



REPORT

ACTIVITY CODE: EU 17
**“FOREIGN DIRECT INVESTMENT (FDI) IN THE AGRO-FORESTRY
AND FISHERY SECTOR IN VIETNAM:
POSITIVE ELEMENTS, THE CONSTRAINTS AND ROADMAP TO
ALLEVIATE THESE CONSTRAINTS”**

Final Report

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Best regards,

Vu Thi Minh

ACRONYMS

AC	ASEAN Community
AEC	ASEAN Economic Community
ACFTA	ASEAN-China Free Trade Area
AFICE	Association of Foreign Invested Capital Enterprises
AKFTA	ASEAN Korean Free Trade Area
AOA	Agreement of Agriculture
ASEAN	Association of Southeast Asia Nations
BIPM	Board of Industrial Park Management
BT	Build- Transfer
BTA	Bilateral Trading Agreement
BOT	Build-Operate-Transfer
BTO	Build-Transfer-Operate
C/O	Certificate of Origin
DB	Doing Business
EU	European Union
FAO	Food Agricultural Organization
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDC	General Directorate for Customs
GDP	Gross Domestic Product
GSO	General Statistical Office
ha	Hectare
IRR	Internal Rate of Return
KOTRA	Korean Overseas Trade Relationship Agency

JICA	Japanese International Co-operation Agency
JV	Joint Venture
MOIT	Ministry of Industry and Trade
MT	Metric Tone
NME	Non-Market Economy
NPV	Net Present Value
ODA	Official Development Assistance
PPP	Private- Public Partnership
REP	Rate of Effective Protection
ROA	Return On Assets
R.O.C	Republic of China
ROE	Return On Equity
R&D	Research and Development
SCM	Subsidy Counter Measure
SRV	The Socialist Republic of Vietnam
TRIMs	Trade Related to Investment Measures
TRIPs	Trade Related to Intellectual Properties
TTP	Trans- Pacific Strategic Economic Partnership Agreement
USA	The United States of America
USD	The United States Dollar
VCCI	Vietnam Chamber of Commerce and Industry
WB	World Bank
WTO	World Trade Organization

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INTRODUCTION

The necessity of research

For about 30 years, FDI has been being considered as a very important engine for economic development of Vietnam in the context of proactive integration into the world since the declaration on *doimoi* campaign in 1986 initiated by Vietnamese Communist Party. The investors from European Union have invested a remarkable amount of capital to Vietnam in different industries. The investment policy of Vietnam has provided a lot of incentives for them. In the new period of FDI movement in the world, the inflow of FDI from EU into Vietnam has been being increased. The agro-forestry and fishery is one of the most important industries of Vietnam's economic structure that needs many resources to be developed. The agro-forestry and fishery of Vietnam has attracted a given amount of capital invested by foreign investors including European ones but its potential towards FDI attraction is still great. The Vietnam's policy against FDI attraction for agro-forestry and fisheries development is a main focus of both policymakers and the enterprises. From EU investors, it is necessary to analyze the positive elements, the constraints and to suggest the roadmap to alleviate these constraints for FDI. Such these results are the valuable base for EU investors to move a big amount of capital to Vietnam's agro-forestry and fishery in the new context of high level of development of relationship between Vietnam and EU and new phase of the period of Vietnam's development.

The purpose of research

Based on mutual interest maximization between EU and Vietnam in term of attracting FDI from EU into Vietnam's the agro-forestry and fishery the paper has an attempt to analyze the positive points and constraints of Vietnam's investment environment then provide the roadmap to alleviate the constraints for EU investors to much invest into Vietnam's agro-forestry and fishery in the next period of time.

The objective and scope of the research

The paper focuses on making clear the environment affecting FDI from EU on the agro-forestry and fishery sector in Vietnam both positive elements and constraints.

The time of research ranges from the time of issuing Law on Foreign Investment in Vietnam (1988) to the year 2013 and directing to the year 2020 in the agro-forestry and fishery.

The method of research

The paper utilizes analytical and synthesized method with the secondary data from MPI, MARD, VCCI and other researches. The information in the articles published in the Newspapers in Vietnam and other sources from authors' observations on the projects with capital invested by European investor in Vietnam. Besides, the qualitative method is also applied to the research by using the case studies and in-depth interviews with some specialists in FDI and agro-forestry and fishery of Vietnam.

