

**DIRECT INVESTMENT IN VIET NAM FROM ASEAN COUNTRIES
IN THE CONTEXT OF AEC FORMATION IN 2015**

D. T. Thanh

*Ph.D.
Vinh University
Vinh, Vietnam*

Abstract. Foreign investment capital is an integral part of the total investment socioeconomic in each country, it is the necessary condition to exploit and develop domestic resources. Along with the process of globalization, the role of foreign direct investment (FDI) is becoming increasingly important. For developing countries in general and Viet Nam in particular, FDI is more meaningful, indicated as an important role in the provision of capital, technology and the expansion of production scale, the creation of new production capacity, the improvement of competitiveness of Vietnam enterprises in the process of international integration. In recent years, trends of FDI in Viet Nam has changed as a result of factors from both inside and outside the country. The fact that, instead of developing the trend is increasing, the amount of FDI in Viet Nam has rapidly declining, especially the capital inflows from ASEAN countries in 2 times: the financial crisis of 1997 and after the crisis, the global recession of 2008. However, since 2013, FDI from ASEAN countries to Viet Nam started to show signs of recovery, especially in 2014 and 2015 as it has made spectacular recovery and opened new prospects.

Keywords: ASEAN; Vietnam; FDI; Community Culture – Society; ASEAN Economic Community; direct investment.

1. Overview of FDI from ASEAN countries in Viet Nam

In October 2003, in Bali, ASEAN member countries have agreed to establish the ASEAN Community in 2020 with three main pillars include the ASEAN Political – Security (APSC), the ASEAN Economic Community(AEC) and Community Culture – Society (ASCC). To accelerate the implementation of the vision, in January 2007 the ASEAN leaders agreed to establish the AEC in 2015 instead of in 2020 as previously agreed. December 31, 2015, ASEAN has become (1) a single market and production base of unified, including the free movement of goods, services, investment, and the free flow more so for capital and skilled labor; (2) a regional economic competitiveness; (3) a regional economic development special uniform to do to help the less developed members can catch up quickly with the developed countries to narrow the development gap among member countries of this group as Initiative for ASEAN Integration (IAI) was launched in 2000 by the ASEAN Leaders; (4) an area full ASEAN integration into the global economy.

Basically after AEC formed, this will be a tariff market circulation of commodities are reduced gradually to 0 % between the 10 ASEAN member countries with over 600

million people, the size of GDP in 2000 billion . We can say, this is huge benefit when the AEC is set, because this is a motivation boost exports, attract investment and economic growth of the member countries. Each member country should have appropriate development strategies, consistent objectives, identify suitable markets, the appropriate market share, key commodities that suits me. In addition, Member States also need to strengthen intra-regional links within ASEAN and constructive cooperation increase both trade and investment with ASEAN dialogue partners such as China, Korea, Japan, India Australia, New Zealand and the EU.

On the issue of investment within ASEAN and between ASEAN and its partners have been discussed and studied a lot. It contains outstanding works is C.Lin (2010), Shujiro Urata and Mitsuyo Ando (2011), and Nguyen Anh Thu et al (2013). Urata and Ando Shujiro Mitsuyo (2011) suggest that the investment environment of the various ASEAN countries even though there are some general restrictions exist, become obstacles directly or indirectly to the inflow of foreign direct investment (FDI) in the region. These restrictions not only in themselves but also investment policies in the method of im-

plementation of investment policies in each country. Research efforts to contribute solutions to improve policies to attract and encourage investment in the ASEAN countries to increase the FDI is flowing into every year. C.Lin (2010) asserts that precede milestone AEC is formed by the end of 2015, ASEAN countries still face many challenges in the field of investment due to the disparity in development between neighbors area. In this context, the study attempts to find answers to questions "Does the ASEAN member countries have differences on the investment environment and investment law?" And "The ASEAN member countries are cooperating investment under general rules set by ASEAN or under the specific rules of each country?".

Studies have shown somewhat hints about the investment environment and investment laws in ASEAN. Nguyen Anh Thu et al (2013) used econometric models to study the relationship between the index of global competitiveness (GCI) and the ability to attract foreign direct investment (FDI) ASEAN countries. Research results indicate that FDI into ASEAN investment shift to services and knowledge-intensive industries. Therefore, Governments need policies to rehabilitate and develop the field of the most powerful impact on attracting foreign investment in the field of education and higher education.

