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Research Article

The Impact of New Generation FTA on FDI Transfer into Vietnam: A Qualitative Analysis

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ABSTRACT

In the context of Vietnam's increasing integration into the global economy, new-generation Free Trade Agreements (FTAs) such as CPTPP, EVFTA, and RCEP have emerged as powerful drivers of foreign direct investment (FDI) flows into the country. These FTAs not only eliminate tariffs but also encompass advanced commitments in areas such as investment protection, environmental and labor standards, and market access, thereby enhancing Vietnam's appeal to foreign investors. This paper examines the influence of new-generation FTAs on the shifting of FDI inflows into Vietnam by applying Dunning's eclectic paradigm and the World Bank's investment environment framework. The research utilizes a qualitative analysis approach to construct an impact model that identifies how new-generation FTAs affect key determinants of FDI attraction. Empirical evidence is drawn from the movement of FDI from CPTPP, EU, and RCEP countries to Vietnam between 2018 and 2024, highlighting notable trends and sectoral shifts in investment. The findings demonstrate that FTAs significantly improve Vietnam's competitive position, not only in terms of quantity but also in the quality and structure of FDI inflows. However, challenges remain in legal harmonization, institutional capacity, and human resources. Based on the results, the paper proposes strategic policy recommendations to strengthen Vietnam's position as an attractive destination for sustainable and high-quality FDI.

Keywords: New-generation free trade agreements; Foreign Direct Investment; Shift in capital flow.

1. INTRODUCTION

After more than 35 years of attracting FDI (1988-2025), Vietnam - a developing country and an active member of the dynamic ASEAN Economic Community (Association of Southeast Asian Nations), has achieved certain socio-economic achievements. In recent years, since Vietnam began to negotiate and sign a series of new-generation FTAs such as CPTPP or EVFTA, many new international investors along with foreign capital have come to Vietnam's industries to catch up with the opportunities brought by these FTAs, especially the processing and manufacturing industry. Based on the consideration of environmental conditions and business opportunities from the Vietnamese market, combined with the uncertainties in international and regional economic relations in the recent period, many corporations have shifted or announced plans to shift production, supply chains from neighboring countries to Vietnam. Many large FDI enterprises have also moved or invested in building more large factories in Vietnam. These activities are believed to contribute to the movement of FDI into Vietnam. Even so, Vietnam still has to compete with other countries to attract this source of FDI. So what is the significance of the emergence of new-generation FTAs and does it contribute positively to the movement of FDI into Vietnam? This issue needs to be clarified both theoretically and practically in Vietnam. This study assesses the impact of new-generation FTAs on the movement of FDI into the host country, specifically the case of Vietnam. On that basis, a number of recommendations and policy implications are issued to exploit the above impact and strengthen the attraction of FDI flows into Vietnam in the coming time.

The trend of global FDI inflows and suggestions for Vietnam are mentioned in (Truong Dinh Chien & Nguyen Hoai Nam, 2021) [1], (Ha Van Hoi, 2021) [2], (Bui X.N. & Le N.Q., 2021) [3]. These studies have summarized the international investment situation and made forecasts and recommendations on the orientation of attracting FDI to

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Vietnam, attracting the new generation of FDI. Another study evaluated the relationship between FTAs and FDI inflows into Vietnam for positive results (My D. et al., 2021) [4].

To study and develop a framework to analyze the impact of FTAs on foreign direct investment in member countries, including impact channels, determinants of impacts and overall impacts of FTAs on FDI (Nguyen Thi Minh Phuong, 2020) [5]. In addition, there are studies assessing opportunities and challenges from RCEP for investment activities in the context of improving economic autonomy, pointing out the reasons for shifting FDI from China and territories to Southeast Asian countries including Vietnam (Tran Thi Hong Minh et al., 2021) [6].

Studies to attract FDI investment from abroad, or specific countries to Vietnam by taking advantage of the new-generation FTAs that Vietnam has signed, have been carried out. However, most studies on new-generation FTAs often generally assess the ability to help Vietnam attract more international investment and trade, or support the recovery from COVID-19 without producing significant results in terms of specific impacts on FDI flows into Vietnam. especially the quality of capital (green, sustainable, high-tech).

Research on the impact of the signing of new-generation FTAs on the movement of FDI

Theoretically, many studies by international authors have explored the relationship between the signing of FTAs and the flow of FDI. Broadman (2006) [7] talks about the complementary relationship between trade and investment. The impact of FTAs on different types of FDI: increased market access increases third-party investment in the FTA trade bloc as in (Motta & Norman, 1996) [8], (Puga & Venables, 1997) [9], (Heinrich & Konan, 2000) [10]. FTAs increase both vertical and horizontal FDI into the bloc as shown in (Kim, 2007) [11], (Li & et al., 2016) [12]. The difference in technological conditions, factor prices, and market size between countries in the FTA also leads to the attraction of vertical intra-bloc FDI to the country with a lower level of development, the horizontal FDI to decrease within the bloc, and the horizontal inter-bloc FDI flow from non-bloc countries to the country with more developed technology in the bloc FTAs when there is a large technology gap between countries in the bloc (Kim, 2007).

Empirical studies used in assessing the impact of new-generation FTAs on FDI flows: Popular models have been used in studies on the impact of FTAs on FDI flows into agreement member countries, such as the overall equilibrium model, the extended gravity model, the extended knowledge-capital model, and other regression models.