The structure of research

Excluding the introduction, conclusion, references, the paper is presented in the following parts:

Part 1: The characteristics of the agro-forestry and fishery sector in Vietnam under the international direct investment

Part 2: Positive elements of FDI for/to the agro-forestry and fishery sector

Part 3: Constraints of FDI and the reasons

Part 4: Recommendations and the roadmap to alleviate the constraints

PART 1

THE CHARACTERISTICS OF THE AGRO-FORESTRY AND FISHERY SECTOR IN VIETNAM

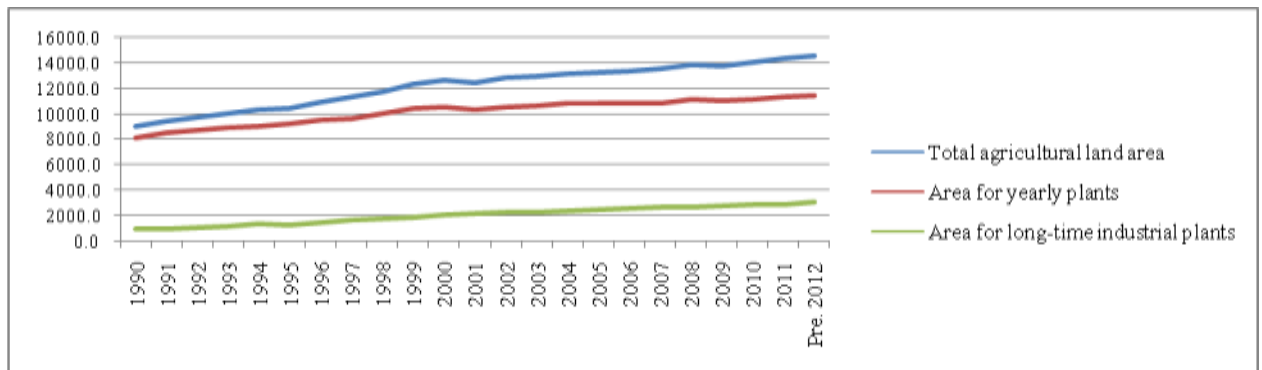
1.1. Strategy for developing the agro-forestry and fishery

According to FAO, the agriculture should be understood in a wide meaning that includes the agriculture, forestry and fishery. Therefore, to develop the agriculture, it has to base on the comprehensive mobilization of the both internal and external resources including FDI attraction.

Vietnam has several advantages to develop the agriculture in term of agricultural land, labor and traditions of cultivating the crops and of feeding the animals. For GSO, the available agricultural land area for rice planting in Vietnam until 2013 has been only 7 million ha limited by a wide campaign of developing the industrial zones and it cannot be expanded without assistance of high biotechnology although the total agricultural land area for planting had increased before 2013. (See Figure 1)

Figure 1: Agricultural land area in Vietnam in the period 1990-2012

Unit: thousand ha



Source: GSO (2013)

Presently, although Vietnam is one of the world largest exporters in rice, coffee, pepper and cashew, their quality has been at the modest level, consequently, the price is not high enough to make high profit. The strategy of agriculture of Vietnam is to change from an extensive model towards an intensive one of agriculture in parallel with the change of Vietnam's economic model clearly determined in the 11th Political Congress Document (2011).

Vietnam has been implementing a strategy of developing export-oriented agriculture from the comparative advantages to avoid the “left behind” situation and to catch up with the trend of development of the advanced agriculture in the region and the world. In the context that some countries in the ASEAN region like Thailand, Myanmar, and Cambodia have their strategies to enhance exporting their agricultural products to the world market, the purpose of competitiveness improving for Vietnam’s agricultural products in the world market becomes the most important thing among the priorities for developing the agro-forestry and fishery in Vietnam. The comparative advantages for tropical agricultural development have been taken as the sharp weapon to take over others.

Vietnam’s government has built the Strategy for Sea Economic Development from the view that Vietnam’s sea is able to contribute at least 30% to GDP of the country as a whole. The potential for sea resource exploitation of Vietnam is greater than that of the land. In order to achieve the strategic goal setting for fisheries, it is necessary to attract much investment from different sources including FDI from EU.

1.2. The characteristics of agro-forestry and fishery

The main characteristics of agro-forestry and fishery affecting FDI flow can be presented in different aspects. For the natural condition aspect, agro-forestry and fisheries much depend on the land, water, climate and the way of cultivation doing of the farmers. The investor majoring in any kind of business would pay much attention to such these conditions as the source of favorable profit making. For example, the farmers always fear of the bad conditions for crops cultivating and animal feeding, therefore, they need high biotechnologies to overcome these unavoidable difficulties. For the risk aspect, agro-forestry and fishery always face with several kinds of risks threatened by the natural disaster, market fluctuation and technically inappropriate conditions for long-time stock. For the competition aspect, it is always laid under the strong competition from many domestic and international competitors. If FDI effectively responds to these characteristics, that would become the opportunities for agriculture to be developed and vice versa.