In the present time, when the AEC was officially formed, the look back and assess investment relations between Vietnam and ASEAN countries throughout history since Vietnam joined ASEAN in 1995 was a necessity in order to draw implications for Vietnam in attracting foreign investment and intra-ASEAN in the future.

2. ASEAN situation of FDI in Viet Nam

If considering FDI from ASEAN to Vietnam, it can be seen ups and downs and its own uniqueness. Many economists assess, Vietnam has an important position in the outlook for foreign direct investment in Asia. Since Vietnam was committed to full implementation of AFTA (from 01/01/1996), foreign direct investment in general and

ASEAN's direct investment in particular has a significant position in the process of economic development of Vietnam.

In general, ASEAN countries are developing countries in the model based on export-oriented processing technology, they have large potential in terms of capital and technology but are lack of resources and labor is becoming too expensive. Therefore, the most developed countries in ASEAN will inevitably shift manufacturing industries which use many labor to Vietnam. However, in the first period, the scale of investment projects is still cautious and the majority of projects have focused on the service industry for domestic consumption, agriculture, forestry and seafood processing, hotels and tourism ... to exploit natural resources and cheap labor available in Vietnam. It can be seen as the characteristics and general orientation of foreign direct investment from ASEAN to Vietnam, because the investment sector is also the need for investment by the ASEAN countries and is the inevitable trend of restructuring process of these countries.

2.1. Investment from ASEAN in Viet Nam through stages

Period 1988–1993:

With the policy of transforming Vietnam's economy to market economy, open, consistent with the trend of liberalization of trade and investment and the enactment of Foreign Investment Law from January 12/1987, with strongly improved relationship between Vietnam and ASEAN since 1989, especially since the US rejection of the embargoes and with the attractiveness of the market in terms of size, about the comparative advantages as cheap labor and abundant natural resources available, international capital flows from the region have flowed into Vietnam in ASEAN which flows from the relatively large proportion.

The ASEAN countries, although appear later on the investment market in Vietnam, but had long strides direct investment in Vietnam. In the last two years of the 1980s, FDI from ASEAN in Vietnam was generally reserved for small projects, slow progress of exploratory nature, explore Vietnam market and most of the investment projects FDI from

ASEAN were not commensurate with the economic potential of Vietnam. However, with the efforts of the government of Vietnam, since the early 1990s, FDI into Vietnam had signs of prosperity, promising a better future of this relationship. Speed of ASEAN countries' FDI into Vietnam has increased significantly. From a small number of projects exploring nature first market of Thailand, Singapore, Philippines, Indonesia in the early 1990s (about 16 projects in 1990 with a capital of 35 million USD), in 1991 the number raised to 28 projects with a total capital of \$168 million which 1.75 times the number of projects and 4.8 times higher in terms of investment and more than 2.74 times the average size of projects. 1993 ASEAN FDI in Vietnam is 815 million. Attracting FDI from ASEAN countries to Vietnam during 1988–1993 of 66 projects with a total investment of \$ 2.4 billion.

Period 1994–1996:

In 1995, Vietnam became a member of ASEAN and assessed an important milestone in the process of international economic integration of Vietnam as well as the development of the Association. By the end of 1995, four ASEAN countries including Thailand, Singapore, Indonesia and Malaysia have had 229 projects, with a registered capital of \$3.038 billion, included Singapore with 116 projects and total registered capital of 1.5 billion US dollars, ranked fourth in total FDI in Vietnam; Malaysia: 43 projects, with 0.857 billion US dollars, ranked No.7; Thailand and Indonesia were ranked 14th and 17th respectively ASEAN Investment at 1995 is considered the start of ASEAN's direct investment in Vietnam.

At this stage, there was a breakthrough of FDI from ASEAN countries. In three years, there were 125 investment projects in Vietnam with a total investment of approximately \$ 6.2 billion. In which Singapore was still a country that had the most investment projects in Vietnam in this period (70 projects with a \$4.7 billion total investment, accounting for 56 % of projects and 76 % of total investment of ASEAN region's total), followed by Malaysia (18 projects with 809 million total investment), Thailand (930 projects with 554 mil-

lion total investment). In addition, out of the 3 countries, Indonesia, the Philippines and Laos began FDI projects in Vietnam, however, the number of projects was very limited.

