



Factors Affecting Foreign Direct Investment Attraction into the Manufacturing Industry in Bac Ninh Province

Vo Thi Kim Cúc^{1*}, Vo Hoang Kim Uyên²
University of Finance - Marketing, Vietnam

* Corresponding Author: **Vo Thi Kim Cúc**

Article Info

ISSN (Online): 2582-7138
Impact Factor (RSIF): 8.04
Volume: 07
Issue: 03
Received: 20-04-2026
Accepted: 18-05-2026
Published: 16-06-2026
Page No: 1028-1041

Abstract

The study focuses on identifying and evaluating the factors affecting the attraction of foreign direct investment (FDI) into the manufacturing and processing industry in Bac Ninh province during the 2018-2024 period. Through desk research and secondary data analysis, the findings indicate that stable economic growth, synchronous industrial zone infrastructure, flexible incentive policies, and an abundant labor force are key factors driving investment decisions. However, the locality still faces challenges regarding high-quality human resources and regional competitive pressure. Based on these findings, the study proposes a set of solutions to improve the investment environment in order to attract sustainable capital inflows.

Keywords: FDI, Manufacturing Industry, Bac Ninh Province, Investment environment, Incentive policies

1. Introduction

In the context of globalization, attracting Foreign Direct Investment (FDI) has emerged as a critical driver of economic growth, particularly for developing economies like Vietnam. FDI not only provides substantial capital but also facilitates technology transfer, enhances labor productivity, and catalyzes the process of national industrialization and modernization. Consequently, Vietnam consistently identifies FDI attraction as a pivotal strategy for long-term economic development. Over the past years, Vietnam has achieved significant positive outcomes in mobilizing FDI, attributed to its open-door policies, improvements in the investment climate, and accelerated international economic integration. According to the Southern Investment Promotion Center (2024)^[22], the total registered FDI capital in Vietnam has maintained steady growth, driven substantially by localities with comparative advantages in industrial development and infrastructure. Among these, Bac Ninh Province stands out as one of the leading sub-national entities in FDI attraction, particularly within the manufacturing industry. Data from 2024 reveals that major multinational corporations, including Samsung, Canon, Goertek, and Foxconn, have invested heavily in Bac Ninh, generating hundreds of thousands of jobs and significantly stimulating the growth of the manufacturing sector (General Statistics Office _GSO, 2025)^[18]. As a result, Bac Ninh has gradually solidified its position as a key industrial hub in Northern Vietnam. Nevertheless, the province's FDI attraction endeavors continue to confront numerous challenges. Although Vietnam represents an attractive destination for FDI, the country continues to confront substantial challenges in both attracting and retaining these capital inflows. Primarily, regional competition for FDI has intensified, particularly from countries such as Indonesia, Thailand, and Malaysia, thereby compelling Vietnam to continuously refine its investment environment (Vo, 2023)^[40]. Regarding Bac Ninh Province specifically, despite pioneering the nation in FDI attraction in 2024 with 5.12 billion USD accounting for 13.4% of the country's total investment capital and representing a 2.8-fold increase over the same period last year the locality still encounters unique sub-national challenges (GSO, 2025)^[18]. The infrastructure of industrial parks requires upgrading and expansion to satisfy investor demands. Concurrently, the quality of human resources remains suboptimal, whereas requirements from high-tech enterprises have become increasingly stringent. Furthermore, investment incentive policies necessitate continuous improvements to maintain competitiveness against other localities. Additionally, as noted by Vietnam Briefing

(2024) [39], Bac Ninh still needs to enhance transparency, land accessibility, and post-investment support for businesses. These bottlenecks mandate that Bac Ninh formulate a more sustainable FDI attraction strategy, focusing on upgrading the quality of capital inflows and cultivating a favorable investment climate to preserve its status as an industrial hub in Northern Vietnam. While FDI attraction plays a pivotal role in local economic development, particularly for industrialized provinces like Bac Ninh, the intensifying global competition and escalating demands for high-quality capital dictate that the province adopt more effective strategies to sustain its competitive position.

Currently, despite being one of the leading sub-national entities in FDI attraction nationwide, Bac Ninh Province still encounters numerous challenges regarding infrastructure, human resources, incentive policies, and the overall investment environment. Prior studies have predominantly focused on FDI attraction at the national level or drawn comparisons among broader economic regions, whereas comprehensive and empirical research specifically addressing the determinants of FDI inflows into the manufacturing industry in Bac Ninh remains limited. Consequently, this study is highly essential to identify the critical factors influencing FDI attraction in Bac Ninh, thereby proposing tailored solutions to assist the province in enhancing its competitive advantage, optimizing its investment attraction policies, and capitalizing on its inherent advantages. Triggered by the aforementioned challenges, this research centers on identifying and evaluating the factors affecting FDI attraction into the manufacturing sector in Bac Ninh. Guided by these comprehensive analyses, this study is conducted under the title: *“Factors Affecting Foreign Direct Investment Attraction into the Manufacturing Industry in Bac Ninh Province”*.

2. Research Objectives

This study aims to identify and evaluate the determinants influencing FDI inflows into the manufacturing industry in Bac Ninh Province. Through analyzing these impacting factors, the research provides a scientific and empirical foundation for proposing targeted solutions to enhance the efficiency of FDI attraction, thereby driving economic development and elevating the competitive advantage of Bac Ninh Province.

The specific objectives include:

- Identifying the constituent factors of the competitive advantage of Vietnam's rice industry, including natural resources, labor, production costs, product quality, export markets, technology, and branding.
- To identify the critical factors influencing FDI attraction into the manufacturing industry in Bac Ninh Province.
- To evaluate the magnitude of impact that each determinant exerts on the investment decisions of multinational enterprises (MNEs).
- To analyze the current state of FDI inflows into Bac Ninh Province's manufacturing sector, including the volume, project scale, investor composition, as well as institutional advantages and inherent challenges.
- To propose strategic solutions and policy recommendations aimed at enhancing the efficiency of FDI attraction, optimizing the investment climate, and driving the sustainable development of the manufacturing industry in Bac Ninh Province.

3. Research Subjects and Scope

Research Subject: The study primarily focuses on the determinants influencing FDI attraction into the manufacturing industry in Bac Ninh Province. Specifically, the research examines the impacts of key factors including industrial park infrastructure, investment incentive policies, labor costs, human resource quality, and provincial competitiveness on the investment decisions of MNEs.

3.1. Research Scope

- **Content Scope:** This research evaluates the factors affecting the capacity to attract FDI into Bac Ninh's manufacturing industry. It analyzes the current state of FDI inflows, investor composition, institutional advantages, and inherent challenges, thereby proposing strategic solutions to enhance FDI attraction efficiency in this sector.
- **Spatial Scope:** The geographical focus of this study is restricted to Bac Ninh Province, with particular emphasis on industrial parks and FDI enterprises currently operating within the manufacturing sector.
- **Temporal Scope:** Research data are collected over the 2018–2024 period to analyze recent trends in FDI attraction in Bac Ninh and provide strategic forecasts for subsequent phases.

4. Research Methodology

This study adopts a desk research methodology, primarily collecting and analyzing secondary data from official sources to evaluate the determinants influencing FDI attraction into the manufacturing industry in Bac Ninh Province. Data are garnered from reports issued by the GSO, the Ministry of Planning and Investment (MPI), the Provincial Competitiveness Index (PCI), and the Provincial Governance and Public Administration Performance Index (PAPI), alongside scientific studies, journal articles, and official documents from the Department of Planning and Investment of Bac Ninh Province. The research applies descriptive statistical analysis to synthesize and compare data across years, sub-sectors, and investing countries. Additionally, comprehensive analysis is utilized to assess the impacts of FDI attraction factors; a comparative approach is employed to contrast Bac Ninh's FDI attraction policies with those of other localities; and qualitative analysis is conducted to determine the extent of each factor's influence on investment decisions. Embracing this approach, the study refrains from empirical surveys or quantitative modeling, focusing instead on theoretical synthesis and comprehensive analysis to propose tailored solutions for enhancing FDI attraction efficiency in Bac Ninh Province.

5. Significance and Contributions of the Study

This study holds both theoretical and empirical significance in analyzing the determinants influencing FDI attraction into the manufacturing industry in Bac Ninh Province.

Theoretically, the research contributes to systematizing the theoretical foundations of FDI attraction, clarifying the roles of key elements such as industrial park infrastructure, investment incentive policies, labor costs, human resource quality, and provincial competitiveness in the investment decisions of MNEs. Concurrently, it offers a granular perspective on FDI attraction within the manufacturing industry, a sector that plays a pivotal role in driving Vietnam's

industrialization and modernization.

Practically, the study evaluates the current state of FDI inflows in Bac Ninh, identifies institutional advantages and inherent challenges, and proposes strategic solutions to enhance FDI attraction efficiency within the manufacturing sector. The research findings could provide highly constructive insights for state management agencies, policymakers, and corporate managers in formulating effective FDI attraction strategies, thereby cultivating conditions for sustainable economic development in Bac Ninh Province.