The CGE and GTAP overall equilibrium models were initially used to assess the impact of economic integration according to Kitwiwattanachai (2008) [13], later the GTAP model was integrated with FDI variables to measure FDI inflows into countries, such as the FTAP model in the study of Hanslow & et al. (2000) [14], Based on the results of Petri (1997) [15], similarly, the CGE model is the same as in the study of (Li & et al., 2017) [16], Fukase & Martin (2001) [17]. These models are mainly used to analyze the potential impacts of FTAs as well as new FTAs that come into effect, the impacts are evaluated in close association with the overall study of the economy, with the limitation that the error may be greater than that of econometric models due to (1) the need for large data sets; covering all sectors of the economy, (2) the technical parameters of these models are not considered to be up-to-date (Ha Van Su, 2020) [18]. The Gravity model uses FDI as a variable that depends on the GDP of two countries and the geographical distance between them, and later other important variables (in addition to the size and distance variables) were included in the model as an improvement and expansion to better explain the movement of FDI flows into countries when participating in FTAs (Ha Van Su, 2020). Studies by Blomström & Kokko (1997) [19], Stone & Jeon (1999) [20], Thangavelu & Findlay (2011) [21], Moon (2009) [22] have applied the Gravity model extensively by including important variables such as trade openness of FDI (Trade Openness), fake FTA (DumFTA)... Through the studies, the authors obtained different results, if the results of the study by Thangavelu & Findlay (2011) do not clearly show the overall impact of FTAs on FDI and these impacts depend on the scope, content and level of commitments. Moon (2009) has the following research results: (1) FTAs have a positive impact on FDI between countries in the bloc and (2) trade openness also has a significant impact on FDI, member countries with greater trade openness will be able to receive more FDI (Ha Van Su, 2020). The results of the empirical study have also confirmed the positive impact of trade openness on FDI inflows. The Knowlege-Capital Model: Carr & et al. (2001) [23] based on the Knowledge-Capital model theory proposes an empirical model to assess the impact of factors on FDI in a country, namely market size, trade costs, investment costs, and skill capital. Expanding on the findings of Carr & et al. (2001), Egger & Pfaffermayr (2004) [24] add the FTA pseudovariable to the model, using the OECD's large data table on FDI to assess

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the impact of bilateral investment agreements, resulting in market size, investment barriers and trade costs having a significant impact on FDI flows. Therefore, participating in FTAs reduces trade costs, potentially increasing total FDI by stimulating FDI investors to exploit trade advantages. And there are a number of other regression models built in the studies of Jaumotte (2004) [25], Demirhan & Masca (2008) [26], and Iamsiraroj (2016) [27] that affirm the impact of trade openness on attracting FDI inflows. As for the limitations of research on Vietnam, there are also a number of models created and used in the research of (Nguyen & Haughton 2002) [28], (Hoang T.T 2006) [29] with a quantitative time series model and evaluation of FDI attraction factors.

Thus, based on the results of the synthesis of the above documents, there are theories related to FDI attraction in the world, along with studies on the impact of FTAs on FDI movement. International researchers have been interested in the impact of international economic integration on FDI in member countries, specifically the movement of FDI flows in the FTA signing bloc. However, the movement of FDI from outside the FTA-to-FTA countries has not received attention and research while also being a significant source of capital in terms of volume. In addition, at the national level, there is a research gap on Vietnam's environment, specifically, there has not been much research on the impact of new-generation FTAs on attracting FDI to Vietnam, specifically both domestic and foreign-generation FDI flows into Vietnam to catch up with opportunities from new-generation FTAs.

2. THEORETICAL MODELS AND RESEARCH METHODS

The study is based on Dunning's theory (1979) [30]: Developed by British economist J.H Dunning in 1979, the eclectic theory, alsocalledtheOLI model, was an economic framework for assessment of the determinants behindthedecision of making foreign direct investment (FDI) and the foreign activities of multinationalenterprises (MNEs). From the theory, there are three accommodating a wide rangeofoperational advantages behind the rationale of engaging in FDI activities: (1) Ownershipadvantages (O), (2) Location advantages (L), (3) Internalization advantages. And the World Bank's approach to the investment environment (World Bank, 2005) to build a new generation of FTA impact channels on the conditions for shifting FDI into the recipient country, qualitative impact analysis framework, etc. analyze and propose policy recommendations.

The study examines the distinctive features of new-generation Free Trade Agreements (FTAs) and their potential to influence key drivers of Foreign Direct Investment (FDI) into a country. Unlike traditional FTAs, which focus mainly on reducing tariffs, these modern agreements include broader commitments that shape the legal and institutional environment for investment.

Key features highlighted include the elimination of tariff barriers, which lowers trade costs and enhances market access for investors. In addition, trade creation and diversion effects can redirect investment toward FTA member countries, especially when they serve as gateways to regional markets. The inclusion of investment protection clauses, such as investor-state dispute settlement (ISDS), provides greater legal certainty and reduces investment risks.

Modern FTAs also cover non-trade issues like labor standards, environmental safeguards, and intellectual property protection. These provisions help improve governance and institutional quality, both of which are crucial to attracting FDI. Finally, these agreements often create external pressure on governments and businesses to adopt reforms and align with international practices, thereby enhancing the overall investment climate and signaling openness to global investors. Overall, the study underscores how new-generation FTAs act as strategic tools that not only promote trade but also stimulate FDI through regulatory, legal, and institutional transformation.

