IMPACT OF FOREIGN DIRECT INVESTMENT ON RURAL DEVELOPMENT IN VIETNAM

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ABSTRACT:

In recent years, Vietnam has emerged as an important destination for foreign direct investment (FDI), which has played a significant role in promoting economic growth and strengthening the country's international competitiveness. Beyond its broader macroeconomic contributions, FDI has also generated positive impacts on rural areas by supporting economic restructuring, creating employment opportunities, and increasing the export value of agricultural products. This article provides an overview of the role of FDI in Vietnam's economy, examines its effects on rural development, and analyzes the current state of FDI inflows into rural areas through the agricultural sector. Based on this analysis, the study proposes policy implications to enhance the attraction of FDI into rural areas in the coming period.

Keywords: FDI, agriculture, rural areas, economic restructuring, Vietnam.

1. Introduction

Vietnam is identified as an attractive global destination for FDI. In 2007, Vietnam's accession to the World Trade Organization (WTO) led to a surge in registered FDI, rising from USD 21.35 billion in 2007 to USD 71.73 billion in 2008 alone (Kieu Oanh, 2022). By 2025, FDI in Vietnam reached a new record, with total registered capital of approximately USD 38.42 billion and realized capital reaching USD 27.62 billion-the highest in five years and a 9% increase compared to 2024 (Vu Nguyen Hanh, 2026).

Over the past many years, FDI inflows have positively impacted rural Vietnam. Many FDI projects have transformed the economic landscape of numerous localities in Vietnam. In the agriculture, forestry, and fishery sectors, the production growth rate of the FDI sector has consistently outperformed that of the domestic economic sector. This has contributed significantly to restructuring the agricultural economy, diversifying products, enhancing the value of exported agricultural goods, and facilitating the adoption of advanced technologies as well as high-yield, international-standard crop and livestock varieties. The income and living standards of rural residents are steadily improving. In 2021, the average monthly income of rural residents reached approximately VND 3,486 thousand (VND 41.8 million per person), rising to VND 46.4 million per person in 2022, and VND 50.02 million per person in 2023, a 1.2-fold increase compared to 2020; it is projected to reach VND 57 million per person in 2025.

Vietnam sets the overall target of USD 25 billion in registered FDI capital in agriculture by 2030. However, the overall impact of FDI remains limited due to the very small proportion of the FDI sector within these industries (Kieu Oanh, 2022). A comprehensive identification of the impact of FDI on rural Vietnam, followed by the formulation of appropriate attraction policies, is of paramount importance in the current context.

2. Overview

2.1. Definition

FDI is the process by which an organization or an individual from one country invests in businesses or projects in another country. FDI is a long-term, cross-border investment where an entity in one country gains a lasting interest, typically 10% or more of voting power, in an enterprise in another economy. It involves controlling ownership, such as building factories or purchasing firms. FDI plays a crucial role in promoting a country's economic development, bringing in new capital, technology, and efficient management from foreign investors (SB LAW, 2023).

2.2. Impacts of FDI on rural areas

Impacts of FDI on rural areas could be recognized in some aspects:

- Promoting economic restructuring and modernization: FDI promotes the formation of high-tech agricultural zones and agricultural processing industries, helping to shift labor from purely agricultural sector to industrial/service sectors.

- Promoting exports and enhancing the value of agricultural products: Major corporations bring in modern technology, improve product quality, and strengthen competitiveness in the international market.

- Creating Jobs and income for local people: The FDI sector creates both direct and indirect jobs, contributing to the improvement of rural residents' livelihoods."

- Creating pressure on smallholder farmers: The emergence of large-scale FDI farms utilizing high technology diminishes the competitiveness of small-scale household farming, forcing a reduction in the scale of individual livestock production.

- Promoting Infrastructure investment: FDI indirectly drives the improvement of rural infrastructure to support logistics and production activities.