6. Theoretical Framework

6.1. An Overview of FDI

6.1.1. The Concept of FDI

- **Definitions of FDI by International Organizations**

FDI is a form of cross-border investment in which an investor establishes control or significant influence over the operations of an enterprise located in another country. According to the International Monetary Fund (2009) ^[21], an FDI relationship is established when the investor owns at least 10% of the voting power in the recipient enterprise, which is sufficient to participate in strategic decision-making processes. Similarly, the United Nations Conference on Trade and Development (UNCTAD) states that FDI reflects a long-term interest of foreign investors in an enterprise operating in the host country, whereby FDI inflows encompass both initial equity capital and subsequent reinvested earnings (UNCTAD, 2022) ^[34].

- **Definitions of FDI under Vietnamese Law**

The regulatory framework of Vietnam also provides specific provisions regarding FDI. Pursuant to Clause 22, Article 3 of the Law on Investment 2020, a foreign-invested economic organization (FDI enterprise) is defined as a business entity in which a foreign investor participates as a member or a shareholder (National Assembly of the Socialist Republic of Vietnam, 2020) ^[24]. Beyond its role as a supplementary capital source for the economy, FDI is regarded as a catalyst that enables Vietnam to access advanced technologies, enhance managerial capabilities, and accelerate structural economic transformation (Viet Tung, 2024) ^[38].

- **Distinguishing FDI from Other Forms of Investment**

FDI exhibits distinct characteristics compared to other forms of investment, particularly Foreign Indirect Investment (FII) and Official Development Assistance (ODA). According to the Organisation for Economic Co-operation and Development (OECD), the primary distinction between FDI and FII lies in the degree of control and the level of long-term commitment exerted by the investor toward the recipient enterprise. Specifically, FDI is typically associated with long-term strategic objectives, whereas FII predominantly focuses on short-term financial investments such as stocks and bonds without encompassing corporate management control (OECD, 2008) ^[29].

Furthermore, FDI diverges fundamentally from ODA regarding its core nature and operational objectives. FDI represents direct capital inflows from foreign enterprises or individuals driven by profit-maximization motives, usually executed through capital contribution, corporate acquisitions, or the construction of new production facilities. Conversely, ODA constitutes financial assistance provided by

governments or international organizations aimed at promoting socioeconomic development through infrastructure, education, and healthcare projects. While FDI contributes to job creation, technology transfer, and competitiveness enhancement albeit with the potential risk of increasing economic dependence on foreign investors ODA yields direct benefits for public development but may induce dependency if improperly managed. In the long term, FDI is considered a more sustainable mechanism due to its capacity to foster economic autonomy, whereas ODA must be integrated with domestic capability-building policies to avert prolonged external reliance (Luong, 2024) ^[23].

6.2. Common Forms of FDI

FDI can be categorized based on various criteria, including ownership structures, investment modalities, and operational sectors. Within the context of the manufacturing industry in Bac Ninh Province, several prominent forms of FDI can be identified as follows:

6.2.1. FDI by Ownership Structure

One of the most prevalent classifications of FDI is based on the equity ownership level of the foreign investor. According to UNCTAD (2023) ^[35], the two primary structures comprise: Wholly Foreign-Owned Enterprises (WFOE) This represents an investment modality in which foreign investors possess entire ownership of the enterprise established within the host country. This model typically emerges when investors seek absolute control over business operations, particularly in sectors with rigorous technology and managerial requirements. In Bac Ninh, numerous multinational corporations, such as Samsung, have committed substantial capital under this format. Specifically, Samsung injected an additional 1.8 billion USD to construct an OLED display manufacturing plant in the Yen Phong Industrial Park, elevating its cumulative investment capital in Bac Ninh to 8.3 billion USD (Reuters, 2024b) ^[32].

Joint Ventures (JV) This form of investment involves cooperation between a foreign investor and a domestic enterprise to jointly establish a new business entity. Such partnerships enable foreign firms to leverage indigenous resources, including localized market insights, infrastructure, and regulatory frameworks. According to research by Dunning and Lundan (2008) ^[13], joint ventures are frequently prevalent in industries requiring governmental backing or exhibiting high dependencies on local distribution networks (Dunning & Lundan, 2008) ^[13].

6.2.2. FDI by Investment Modality

FDI can also be classified based on the strategy or entry mode employed by foreign investors to penetrate the host market. The two primary modalities comprise:

Greenfield Investments This represents a form of FDI in which a foreign investor constructs entirely new factories or production facilities within the host country. This modality is frequently selected in production sectors, particularly the manufacturing industry, due to specialized infrastructure and technological requirements. In Bac Ninh, numerous mega-FDI projects executed by Samsung and Foxconn serve as prominent examples of this investment type. Notably, Foxconn has committed over 3.2 billion USD to Vietnam since its initial entry in the 2000s, with the vast majority of its manufacturing plants situated in Northern provinces, including Bac Ninh and Bac Giang (Reuters, 2024a) ^[31].

Mergers and Acquisitions (M&A) This form of FDI involves foreign investors purchasing or merging with an existing domestic enterprise. M&A enables investors to rapidly gain market access and leverage the inherent advantages of local firms. According to a report by the World Bank (2023) ^[42], M&A transactions have exhibited an increasing trend within Vietnam's manufacturing sector, particularly in industries such as electronic components and precision engineering.

6.2.3. FDI by Investment Sector

Within the manufacturing industry, foreign direct investment primarily concentrates on the following two models: FDI in Industrial Parks and Export Processing Zones Foreign investors frequently opt to establish manufacturing plants within specialized industrial parks, such as VSIP Bac Ninh, Yen Phong, and Que Vo, to leverage tax incentives, synchronized infrastructure, and an abundant labor supply. According to the MPI (MPI, 2024) ^[22], Bac Ninh pioneered the nation in FDI attraction, securing 5.12 billion USD, which accounted for 13.4% of the country's total FDI inflows and represented a 2.8-fold increase compared to 2023 (Duc Trung, 2025) ^[11].

FDI along the Supply Chain In the manufacturing sector, numerous foreign enterprises invest in Bac Ninh not only for standalone production purposes but also to build component supply chains for major global corporations such as Samsung and Apple. This model facilitates the enhancement of domestic added value and stimulates the advancement of supporting industries. As noted by Vietnam Briefing (2024) ^[39], Bac Ninh has emerged as a premier destination for FDI attraction in Vietnam, drawing over 4.2 billion USD in investment capital from January to September 2024 (Vietnam Briefing, 2024) ^[39].

6.2.4. The Role of FDI in Economic Development

FDI and economic growth exhibit a close and reciprocal relationship, impacting not only GDP growth but also the development of domestic enterprises, the labor market, technology transfer, and state budget revenue.

Promoting Economic Growth One of the most paramount roles of FDI is to stimulate economic growth by supplementing investment capital, thereby expanding production, generating employment opportunities, and contributing to GDP. According to a study by Nguyen, T. C (2024) ^[25], FDI inflows exert a positive impact on Vietnam's economic growth; however, the magnitude of this effect remains contingent upon the absorptive capacity of the domestic economy. Empirically, during the 2015–2022 period, FDI accounted for an average of 23–25% of total societal investment capital, serving as a critical cornerstone for Vietnam's economic expansion. Nevertheless, international literature, such as Borensztein *et al.* (1998) ^[7], underscores that for FDI to effectively catalyze growth, the host nation must possess a threshold level of educational development and infrastructure. This implies that if institutional and infrastructural frameworks are insufficient, FDI may only yield short-term efficiencies rather than fosters sustainable development.

Technology Transfer and Enhancing Production Capacity Another significant benefit of FDI is the facilitation of technology transfer. Foreign-invested enterprises typically introduce cutting-edge technologies, advanced managerial practices, and high-quality production standards. According to research by Alfaro *et al.* (2004) ^[2], FDI not only enhances

the productivity of foreign-invested firms but also creates spillover effects for domestic enterprises via supply chains. In Vietnam, numerous multinational conglomerates, including Samsung, Intel, and LG, have invested heavily in high-tech industrial zones, driving production capacity and elevating labor proficiency. Nonetheless, empirical evidence indicates that the extent of technology transfer remains constrained, primarily due to the inadequate absorptive capacity of domestic firms (Industry and Trade Magazine, 2022a) ^[19].

Impacts on the Domestic Business Sector FDI can exert both positive and negative externalities on the domestic business sector. On the one hand, the presence of FDI enterprises can incentivize domestic firms to upgrade technology, enhance productivity, and integrate into global value chains. On the other hand, intense competition from FDI entities can marginalize domestic enterprises if they lack competitive advantages. According to a seminal study by Aitken and Harrison (1999) ^[1], domestic firms may suffer adverse effects from FDI inflows due to their weaker competitive positioning. In Vietnam, certain sectors, such as retail and e-commerce, are experiencing severe pressure from foreign rivals, particularly major platforms like Shopee, Lazada (subsidiary of Alibaba), and Tiki (backed by capital investment from JD.com).

Impacts on State Budget Revenue FDI contributes to the state budget through corporate income tax, value-added tax, and other financial obligations. However, some FDI enterprises benefit from prolonged tax incentives, potentially leading to budget revenue losses. As noted by Phuong Nga (2025) ^[30] multiple FDI corporations in Vietnam have continuously reported losses for consecutive years while simultaneously expanding their production scale, raising concerns regarding transfer pricing and tax avoidance. This demonstrates that although FDI acts as a revenue generator for the budget, the state may still encounter significant fiscal leakages in the absence of stringent regulatory oversight.