Let me know if you want this adapted to an academic tone or integrated into a larger section! Based on a number of impacts of new-generation FTAs on the movement of FDI into a member country, including: Impacts of FTAs on attracting different types of FDI within the bloc; Impacts of FTAs on extra-institutional FDI in a member country of the FTA; Deep links – The value chain created by the new generation of FTAs continues to increase FDI attraction into FTA member countries and other impacts. At the same time, based on the factors affecting FDI movement mentioned in UNCTAD studies (1998, 2006, 2010) [31], [32], [33], with three main groups: (1) Factors from the environment of the destination (2) Factors from the environment of the host country (3) International environment.

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will be the basis for building the "Impact channel of the new generation FTA to promote FDI movement into Vietnam" in Figure 1.

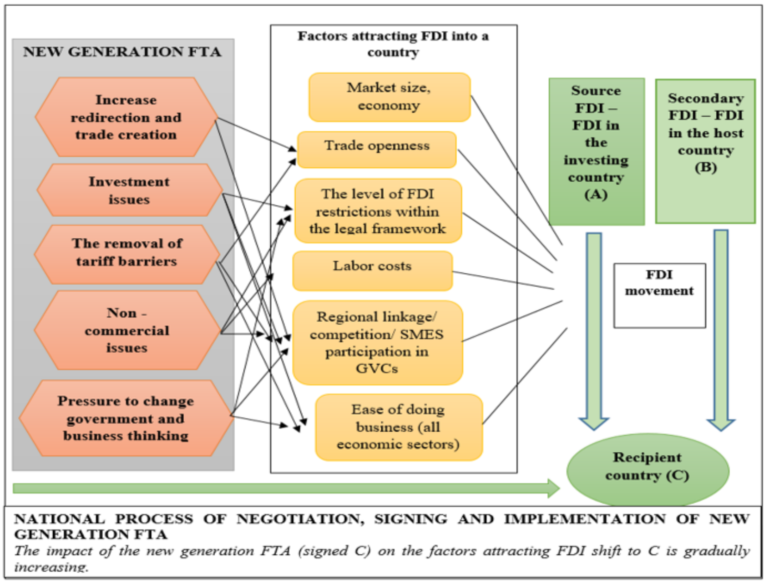

Figure 1. The impact channel of the new generation FTA to promote FDI movement into the host country

The factors of the new generation FTA (which assumed country C has signed) have an impact on the factors affecting the movement of FDI into country C, causing source FDI (FDI of the destination country (A)) and secondary FDI (FDI invested by the host country in a recipient country (B)) to move into the new recipient country (C).

Based on 05 factors of the new generation of FTAs that affect the movement of FDI into the recipient country, the author provides the following overall analysis framework to qualitatively analyze the impact of creating conditions for the new generation of FTAs to attract and move FDI into the recipient country.

First, the impacts of FDI movement into the recipient country will be reviewed, evaluated and analyzed through 3 direct and indirect channels as shown in Figure 2, with 9 specific assessment indicators.

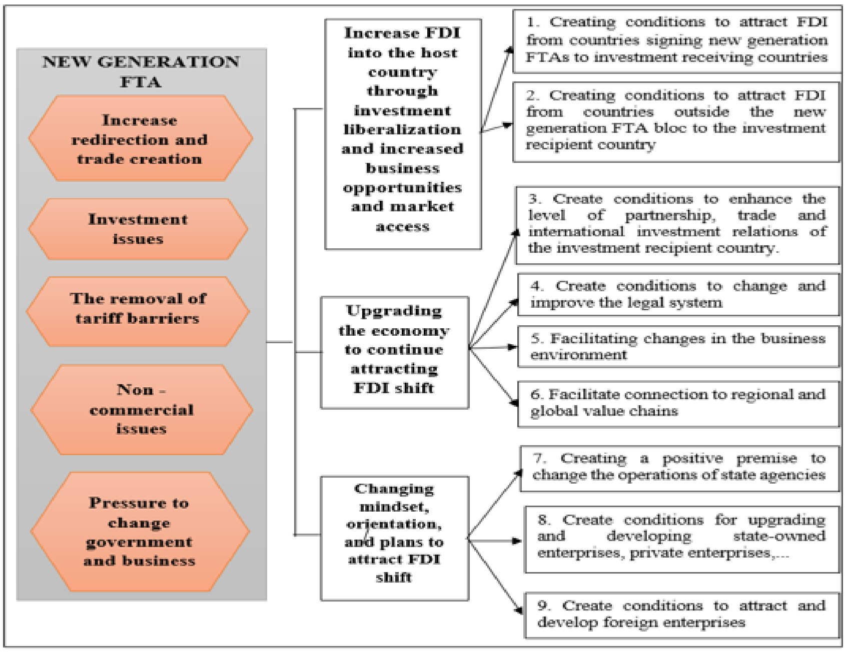

Figure 2: Framework for analyzing the overall facilitation impact of the new-generation FTA on FDI movement into the host country

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This method helps author to have an overall view of the impact of new-generation FTAs on attracting and shifting FDI into the host country and can apply this method in future analyses of the impact of new-generation FTAs specifically on attracting shifting FDI into Vietnam.

3. METHODS RESEARCH RESULTS

3.1. Overview of the new generation of Free Trade Agreements (FTAs)

Next-generation Free Trade Agreements (FTAs) are comprehensive and advanced trade agreements that focus not only on tariff reductions but also include far-reaching commitments on investment, services, intellectual property, labor, the environment, and other issues.