After Vietnam commitment of joining AFTA, FDI from ASEAN countries in Vietnam tended to increase sharply. Direct investment by ASEAN countries to Vietnam in this time performed the trend of shifting production industries which use many labor to Vietnam as the ASEAN economies based on the development of processing industry towards export, even though these countries have the potential for capital and technology, but lack of resources and labor, while Vietnam was the country in the start of industrialization and needed to attract capital and technology to promote the abundant resources of cheap labor and natural resources. Some features of this period was the modest scale of some early investment projects (about \$1–1.5 million), focusing on industry import substitution, the public sector processing of agricultural, forestry and fishery. These projects had strong capital, modern technology, in the field of oil exploration, telecommunications, electronics and information technology ..., remain virtually absent from ASEAN investors, these sectors were mainly dominated by European countries, Japan or the East Asian NIEs, Australia.

Period 1997–2005:

In 1997, the financial crisis broke out in Thailand and soon affected many countries in the zone and had a heavy impact on the attraction of FDI in Vietnam ASEAN countries. During this period, among the three major ASEAN countries investing in Vietnam included Singapore, Malaysia and Thailand, only Singapore could still retain No. 1; the remaining two countries had tended to drop in rank, Thailand from 10th position in 1997 to 13th in 1999. The main reason was due to the influence of the regional crisis. In 1998, FDI decreased by 70% compared to the same period in 1997. Many experts also gave assessment that effective analysis of revenue compared with realized capital of FDI projects in Vietnam ASEAN was not high. In addition, the low proportion of exports had not met expectations of Vietnam.

Table 1.

Investment in ASEAN to Vietnam by the end of 1998

Country	Number of projects	Total registered capital (million)	Total investment made (million)	Net Sales (million US \$)	Export sales (million)	Number of employees (person)
Singapore	208	6,512	1,341	1,115	118	16,300
Malaysia	62	1,342	1,050	343	169	7,800
Thailand	77	1,110	437	335	70	5,000
Philippines	19	310	100	16.2	11	4,400
Indonesia	13	243	95	22	01	4,400
Total	379	9,517	3,023	1,977	369	34,400

Source: Department of Project Management – The Ministry of Planning and Investment

It can be clearly seen that FDI went down pretty fast. In 1997, ASEAN countries invested in Vietnam 45 projects with a total investment of \$711 million, which was 78 % lower than that of the same period in 1996; 1998 (32 projects and \$391 million total in-

vestment); 1999 (35 projects and \$297 million total investment); 2000 (28 projects and \$149 million total investment). During the years from 2001 to 2005, the situation of FDI from ASEAN countries were better but still very low compared with the previous period.

Table 2

ASEAN FDI by country (As on 31/12/2004 - only valid projects)

Country	Number of projects	Total investment (USD)	Statutory capital (USD)	Investments made (USD)
Singapore	324	7,981,158,422	2,670,274,424	3,264,788,729
Thailand	116	1,381,489,492	468,366,046	635,004,348
Malaysia	158	1,251,321,949	598,013,518	799,110,669
Philippines	20	228,123,899	115,057,446	85,470,734
Indonesia	12	123,052,000	68,385,600	127,028,864
Laos	6	16,053,528	10,323,527	5,478,527
Cambodia	3	5,400,000	1,800,000	-
Brunei	3	1,000,000	590,000	400,000
Total	642	10,987,599,290	3,932,810,561	4,917,281,871

*Source: Foreign Investment Department – Ministry of Planning and Investment
The period from 2006–2008:*

This is the peak of FDI in Vietnam. The phase of FDI from ASEAN countries in Vietnam had increased sharply. In the 3 years from 2006 to 2008 had 566 projects with a

total investment reached \$23.3 billions. In 2008, ASEAN countries invested 260 FDI projects in Vietnam with registered capital of \$16.4 billion, the highest level ever.