6.2.5. Positive Impacts

FDI serves as a crucial catalyst for the advancement of the manufacturing sector in Vietnam. Foreign capital inflows not only stimulate manufacturing growth but also contribute to technology transfer, elevate labor productivity, broaden export markets, and create extensive employment opportunities. The primary positive impacts that FDI exerts on the manufacturing industry are outlined below.

First, FDI enhances productivity and facilitates technology transfer. One of the most significant benefits of FDI is the improvement in labor productivity and product quality. FDI enterprises typically introduce cutting-edge technologies, modern production processes, and international standards, enabling Vietnam to acquire novel techniques, thereby boosting production efficiency and competitiveness. According to a report by the General Statistics Office (2023) ^[17], labor productivity in the foreign-invested sector is approximately 1.4 times higher than that of the state-owned sector and 7 to 8 times higher than that of the domestic private sector. Particularly within the manufacturing industry, numerous FDI firms have integrated automation and artificial intelligence into their production lines, optimizing costs and strengthening competitiveness in international markets. A prominent example is Samsung, the leading FDI conglomerate in Vietnam's manufacturing sector. Samsung has not only invested heavily in manufacturing facilities but

has also established a Research and Development (R&D) Center in Hanoi, contributing significantly to elevating the technological and technical capabilities of the Vietnamese workforce (Reuters, 2024b) ^[32].

Second, FDI drives exports and accelerates international economic integration. FDI plays a paramount role in expanding Vietnam's export value. Foreign-invested enterprises currently contribute over 70% of Vietnam's total export turnover, particularly within manufacturing sub-sectors such as electronics, textiles, footwear, and automotive components. According to data from the General Statistics Office, export turnover from the FDI sector reached 275 billion USD in 2022, accounting for the vast majority of the nation's total exports. Furthermore, FDI enables Vietnam to integrate more deeply into global supply chains. Multiple multinational corporations, including Intel, LG, and Foxconn, have established manufacturing bases in Vietnam, positioning the country as an essential link in the global manufacturing supply chain (Anh Minh, 2024) ^[31]. This not only stimulates export performance but also elevates Vietnam's standing in the global economy.

Third, FDI enhances income levels and improves the quality of life. FDI not only generates employment opportunities but also elevates the wage levels of the workforce. According to data from the General Statistics Office (2023) ^[17], the average monthly salary within FDI enterprises stands at 8.5 million VND with this sector employing equivalent to 22.8% of the total labor force in the Vietnamese economy which is significantly higher than that of the non-state sector (6.4 million VND/month) and the state sector (7.7 million VND/month). This income growth contributes substantially to improving the quality of life, enabling workers to access superior healthcare and educational services, thereby elevating the general standard of living in society. Furthermore, foreign-invested enterprises contribute to social security by safeguarding workers' entitlements, including social insurance, health insurance, and safe working environments. These welfare policies not only enhance labor well-being but also foster the sustainable development of the macroeconomy.

Finally, FDI contributes significantly to state budget revenue. The FDI sector accounts for a substantial proportion of the state budget through various taxes and duties. In 2023, foreign-invested enterprises contributed approximately 21.1% of total state budget revenue, providing the government with additional fiscal resources to invest in public infrastructure, education, and healthcare. Notably, preferential tax policies for FDI are strategically structured to incentivize investments in high-tech and environmentally friendly sectors, thereby driving the nation towards sustainable development (Nguyen, T. T. T, 2024) ^[28]

6.2.6. Adverse Impacts

Notwithstanding the profound benefits, FDI also induces several adverse impacts on Vietnam's manufacturing industry.

First, the phenomena of transfer pricing and tax evasion remain pronounced. According to Tap chi Tai chinh (2025) ^[15], approximately 53.83% of FDI enterprises reported financial losses, whereas the overall loss-reporting rate among all corporate sectors hovered around 50%. Notably, while the total revenue of the FDI sector reached roughly 9,727,000 billion VND (a 4.4% increase compared to 2021), its post-tax profit declined by 2.1%, falling to 386,673 billion

VND. This discrepancy indicates signs of transfer pricing, which downscales state budget revenue and creates systemic inequalities for domestic firms.

Second, FDI inflows can exacerbate severe environmental degradation. A study by Nguyen Thi Hai Binh and Luu Anh Nguyet (2020) ^[27] demonstrates that FDI contributes significantly to carbon dioxide (CO₂) emissions in Vietnam, with this long-term impact exhibiting an asymmetric pattern. Numerous FDI firms within pollution-intensive industries, such as textiles and chemicals, have violated environmental protection regulations, generating detrimental externalities for local ecosystems and public health. To meticulously evaluate the asymmetric effects of FDI volatility on CO₂ emissions across both short- and long-term horizons, the authors utilized a cumulative dynamic multiplier analysis derived from the Non-linear Autoregressive Distributed Lag (NARDL) model. Figure 1.1 illustrates the dynamic impacts of shifts in FDI inflows on CO₂ emissions. The empirical results indicate that a contraction in FDI inflows triggers an initial rapid acceleration of CO₂ emissions in the short term, which subsequently decelerates in the long term. Conversely, an expansion in FDI inflows causes a marginal decline in CO₂ emissions in the short term but leads to an accumulation in the long term. The solid line in the figure depicts the widening trajectory of this asymmetric impact over time.

Third, over-reliance on FDI enterprises can marginalize the capabilities of the domestic business sector. Domestic firms confront immense hurdles in competing over technology, financial resources, and human capital, thereby leading to the 'outsourcing-intensified' (or 'subcontracting') nature of the local economy. Consequently, certain local businesses have been compelled to transfer their equity stakes to foreign partners due to their inability to sustain market competitiveness (Nguyen, T. M. H, n.d.) ^[26].

Finally, working conditions within certain foreign-invested firms remain severely constrained. Empirical evidence suggests that, in specific instances, foreign investors driven by high profit-maximization motives have failed to comply rigorously and fully with labor regulations. This non-compliance forces the workforce to operate under substandard conditions, ultimately compromising their physical health and legal entitlements (Industry and Trade Magazine, 2022b) ^[19].

6.3. Relevant Theoretical Frameworks

In the era of globalization, FDI plays a pivotal role in the economic development of nations and their respective sub-national localities. Attracting FDI not only injects capital and cutting-edge technologies but also stimulates economic growth and generates employment opportunities. However, the investment decisions of foreign enterprises are not arbitrary; rather, they are conditioned by an array of economic, political, and social determinants. Consequently, an examination of the economic theories underlying FDI is imperative to comprehend the drivers and trends of these capital inflows. Numerous theories have been advanced to elucidate the phenomenon of FDI, spanning from classical economic foundations to modern analytical frameworks. In this study, three primary theories are selected to establish the conceptual foundation for analyzing the factors influencing FDI attraction into the manufacturing industry in Bac Ninh Province: John Dunning's Eclectic Paradigm (OLI Model), David Ricardo's Theory of Comparative Advantage, and the Investment Motivation Theory. Synthesizing these three

theoretical frameworks provides a more comprehensive perspective on the determinants of FDI inflows into Bac Ninh, thereby assisting policymakers in formulating targeted measures to enhance the province's capacity to attract foreign investment into the manufacturing sector.

6.3.1. The OLI Paradigm (Eclectic Theory)

The OLI Paradigm, formulated by Dunning (2001)^[12], serves as one of the paramount theoretical frameworks for analyzing the underlying dynamics of foreign direct investment. This paradigm elucidates corporate investment decisions through three core determinants: Ownership advantages (O), Location advantages (L), and Internalization advantages (I). Ownership advantages (O) refer to firm-specific assets and capabilities that enable foreign enterprises to achieve superior competitiveness over domestic companies. These advantages encompass advanced technologies, reputable brand equity, proprietary managerial know-how, or substantial economies of scale. Foreign-invested enterprises (FIEs) frequently capitalize on these ownership-specific advantages, leveraging their technological capabilities and managerial expertise to optimize production efficiency within Bac Ninh Province's manufacturing sector.

Location advantages (L) pertain to the economic, political, and social characteristics of the host jurisdiction that cultivate a favorable operating environment for businesses. Bac Ninh possesses a strategic geographical location contiguous to Hanoi, highly modernized infrastructure networks, well-developed industrial parks, and attractive investment incentive policies. Collectively, these spatial attributes enable the province to draw extensive FDI inflows into the manufacturing sector, particularly from major conglomerates within the electronics industry supply chain.

Internalization advantages (I) address a firm's capacity to optimize its production and business operations by maintaining direct organizational control over cross-border value chains rather than relying on external market transactions. For FDI enterprises operating in Bac Ninh, establishing wholly-owned manufacturing facilities allows them to enforce rigorous product quality control, mitigate transaction costs, and safeguard proprietary technologies, as opposed to relying solely on arms-length contracts with local firms.

Applying the OLI paradigm in this study serves to elucidate why Bac Ninh has emerged as a premier destination for FDI inflows within the manufacturing sector. By offering synchronized infrastructure, an advantageous geographical position, and transparent investment incentives, Bac Ninh cultivates a highly attractive business environment for foreign corporations. Concurrently, the capacity of these multinational firms to directly control and optimize localized manufacturing operations stands as a pivotal determinant driving the continuous expansion of FDI capital within the region.