Key features of new-generation FTAs: Comprehensive scope, limited to trade in goods, new-generation FTAs include trade in services, investment, public procurement, and non-traditional sectors such as environment, labor, and sustainable development. High standards: These FTAs require member states to comply with international standards on labor, environment, and intellectual property. Strict rules of origin: To enjoy tariff preferences, goods must meet specific rules of origin, promote domestic production, and participate in global value chains. Opening up the service and investment market: The new generation of FTAs creates favorable conditions for foreign investors to access the service and investment market with commitments of transparency and protection of interests [34]. Prominent new-generation FTAs that Vietnam has participated in

a. Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

The CPTPP is one of the most important free trade agreements (FTAs) that Vietnam has joined, bringing both numerous opportunities and challenges. The CPTPP has 11 members who are countries including Canada, Mexico, Japan, Australia, Singapore, Malaysia, etc. Vietnam is one of the countries that has benefited greatly from the CPTPP thanks to expanding export markets, attracting foreign investment and improving the business environment [34].

The CPTPP agreement will create the world's largest free trade area with a market size with a total GDP value of about 10,567 billion USD, accounting for about 13.5% of global GDP and covering a large market spread across many continents. In which, Japan is a country accounting for nearly 50% of the economic scale of the CPTPP with 4,872 billion USD. Other member states with the second largest gross domestic product are Canada with $1.653 billion, Mexico $1.150 trillion and Australia $1.323 trillion. Vietnam's economic scale ranks 10th with 255 billion USD, equivalent to about 2% of the total GDP of the bloc.

The CPTPP aims to significantly reduce tariffs on exported goods. Strong commitment to environmental protection and labor rights. Creating opportunities for Vietnam to access major markets such as Canada and Mexico.

b. EU-Vietnam Free Trade Agreement (EVFTA) [35]

The EVFTA is one of Vietnam's most important next-generation free trade agreements, offering both significant opportunities and considerable challenges. While the EVFTA has been generating positive outcomes, it requires Vietnamese enterprises to continuously enhance their competitiveness in order to fully leverage the benefits of the agreement. Members of the EVFTA include Vietnam and 27 EU member states.

EVFTA aims to eliminate tariffs for nearly 99% of tariff lines within 7-10 years. Strong commitment to institutional reform, environmental protection, and labor rights. Opening up the service market and investment between Vietnam and the EU.

At the time of the start of the EVFTA negotiations, the EU and Vietnam were two important trading partners of each other, Vietnam is a rapidly growing economy and an attractive destination for international investors. Specifically, the economic structure of Vietnam and the EU economy are highly complementary. Imports from Vietnam to the EU are mainly Vietnamese products that have a comparative advantage and have a reputation for EU consumers (leather shoes, textiles, coffee, furniture, seafood). Meanwhile, Vietnam also imports the EU's products with comparative advantages (machinery and equipment, pharmaceuticals, raw materials for textiles, leather and footwear, iron and steel, fertilizers, etc.).

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c. Regional Comprehensive Economic Partnership (RCEP)

RCEP members include 15 countries, including ASEAN countries, China, Japan, South Korea, Australia, and New Zealand.

RCEP is the world's largest free trade agreement, accounting for about 30% of the global population and GDP. This agreement creates a large-scale free trade area, which helps reduce tariffs and facilitate trade and investment.

Vietnam is one of the countries that has benefited greatly from RCEP thanks to expanding export markets, attracting foreign investment and deeper participation in global supply chains.

RCEP countries such as China, Japan, South Korea and Singapore are stepping up investment in Vietnam to take advantage of labor costs, political stability and investment incentives.

3.2. The situation of FDI movement from countries that have signed new-generation FTAs with Vietnam

a. The situation of FDI movement from CPTPP countries to Vietnam

In general, the total cumulative registered FDI of CPTPP countries in Vietnam in the period 2018-2024 tends to increase gradually (see Figure 3) [36]. Specifically, after the CPTPP came into effect in December 2018, FDI inflows from member countries into Vietnam have grown steadily, especially from Japan, Singapore, and Canada. By the end of 2024, CPTPP member countries have invested in Vietnam with a total registered capital of about 16.0 billion USD, accounting for about 25-30% of the total registered FDI in Vietnam. Japan is the largest investor in the CPTPP bloc in Vietnam, with a total registered capital of about 70 billion USD as of 2024. Projects in the real estate, financial services, and information technology sectors, such as the Ecopark urban area and Keppel Land Group projects. Singapore ranks second with a total registered capital of about $65 billion. Singapore's investment projects in the real estate, financial services, and information technology sectors, such as the Ecopark urban area and Keppel Land Group projects. Canada has invested about $5 billion in Vietnam. The project focuses on renewable energy, mining, and education. Australia has invested about 2 billion USD in Vietnam. Projects in the fields of agriculture, education, and renewable energy. Mexico and Chile have smaller investments, with a total registered capital of about $500 million from Mexico and $200 million from Chile. Projects in the fields of agriculture, food, and services.