The main characteristics of agro-forestry and fishery affecting FDI flow can be presented in different aspects. It takes a long time to get high return for foreign investors that is

not a main goal of them. Besides, the agro-forestry and fishery sector is located mainly in the rural areas in which the majority of farmers with low income are living and the backward infrastructure exists. The cost for FDI is certainly higher than that in the urban areas. The conditions for long staying of the families of the foreign investors are difficult for the reason of the shortage of the hygienic water source, high-quality education system for their children, modern medical centers and other living facilities for foreign investors like entertainment and relaxation services.

1.3. Policy for attracting FDI in the agro-forestry and fishery

In 1988, Vietnam issued the Law on Foreign Investment, and to a greater extent, a comprehensive legal framework to provide the legal base for foreign investors based on two basic pillars- protection and encouragement for FDI. The Law was amended for some times in 1990, 1992, 1996, 2000 and 2005, and the last version named the Law on Investment as the best substitution for both the Law on Foreign Investment and the Law on Domestic Investment Encouragement issued before. One of the top priorities towards FDI attraction in Vietnam in term of business activities is the agro-forestry and fishery. To protect the foreign investors, the Law commits to treat fairly and equitably to foreign investors investing in Vietnam. Their lawful capital, assets and incomes shall not be expropriated or requisitioned by administrative procedures, and the enterprises with foreign invested capital shall not be nationalized. Even in some cases, there are some changes in term of the attitude of the political or diplomacy ties of all related countries, e.g., some illegal strikes of Vietnam's employees in the China invested capital projects against the China investors happened in May of 2014 for the China's aggressive invalid placement of Hai Duong 981 deep water drilling frame on the Vietnam's continental shelf and exclusive economic zone, Vietnam's Government still applied in time the sound measures to fully protect their interests. If there are some disputes arisen to foreign investors in Vietnam, the foreign investors would have the rights to choose the appropriate bodies for dispute settlement to protect their lawful interests with the participation of the mass media if needed.

The duration of the projects with FDI in Vietnam can be 70 years from the date of their establishment. By this period, the foreign investors have enough time to make much profit from

accelerating the circulation of the investment even the long time cycle of production in agro-forestry and fishery.

The foreign investors are free to select the forms of investment: i) 100 percent foreign-owned enterprises; ii) joint venture between domestic and foreign investors; iii) business co-operation contract; build- operate-transfer (BOT), build-transfer (BT), build-operate-transfer (BOT); iv) mergers and acquisitions. Recently, the form of investment called the PPP can be applied to Vietnam even in the agro-forestry and fishery.

Vietnam has signed 70 double taxation treaties with the rest of the world including the EU to protect the financial interests of foreign investors. Many barriers for FDI inflow in Vietnam such as the requirements on local content and foreign exchange limitation have been removed according to TRIMs. Vietnam also issued the Law on Intellectual Properties Protection in 2005 to protect the industrial properties rights for foreign investors in consistent with TRIPs.

Vietnam and EU prepare to sign the free trading agreement in which both sides grant each other the most favorable treatment in which there are the issues of FDI like the increasing the ownership of the foreign investors, protecting the intellectual property rights, etc.

Moreover, many incentives for foreign investors in agro-forestry and fishery are stipulated on several regulations in Law on Investment, Law on Intellectual Properties, Land Law. The machineries, equipment and other materials imported for projects with foreign invested capital in Vietnam shall enjoy the import duty exemption. The corporate income tax shall be exempted for the first 5 years of establishment and reduced by its 50% for the following 5 years. No withholding tax shall be applied to all foreign investors in Vietnam. The normal rate of corporate income tax for FDI enterprises has been reduced to 28% from the previous rate of 30% before Vietnam's WTO joining.

The deregulation and empowerment for provincial and city authorities, the Board of Management of Industrial parks of Vietnam in term of investment licensing for foreign investors make ease for their doing business in Vietnam. Besides, the simplification of the administrative procedures for investment licensing also provide the favorable conditions for investors to access to Vietnam's market.

Foreign investors have the right to make loan from Vietnam commercial banks and the branches of the foreign invested capital banks in Vietnam by using their machineries, equipment or land using right to guarantee for their loans.