6.3.2. Comparative Advantage Theory

This theory was first introduced by the British economist Ricardo (2005)^[33] in his seminal work "On the Principles of Political Economy and Taxation". Ricardo developed this theory to explain the gains from international trade even when a country exhibits lower labor productivity across all sectors compared to another nation. He argued that each country should specialize in industries where they possess a relatively greater advantage over other nations, thereby

generating higher economic efficiency through trade exchange. Ricardo's theory is predicated on the assumptions of opportunity cost and relative productivity in commodity manufacturing between nations. He provided a classic example involving England and Portugal, wherein Portugal could produce both wine and cloth at a lower cost than England; however, due to its greater relative advantage in wine production, Portugal should focus on manufacturing this commodity and import cloth from England. This demonstrates that even when a country can produce everything more efficiently, specialization based on comparative advantage still yields greater mutual benefits.

6.3.3. Application in FDI Context

In the context of FDI, the comparative advantage theory is applied to elucidate why a country or a locality can become an attractive destination for FDI inflows. Factors such as low labor costs, abundant natural resources, strategic geographical location, or well-developed infrastructure systems can confer comparative advantages, thereby driving foreign enterprises to select these locations for investment.

In this study, this theory will be utilized to analyze the advantages of Bac Ninh Province in attracting FDI into the processing and manufacturing industries. The comparative advantage theory is applied to explain why Bac Ninh can emerge as an appealing destination for FDI inflows into the manufacturing and processing sectors. Given its strategic location adjacent to the capital city of Hanoi and its advanced transportation system, Bac Ninh possesses favorable connectivity with major domestic and international economic hubs. Furthermore, the province boasts an abundant labor force at reasonable costs, enabling enterprises to minimize production expenditures compared to many other regions.

Additionally, Bac Ninh holds a comparative advantage in industrial infrastructure, featuring numerous modern industrial parks (IPs) such as VSIP, Que Vo, and Yen Phong IPs, which serve as clusters for major FDI corporations including Samsung, Canon, and Foxconn (Bac Ninh News, 2024)^[5]. The system of investment incentive policies also constitutes a crucial factor that generates a comparative advantage for Bac Ninh over other provinces and cities. The local government has implemented various business support measures, including tax incentives, administrative procedure reforms, and the creation of a favorable business environment.

6.3.4. Product Life Cycle Theory

The Product Life Cycle Theory was developed by Vernon (1966) to elucidate the relationship between the development cycle of a product and FDI flows. This theory posits that new products are typically manufactured and consumed within the innovating country, subsequently expanding gradually into alternative markets, and ultimately shifting production toward developing nations with lower cost structures. The product life cycle comprises three primary stages:

- **The Introduction Stage:** New products are developed and manufactured in the innovating country typically developed nations characterized by advanced technology and high consumer demand. During this stage, products primarily serve the domestic market or are exported in limited quantities.
- **The Maturity Stage:** As the product becomes standardized and demand expands, enterprises seek to minimize production expenditures by relocating a

portion of their manufacturing operations abroad, usually to countries with low labor costs that still ensure quality standards.

- **The Decline Stage:** The product becomes increasingly ubiquitous and manufacturing technology is widely disseminated, leading to the complete relocation of production operations to developing nations to leverage low-cost advantages. Consequently, the original innovating country can concentrate on the research and development (R&D) of new products.

Application in FDI Context

In this study, the product life cycle theory is utilized to analyze the rationale behind Bac Ninh emerging as a destination for FDI inflows within the processing and manufacturing industries. As multinational corporations expand their markets and optimize production costs, they exhibit a tendency to shift their manufacturing plants from developed nations to countries offering lower labor costs, robust infrastructure, and attractive incentive policies.

Bac Ninh, owing to its proximity to Hanoi, modern industrial park systems, and abundant human resources, has become an optimal choice for enterprises seeking cost advantages and supply chain expansion.

6.3.5. Determinants of FDI Attraction

FDI decisions are driven by a multifaceted array of determinants, ranging from macroeconomic conditions and institutional frameworks to the localized business environment of a host country or region. In this study, the factors influencing FDI inflows into the manufacturing and processing sector in Bac Ninh Province are categorized into three primary clusters:

6.3.6. Economic Determinants

Economic factors play a pivotal role in shaping FDI attraction, given that foreign enterprises inherently seek host markets that offer distinct advantages in terms of cost structures, market scale, and profitability potential. A regional economy characterized by stable growth, optimized labor costs, and a well-developed infrastructure network constitutes a highly attractive investment climate for foreign firms. For Bac Ninh, these elements serve as strategic pillars that position the province as one of the leading FDI destinations in Vietnam.

6.4. Economic Growth and Structural Shifts

Economic growth is a critical determinant governing the attractiveness of a country or locality to foreign capital inflows. A stable and sustainable growth trajectory not only reflects overall market vitality but also indicates long-term potential for production expansion and domestic consumption. According to the General Statistics Office (2023), Bac Ninh's Gross Regional Domestic Product (GRDP) in 2022 reached over VND 246.8 trillion, representing a year-on-year increase of 7.39%, which surpassed the national average growth rate. Furthermore, Bac Ninh's economic structure has shifted aggressively toward industrialization, with the industry and construction sector accounting for over 77% of the total GRDP. This structural dominance establishes a fertile ecosystem for FDI enterprises to integrate into global supply chains, particularly within the electronics, components, and assembly sectors.

Labor Costs and Human Capital Quality: Labor cost dynamics represent another critical factor influencing the location choices of foreign investors. FDI enterprises, particularly those operating within the manufacturing and processing industries, continuously seek locations that offer competitive labor costs without compromising workforce quality and technical competencies. Bac Ninh possesses a significant demographic dividend, featuring a young and abundant workforce where approximately 60% of the population falls within the working age. According to the provincial statistics office's report, the average monthly income of laborers in Bac Ninh stands at approximately VND 7.4 million. While this cost structure is considerably lower than that of major urban centers such as Hanoi and Ho Chi Minh City, it still guarantees an adequate supply of skilled and trained labor. This equilibrium grants Bac Ninh a competitive edge in attracting transnational corporations requiring large-scale recruitment, particularly in electronic component assembly where basic technical literacy and high-volume hiring are paramount.

Infrastructure networks represent another critical determinant in attracting FDI, as they directly modulate operational costs and logistical connectivity for enterprises. Bac Ninh Province possesses a highly developed transportation framework, anchored by pivotal national highways such as National Highway 1A and National Highway 18. This strategic network facilitates seamless connectivity with Hanoi, Hai Phong, and major deep-sea ports.

Furthermore, the province features a synchronized network of industrial parks (IPs) that serves as a powerful catalyst for capturing foreign capital. Currently, Bac Ninh has 16 government-approved industrial parks; among these, prominent large-scale hubs such as VSIP Bac Ninh, Yen Phong, and Que Vo have successfully secured hundreds of FDI projects from multinational conglomerates, including Samsung, Canon, and Foxconn. Rather than merely offering physical production spaces equipped with modern utilities, these industrial parks cultivate integrated supporting industry ecosystems. This synergetic environment enables newly established enterprises to easily locate supply partners and optimize their overall operational expenditures (Bac Ninh Department of Planning and Investment, 2023).

6.4.1. Institutional and Policy Determinants

Institutional and policy frameworks play a decisive role in establishing a transparent, stable, and favorable investment climate for foreign investors. In Bac Ninh, the provincial government has continuously enhanced its legal administration and implemented targeted investment incentives, significantly catalyzing FDI inflows into the manufacturing and processing sector. A cornerstone of these institutional efforts is the operationalization of the 'inter-agency one-stop-shop' mechanism for processing investment and construction dossiers, which has substantially compressed licensing timelines and minimized administrative compliance costs for investors.

Fiscal Incentives and Enterprise Support: Specifically, the province has enacted a series of preferential tax policies, including corporate income tax exemptions or reductions, as well as import duty exemptions on machinery, equipment, and raw materials designated for industrial production. Complementing these fiscal measures, the local government has deployed comprehensive enterprise support initiatives,

encompassing labor training programs, streamlined administrative assistance, and subsidized production site clearance. According to Financial Journal (2023), by 2023, Bac Ninh hosted 24 industrial park infrastructure development projects across 16 industrial parks, with total newly registered and adjusted capital reaching USD 2.118 billion. Cumulatively, these industrial parks have captured USD 22.95 billion in FDI from diverse multinational sources. Public-Private Dialogue and Investor Relations: Beyond fiscal tools, Bac Ninh has institutionalized collaborative initiatives designed to support enterprises, most notably the 'Monthly Entrepreneur Meeting' program. This initiative establishes a direct dialogue channel between provincial leaders and the business community, allowing for the real-time resolution of operational bottlenecks faced by local investors. These concerted policy and institutional interventions have successfully bolstered investor confidence and created long-term strategic incentives for FDI enterprises operating within the manufacturing and processing industries.

6.4.2. Socio-Technological Determinants

Beyond economic and institutional frameworks, socio-technological factors play a significant role in attracting FDI, particularly within the manufacturing and processing sector. Social determinants encompass the quality of life, public services, and living conditions available to both local laborers and foreign expatriates. Bac Ninh has strategically invested in developing its social infrastructure including schools, healthcare facilities, and specialized housing for workers and experts thereby enhancing overall living standards and cultivating a favorable working environment.