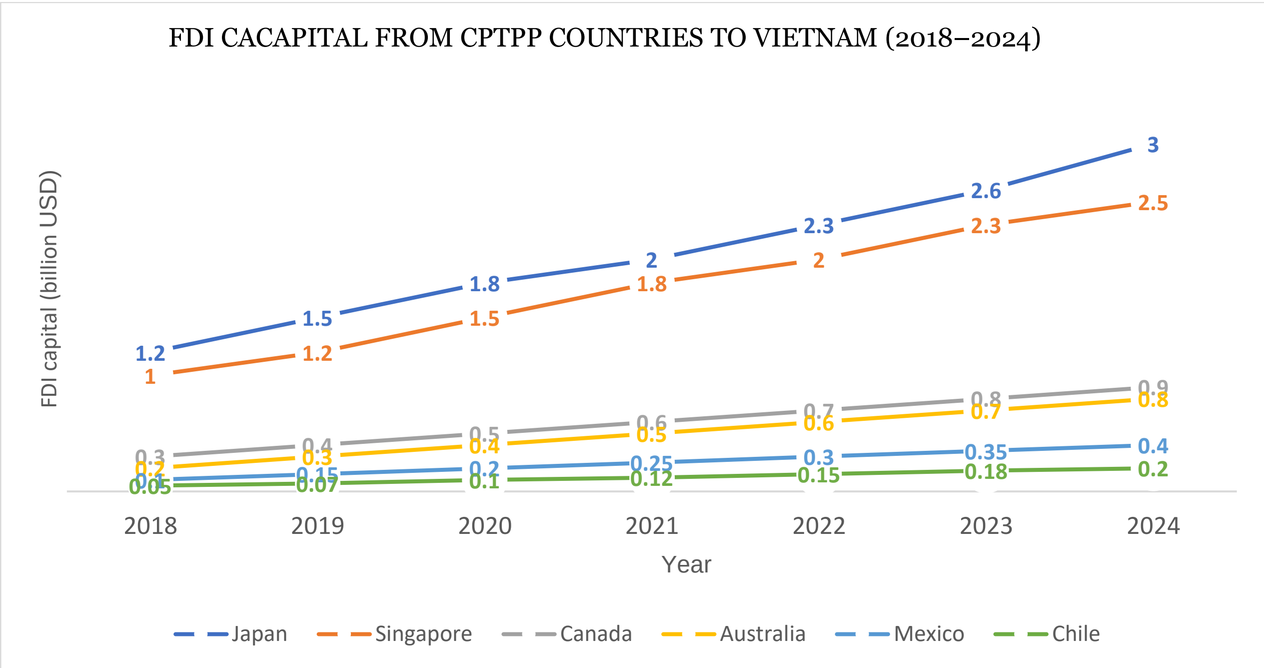

Figure 3: FDI from CPTPP countries into Vietnam (2018–2024)

This growth is also due to the liberalization of bilateral investment and trade activities between Vietnam and CPTPP partners, reducing risks and increasing mutual trust among investors, stemming from the content of advanced trade and investment liberalization rules in the CPTPP agreement. In addition, in preparation for the signing of the CPTPP, for a long time, Vietnam has upgraded and improved the legal system, for example the amendments in the Law on Enterprises 2020 No. 59/2020/QH14 and the Law on Investment No. 61/2020/QH14, and the reform of administrative procedures and the business environment [37].

According to data from the General Statistics Office of Vietnam, industries attracting FDI from CPTPP countries to Vietnam include [38]:

Manufacturing and processing: This industry has continuously been the top destination for FDI from CPTPP countries in Vietnam, accounting for more than 60% of total FDI in recent years.

Wholesale and retail: The wholesale and retail industry is also a sector that receives a lot of FDI from CPTPP countries in Vietnam, accounting for a significant proportion of total FDI.

Other sectors that have attracted FDI from CPTPP countries in Vietnam include real estate, financial services and insurance and construction, processing, manufacturing, high-tech, renewable energy and logistics services. Example: Japan: Continue to invest heavily in projects in the production of automobiles, electronics and supporting industries. Singapore: Focus on real estate, renewable energy, and financial services projects. Canada and Australia: Interest in renewable energy, mining, and high-tech agriculture projects.

Investment area: Major provinces and cities such as Hanoi, Ho Chi Minh City, Binh Duong, Dong Nai, Hai Phong and Quang Ninh continue to be attractive destinations for CPTPP investors.

It should be noted that the allocation of FDI in various industries and services in Vietnam can change over time and can be affected by many factors, including economic conditions, government policies, and the availability of skilled labor.

FDI trends from CPTPP countries to Vietnam in the period of 2020 – 2025 continue to grow: FDI inflows from CPTPP countries into Vietnam are expected to continue to grow steadily, especially in the high-tech, renewable energy and service sectors. Many enterprises from CPTPP countries are shifting production to Vietnam to take advantage of costs and participate in the global supply chain. Investors from Australia, Canada and Japan are interested in solar, wind and gas power projects. Industrial parks, export processing zones and smart urban areas continue to attract investment capital from CPTPP countries.

In the period of 2020 - 2025, Vietnam will continue to be an attractive destination for investors from CPTPP countries thanks to its cost advantages, political stability and investment incentives. FDI inflows from these countries are expected to continue to grow, especially in the high-tech, renewable energy and services sectors. However, in order to maintain and promote its advantages, Vietnam needs to continue to improve the investment environment and improve its competitiveness.

b. The situation of FDI movement from the EU to Vietnam

The situation of FDI movement from the European Union (EU) to Vietnam in recent years, especially until 2024, has had many positive fluctuations thanks to free trade agreements (FTAs) and the improvement of the investment environment in Vietnam. The Vietnam-EU Free Trade Agreement (EVFTA), which came into effect in August 2020, has created a strong impetus for FDI inflows from the EU to Vietnam. As of 2022, the EU is one of the largest investors in Vietnam, with a total registered capital of about 27 billion USD, accounting for about 5–7% of total FDI in Vietnam. FDI inflows from the EU to Vietnam have grown steadily in the period 2020–2023 [10] and will continue to increase in 2024. In 2024, FDI inflows from the EU to Vietnam will be about 10-15% compared to 2023, reaching about 3-4 billion USD.