In this phase, the project is mainly focused on the field of manufacturing and processing industry (247 projects and \$8.9 billion total registered capital) and business real estate (27 projects and US \$8 billion total registered capital). Particularly projects in two sectors accounted for 72.3 % of the total registered capital of ASEAN in this period. In addition, investment in other projects in the field of construction, water supply, transport and storage ...

Singapore remains the largest investing country in Vietnam during this period (271 projects and a total investment of \$9.8 billion, accounting for 47.8% of projects and 42 % of total investment capital of the whole block ASEAN investment in this period). followed by Malaysia with 133 projects and \$7.7 billion registered capital, accounting for 23.4 % of total projects and 33 % of total investment capital of the whole ASEAN investment during this period, followed by Thailand, Brunei, Indonesia and the Philippines.

The period from 2009 – present:

After the peak of FDI in 2007–2008, the crisis of the world economy stemming from the financial crisis of the United States has affected the world economy as well as the situation of Vietnam's FDI attraction. In 2009, investment in Vietnam from ASEAN countries fell sharply with 207 projects and a total investment of \$1.4 billion (just equalled to 9 % of that in 2008). In 2010, the situation showed improvement with over 181 projects and \$5.4 billion in total capital. In 2012, FDI from ASEAN countries was the lowest during this period with 209 projects and \$1.03 billion in total investment. Since 2013, with some measurement to improve the investment environment to attract, the situation of attracting FDI has improved. Even though it could not reach the peak of 2007–2008 but FDI attraction results was relatively stable with many investment projects in the fields of industrial processing and fabrication.

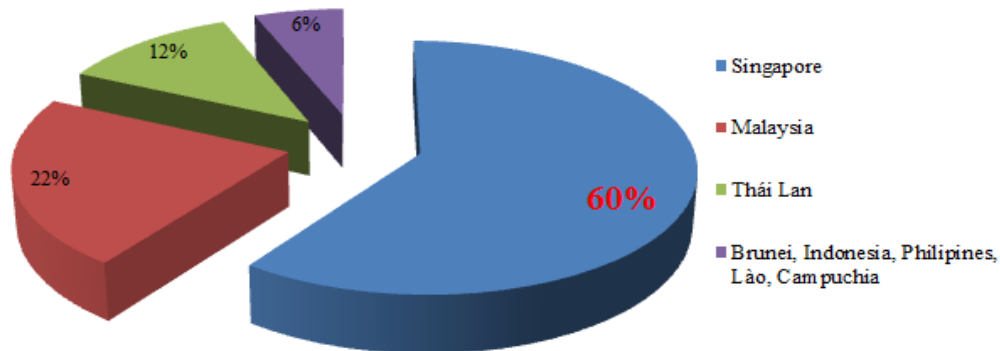


Chart 3. Ty importance of FDI investors in Vietnam in ASEAN
Source: Foreign Investment Department – Ministry of Planning and Investment

Period 2009–2013, the flow of FDI into Vietnam from ASEAN increased by 3–4 times by measures to enlarge and promote funding

from ACIA agreement as well as Vietnam utilized the locational advantages and other related aspects with the regional countries.

ASEAN FDI by country (as on 20/12/2015 – only valid projects)

	Country	Number of projects	
1	Singapore	1,526	34,716,33
2	Malaysia	523	13,417,08
3	Thailand	415	7,360,01
4	Brunei	181	1,845,79
5	Indonesia	45	396,34
6	Philippines	73	328,61
7	Laos	10	75,10
8	Cambodia	12	52,62
	Total	2,785	58,191,88

Source: Foreign Investment Department – Ministry of Planning and Investment

However, like FDI in ASEAN, in total net FDI into Vietnam, FDI from non-ASEAN countries still accounted for 3–5 times larger than intra-ASEAN FDI into Vietnam. Specifically, in 2012 and 2013, FDI from foreign investors accounted for 84.9 % and 76.6 % of the total investment while that from the ASEAN members accounted for only 15.1 % and 23.4 % of total FDI in Vietnam.