Technological Advancement and Industrial Ecosystems: In terms of technology, Bac Ninh has increasingly oriented its development toward smart industrial parks and the integration of high-tech applications in manufacturing. The localization of major multinational conglomerates, such as Samsung, Amkor, and Foxconn, has generated a tech-driven spillover effect, inducing both a demand and a structural pressure for technological innovation among domestic enterprises. Consequently, this dynamic has catalyzed the formation of a modernized manufacturing ecosystem. According to the Bac Ninh Department of Planning and Investment (2023), the province is currently deploying multiple support programs aimed at facilitating technological renewal, optimizing productivity, and upgrading product quality for local firms. These technological components not only capture incremental FDI inflows but also establish a robust foundation for long-term sustainable development.

Section Synthesis: Synthesizing the aforementioned determinants indicates that Bac Ninh possesses a highly favorable combination of conditions to attract FDI into its manufacturing and processing industry. However, to sustain and expand this competitive advantage, the province must continuously refine its institutional mechanisms, invest aggressively in human capital, upgrade social infrastructure, and accelerate modern technological adoption to meet the increasingly sophisticated demands of international investors.

7. Practical Foundations of The Research Topic

7.1. An Overview of FDI Attraction in Bac Ninh Province

7.1.1. A General Profile of FDI Attraction in Bac Ninh Province

Bac Ninh is one of the provinces experiencing the highest rates of industrial development in Vietnam, particularly in terms of FDI attraction. Leveraging its strategic geographical location within the Northern Key Economic Zone, proximate to the capital city of Hanoi and major maritime gateways such as Hai Phong and Quang Ninh, Bac Ninh has evolved into a highly attractive destination for multinational investors. Furthermore, the province features a synchronized infrastructure network, flexible investment incentive frameworks, and a favorable business climate, all of which have collectively driven substantial FDI inflows over recent years. The provincial government of Bac Ninh has instituted structured, methodical FDI attraction strategies, focusing heavily on the development of modernized industrial parks and the continual optimization of the local investment environment. Parallel to these efforts, the province has prioritized upgrading human capital quality and accelerating administrative reforms to facilitate seamless operations for FDI enterprises. Indicative of this success, by 2024, the total registered FDI capital in Bac Ninh reached approximately USD 5.04 billion, accounting for 16% of the nation's total investment capital and representing a more than threefold increase compared to the same period of the previous year. This upward trajectory intensified in January 2025, when Bac Ninh continued to lead the country by capturing nearly USD 1.4 billion in total registered FDI capital, which constituted 32.2% of the national aggregate. This robust and exponential growth underscores that Bac Ninh is solidifying its position as a premier hub for international investors, driven by highly effective investment attraction policies and an optimal business ecosystem (Journal of Economics and Forecasting, 2024a).

7.1.2. Statistical Trends and Longitudinal Analysis of FDI Attraction

In the recent period, Bac Ninh has achieved a monumental breakthrough in attracting FDI, culminated by a historic performance in 2024 when total investment capital surpassed USD 4.8 billion, marking the highest influx recorded in a decade. Compared to 2023, the volume of newly registered FDI projects, adjusted capital volumes, and capital contributions through M&A all experienced substantial growth, underscoring the escalating interest from international investors. Specifically, during the first ten months of 2024, the province secured 348 newly registered FDI projects, representing a 13% increase year-on-year. Newly registered capital reached USD 1,591.2 million, translating to a 75.2% surge. Concurrently, adjusted capital capitalizations soared to USD 2,725.6 million, skyrocketing by nearly 478.2% relative to the 2023 baseline. Prominent high-scale projects licensed or expanded during this period included Amkor Technology Vietnam (USD 1.07 billion), FCPV Foxconn Bac Ninh (USD 383.3 million), and Goertek (USD 280 million). This robust growth trajectory was predominantly driven by advanced economies, including

South Korea, Japan, China, and Singapore. Simultaneously, Bac Ninh has continued to refine its FDI attraction strategy by prioritizing high-technology sectors with low reliance on unskilled labor, seamlessly aligning with the province's overarching sustainable development framework.

7.1.3. Investor Composition and Countries of Origin for FDI in Bac Ninh Province

The structural composition of FDI investors in Bac Ninh is predominantly concentrated within the manufacturing and processing industries, with a specific strategic emphasis on electronic component manufacturing, software engineering, and high-technology applications. By November 2024, the province had secured 359 newly licensed FDI projects, representing a 2.9% year-on-year increase and signaling sustained stability in its investment attraction strategies.

In terms of geographical origin, enterprises yielding the highest volumes of investment capital originated from China with 223 projects, followed sequentially by Singapore with 41 projects and Hong Kong with 39 projects. This structural diversification of capital sources not only enables Bac Ninh to sustain its macroeconomic growth trajectory but also yields vital contributions to export turnover and localized employment generation. Statistical indicators reveal that the FDI enterprise sector in Bac Ninh accounts for over 99% of the province's aggregate export value and employs approximately 196,500 individuals, representing 29.3% of the total provincial workforce. Consequently, these metrics demonstrate that parallel to capital mobilization, Bac Ninh prioritizes the operational efficiency of foreign investments to drive regional economic expansion and elevate human capital quality (Journal of Economics and Forecasting, 2024b).

7.1.4. Contributions and Future Outlook of FDI in Bac Ninh Province

FDI has exerted a profound impact on the socio-economic development of Bac Ninh, serving as a primary driver of macroeconomic growth, employment generation, and local fiscal revenue mobilization. Driven by foreign capital inflows, Bac Ninh's state budget collections registered a substantial expansion, escalating from VND 10,397 billion in 2015 to VND 24,345 billion in 2020 (Van Tuan, 2021) ^[36]. Crucially, the FDI sector has generated hundreds of thousands of jobs for the local workforce, predominantly within the electronics manufacturing industry, thereby elevating living standards and enhancing labor competencies. Looking forward, Bac Ninh aims to consolidate its position as a premier high-technology industrial hub nationwide. To realize this objective, the provincial administration is deploying targeted incentive frameworks designed to capture incremental foreign capital, with a strategic emphasis on advanced technology, clean energy, and sustainable development. Concurrently, Bac Ninh is accelerating administrative reforms, upgrading transportation infrastructure, and constructing smart industrial parks to meet the evolving operational requirements of enterprises. Nevertheless, alongside these development opportunities, the province confronts multifaceted structural challenges, including intensifying regional competition from other localities, environmental externalities, and the pressing imperative to upgrade human capital quality. To sustain its competitive advantages, Bac Ninh must continuously optimize its investment climate, facilitate the sustainable

growth of FDI enterprises, and deepen international cooperation to attract high-quality, ecologically sound foreign capital streams.

7.2. Determinants of FDI Attraction into the Manufacturing and Processing Sector in Bac Ninh Province

Over recent decades, Bac Ninh has emerged as a premier sub-national destination for FDI in Vietnam, with a pronounced concentration in the manufacturing and processing sector. Leveraging its strategic geographic proximity to the capital city of Hanoi, a highly developed infrastructure network, and competitive investment incentive frameworks, the province has successfully secured capital from major transnational corporations such as Samsung, Canon, and Foxconn alongside hundreds of other foreign-invested enterprises. The mobilization of FDI into Bac Ninh's manufacturing and processing industry is driven by a complex interplay of multi-tiered factors, encompassing macroeconomic conditions, sub-national policy interventions, and localized empirical advantages. The primary determinants governing FDI attraction within this specific sector are analyzed below.

7.2.1. Economic Growth and the Investment Environment

Rapid and stable economic growth trajectories serve as a foundational pillar for Bac Ninh in constructing an attractive investment climate and fostering robust investor confidence among foreign enterprises. Macroeconomic indicators reveal that during the 1997-2021 period, the province's average annual GRDP growth rate reached an impressive 13.89%, with certain fiscal years exceeding 19% (Event Journal, 2022) ^[14]. This remarkable expansion underscores Bac Ninh's capacity not only to sustain robust developmental momentum but also to consolidate its position as one of the fastest-growing sub-national economies nationwide. This sustained macroeconomic stability yields substantial market-seeking advantages and serves as a powerful catalyst driving aggregate FDI inflows into the region, particularly within the manufacturing and processing sector. Administrative Reforms and Institutional Transparency: Parallel to driving economic expansion, the provincial administration has prioritized the strategic optimization of its local investment climate to capture foreign enterprises. The local government has deployed an array of administrative reforms aimed at streamlining business registration processes, compressing investment licensing timelines, and enhancing the transparency of regulatory frameworks. Consequently, administrative protocols concerning corporate registration, investment certification, and fiscal incentive applications are transparently disclosed. This structural clarity enables foreign investors to access critical institutional data efficiently, thereby facilitating the rapid and effective execution of investment projects.

Investment Promotion and Global Integration: Furthermore, Bac Ninh systematically convenes international investment promotion conferences and strategic economic partnerships to showcase the province's localized potential and interface directly with transnational corporations. These initiatives not only widen the province's network of international alliances but also cultivate structural opportunities to attract high-quality, tech-intensive capital streams. Collectively, these mutually reinforcing determinants position Bac Ninh as a premier destination for manufacturing and processing FDI,

ultimately bolstering the province's long-term sustainable economic development framework.

