CURRENT SITUATION OF FOREIGN INVESTMENT IN THE AGRICULTURAL SECTOR IN THE SOUTHERN KEY ECONOMIC REGION, VIETNAM

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ABSTRACT:

Foreign investment plays a crucial role in the development of the agricultural sector, especially in key economic regions like the southern region of Vietnam. In recent years, foreign investment in agriculture in the southern region has experienced positive changes, contributing to the development of the agricultural sector towards higher efficiency and greater sustainability. However, besides the achievements, foreign investment in the southern region's agricultural sector still faces some limitations and challenges that need to be addressed. This study analyzed the current foreign investment in the southern region's agricultural sector and proposed some appropriate solutions.

Keywords: foreign direct investment, foreign investment in Vietnam, foreign investment in agriculture.

1. Introduction

The Southern Key Economic Region is a crucial geographical area for Vietnam's agricultural sector, with significant potential for development in various fields such as crop cultivation, livestock farming, and aquaculture. To fully harness this potential and promote a shift towards high-tech agriculture and more sustainable development, attracting foreign direct investment (FDI) plays a vital role. According to statistical data, by the end of 2023, the Southern Key Economic Region had attracted 218 FDI projects in the agricultural sector, with a total investment of nearly 2.1 billion USD, spread across five main sectors: crop cultivation, livestock farming, forestry, aquaculture, and agricultural services. Among these, the sector that attracted the most projects and the largest scale of investment was livestock farming, with 79 projects and a total investment of 1.2 billion USD (Ministry of Planning and Investment; 2024)

The primary FDI partners are from geographically close Asian countries such as Taiwan (China), Thailand, and Singapore. However, the average investment scale of an FDI project from these countries is smaller compared to partners from Europe and the United States. This indicates the potential for collaboration with more developed partners in terms of scale and technology transfer.

The involvement of FDI enterprises has brought positive impacts to the development of the agricultural sector in the Southern Key Economic Region. Specifically, FDI enterprises have contributed to increasing productivity and the quality of agricultural products in the area through the application of scientific and technological advancements in production. Many new technologies have been introduced in the fields of poultry farming and aquaculture, such as the use of high-yield breeds, modern disease prevention systems, and intensive farming processes.

Furthermore, the presence of multinational companies has also helped diversify the agricultural product structure, meeting the demands of both domestic and international markets. Examples include high-quality livestock products and value-added fruits. The substantial investment capital from FDI has also contributed to the improvement of rural technical infrastructure, creating favorable conditions for agricultural production.

2. The current situation of foreign investment in the Southern Key Economic Region

2.1. Current situation

As of December 31, 2023, 25 countries and territories have invested in the agricultural sector of the Southern Key Economic Region. Among them, 22 countries and territories have ongoing FDI projects. Of the ongoing FDI projects, 9 countries and territories are from Asia; 5 are from Europe; 2 are from the Americas; 2 are from Oceania, and 1 is from Africa. The countries of Russia, the Philippines, and North Korea each had one FDI project, but all of these projects have ceased operations (General Statistics Office; 2024)

Regarding the number of FDI projects, the investment partners with the most projects predominantly come from Asia. The five countries

Table 1. FDI in Agriculture in the Southern Key Economic Region by Investment Partners (Cumulative Projects Effective as of 31/12/2023)

(Unit: Project)

No.	Investing Partner	No. of still effective projects	Total FDI capital (million USD)	Average size per project (million USD)	No. of suspended projects
1	Taiwan (China)	59	306.733	5.199	28
2	Thailand	29	189.694	4.334	2
3	Singapore	23	345.570	15.025	3
4	South Korea	20	93.931	3.031	8
5	Malaysia	15	181.691	12.113	3
6	France	14	65.062	4.647	1
7	China	12	14.764	1.230	5
8	British Virgin Islands	9	517.984	57.554	2
9	Hong Kong	6	24.736	4.123	1
10	New Zealand	5	15.053	3.011	0
11	Netherlands	4	86.920	21.730	2
12	Japan	4	9.176	2.294	0
13	United Kingdom	4	94.976	23.744	0
14	Australia	2	0.583	0.292	1
15	United States	3	150.632	50.211	6
16	Germany	3	0.052	0.017	0
17	India	2	0.734	0.367	1
18	Samoa	2	20.6	10.300	0

