

## **A new filter for foreign investments**

In 2019, the flow of foreign investments capital (foreign investments) into Vietnam has some new shifting trends. In particular, notably in the form of investment, mergers, and acquisitions (M&A) increasingly account for a large proportion and rapid growth.

Regarding partners, the capital of China and Hong Kong increased sharply, while Japan is likely not in the top 3 largest investment countries like every year. Regarding the field, although capital is still focused on manufacturing and processing industry, but is growing faster in services and infrastructure, investment in agriculture is still low.

## **A new trend of movement**

The statistics on FDI attraction results in the first 11 months of 2019 reflect a part of this fact. Specifically, the total direct investment (FDI) reached 20.5 billion USD, newly registered capital and adjusted registered capital decreased compared to the same period in 2018; while investment capital through M&A channel reached 12.24 billion USD and increased to 47.1%.

It is understandable that foreign investors (FDI) increasingly prefer M&A because investing in Vietnam through this method is faster than directly establishing New legal entity to implement a new project. When investing directly, for projects with a scale of several tens of million USD or more or with a land use scale of a few dozen hectares or more, it usually takes at least a few years to carry out investment procedures. Besides, the cost of direct investment is difficult to statistic, while investment through M&A is often a clearer budget package, the investor representative when conducting M&A is also easy to report to the Association. The shareholders, or the higher level, have the authority to approve the decision on the cost of the deal.

Regarding foreign partners, as of November 20, 2019, investors from Hong Kong (China) ranked first with a registered capital of over US \$

6.8 billion; followed by South Korea 5.7 billion USD, Singapore 4.4 billion USD ... It is worth noting that the registered capital from China and Hong Kong increased sharply compared to previous years and for the first time. Hong Kong ranked first in the ranking of foreign investors into Vietnam.

In the field of investment, it has been following the trend for many years. Accordingly, the capital flows most strongly in the field of manufacturing and processing industry, accounting for nearly 70%. Next is investments in real estate business, accounting for 20.4%; wholesale, retail, repair of automobiles and motorcycles accounting for 6.4% ...

When comparing the two figures of 20.5 billion USD of direct investment and 12.24 billion USD through M&A, it can be seen that FDI capital still plays a leading role. However, the strong acceleration of M&A also raises the question: whether it is necessary to design policies to “diversify” foreign capital or let the market and investors decide by themselves? Because up to now, there has not been any official evaluation comparing the advantages and limitations between these two forms of investment, so it is impossible to accurately assess the specific benefits that each form brings to foreign investors in Vietnam.

### **Need policy "diversion"**

This fact shows that there is a need for in-depth study on this issue to supplement the policy orientation of attracting foreign investment. For example, should a predetermined percentage of each phase (eg 5 years) be attracted to how many% of the direct channels and how many% by the M&A channel? The industries and fields that need and do not need to encourage investment under the M&A channel (for example, for beer production, Vietnam has a market and has the capacity to do so should not be encouraged) ...

In order to comprehensively assess the results of attracting foreign investment in 2019 through the capital contribution channel to buy shares, the state management agency needs to consider in detail large M&A deals, typical in the past year to see clearly the face. and not yet, from which draw lessons on state management in the field of foreign investment in the coming period.

Regarding the rapidly increasing investment capital from China and Hong Kong, there have been studies determined to be due to the influence of the US-China trade war, and the current instability situation in Hong Kong. In addition, the project screening and orientation for attracting foreign partners of Vietnam have not been clearly defined and agreed on in the whole system of management of attracting foreign investment.

Many foreign investment research experts in Vietnam still have certain concerns because of many reasons, such as the quality of the project will be transferred to Vietnam, and which investors are they? ... So here is the time to install a filter of foreign investors so that they can choose those investors who are really capable and environmentally friendly, because the red carpet period has passed with all investors, and along with the red carpet, a new filter is needed to select and protect the prestige and investment efficiency of serious investors, always comply with international law on investment, of the host country, co-owners. It is also meant to protect the effective development of foreign investment in Vietnam in the coming period.

### **Do not give up to suffer bad effects**

Regarding the results of attracting and using foreign investment capital in Vietnam in 2019, it can be generally considered that foreign investment in Vietnam continues to be successful, with the capital implemented in the next year is higher than the previous year. Credit rating of Vietnam's business investment environment continues to be highly appreciated by reputable international rating organizations.

Foreign investment has made positive contributions to Vietnam's socio-economic development in the past year, added important capital sources, boosted exports, contributed to the state budget, and attracted technology. In the process of international economic integration, Vietnam has a high position to create jobs and contribute to enhancing the role and position of Vietnam.

However, in these successes, it is inevitable the development process, the most remarkable thing is the management of foreign investment in the area. For example, the Our City real estate project in Hai Phong has happened to a large-scale gambling organization with a foreign factor of several hundred people. This case shows that it is necessary to draw lessons learned so as not to repeat similar incidents in all localities across the country and not only in the management of immigration of foreigners, It must draw experience in all other specific fields related to foreign investment such as the project has been licensed but for many years has not been implemented, tax debt, environment, Vietnamese and foreign employers. outside of enterprises, land use, ... Particular attention should be paid to the operation of enterprises with 100% foreign capital.

The shifting trends in 2019 of foreign investment flows are transient, short-term, or will become long-term trends, depending on two main factors. Firstly, the context and situation of international trade and investment. Second, the initiative in the orientation of attracting foreign investment of Vietnam in the short term as well as in the long term before the international context and the domestic situation.

The international context, in general, will have a great impact on the foreign investment attraction of every country, but not all countries will give up. Previously, Vietnam was under embargo, and it was going through the regional financial crisis ... but we knew how to proactively overcome it. Up to now, in the face of external turmoil,

who is the door closed and open to, the choice of which project is our own initiative and rights.

Therefore, it is time to install a foreign investor filter so that we can choose foreign investors who are really capable, environmentally friendly and Vietnamese society because the period of red carpet with all investors.

This initiative of Vietnam will determine the trend of foreign investment inflows in the coming period, bringing the highest efficiency for Vietnam and for genuine investors in Vietnam.

Entering a new development stage with many difficulties and new challenges, in August 2019, the Politburo and the Central Committee of the Party issued the Resolution 50-NQ / TW dated August 20, 2019. directions to perfect institutions and improve the efficiency of foreign investment cooperation until 2030.

This is a particularly important resolution, which needs to be strictly implemented from the central to local levels, thus promoting the attraction and use of foreign investment in Vietnam in the period. the next section is in the right direction, bringing higher socio-economic efficiency, more sustainable in every aspect of economy, society, security, national defense, culture, foreign relations ... and will surely get the same pros and cons of international friends, especially of true investors.

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