2.2. Investment in ASEAN under sectors
Manufacturing and processing industry:

The ASEAN countries has invested in 18/18 sectors of the economy of Viet Nam. The field which attract many investment from ASEAN investors is manufacturing and processing industry (1009 projects with a total investment of \$22.2 billion, account for 38 % of total projects and 40.8 % of total capital invest). This is also a common feature of foreign investment in Vietnam: the projects in the field of processing industry increase gradually. It also shows the investment trend is moving towards a positive tendency, continuing to have a positive impact on the development of industries of Vietnam, in accordance with the policy of industrialization – modernization.

In the processing and manufacturing industry, the majority of projects come from investors in Singapore (438 projects and \$13.4 billion total investment, accounting for

43 % of projects and 60 % of total investment in this area), followed by Thailand (184 projects and \$5.7 billion total investment, 18.2 % of projects and 26 % of total investment), Malaysia come 3rd (225 projects and \$1.98 billion total investment, accounting for 22.2 % of total projects and 9 % of total investment).

In the processing and manufacturing industry, the projects in the fields of electricity and electronics play an important role in the investment from ASEAN countries, especially Singapore. In the period of 2008–2014, projects in the field of electricity and electronics had increased the total investment capital of Singapore in Vietnam significantly. Some typical large projects in this field included the Samsung Electronics Project in Thai Nguyen and Bac Ninh and Samsung CE project in Ho Chi Minh City (Singaporean investors). This 3 separate projects had a total registered capital of 5.9 billion USD.

Textiles is one of the areas where many projects come other ASEAN countries. The common feature of these projects in the textiles sector is the small-scale of the projects, the average scale for each of the ASEAN textile projects is around 6 million USD/project. Although the number of projects as well as the project size in the textiles sector are not as high as in the field of electronic, the pro-

jects also contribute to create jobs for local workers and to promote the creation of production quality consumer products.

In the textiles sector, the Singapore, Thailand and Brunei are the countries with the most projects. These projects are concentrated in textiles provinces such as Dong Nai, Binh Duong, Ho Chi Minh City, Long An. These are the most populous localities and near the major markets which facilitate the production and consumption of textile products.

Property business:

The real estate business sector come second with 97 projects and a total investment of 16.6 billion USD, accounting for 30.4 % of total investment capital. Only the two sectors of processing and manufacturing industry and real estate business account for 70 % of total investment capital of Asean. Due to its own characteristics, the average scale of projects in this field is high, around 167 million USD / project.

In this field, Singapore also accounted for the majority of projects (77 projects and \$10 billion total investment, accounting for 77.7 % of projects and 60 % of total investment in this field). In second place is Malaysia (16 projects and \$ 5.5 billion total investment, accounting for 33.3 % of total investment in this field). Although Brunei has only 2 projects, the total investment is up to 1 billion dollars, including the Co. New City project with a total investment of \$1 billion, the remaining projects are from Thailand and Phillipins.

The real estate projects of ASEAN countries concentrate mainly in Ho Chi Minh City and Hanoi as they are the two largest economic centers of the country which are very favorable for the development of real estate projects. However, the biggest real estate project of ASEAN investors in Vietnam is the Southern Hoi An Resort in Quang Nam with a total investment of up to \$4 billion from investors in Singapore.

Agriculture:

Overall, agriculture is a sector with great potential and advantages in Viet Nam but the flow of foreign investment to the agricultural sector is still relatively limited compared to the needs of industry. Currently, ASEAN countries has invested 81 projects in the agri-

cultural sector with a total investment of \$1.08 billion, accounting for 2 % of the total investment capital of Asean in Vietnam. While foreign investment has increased, the flows into the agricultural sector is too small for the number of projects and the share capital.

The reason for the limited FDI investment in agriculture in such a long time is that investments in agriculture cannot earn profit as fast as other sectors, while the sector is at risk of disaster and market fluctuations. In addition, agricultural production Viet Nam is retail, infrastructure and ancillary services remain weak and inadequate, while the quality and labor productivity are low.

Among the ASEAN countries, the proportion of Thai investment is the highest (29 projects and \$477 million total investment, accounting for 44 % of total investment capital from ASEAN), followed by Singapore (28 projects and \$335 million total investment, accounting for 30.8 %), Malaysia (18 projects and \$146 million total investment, 13.4 %).