No.	Investing Partner	No. of still effective projects	Total FDI capital (million USD)	Average size per project (million USD)	No. of suspended projects
19	Luxembourg	2	4.5	2.25	0
20	Denmark	1	5	5	0
21	Switzerland	1	45	45	0
22	Canada	1	9.9	9.9	0
23	Russia	0	-	-	1
24	Philippines	0	-	-	1
25	North Korea	0	-	-	1
Total		**218**	**2.074,276**		**66**

(Source: General Statistics Office (2024) and calculations by the author)

and territories with the most FDI projects all belong to Asia, accounting for 65.2% of the total FDI projects in the region's agriculture sector. Notably, Taiwan has an exceptionally high number of FDI projects compared to other countries and territories, with 59 projects, representing 27.06%. European countries with significant investments in the region include France, with 14 projects (6.42%), and the British Virgin Islands, with 9 projects (4.13%) (General Statistics Office; 2024).

In general, the group of countries with 20 to 29 projects includes Taiwan (China), Thailand, and Singapore; the group with 10 to 15 projects includes South Korea, Malaysia, France, and China. All other countries have fewer than 10 projects. In recent years, Thailand and Singapore have notably increased the number of new FDI projects, primarily in the livestock sector. Investors from countries with modern agricultural sectors, such as the United States, Canada, Australia, and the Netherlands, have yet to make significant investments in the region's agriculture sector. To date, the Netherlands has only 4 projects; the United States has 3 projects; Australia has 2 projects, and Canada has only 1 FDI project. Regarding the scale of investment, the British Virgin Islands, Singapore, and Taiwan have the highest FDI amounts. Investors from these three countries and territories alone account for more than 56.42% of the total FDI in the region's agriculture sector. The British Virgin Islands lead in FDI scale, with 517.984 million USD, representing 24.97% of the region's total investment (General Statistics Office; 2024).

In terms of average investment per project, projects from European countries, although fewer in number, have a higher average investment scale compared to those from Asian countries. The British Virgin Islands have the highest average investment scale at 57.554 million USD per project, surpassing those from other countries and territories. Other countries such as the United States, Switzerland, Italy, the United Kingdom, and the Netherlands have very few projects, but their average investment per project is all above 20 million USD. Notably, the United States, with only 3 projects, has an average investment of 50 million USD per project, ranking second only to the British Virgin Islands (General Statistics Office; 2024).

Most FDI projects from Asian investors are small in scale. Among Asian countries, Singapore has the highest average investment scale, at 15 million USD per project, followed by Malaysia, at 12 million USD per project. Notably, Taiwan, despite having the most FDI projects, has an average investment scale of around 5 million USD per project, similar to projects from Thai investors. Other countries and territories have an average investment scale ranging from 1.2 million USD to 4 million USD per project. The relatively small average investment per FDI project indicates outdated, low-cost technology, which poses potential environmental pollution risks (General Statistics Office; 2024).

Regarding the sectors of interest, analysis of major investment partners in the region shows: FDI projects in the forestry sector are primarily from

Taiwanese investors (accounting for 70% of total projects and 52.5% of total FDI capital); the crop cultivation sector has 26 projects from Taiwan (China); only 6 projects are invested in other sectors. Asian investors such as Singapore, Thailand, Malaysia, and South Korea mainly invest in the livestock sector (accounting for 61.84% of FDI projects in livestock in the region). France is also a significant investor in the livestock sector with high-tech projects in animal breeding, livestock feed, and veterinary medicine on a medium to large scale. The British Virgin Islands are also a major European investment partner with the highest average investment per project in the region. Investors from this country have only 9 projects but invest evenly across three sectors: livestock, crop cultivation, and forestry (General Statistics Office; 2024).

Thus, most FDI in the agriculture sector of the Southern Key Economic Region comes from newly developed countries and those geographically close to Vietnam, with very few projects from highly developed countries with leading technology.