3. The current situation of FDI in rural Vietnam

3.1. Positive results

Over more than three decades of integration, Vietnam has attracted nearly 44,000 FDI projects with a total registered capital of over USD 517 billion, and implemented capital reaching USD 331.5 billion (64.6%). The FDI sector contributes USD 20.5 billion to the budget and plays a pivotal role in exports, employment, and technology. However, agriculture – a sector crucial to food security – accounts for only about 6% of FDI, a very modest figure compared to its potential.

According to the Statistics Office (Ministry of Finance), as of the end of 2024, Vietnam had 537 active FDI projects in the agricultural sector. Including processing, supply of materials, and trade, the total FDI capital for the entire sector reached over USD 26 billion, accounting for approximately 6% of the total FDI capital nationwide. Data from 2015-2024 shows significant fluctuations: In 2015, there were 17 agricultural projects with USD 258 million in registered capital; this increased to 13 projects in 2020, but the registered capital reached USD 228.6 million; then it decreased sharply in subsequent years, with only 11 projects remaining in 2024 with USD 77.6 million. In which, the fisheries sector has over 110 FDI projects with a total capital exceeding USD1 billion, focusing on aquaculture and processing for export. Forestry has recorded strong capital growth, especially in the timber industry, with participation of many investors from China, Singapore, Hong Kong (China), and Taiwan (China).

FDI projects are concentrated in Lam Dong, Binh Dinh, Vinh Phuc (formerly) provinces, and the Mekong Delta – areas with favorable infrastructure. In terms of partners, Japan leads with approximately 21 enterprises investing in high-tech agriculture, alongside South Korea, Taiwan (China), Singapore, France, etc. However, the proportion of investment capital from these countries compared to the total FDI nationwide remains very modest, accounting for only 2.3 - 9.8% of the total number of projects. I n addition, the FDI sector has generated roughly 500,000 jobs, directly contributing to the rising incomes of rural residents and promoting technological innovation.

In general, FDI has a positive impact on the economic growth of rural areas, but the degree of impact varies across provinces. Many FDI projects have transformed the economic landscape of numerous localities in Vietnam. Many localities have successfully leveraged FDI to boost economic growth, create jobs, build infrastructure (especially industrial parks), transfer technology, and transform from agriculture to industrial production.

3.2. Difficulties and limitations

Looking back over the past decade, it's clear that FDI in Vietnamese agriculture in particular and in rural areas in general has been both unstable and underdeveloped, failing to live up to its potential. Most FDI enterprises focus on exploiting the advantages of cheap labor, readily available resources, and a "lenient" consumer market to assemble and process products for domestic consumption and export.

Some sectors have been selected and given preferential treatment, but some foreign-invested enterprises seem to only take advantage of these preferential policies to sell goods at high prices in the Vietnamese market instead of focusing on high value-added stages that contribute to enhancing the competitiveness of the Vietnamese economy (Kieu Oanh, 2022). Some FDI projects have caused environmental problems, affecting the sustainable development of agriculture and rural areas. Many localities lack advantages in terms of human resources, geography, and infrastructure, resulting in low levels of FDI attraction and economic growth potential.

The objective reasons stem from the high risks inherent in agriculture – its dependence on weather, climate, and diseases. On the international stage, Vietnam faces fierce competition from countries in the region with more attractive investment environments (Trong Nghia, 2025).

4. Recommendations

To achieve the overall target of USD 25 billion in registered FDI capital in agriculture by 2030, a series of synchronized solutions are essential.

Firstly, it is necessary to develop a specific policy framework to provide incentives for high-tech, environmentally friendly FDI projects. Vietnam needs to continue implementing policy mechanisms to encourage foreign businesses to invest in agriculture and rural areas in accordance with the PPP Law of 2020, the Investment Law of 2020, and government decrees. In addition, Vietnam needs to continue researching and implementing preferential policies on taxes, land, etc., in line with international commitments to attract FDI. Vietnam must also proactively anticipate global capital shifts, promote investment, and strengthen public-private partnerships in agriculture.

Secondly, Vietnam must accelerate the restructuring of agriculture towards efficiency, sustainability, and high added value; organize production and business along value chains, promoting the application of science and technology and digital transformation; and develop agricultural and rural economies in conjunction with building new rural areas.