7.2.2. Investment Incentive Policies

The provincial government of Bac Ninh has implemented a diverse array of preferential policies designed to attract foreign investors, with a particular strategic emphasis on the manufacturing and processing sector. These policy interventions are structured around three primary pillars: fiscal incentives, administrative facilitation, and infrastructure development. Specifically, Bac Ninh grants corporate income tax exemptions or reductions alongside import duty exemptions for machinery, equipment, and raw materials designated for production within the manufacturing and processing industries. Concurrently, the province has accelerated administrative reforms by compressing investment licensing timelines and providing comprehensive institutional support to FDI enterprises throughout business registration, factory construction, and workforce recruitment processes. In tandem with these measures, Bac Ninh has prioritized capital allocation for upgrading transportation networks, industrial zones, and logistical hubs to optimize operational conditions for enterprises.

Driven by these targeted incentive frameworks, Bac Ninh has successfully captured numerous large-scale FDI projects from countries and territories such as South Korea, Japan, Taiwan, and European nations, thereby catalyzing the expansion of the local manufacturing and processing industry. By 2023, Bac Ninh hosted 24 industrial park infrastructure development projects across 16 industrial parks, commanding an aggregate newly registered and adjusted capital volume of USD 2.118 billion; altogether, the province's industrial zones have accumulated USD 22.95 billion in direct investment capital from diverse international sources (Vuong *et al.*, 2024) ^[24].

To sustain and elevate the efficacy of its FDI mobilization, Bac Ninh is currently calibrating its investment policies toward accelerating land clearance and delivering "clean land" plots to investors. Furthermore, the province encourages industrial park and cluster infrastructure developers to construct ready-built factories, enabling foreign enterprises to deploy projects rapidly while simultaneously supporting labor supply chains and targeted vocational training to meet the sophisticated human resource demands of FDI firms. These continuous institutional efforts have solidified Bac Ninh's position as one of the most competitive sub-national investment environments for foreign enterprises in the manufacturing and processing sector, yielding vital contributions to the socio-economic trajectory of the province.

8. Solutions and Recommendations

8.1. Strategic Orientations for FDI Attraction into the Manufacturing and Processing Sector in Bac Ninh Province

Against the backdrop of intensifying globalization, competition to attract FDI among countries and sub-national localities has grown increasingly fierce. Concurrently, the qualitative requirements for FDI inflows have escalated; foreign capital is no longer evaluated solely on financial volume but on its capacity to facilitate technology transfer, stimulate innovation, generate high-quality employment, and contribute to sustainable development. Within this context, Bac Ninh Province as a national leader in capturing FDI for

the manufacturing and processing sector must establish a recalibrated development strategy oriented toward selectivity, sustainability, and heightened efficiency. Rather than prioritizing project volume as in previous developmental phases, Bac Ninh must pivot toward attracting high-value-added, environmentally friendly projects capable of generating robust economic spillover effects across interlinked sectors.

Bac Ninh must continually reinforce its status as a pivotal manufacturing and processing industrial hub for both the Northern region and the nation at large. This imperative requires the province not only to maintain its contemporary advantages in industrial infrastructure and geographic location, but also to intentionally guide FDI inflows toward high-value, strategic sectors aligned with global development trends. These target fields include electronics manufacturing, biotechnology, automation, medical equipment production, and electric vehicles (EVs). Capitalizing on these sectors will enable Bac Ninh to leverage its existing physical assets and labor supply while facilitating deeper integration into global value chains (GVCs), thereby elevating its international competitiveness.

In addition, the province must proactively formulate a comprehensive matrix of criteria for selecting strategic investors, with a particular emphasis on MNCs possessing advanced technological foundations, robust governance capabilities, and long-term investment commitments. While the successful mobilization of anchor investors like Samsung, Foxconn, and Canon validates past strategies, Bac Ninh's future outlook must avoid a mechanistic pursuit of investment scale. Instead, it must comprehensively evaluate a project's impact on the environment, society, and the growth capacity of domestic firms. Preferential access to land plots, investment incentives, and administrative support services should be systematically prioritized for investors demonstrating long-term localization strategies, dedicated native workforce training programs, technology transfer frameworks, and concrete plans to foster supporting industries.

Moreover, Bac Ninh needs to aggressively develop a robust supporting industry ecosystem and gradually cultivate deeper-tier industry clusters. Erecting a well-integrated network of satellite enterprises capable of supplying components, spare parts, and raw inputs to FDI firms will elevate localization rates, mitigate import dependency, and establish resilient manufacturing value chains. Furthermore, the maturation of supporting industries serves as a critical gateway for domestic enterprises to upgrade their production capabilities and integrate into global supply networks, especially amidst the ongoing structural realignment of manufacturing from China to ASEAN nations.

Furthermore, Bac Ninh's FDI attraction framework must be tightly integrated into the province's overarching sustainable development strategy, demanding heightened corporate social responsibility (CSR), environmental stewardship, and rigorous corporate governance. This alignment necessitates embedding green growth, energy efficiency, waste management, and resource optimization metrics directly into the project screening and appraisal processes. In parallel, the province must accelerate the deployment of digital technologies in investment governance spanning dossier ingestion, project milestone tracking, and post-investment efficacy evaluation to enhance transparency, minimize transactional costs, and optimize state management

efficiency.

Besides, the foundational prerequisite for actualizing these strategic orientations lies in executing a substantive and comprehensive optimization of the local investment climate. Bac Ninh must continuously streamline administrative protocols, elevate public service quality, and maximize post-licensing enterprise support. Concurrently, capital allocation must prioritize synchronized infrastructure development (including transportation networks, power grids, water supply, and logistical hubs), particularly within newly established industrial zones to meet the stringent criteria of high-tech investors. Complementing these physical assets, upgrading human capital quality remains paramount. Bac Ninh must actively coordinate with educational institutions, FDI enterprises, and international organizations to deploy vocational training, soft skills, and foreign language programs, thereby ensuring a highly skilled workforce tailored to the demands of modernized manufacturing.

To actualize the strategic orientation of selective and high-quality FDI attraction into the manufacturing and processing sector, Bac Ninh must systematically deploy a synchronized suite of practical, highly feasible solutions tailored to localized characteristics. These interventions encompass not only short-term measures designed to address immediate bottlenecks but also long-term strategies aimed at achieving sustainable development and elevating the province's standing on the global investment map.

Refining the institutional environment and investment incentive frameworks constitutes a paramount task. The provincial government must continuously review and calibrate its preferential investment policies to align with the overarching objective of “qualitatively optimizing FDI inflows,” thereby prioritizing projects characterized by advanced technologies, high knowledge-intensive components, and minimal environmental externalities. Concurrently, administrative procedures must be further streamlined and made transparent to provide optimal conditions for investors across all stages ranging from licensing and project deployment to post-investment support. Furthermore, maintaining and expanding the operational scale of “enterprise support teams” or “rapid response task forces” to resolve investor bottlenecks should be institutionalized through a more professionalized approach. Additionally, the development of modern, synchronized technical infrastructure serves as a decisive determinant of competitive advantage in capturing FDI capital. Bac Ninh must continue to invest heavily in inter-regional transport connectivity, widening strategic routes linking Hanoi, Bac Ninh, Hai Phong, and Quang Ninh, while simultaneously upgrading internal infrastructure within industrial zones. The planning and execution of model, eco-oriented, and smart industrial parks integrated with centralized wastewater treatment systems, advanced logistics networks, and intelligent operation centers represents an inevitable trajectory to satisfy the escalating requirements of multinational conglomerates. Contemporary investors look beyond mere geographic convenience; they demand highly efficient production spaces that maximize energy conservation and adhere to rigorous environmental standards. Apart from that, human capital remains a pivotal factor in the process of capital mobilization. Although Bac Ninh possesses an abundant labor supply, its qualitative capacity has not fully met the stringent requirements of high-technology industries. Consequently, upgrading vocational training quality and soft

skills for the local workforce is an urgent imperative. The province should forge strategic partnerships with universities, technical colleges, and major FDI enterprises to co-develop demand-driven curricula, while aggressively expanding the “dual-training” model that integrates theoretical coursework with on-site corporate apprenticeships. Elevating foreign language competencies and digital literacy among laborers will be instrumental not only in retaining incumbent investors but also in amplifying the province's attractiveness to international technology corporations.

Besides, parallel to internal structural adjustments, Bac Ninh needs to enhance its investment promotion activities through a professionalized lens and a long-term strategic vision. Instead of conducting fragmented, broad-based promotion campaigns, the province should concentrate its resources on key target markets such as South Korea, Japan, the United States, and the European Union which host a high density of potential enterprises in high-tech fields and the processing sector. Promotion activities must be customized and sector-specific, blending digital and face-to-face engagements to ensure effective outreach to target investors. Compiling multi-lingual investment promotion portfolios and consistently updating project opportunities and newly enacted incentive policies will enhance institutional transparency, thereby fostering robust trust among foreign investors.

Finally, to optimize the governance of FDI inflows, Bac Ninh must construct a centralized investment database system capable of monitoring project implementation timelines, evaluating socioeconomic contributions, and tracking compliance with labor regulations, environmental commitments, and fiscal obligations. This digital infrastructure will not only enable the province to detect delayed projects or regulatory infractions at an early stage but will also serve as an empirical foundation for calibrating future investment policies and strategies. A transparent investment ecosystem governed by clear monitoring and evaluation mechanisms represents a key institutional determinant for building trust and retaining high-quality investors.