Major investment countries: The Netherlands is the largest investor from the EU in Vietnam, with a total registered capital of about 11 billion USD, focusing on the energy, real estate, and financial services sectors. France has invested about $3.6 billion, mainly in manufacturing, renewable energy, and retail. Germany invests about $2.3 billion,

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focusing on manufacturing, high-tech, and infrastructure. Denmark, Sweden, and Belgium are also countries that have many investment projects in the fields of renewable energy, technology and food [36].

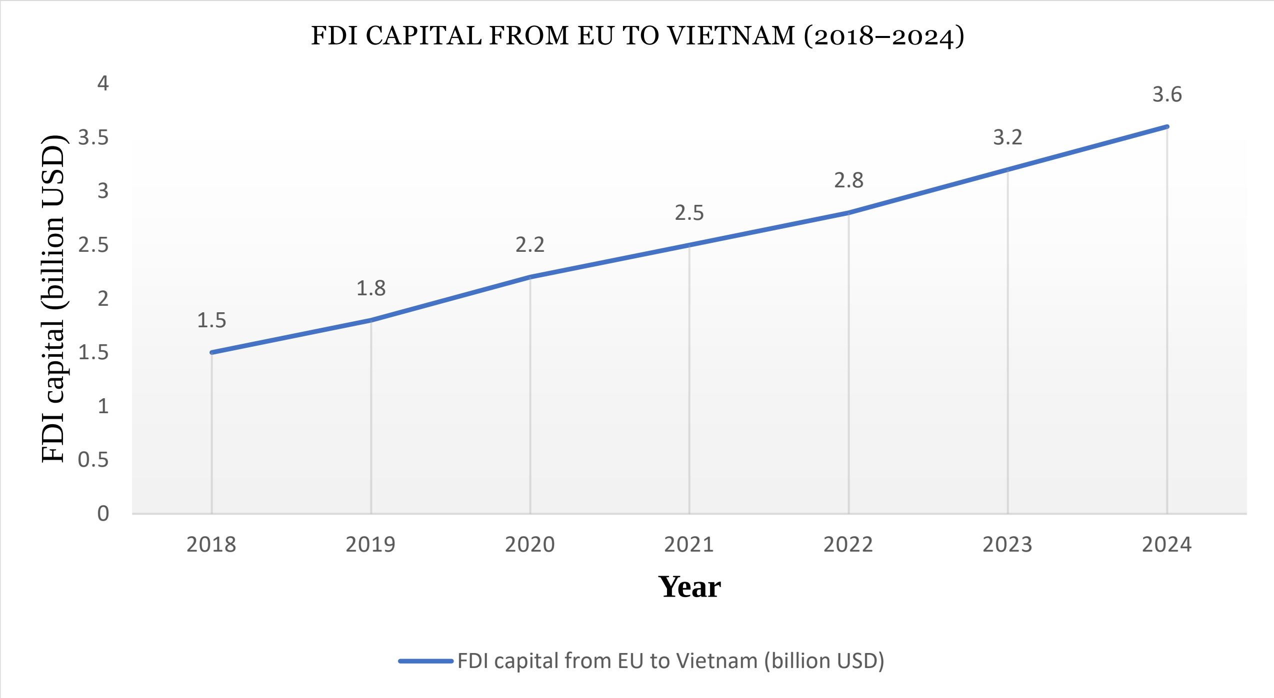

Figure 4. Total EU investment capital registered in Vietnam 2018-2024- (cumulative)

The EU is a major investor in Vietnam at this time, with 1687 valid projects, mainly in high-tech and service industries. The EVFTA Agreement was negotiated with the expectation that it will bring many benefits to both sides, from trade to investment. In order to take advantage of the provisions of the EVFTA to facilitate bilateral trade, it is very necessary for businesses of the two sides to promote and strengthen bilateral investment. Therefore, there have been many businesses from the EU to explore the market and have made large investments in the Vietnamese market for many years, before the agreement officially came into effect to catch up with the investment and business opportunities created from the signing of the agreement.

According to data from the General Statistics Office of Vietnam [37], industries that attract a lot of FDI from the EU to Vietnam include:

Manufacturing and processing: This industry has continuously been the top destination for EU FDI in Vietnam, accounting for more than 50% of the EU's total FDI in recent years.

Wholesale and retail: The wholesale and retail sector is also the sector that receives a lot of EU FDI, accounting for a significant proportion of the EU's total FDI in Vietnam.

Real estate: The real estate sector has also attracted a significant amount of EU FDI into Vietnam in recent years.

In the period of 2022 - 2025, this capital flow is expected to continue to grow, especially from countries such as the Netherlands, Germany, France and Denmark. FDI attraction industries: Processing, manufacturing, renewable energy, high-tech and financial services industries are sectors that attract a lot of FDI from the EU. Example: Netherlands: Focuses on renewable energy, logistics, and high-tech agriculture projects. Germany: Invest heavily in automobile manufacturing, mechanical engineering and supporting industry projects. France: Interest in real estate, energy, and financial services projects. Denmark: Invest in wind and renewable energy projects.

Investment area: Major provinces and cities such as Hanoi, Ho Chi Minh City, Binh Duong, Dong Nai and Hai Phong continue to be attractive destinations for EU investors.

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c. The situation of FDI movement from RCEP countries to Vietnam

Since the RCEP came into effect, FDI inflows from member countries into Vietnam have increased significantly. Countries such as Japan, South Korea, Singapore and China continue to be major investors.