About the area, Dong Nai and Binh Duong, Quang Ninh attract the most agricultural projects from ASEAN countries. These 3 provinces account for over 50 % of total investment in the agricultural sector of the ASEAN (Dong Nai: \$280 million, Binh Duong: \$166 million, Quang Ninh: \$100 million).

Agricultural development is an objective and primary focus of Vietnam. Attracting FDI in this sector should be considered and appropriate policies are needed to attract investment, especially from ASEAN countries which have experiences in investing in the agricultural sector. Orientation towards FDI in agriculture will increase investment, encouragement in the field of processing to produce agricultural products which carry national brands, therefore, break into the world value chains. In addition, there is a need for attracting high-quality FDI and high added value, using and protecting natural resources, using advanced and clean technology, creating more jobs and supporting for the main stages in the value chain of agricultural products, especially the need for high-tech applications in developing product value

chain to produce agricultural products with high quality and high value added.

3. Assessing the situation of ASEAN FDI in Vietnam

- Relatively good result, but not commensurate with the potential and the cooperation of the countries:

Overall, FDI in Vietnam from ASEAN countries has made remarkable results over the period, but still not commensurate with the potential and desire to cooperate. Vietnam and ASEAN have the same advantages as other countries in the region, located close to each other geographically, understand the customs and culture of the countries. In addition, Vietnam joined ASEAN in 1995 and the formation of the AEC in late 2015 are extremely favorable advantages to promote investment by ASEAN countries in Vietnam. However, recent results did not reflect the situation as well as the amount of cooperation in the region.

- Scale higher average capital project: while the average project size of Viet Nam was about 14 million USD/project, that of ASEAN investors was \$ 20 million/project. It was a great characteristic as there were many projects with large capital from ASEAN countries in Vietnam.

- Uneven by partner: ASEAN's FDI in Vietnam has increased sharply in recent years, but the attraction of investment from the country has been uneven: while Singapore, Malaysia and Thailand and three other countries were in the top 10 countries and territories with the highest FDI in Vietnam, some other countries had humble results and a ripple effect and affect overall investment performance of Vietnam. For Singapore, this country played an important role in attracting foreign investment in Vietnam and has many projects which had a positive impact with economic growth and the social life. The remaining countries like Indonesia, Brunei, the Philippines, Laos, Cambodia had very modest results, even Myanmar did not invest in Vietnam.

The AEC associate level is still at a low community links, as the alignment of this community is just only cooperation between countries in the region. Governments open

the doors for trade, investment and workforce but forget to form organs and mechanisms, legally binding rules in the union. To be more specific, although the elements which form the investment field of AEC is "Freedom of investment flows; Free flow of capital; ... "to boost FDI inflows, and other investment flows within the block, then Article 32 of the AEC agreement, the liberal shift depend on the schedules and availability prepared by each member, showing that the agreement to shift capital liberally in AEC is lack of binding conditions, compared with the European Economic Community (EEC) which have the highest levels of the current link that is to remove all the barriers between capital shift in the member countries.

FDI growth potential after only a few years is only around 10 %/year.

- Projects with spillover effect, high added value are still limited: besides some projects from Singapore that have good performance, the project of the ASEAN countries have not really had a great effect to the efficiency of investing in Viet Nam.

- Great competitive pressure: When operating AEC, ASEAN will be a single market with 600 million consumers and an annual GDP of about \$2.500 billion through links on the basis of unified production such as freedom of cargo; free movement of services; free movement of skilled labor. This is clearly a large market with big potentials that international investors are watching to expand the market for consumption, production materials, labor, ... To get this huge market, international investors will choose one of the members of ASEAN, at that time Viet Nam will be one of their choices.

Viet Nam's competitiveness with other countries in the AEC not only fall on the economy at the top end of four countries included Viet Nam, Laos, Cambodia and Myanmar with the criteria of cost and high-quality labor, but also for the rest with Thailand, Malaysia, Indonesia, Philippines when the industries that have the potential to attract FDI of Vietnam are also is the strength of those countries such as seafood, agricultural products, forestry (food processing, wood products, rubber, ...), tourism, distribution

system of wholesale - retail sales, ... As the index for national competitiveness of Vietnam in the WEF ranking is much lower than Malaysia, Indonesia, Thailand, Indonesia, Philippines, it is a big challenge for Vietnam.

