errors and the VIF coefficient <2 shows that there is no multicollinearity phenomenon. The results of testing the normal distribution model show that the survey data has a bell-shaped normal distribution and a small average value (mean = 5.12E-14), showing that the model data ensures scientificity.

Table 5: Results of testing the research hypothesis

Content	Expected	Result	Conclude
H1: Political factors affect FDI attraction	+	+	Accept H1
H2: Economic factors affect FDI attraction	+	+	Accept H2
H3: Social factors affect FDI attraction	+	+	Accept H3
H4: Technological factors affect FDI attraction	+	+	Accept H4
H5: Law factors affect FDI attraction	+	+	Accept H5
H6: Integration factors affect FDI attraction	+	+	Accept H6

Source: Author's compilation

5. Conclusion

In general, new generation FTA have been creating conditions for Vietnam to promote trade relationships with partners; Encourage and attract FDI from new generation FTA, thereby creating a foundation for the economy to recover faster after the Covid-19 pandemic. To effectively take advantage of commitments from new generation FTA to attract FDI and improve the quality of FDI capital flows, in the coming time, Vietnam needs to synchronously implement the following solutions:

Firstly, have an investment policy to encourage stronger investment to develop supporting industries to satisfy origin requirements.

Second, continue to improve the business environment, promote reform of administrative procedures, improve the quality of human resources and technology level.

Third, take advantage of diplomatic events to increase advertising and investment promotion to large, reputable investors with technological and financial potential of the EU.

Fourth, it is necessary to strongly reform the quality of human resource training.

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