FDI attraction industries: Processing, manufacturing, high-tech, renewable energy and logistics services are the fields that attract a lot of FDI from RCEP countries. Example: Japan: Continue to invest heavily in projects in the production of automobiles, electronics and supporting industries. South Korea: Focuses on electronics, textile, and real estate manufacturing projects. Singapore: Investing in real estate, renewable energy, and financial services projects. China: Interested in manufacturing, energy, and transportation infrastructure projects.

Investment area: Major provinces and cities such as Hanoi, Ho Chi Minh City, Binh Duong, Dong Nai, Hai Phong and Quang Ninh continue to be attractive destinations for RCEP investors.

FDI trends from RCEP countries into Vietnam: FDI inflows from RCEP countries into Vietnam are expected to continue to grow steadily, especially in the high-tech, renewable energy and service sectors. Many businesses from RCEP countries are shifting production to Vietnam to take advantage of costs and participate in the global supply chain. Investors from Japan, South Korea and Singapore are interested in solar, wind and power projects. Industrial parks, export processing zones and smart urban areas continue to attract investment capital from RCEP countries.

3.3. Opportunities and challenges that the new generation of FTAs bring to Vietnam in attracting FDI inflows

a. Chance

The implementation of the new generation of FTAs brings real opportunities for FDI into Vietnam, improving Vietnam's competitive position with other countries in attracting FDI inflows. In terms of quantity: Increase the number of FDI attraction from both intra-bloc and extra-regional partners

Quality: Opportunities to improve the quality of FDI inflows into Vietnam. Promote FDI attraction in the process of digital transformation, e-commerce, moving towards a digital economy model, digital business because of science, technology, communication, and artificial intelligence.

Regarding human resources: promoting the attraction of FDI flows, supporting the development of high-quality human resources and expanding the service market of Vietnam's human resources. The new generation of FTAs creates opportunities to diversify FDI sources from many different countries, reducing dependence on capital from China [39]. Since then, new-generation FTAs have also created opportunities for Vietnam to deeply participate in the global supply chain and value chain, promote competition and technological innovation, and receive modern technology.

b. Challenge

Challenges for the government in implementing new-generation FTAs: it is necessary to review the overall legal system to adjust it in time to comply with Vietnam's international commitments, not hinder the investment environment and activities of foreign investors, it is necessary to actively implement commitments according to the roadmap for signing FTAs. The implementation of the new-generation FTA also creates pressure to reform administrative procedures and state management in the new context. In addition, it is also necessary to consider adjusting strategies and policies to attract FDI to suit the new situation. In addition, agencies and departments may also face difficulties in technical capacity to screen FDI projects in the direction of ensuring sufficient quality.

The challenge for the government when implementing a new generation of FTAs to attract FDI into Vietnam after Covid-19, due to the emergence of new trends such as "Reshoring" - moving a business activity that has been moved abroad back to the country of investment and "Friendsshoring" or "allyshoring" - producing and sourcing from countries that are geopolitical allies or belong to the same trade bloc commerce [39].

At the local level: The biggest challenge is the management capacity of localities where FDI enterprises operate and the management of incentives to avoid being taken advantage of or corruption.

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Challenges for businesses in the process of implementing new-generation FTAs: pressure to innovate the governance and management of Vietnamese enterprises, challenges for SMEs in the level playing field for foreign enterprises, facing the possibility of shrinking or merging with foreign enterprises if their capacity is weak, face the challenge of meeting more environmental and labor regulations. Since then, the new environment requires domestic enterprises to improve production capacity, meet international regulations to participate more deeply in the global value chain.

Challenges for human resources in general in the public and private sectors in implementing new-generation FTAs, due to many complex provisions, there are no complete guidelines for implementation. Specifically, new-generation FTAs have different approaches and require understanding for implementation. EVFTA is easy to understand because it is a 'positive listing', CPTPP is a 'negative listing' commitment, during the implementation process, there may be confusion at the department level. If the investment sectors are not included in the commitment list, the department, agency and sector officials must write an official dispatch to the ministry, asking for confirmation whether or not they are applicable. Challenges for domestic human resources and labor to meet the requirements of FDI enterprises may include technical qualifications, foreign language proficiency of enterprise management levels... In addition, there is also the challenge of transferring labor from one sector to another in the country when the orientation of attracting FDI changes. High-tech industries must also prepare human resources to serve the industry, otherwise it is necessary to create favorable mechanisms for foreign enterprises to bring in experts. Currently, applying for work permits still has many problems, challenges, and takes a lot of time and effort.

The challenges of the socio-economy can be the impacts on culture, the environment, the risk of lagging behind, the risk of increasing pollution, etc. and economic dependence has also increased.

Challenges in competing with other countries to attract FDI: although Vietnam's population is over 100 million people, compared to markets such as India or Indonesia, it is not competitive in terms of market size, and labor resources for economic development should only focus on a few industries. Vietnam's economy has strengths and must be prepared to transform into an economic sector that brings higher value. In addition, Thailand is also a country that has attracted large FDI in recent years and this country has also restarted negotiations with the EU to sign a new generation FTA, bringing a competitive advantage to this country in attracting FDI.

4. COMMENT ON THE PROSPECTS OF IMPLEMENTING FTAS TO ATTRACT FDI RELOCATION TO VIETNAM

Vietnam is facing a great opportunity when implementing new-generation FTAs (such as EVFTA, CPTPP, RCEP and upcoming FTAs) to attract high-quality FDI inflows, associated with national strategic goals on sustainable development, digital transformation and improving competitiveness.