Thirdly, the FDI attraction policies of provinces need to define medium and long-term goals related to comprehensive and sequential solutions. Foreign investment policies in the coming years should not only focus on attracting quantity but also on its complementary impact on other factors of production to generate economic growth in rural areas, especially in potential localities, in order to realize double-digit growth targets. Emphasis should be placed on attracting large FDI enterprises with strong financial and technological potential.

Fourthly, prioritize investment in infrastructure serving key agricultural, forestry, and fisheries value chains; disaster prevention and mitigation projects; environmental sanitation; rural water supply; high-tech agriculture; research; and training. Innovate and develop appropriate and effective forms of production and business organization in agriculture and rural areas, linked to the "digital transformation and digital economy" process in the agricultural sector.

Fifthly, it is necessary to continue improving the business environment of the provinces, increasing their attractiveness to investors to enhance competitiveness. Provincial governments need to create a fair competitive environment, properly assess the role of economic sectors, especially the private sector, and rationally define the functions and roles of the state-owned economy. Provinces need to develop synchronized policies to mobilize and utilize resources for economic sectors.

Sixthly, develop human resources to create an attractive environment for attracting FDI. Improve the quality of human resource training towards creating high-quality human resources to meet the requirements of the 4.0 Industrial Revolution, serving the restructuring of the industry and the construction of new rural areas. Focus on implementing the Project on innovation and improvement of the quality of agricultural vocational training for rural laborers in the period 2022 - 2025. In any country's investment strategy in the agricultural sector, human resources are always one of the first and most important criteria that FDI investors consider.

Seventhly, strengthen international cooperation: promote bilateral diplomacy and elevate multilateral diplomacy... Improve the effectiveness of disseminating information and promoting awareness of international economic integration and the implementation of signed international commitments, especially new agreements such as EVFTA, UK FTA, and RCEP. Continue to mobilize and call upon donors to support the implementation of the plan for restructuring the agricultural sector and building new rural areas.

5. Conclusion

FDI has been, is, and will continue to be a crucial driving force in the modernization of Vietnamese agriculture in particular and rural Vietnam in general. However, currently, FDI inflows into the agricultural sector still face many challenges and limitations. This reality requires Vietnam to adopt new approaches in attracting FDI flows, as well as solutions to further enhance the effectiveness of exploiting the benefits brought by this capital, contributing to the achievement of industrialization and modernization goals and deep integration with the global economy. For this capital to truly become a "lever," drastic reforms are needed, from policies to methods, thereby helping Vietnamese rural areas not only maintain its supporting role but also rise to become a high-value sector in the global supply chain ■

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TÁC ĐỘNG CỦA ĐẦU TƯ TRỰC TIẾP NƯỚC NGOÀI ĐẾN PHÁT TRIỂN NÔNG THÔN Ở VIỆT NAM

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TÓM TẮT:

Trong những năm gần đây, Việt Nam đã nổi lên như một điểm đến quan trọng của đầu tư trực tiếp nước ngoài (FDI), đóng vai trò đáng kể trong việc thúc đẩy tăng trưởng kinh tế và nâng cao năng lực cạnh tranh quốc tế của đất nước. Bên cạnh những đóng góp ở tầm vĩ mô, FDI cũng tạo ra nhiều tác động tích cực đối với khu vực nông thôn thông qua việc hỗ trợ tái cơ cấu kinh tế, tạo cơ hội việc làm và gia tăng giá trị xuất khẩu các sản phẩm nông nghiệp. Nghiên cứu này cung cấp cái nhìn tổng quan về vai trò của FDI đối với nền kinh tế Việt Nam, xem xét những tác động của FDI đối với phát triển nông thôn, đồng thời phân tích thực trạng dòng vốn FDI vào khu vực nông thôn thông qua lĩnh vực nông nghiệp. Trên cơ sở đó, nghiên cứu đề xuất một số hàm ý chính sách nhằm tăng cường thu hút FDI vào khu vực nông thôn trong thời gian tới.

Từ khóa: FDI, nông thôn, nông nghiệp, tái cấu trúc kinh tế, Việt Nam.