In conclusion, attracting FDI is not merely a process of capital solicitation but rather the comprehensive construction of a healthy, efficient, and sustainable investment ecosystem. By executing synchronized solutions across policy frameworks, infrastructure networks, human capital, and targeted investment promotion, Bac Ninh is fully capable of reinforcing its position as a leading sub-national jurisdiction nationwide in capturing FDI for the manufacturing and processing industry.

8.2. Solutions to Enhance FDI Attraction Capabilities

To actualize the strategic orientation of selective and high-quality FDI attraction into the manufacturing and processing sector, Bac Ninh must systematically deploy a synchronized suite of practical, highly feasible solutions tailored to localized characteristics. These interventions encompass not only short-term measures designed to address immediate bottlenecks but also long-term strategies aimed at achieving sustainable development and elevating the province's standing on the global investment map.

Firstly, refining the institutional environment and investment incentive frameworks constitutes a paramount task. The provincial government must continuously review and

calibrate its preferential investment policies to align with the overarching objective of 'qualitatively optimizing FDI inflows,' thereby prioritizing projects characterized by advanced technologies, high knowledge-intensive components, and minimal environmental externalities. Concurrently, administrative procedures must be further streamlined and made transparent to provide optimal conditions for investors across all stages ranging from licensing and project deployment to post-investment support. Furthermore, maintaining and expanding the operational scale of 'enterprise support teams' or 'rapid response task forces' to resolve investor bottlenecks should be institutionalized through a more professionalized approach. Secondly, the development of modern, synchronized technical infrastructure serves as a decisive determinant of competitive advantage in capturing FDI capital. Bac Ninh must continue to invest heavily in inter-regional transport connectivity, widening strategic routes linking Hanoi, Bac Ninh, Hai Phong, and Quang Ninh, while simultaneously upgrading internal infrastructure within industrial zones. The planning and execution of model, eco-oriented, and smart industrial parks integrated with centralized wastewater treatment systems, advanced logistics networks, and intelligent operation centers represents an inevitable trajectory to satisfy the escalating requirements of multinational conglomerates. Contemporary investors look beyond mere geographic convenience; they demand highly efficient production spaces that maximize energy conservation and adhere to rigorous environmental standards. Thirdly, human capital remains a pivotal factor in the process of capital mobilization. Although Bac Ninh possesses an abundant labor supply, its qualitative capacity has not fully met the stringent requirements of high-technology industries. Consequently, upgrading vocational training quality and soft skills for the local workforce is an urgent imperative. The province should forge strategic partnerships with universities, technical colleges, and major FDI enterprises to co-develop demand-driven curricula, while aggressively expanding the 'dual-training' model that integrates theoretical coursework with on-site corporate apprenticeships. Elevating foreign language competencies and digital literacy among laborers will be instrumental not only in retaining incumbent investors but also in amplifying the province's attractiveness to international technology corporations.

Fourthly, parallel to internal structural adjustments, Bac Ninh needs to enhance its investment promotion activities through a professionalized lens and a long-term strategic vision. Instead of conducting fragmented, broad-based promotion campaigns, the province should concentrate its resources on key target markets such as South Korea, Japan, the United States, and the European Union which host a high density of potential enterprises in high-tech fields and the processing sector. Promotion activities must be customized and sector-specific, blending digital and face-to-face engagements to ensure effective outreach to target investors. Additionally, compiling multi-lingual investment promotion portfolios and consistently updating project opportunities and newly enacted incentive policies will enhance institutional transparency, thereby fostering robust trust among foreign investors.

Finally, to optimize the governance of FDI inflows, Bac Ninh must construct a centralized investment database system capable of monitoring project implementation timelines,

evaluating socioeconomic contributions, and tracking compliance with labor regulations, environmental commitments, and fiscal obligations. This digital infrastructure will not only enable the province to detect delayed projects or regulatory infractions at an early stage but will also serve as an empirical foundation for calibrating future investment policies and strategies. A transparent investment ecosystem governed by clear monitoring and evaluation mechanisms represents a key institutional determinant for building trust and retaining high-quality investors.

To summarize, attracting FDI is not merely a process of capital solicitation but rather the comprehensive construction of a healthy, efficient, and sustainable investment ecosystem. By executing synchronized solutions across policy frameworks, infrastructure networks, human capital, and targeted investment promotion, Bac Ninh is fully capable of reinforcing its position as a leading sub-national jurisdiction nationwide in capturing FDI for the manufacturing and processing industry.

9. Conclusion

In the context of deepening international economic integration, FDI mobilization plays a vital role in the socio-economic development of sub-national localities and the nation at large. Bac Ninh, a rapidly developing industrial province in Northern Vietnam, has established itself as a highly attractive destination for multinational investors, particularly within the manufacturing and processing sector. However, to sustain and elevate this standing over the long term, the province must adopt a comprehensive perspective and an explicit strategy oriented toward a selective, high-quality, and sustainable approach to FDI attraction.

Through this research, the paper has systematically analyzed the determinants influencing FDI attraction capabilities in Bac Ninh's manufacturing and processing industry, encompassing policy frameworks, technical infrastructure, human capital quality, technological advancement, the investment environment, and targeted investment promotion activities. These determinants do not operate in isolation; rather, they interact dynamically and complement one another, collectively forging the aggregate competitive advantage of the locality in the view of international investors.

In addition to identifying these key determinants, this study has proposed specific strategic orientations and actionable solutions to optimize Bac Ninh's FDI attraction efficiency in the upcoming period. Among these, refining institutional mechanisms, developing modernized industrial infrastructure, training high-quality human resources, and professionalizing investment promotion are deemed paramount. Crucially, pivoting from a quantity-driven FDI attraction model to a quality-oriented framework tied to sustainable development and technological innovation aligns seamlessly with contemporary macroeconomic conditions.

In short, to maintain its prominent position on the global investment map, Bac Ninh must continuously innovate its governance mindset, proactively adapt to globalizing trends, and effectively leverage opportunities arising from new-generation FTAs. Successful execution of the proposed solutions will enable the province not only to capture high-quality foreign capital streams but also to accelerate economic restructuring, amplify industrial competitiveness, and secure long-term sustainable development.