Vietnam's national development orientation is aiming to become a modern industrialized country with high income by 2045; green economy, circular economy; digital transformation, high-tech development; improving the global value chain, ... Therefore, FDI from new-generation FTAs needs to focus on high-tech, clean energy, smart logistics, and high-tech agriculture to be in line with this orientation.

Prospects for attracting FDI from new-generation FTAs: With the current trend of shifting supply chains away from China, Vietnam is a priority destination thanks to diversified FTAs and competitive costs. The new generation of FTAs can help Vietnam become the region's manufacturing and innovation hub, especially in high-tech and sustainable industries. However, in order to make good use of the opportunity, the State needs to soon complete policies on digital economy and low carbon to catch up with the new wave of FDI; Businesses need to proactively upgrade technology and seek strategic partners from FTA countries.

Prospects for continuing to negotiate and sign new-generation FTAs with other countries to continue shifting FDI into Vietnam: Vietnam has great prospects in signing new-generation FTAs, helping to become a high-quality FDI "berth".

FTA Vietnam - EFTA (Switzerland, Norway, Iceland, Liechtenstein): Towards attracting FDI from high-tech countries, pharmaceuticals, finance.

Vietnam-Israel FTA: Focus on high-tech agriculture, innovation, and entrepreneurship.

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Vietnam - UAE/GCC FTA: Attracting capital from the Middle East into infrastructure, renewable energy, tourism.

Upgrading existing FTAs (such as ASEAN-EU, CPTPP): Expanding commitments on digital trade, environment, and labor.

However, it is necessary to synchronize domestic reforms to take advantage of opportunities, and at the same time solve challenges in infrastructure and human resources. If successful, FDI inflows into the technology and clean energy industries will increase sharply, promoting a sustainable economy.

5. SOLUTIONS TO LEVERAGE FTAS FOR FDI IN VIETNAM

Policy recommendations: improve the domestic investment environment, complete the policy framework on sustainable development, associated with sharing and creating motivation for investors; supporting the domestic private sector to participate in the supply chain of FDI enterprises. The Government needs to regularly dialogue with the foreign investor community, improve the information and statistics system for attracting, monitoring and evaluating FDI.

The Government needs to continue to thoroughly grasp the viewpoint of international economic integration and actively participate in FTAs to stimulate FDI attraction, increase competitiveness and economic growth. Improve publicity and legal transparency in investment.

It is necessary toagree on bilateral recognition of consular legalization to save time for foreign workers to participate in FDI or domestic enterprises.

Promote the development of logistics infrastructure, technology infrastructure, digitalization, especially potential areas for FDI enterprises. Offer new policy incentives instead of focusing on tax incentives as before.

Support domestic enterprises to improve their technological level to receive and connect with FDI enterprises, improve productivity. The Government can strengthen propaganda or provide appropriate forms of support through training and promotion for potential enterprises that lack some conditions (capital, information, etc.), (without violating the government's subsidies for enterprises that cause unfair competition).

To keep the economy developing stably and sustainably, paying attention to the internal resources of the economy.

Pay attention to economic dependence, pay attention to both the domestic market and operate flexible policies.

Regarding investment promotion policies: proactively seek and invite potential enterprises through the organization of investment promotion activities in countries with FTAs with Vietnam, combined with the promotion of export goods, inviting enterprises importing and distributing goods to visit manufacturers in Vietnam through the organization of The Vietnam Trade Office abroad has an effective and separate investment promotion policy with specific partners; to offer appropriate, focused preferential policies that are able to compete with competitors in the region; Domestic enterprises need to innovate and promote reforms in order to be able to take advantage of the wave of investment in technology, capital and experience from foreign investors.

6. CONCLUSION

In the period of 2013-2025, the trend of FDI inflows into Vietnam is gradually increasing over the years. Specifically, for most partners, from partners who have signed new-generation FTAs with Vietnam such as the EU, UK, CPTPP or traditional partners with geographical advantages in Vietnam such as China or ASEAN. In particular, the group of CPTPP countries is the group with the largest cumulative FDI investment in Vietnam (billion USD), showing the strongest growth. The 2nd and 3rd groups are ASEAN and the EU, respectively, in which FDI from ASEAN countries to Vietnam has had a large number and a strong growth rate over the years. This is reasonable when ASEAN countries have the advantage of being close to Vietnam, easily relocating and shifting investment from abroad to Vietnam to take advantage of market access to EU countries, CPTPP due to preferential agreements and liberalization in new-generation FTAs brought to Vietnam.With the encouraging results from the negotiation and implementation of the current new generation FTAs, Vietnam can absolutely continue to expand negotiations with important economic partners, having strategic relations but not yet having support on a treaty to help liberalize investment and trade at a higher level, in line with Vietnam's economic development and FDI attraction orientation. Resolution No. 50-NQ/TW

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of the Politburo on the orientation of perfecting institutions and policies, improving the quality and efficiency of foreign investment cooperation by 2030, has pointed out the situation of attracting and managing foreign investment and the remaining shortcomings and general and specific goals [20]. The implementation of new generation FTAs needs to aim at attracting FDI shifts in the direction of realizing the set goals on: (1) the amount of registered and implemented capital; (2) the rate of enterprises using modern technology, environmental protection, high technology; (3) localization rate, (4) proportion of trained labor. Implementing the new generation FTA brings real opportunities to attract FDI to Vietnam, improve Vietnam's competitive position with other countries in attracting FDI capital flows in terms of quantity, quality, human resources, diversify FDI sources from many different countries, and reduce dependence on certain countries.

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