With the formation of the AEC, together with the flow of goods, services, investment, free movement of capital is the free movement of skilled labor among ASEAN members. Assessing the strength and readiness of Viet Nam's labor in the AEC shows, there are factors that hinder or reduce the ability to attract FDI into Vietnam in terms of labor criteria: labor productivity Vietnam is still low; technical qualification, the Human Development Index (HDI) of Vietnam is quite low compared to other ASEAN countries; knowledge, skills preparation (especially in foreign languages) of workers in Viet Nam is not enough to participate in the process of economic integration of the country.

However, the majority of skilled workforce in Vietnam, which is still few, are employed in enterprises with FDI in Vietnam in the fields of finance, banking, audit, health hotel, marketing, electronics, telecommunications, ... as ASEAN's working environment is free to move, potentially high income, not too far away geographically, living conditions and customs, ... the relative similarities between the ASEAN countries, will easily migrate to other countries in the AEC work, thereby increasing the shortage of skilled labor in Vietnam. The weakness of labor Vietnam mentioned above, both the obstacles to integration in general, is both a major hurdle in attracting FDI, thus reducing the competitiveness of the business investment environment in Vietnam.

4. Prospects for investment cooperation Vietnam - ASEAN

Prospects for investment cooperation between Vietnam – ASEAN is very great because Viet Nam is an active member in this community. Viet Nam not only implements the mutual agreement of the union but also performs a variety of bilateral cooperation in all fields. The more important thing is that Viet Nam has mounted economic development and international economic integration.

Within the region, trade and investment between Vietnam – ASEAN developed very nice. This figure is continuing to rise strongly. In the upcoming years, investment cooperation between Vietnam and ASEAN countries will certainly continue to grow as well ... as ASEAN turned into the ASEAN Economic Community in 2015, with the General Agreement on Investment adjustments (Comprehensive Investment Agreement ASEAN – ACIA), trade (Agreement on Trade in Goods of ASEAN – ATIGA) and translation Services (ASEAN Framework Agreement on Services – AFAS), which increases the attractiveness of the region in attracting FDI. The multinational corporations are constantly expanding their investment activities in ASEAN. More than 80 % of the companies included in the List 500 of the Fortune global companies present at the ASEAN. All 10 of the world's leading company in the automotive manufacturing sector, 10 manufacturers of automotive accessories; 10 greatest electronics manufacturers; 10 leading pharmaceutical companies has presented in ASEAN.

Prospects for FDI inflows into Viet Nam from ASEAN countries after the AEC takes effect depend on the absorptive capacity of Viet Nam economy to this foreign capital. The criteria to determine the absorption capacity of the economy's FDI is the disbursement rate of FDI (FDI made) annually. 2010 was the first year, FDI disbursements exceeded US\$ 10 billion/year and the average increase was nearly 20 % in the last 5 years from 2011 to 2015, reaching 14.5 billion USD in 2015. The low FDI disbursement of the economy depends on several factors, including labor resources, infrastructure, energy management, ... this is the weakness of the economy that can not be overcome quickly in one or two years. The spread over US \$ 100 billion have not been disbursed, between registered FDI and realized FDI in many years, has demonstrated the weak capacity to absorb capital in the economy and limited the impact of new FDI in Viet Nam, especially the increased capital and extension of the existing FDI. Absorption capacity of the economy which is weak compared to the require-

ments and investment opportunities will have limited impact FDI from ASEAN.

Thus, although the opportunity is open to Viet Nam in attracting FDI from AEC, but due to the effects of competition not only between members but also with outside countries, the competitiveness of Viet Nam is again lower than many countries in the union, and the actual ability of investment from ASEAN to Viet Nam (except Singapore, Malaysia, Indonesia, Thailand) is very modest, level links AEC at lower levels, the lack of binding conditions, ... FDI from ASEAN countries to Viet Nam can not surge in the near future, the opportunity to attract more FDI is not even capable to keep the level achieved in 2015, without a large-scale project.