2.2. Structure of FDI by sector

From 1989 to 2023, the number of FDI projects in the agricultural sectors of the Southern Key Economic Region (SKER) was sporadic, sparse, and unstable, even though the SKER attracted the most FDI in agriculture compared to the rest of the country. In the early years, FDI primarily focused on wood processing and forest products, with a significant increase from 1997 to 2000. FDI projects in the crop cultivation and livestock sectors appeared later but consistently had new projects annually. The wave of FDI into the livestock sector essentially began in 2016. However, it wasn't until 2019 that this wave became stronger, especially from 2020 onwards. For crop cultivation, the period with the most FDI projects was from 2016 to 2020, after which it leveled off(General Statistics Office; 2024).

FDI projects in the fisheries sector began in 1994, with one new FDI project being established each year until 2001. From 2004 to 2010, there were no new projects. From 2011 to 2019, some new projects appeared sporadically. Most FDI projects in the fisheries sector involve the production, farming, and processing of aquatic products. Agricultural services began to see FDI projects in 2006, but significant development only occurred from 2016 onwards, mainly through capital contributions, share purchases, and equity acquisitions by foreign investors (General Statistics Office; 2024).

In the crop cultivation sector, FDI projects primarily invest in seed and plant production; mushroom cultivation and processing; coffee production and processing; fruit trees, cassava, vegetables, peppers, spices, ornamental plants, and flowers. Although the SKER has favorable conditions for perennial industrial crops, particularly rubber and cashew, there is only one FDI project for rubber cultivation and one for cashew processing. Most FDI projects focus on producing vegetable seeds and food crops (corn, rice). Some projects combine fertilizer production to suit crop varieties. Additionally, projects specializing in livestock feed raw materials like corn, cassava, and grass for livestock feed are also growing strongly (General Statistics Office; 2024).

In the livestock sector, most projects invest in pig farming using modern technology and a closed process from breeding to livestock feed production and processing to final meat products, including waste treatment for fertilizer production. There are also many large-scale, modern poultry farming projects (mainly chickens) for egg and meat production. Additionally, a few projects focus on producing veterinary medicines and growth promoters from reputable global companies.

Finally, FDI in the forestry sector mainly involves logging and woodcraft production, with three additional projects focused on afforestation and wood chip processing. As of December 31, 2023, FDI is present in five agricultural sectors of the SKER: crop cultivation, livestock, agricultural services, forestry, and fisheries. Analyzing the statistics, FDI in the agricultural sectors of the SKER shows several key characteristics: it is primarily concentrated in the crop cultivation and livestock sectors, with forestry projects mainly established before 2000 continuing to operate today. Livestock is the sector with the most FDI projects and the largest investment scale, accounting for 36.20% of the projects and 59.45% of the investment capital, totaling $1,297.90 million, which is more than all other sectors combined. The second largest sector is crop cultivation with 73 projects (33.03%), but the FDI capital in this sector is lower due to the low average investment per project, totaling $467.85 million (21.43%). Forestry ranks third in both the number of projects and investment scale, with 39 FDI projects still in effect as of December 31, 2023, accounting for 17.65% of the projects and $315.62 million (14.46%) of the capital. The last two sectors are fisheries and agricultural services, with fisheries having 10 projects (4.52%) and agricultural services having 19 projects (8.60%); however, FDI in fisheries amounts to $67.17 million, three times that of agricultural services ($34.74 million). Regarding average investment per project, there is a significant disparity between sectors. The livestock sector has the highest average investment at $16.17 million per project, while the forestry, fisheries, and crop cultivation sectors range from $5 million to $8 million per project. Agricultural services have the lowest average investment, at only $1.83 million per project, mainly from capital contributions, share purchases, and equity acquisitions from foreign investors. In terms of project success rates, the fisheries sector has the highest number of FDI projects that have ceased operations, with nearly half becoming inactive over time. Livestock is the most effective investment sector, with only 16.13% of projects ceasing operations, primarily due to companies restructuring and reallocating resources to projects in other regions or provinces, with no companies completely ceasing operations.