References

- Aitken BJ, Harrison AE. Do domestic firms benefit from direct foreign investment? Evidence from Venezuela. *Am Econ Rev.* 1999;89(3):605-18.
- Alfaro L, Chanda A, Kalemli-Ozcan S, Sayek S. FDI and economic growth: The role of local financial markets. *J Int Econ.* 2004;64(1):89-112. [https://doi.org/10.1016/S0022-1996\(03\)00081-3](https://doi.org/10.1016/S0022-1996(03)00081-3)
- Anh Minh. Forbes: Vietnam is transforming into a high-tech and electronics manufacturing hub [Internet]. *ICT Vietnam*; 2024 [cited 2025 Jun 1st]. Available from: <http://ictvietnam.vn/forbes-viet-nam-dang-chuyen-minh-trothan-trung-tam-san-xuat-dien-tu-va-cong-nghe-cao-67892.html>
- Bac Ninh Department of Planning and Investment. Bac Ninh builds industrial zones based on regional functions and roles [Internet]. Bac Ninh: Bac Ninh DPI; 2023. Available from: <https://skhdt.bacninh.gov.vn/news/-/details/57283/bac-ninhxay-dung-khu-cong-nghiep-theo-chuc-nang-va-vai-tro-vung-45483866>
- Bac Ninh News. The core engine driving Bac Ninh to become a modernized industrial province [Internet]. Bac Ninh News; 2024. Available from: <https://www.baobacninh.com.vn/web/bbn/chi-tiet-cong-nghiep/-/details/20182/hat-nhan-ua-bac-ninh-tro-thanh-tinh-cong-nghiep-hien-ai>
- Bac Ninh Portal. FDI reached a record high in a decade and Bac Ninh's strategy of "Two Littles-Three Highs-Four Readinesses-One No." [Internet]. Bac Ninh: Bac Ninh Portal; 2024. Available from: <https://bacninh.gov.vn/news/-/details/20182/fdi-at-muc-ky-luc-trong-vong-1-thapky-va-chien-luoc-hai-it-ba-cao-bon-san-sang-mot-khong-cua-bac-ninh-86247322>
- Borensztein E, De Gregorio J, Lee JW. How does foreign direct investment affect economic growth? *J Int Econ.* 1998;45(1):115-35. [https://doi.org/10.1016/S0022-1996\(97\)00033-0](https://doi.org/10.1016/S0022-1996(97)00033-0)
- Brancaccio Briefing L. An Investor's Guide to Vietnam's Bắc Ninh Province. Vietnam Briefing [Internet]. 2024. Available from: <https://www.vietnam-briefing.com/news/an-investors-guide-tovietnams-bac-ninh-province.html/>
- CAFEF. Which localities have the highest average labor income in the country? [Internet]. CAFEF; 2023. Available from: <http://cafef.vn/nhung-dia-phuong-nao-co-thu-nhap-binh-quan-lao-dong-cao-nhatca-nuoc-20230311105010538.chn#img-lightbox>
- CFI. Eclectic Paradigm [Internet]. Corporate Finance Institute. Available from: <https://corporatefinanceinstitute.com/resources/management/eclectic-paradigm/>
- Duc Trung. Situation of attracting foreign investment in 2024 [Internet]. Ministry of Planning and Investment; 2025. Available from: <https://www.mpi.gov.vn/portal/Pages/2025-1-6/Tinh-hinh-thu-hut-dau-tu-nuocngoai-nam-2024-5iht0.aspx>
- Dunning JH. The eclectic (OLI) paradigm of international production: Past, present and future. *Int J Econ Bus.* 2001;8(2):173-90.
- Dunning JH, Lundan SM. Institutions and the OLI paradigm of the multinational enterprise. *Asia Pac J Manag.* 2008;25:573-93.
- Figures & Events Magazine. Bac Ninh—The 25-year milestone of aspiration to rise up and assert its position as a growth pole of the Northern key economic region [Internet]. 2022. Available from: <https://consosukien.vn/bac-ninhda-u-a-n-25-nam-kha-t-vo-ng-vuon-len-kha-ng-di-nh-vi-the-cu-c-tang-truo-ng-vung-kinh-te-tr.htm>
- Finance Magazine. Transfer pricing activities of FDI enterprises in Vietnam: Current status and solutions [Internet]. Finance Magazine; 2025. Available from: <https://tapchitaichinh.vn/hoat-dong-chuyen-gia-cua-cacdoanh-nghiep-fdi-tai-viet-nam-thuc-trang-va-giai-phap.html>
- Foreign Investment Agency. Situation of attracting foreign investment in the 2014-2023 period [Internet]. Ministry of Planning and Investment; 2023.
- General Statistics Office. Statistical yearbook 2023 [Internet]. Hanoi: GSO; 2023. Available from: <http://gso.gov.vn/default/2024/06/niengiam-thong-ke-2023/>
- General Statistics Office. Bac Ninh leads the country in foreign investment attraction in 2024 [Internet]. Ministry of Planning and Investment; 2025. Available from: <https://www.gso.gov.vn/tin-tuc-thongke/2025/01/bac-ninh-dung-dau-ca-nuoc-ve-thu-hut-dau-tu-nuoc-ngoai-nam-2024/>
- Industry and Trade Magazine. Spillover effects of FDI on domestic enterprises: Current status and solutions [Internet]. Industry and Trade Magazine; 2022. Available from: <https://tapchicongthuong.vn/tac-dong-lan-toa-cuafdi-den-cac-doanh-nghiep-trong-nuoc--thuc-trang-va-giai-phap-101703.htm>
- Journal of Economics and Forecasting. Bac Ninh focuses on promoting FDI attraction with emphasis and efficiency [Internet]. Journal of Economics and Forecasting; 2024. Available from: <https://kinhtevadubao.vn/bac-ninh-chu-trong-xuc-tien-thuhut-fdi-theo-huong-co-trong-tam-hieu-qua-30561.html>
- International Monetary Fund. Balance of payments and international investment position manual. 6th ed. Washington, DC: International Monetary Fund; 2009.
- Investment Promotion Center - South Vietnam. Report on foreign investment attraction situation in Vietnam in 2024 [Internet]. Ministry of Planning and Investment; 2024. Available from: <https://ipc.mpi.gov.vn/bao-cao-tinh-hinh-thu-hut-dau-tu-nuoc-ngoai-tai-viet-namnam-2024/>
- Luong KL. What are ODA and FDI? Comparing FDI and ODA [Internet]. ACC Law Firm; 2024. Available from: <http://accbinhduong.vn/so-sanh-fdi-va-oda/>
- National Assembly of the Socialist Republic of Vietnam. Law on Investment 2020 (Law No. 61/2020/QH14) [Internet]. Hanoi: National Assembly; 2020. Available from: <https://thuvienphapluat.vn/vanban/Doanh-nghiep/Luat-Dau-tu-so-61-2020-QH14-321051.aspx>
- Nguyen TC. Impact of foreign direct investment on economic growth in Vietnam. *Financial and Monetary Market Magazine* [Internet]. 2024. Available from: <https://thitruongtaichinhthiente.vn/tac-dong-cua-dau-tu-tructiep-nuoc-ngoai-den-tang-truong-kinh-te-o-viet-nam-61878.html>
- Nguyen TMH. Negative impacts of foreign direct investment in Da Nang. *Duy Tan Journal of Business and Economics* [Internet]. Available from:

- <https://kqtkd.duytan.edu.vn/goc-hoc-tap/tac-dong-tieu-cuc-cua-dau-tu-tructiep-nuoc-ngoai-tai-da-nang>
27. Nguyen THB, Luu AN. Asymmetric impact of foreign direct investment inflows on carbon emissions in Vietnam [Internet]. Ministry of Finance; 2020. Available from: https://mof.gov.vn/webcenter/portal/cd/pages_r/1/chi-tiet-tin-congdoan?dDocName=MOFUCM236632
 28. Nguyen TTT. Contribution of foreign direct investment capital to the Vietnamese economy. Finance Magazine [Internet]. 2024. Available from: <https://tapchitaichinh.vn/dong-gop-cua-vondau-tu-tructiep-nuoc-ngoai-cho-nen-kinh-te-viet-nam.html>
 29. OECD. OECD benchmark definition of foreign direct investment [Internet]. Paris: Organisation for Economic Co-operation and Development; 2008.
 30. Phuong Nga. FDI enterprises continuously report losses: Signs of transfer pricing and tax avoidance. Economy & Urban Journal [Internet]. 2025. Available from: <https://kinhtedothi.vn/doanh-nghiep-fdi-lien-tuc-bao-lo-dauhieu-chuyen-gia-ne-thue.html>
 31. Reuters. Foxconn subsidiary seeks \$80 mln Vietnam investment for integrated circuits [Internet]. Reuters; 2024. Available from: <https://www.reuters.com/technology/foxconn-subsidiary-shunsin-eyes-80-mln-vietnam-investment-integrated-circuits-2024-11-04/>
 32. Reuters. Samsung plans to invest \$1.8 bln more in Vietnam for OLED manufacturing [Internet]. Reuters; 2024. Available from: <https://www.reuters.com/technology/samsung-invests-18-billionmore-vietnam-oled-manufacturing-plant-2024-09-23/>
 33. Ricardo D. From the principles of political economy and taxation. In: Readings in the economics of the division of labor: The classical tradition. World Scientific; 2005. p. 127-30.
 34. UNCTAD. UNCTAD Handbook of Statistics—Economic trends [Internet]. Geneva: United Nations Conference on Trade and Development; 2022. Available from: https://unctad.org/system/files/official-document/tdstat47_FS09_en.pdf
 35. UNCTAD. World Investment Report 2023 [Internet]. Geneva: United Nations Conference on Trade and Development; 2023. Available from: <https://unctad.org/publication/worldinvestment-report-2023>
 36. Van Tuan. Bac Ninh Tax Department: A 5-year milestone of budget revenue growth. Financial Times [Internet]. 2021. Available from: <http://thoibaotaichinhvietnam.vn/cuc-thue-bac-ninh-dau-an-5-nam-tangthu-ngan-sach-40561.html>
 37. Vernon R. International investment and international trade in the product cycle. In: International economic policies and their theoretical foundations. Elsevier; 1992. p. 415-35.
 38. Viet Tung. Foreign direct investment attraction policies in recent times and some suggestions for Hanoi. Communist Review [Internet]. 2024. Available from: <http://tapchicongsan.org.vn/web/guest/kinh-te/2018/966502/chinh-sach-thu-hut-nguon-von-dau-tu-truc-tiep-nuoc-ngoai-thoigian-qua-va-mot-so-goi-y-cho-ha-noi.aspx>
 39. Vietnam Briefing. Bac Ninh Attracts Most FDI in Vietnam During First 9 Months of 2024 [Internet]. Vietnam Briefing; 2024. Available from: <https://www.vietnam-briefing.com/news/bac-ninh-province-tops-fdivietnam-2024.html/>
 40. Vo HP. Challenges in attracting FDI in the current new context [Internet]. Ministry of Industry and Trade; 2023. Available from: <https://tapchicongthuong.vn/thach-thuc-thu-hut-fdi-trong-boi-can-h-moi-hien-nay-107436.htm>
 41. Vuong TMD, Phan THT, Tran TT, Nguyen ML, Dao TSH. Developing supporting industries to attract FDI in Bac Ninh. Financial Magazine [Internet]. 2024. Available from: <https://tapchitaichinh.vn/phat-trien-cong-nghiep-ho-tro-nham-thu-hut-vonfdi-tai-bac-ninh.html>
 42. World Bank. Vietnam Macro Monitoring [Internet]. Washington, DC: World Bank Group; 2023. Available from: <https://documents1.worldbank.org/curated/en/099645312142382810/pdf/IDU05dbe94fc0d095043c70bccf0155b919a2545.pdf>

How to Cite This Article

Cúc VTK, Uyên VHK. Factors affecting foreign direct investment attraction into the manufacturing industry in Bac Ninh Province. Int J Multidiscip Res Growth Eval. 2026;7(3):1028-1041.

Creative Commons (CC) License

This is an open access journal, and articles are distributed under the terms of the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International (CC BY-NC-SA 4.0) License, which allows others to remix, tweak, and build upon the work non-commercially, as long as appropriate credit is given and the new creations are licensed under the identical terms.