Viet Nam has an advantage compared to other ASEAN countries in relation compete to attract FDI. Thailand has advantages but markets are partially saturated, labor force is becoming more and more expensive and the shortage of quantity is worse. Political instability also significantly affect FDI flows here (Japanese FDI in Thailand declined from 557 billion yen in 2011 to 46 billion yen in 2012), Indonesia has the largest market but struggles with issues of religion, culture and politics, Myanmar is the uprising locality in attracting FDI but with real weakness in policy and the current infrastructure, it must be 3–5 years before the country can improve the investment climate.

In the future, for ASEAN countries, we can be confident that the large-scale investment projects will appear more and more in Viet Nam. This also fits the level of national development and common prosperity of ASEAN. Enterprises will also benefit from the development of the area and they will have the conditions for the implementation of larger projects.

ASEAN is transforming itself into a new development phase, forming the ASEAN Community by 2015 with the three pillars of politics – security, economics and social – culture, with the overall objective is to make the Association become a cooperative inter-governmental with deeper and stronger connections, but still expanding cooperation with

outside, and take more care of their people, serve and improve the lives of the citizen.

ASEAN Economic Community is officially operational from 1-1-2016, hence, it requires government, business community and citizens must have the interest and preparation to take advantages from opportunities and overcome challenges when joining the AEC. In the macro view, the key that can not be ignored is the institutional reforms and the improvement in the quality of human resources, thereby improving the competitiveness of the economy and enterprises. As FDI along with exports are the engine of economic growth in Viet Nam, it is necessary to continue to strengthen and improve FDI efficiency. Attracting, improving quality and efficiency of FDI is fastened to the reform and specific adjustments related to issues of raising the competitiveness of the business investment environment in Viet Nam. The content and objectives of the reform and correction are also the contents and objectives that the activities of the Joint Initiative Viet Nam – Japan and annual activities of the Vietnam Business Forum (VBF) have been deployed. Selective acceptance to implement immediately some appropriate initiatives to the conditions of Viet Nam from the two operations will improve the competitiveness of the business investment environment in Viet Nam, therefore, helps Viet Nam to make use of the advantages from these opportunities and overcome challenges when joining AEC as well as executing the Free Trade Agreement.

Bibliography

1. ASEAN, 2006, ASEAN Statistics Yearbook 2006.
2. ASEAN Investment Statistics Database, 2014, accessed 10/05/2014, [Http://www.asean.org/news/item/foreign-direct-investment-statistics](http://www.asean.org/news/item/foreign-direct-investment-statistics)
3. ASEAN Secretariat, 1987, the Agreement on encouragement and protection of investments.
4. ASEAN Secretariat, 1997, the Framework Agreement on the ASEAN Investment Area.
5. ASEAN Secretariat, 2009, the Agreement on the ASEAN Comprehensive Investment.
6. ASEAN Secretariat, 2009, AEC Blueprint.
7. ASEAN Secretariat, 2012, AEC Scorecard.
8. ASEAN Secretariat, 2011, AEC Factbook.
9. ASEAN Secretariat, 2006, "Statistics of FDI in ASEAN".

10. ASEAN Secretariat, 2012, "ASEAN Investment Report 2012".
11. ASEAN Secretariat, 2013, "Comprehensive Investment Agreement ASEAN-guidebook for businesses and investors".
12. Ministry of Planning and Investment, in 2013, "25 years of foreign direct investment in Viet Nam".
13. C. Lin, 2010, "ASEAN's Investment Environment: A Comparative Study of Foreign Investment Regulations ASEAN Members Selected print".
14. Japan Bank for International Cooperation (JBIC), 2013 Survey Report on Overseas Business Operations by Japanese Manufacturing Companies, subtitled Results of the JBIC FY2013 Survey: Outlook for Japanese Foreign Direct Investment (25th Annual Survey), November 2013.
15. World Bank, 2014, the report "Regional Economic Update East Asia-Pacific" 16. Urata and Ando Shujiro Mitsuyo, 2011, "Study of the Investment Climate of ASEAN Member Countries".
16. UNCTAD, in 2014, "World Investment Report 2014" 3.
17. Ministry of Planning and Investment – Foreign Investment Agency, 2015, The State of foreign direct investment in 2015.

© *Thanh D. T.*, 2016.