2.3. Additional challenges

Despite the notable achievements, several challenges persist in attracting and effectively utilizing FDI in the agricultural sector of the Southern Key Economic Region (SKER).

Firstly, there is a significant challenge in the shortage of high-quality human resources with expertise in foreign technologies. This gap hampers the transfer and application of advanced technologies in agricultural production.

Secondly, the relatively high labor costs in Vietnam compared to neighboring countries reduce the competitiveness of the region in attracting FDI.

Thirdly, administrative and legal procedures for investment remain complex and time-consuming, creating barriers for foreign investors. Streamlining these processes is essential to enhance the investment climate and facilitate smoother project implementation.

Fourthly, rural technical infrastructure in the SKER does not yet meet the demands of modern agricultural production. Improvements in transportation, irrigation, and other critical infrastructure are necessary to support the efficient operation of FDI projects.

Additionally, natural disasters and unexpected outbreaks of diseases pose significant risks, leading to substantial losses in agricultural production. These uncertainties can deter potential investors concerned about the stability and security of their investments. Furthermore, the consumption of agricultural products is heavily reliant on the domestic market, with limited export capabilities. Expanding export markets and improving international trade relations are crucial for the sustainable growth of the agricultural sector.

Moreover, legal frameworks and policies related to land, taxation, and environmental protection are still incomplete and sometimes inconsistent. These legal ambiguities can create uncertainty and increase the risk for foreign investors. Lastly, the sector faces intense competition from domestic enterprises and other foreign competitors. Enhancing the competitive edge of local agricultural enterprises through innovation, quality improvements, and strategic partnerships is vital for maintaining and growing the market share.

3. Recommendations for attracting foreign investment in agriculture in the Southern Key Economic Region

Firstly, focus on improving the quality of the workforce through specialized training programs in modern agricultural technology. Collaborate with countries that have advanced agricultural sectors to transfer knowledge and skills to local workers.

Secondly, simplify and make administrative procedures more transparent, especially in investment licensing, business registration, and land-related processes. Implementing IT solutions for online processing can help reduce time and costs for investors.

Thirdly, invest in rural infrastructure such as transportation systems, irrigation, electricity, water, and telecommunications to support agricultural production. The government should provide incentives and financial support for infrastructure development and encourage private sector participation in rural infrastructure projects.

Fourthly, boost trade promotion, seek, and expand export markets for agricultural products. The government should negotiate bilateral and multilateral trade agreements to reduce tariffs and trade barriers, creating favorable conditions for agricultural exports.

Fifthly, amend and enhance relevant laws and regulations regarding land, taxation, and environmental protection to create a stable and favorable legal environment for investment. Ensure transparency and consistency in law enforcement to reduce investors' risks.

Sixthly, create conditions for domestic and foreign businesses to cooperate, connect, and share experiences. Establish agricultural industrial parks and research centers to create an environment conducive to collaboration and development ■

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THỰC TRẠNG ĐẦU TƯ NƯỚC NGOÀI VÀO NÔNG NGHIỆP TẠI VIỆT NAM: NGHIÊN CỨU TẠI VÙNG KINH TẾ TRỌNG ĐIỂM PHÍA NAM

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TÓM TẮT:

Vốn đầu tư nước ngoài có vai trò quan trọng trong sự phát triển của ngành Nông nghiệp, đặc biệt là ở các vùng kinh tế trọng điểm như phía Nam nước ta. Trong những năm gần đây, đầu tư nước ngoài vào nông nghiệp ở khu vực phía Nam có chuyển biến tích cực, góp phần đưa ngành nông nghiệp phát triển theo hướng hiệu quả và bền vững hơn. Tuy nhiên, bên cạnh những thành tựu đạt được, hoạt động đầu tư nước ngoài vào nông nghiệp phía Nam vẫn còn một số hạn chế, thách thức cần giải quyết. Do đó nghiên cứu này đánh giá thực trạng vốn đầu tư nước ngoài vào lĩnh vực nông nghiệp tại khu vực phía Nam và đưa ra các giải pháp phù hợp.

Từ khóa: vốn đầu tư trực tiếp nước ngoài, FDI vào Việt Nam, FDI vào nông nghiệp.