From the year 2010, Vietnam issued several important policies in order to make basic changes in the attraction of investment into agro-forestry and fishery. Such these policies offer a lot of favorable measures and supports for investors especially that in term of financial incentives. By nature, each policy can be seen as the measure or the way of interference of the Government into agro-forestry and fishery to fully mobilize all of the specific factors for developing the field.

The Degree No.41/2010/NĐ-CP dated 12th April 2010 about “The credit policy serving the development of agriculture and rural areas”. According to the Degree, the credit organizations including commercial banks are encouraged to make loans to borrowers to invest into the specific areas of agro-forestry and fishery like economic structure shifting, building the infrastructure, poverty alleviating and improving the standard of living in the rural areas.

The credit providing for borrowers without asset guarantee is stipulated as the following levels:

+ Maximum level of VND 50 million (about USD 2,500) is applied to the individuals, households investing in the production in the agro-forestry and fishery, and salty.

+ Maximum level of VND 200 million (about USD 10,000) is applied to the business households, production units or service providers in term of serving the agriculture and rural areas.

+ Maximum level of VND 500 million (about USD 25,000) is applied to the cooperatives, owners of the farms

The unsecured loans are applied to the clients including the individuals, households that are guaranteed by the social-political organizations in the rural areas without transaction fees for guarantee.

The time for debt freezing for individuals or households is up to 2 years in maximum. Free interest payments for the debts being are at the time of occurrence of natural disasters and

diseases. In case of the clients participating into the insurance policy for agricultural products in accordance with the client policy of the credit organizations, they are enjoyed the free or reduced interest payment. That means the field of insurance for agricultural products are encouraged to attract investment even the FDI.

Nearly at the same time of issuance of Degree No. 41, the Degree No. 61/2010/NĐ-CP dated 4th June 2010 about “The policy for encouraging the investment of enterprises investing in agricultural fields” stipulated many macro-level measures to change the situation of investment in agricultural fields. Generally, all of the measures suggested in the Degree No.61 are categorized into 2 main groups as follows:

The first group of measures focuses on the providing the preferential treatments through 3 ways against the land using rights. For the agricultural projects of the special preferential treatment with their land provided by Government, the free fees for land using for these kinds of projects are applied. For the agricultural projects of preferential treatment, the land using fees contributed to the state budget is reduced by 70%. For the agricultural projects of the encouragement for investment with their land provided by the Government, the land using fees contributed to the state budget is reduced by 50%.

According to the freedom and reduction of the rents for using land and water face, the lowest rate is applied by the Province’s People Committee to the agricultural projects of preferential investment, of encouragement for investment if they rent the land or water face of the Government. To the projects with special preferential treatment, the free fees for renting the land or water face are applied since the date of completion of the construction to be operated. The time for free fees of renting the land and water face for the projects with preferential investment is 15 years from the date of completion of their construction to be operated. The free fees for renting the land for constructing the collective house for employees, tree planting and the land for public welfare purpose are applied to the projects with special preferential investment, of preferential investment and of encouragement of investment.

Additionally, the support for fees for renting land, water surface for the households, individuals is applied to all of kinds of the projects. The freedom and reduction of the rents for using land and water face are applied to the change of the land using purpose.

The second group of measures concentrates on the investment supporting by state budget in several ways like supporting the human resource training, market development, consultation service providing, scientific technological development and transportation freight

In 21st June 2012, Vietnam's National Assembly approved the Resolution No. 26/2012/QH13 about "Continuing improvement of the efficiency, effectiveness for policy, legislation for public investment in agriculture, farmers and rural areas". In accordance with this Resolution, many fields of the agro-forestry and fishery are the main targets of the public investment such as the research and application of the science and technology to agro-forestry and fishery firstly the high-tech, biotech, after-harvest processing technology, production for the species of the plant, animals and the species of the sea products. The direction of public investment becomes the guideline for investment of other economic sectors including FDI.

Besides, the Decision No. 62/2013/QĐ-TTg by Prime Minister, dated 25th October 2013 about "Encouraging the co-operation and integration of the production and consumption of the agricultural products, building the big field" goes further to the specific measures to encourage investment in the linkage of the production and consumption of the products to open the opportunity to develop the big field to gain the economies of scale under the pressure of the proactive integration. The measures are categorized into two groups like Degree No.61 mentioned above. Its main target is to develop the close connectivity between production and consumption to avoid the risk for investment in the big field in Vietnam. Such the Decision can be considered as the institution support for investors in agro-forestry and fishery in the process of transforming from small even micro small sized agro-forestry and fishery towards a big one. The foreign investors are able to fully understand about long-term and strategic option for Vietnam's agro-forestry and fishery development to launch "just-in-time" investment strategy.

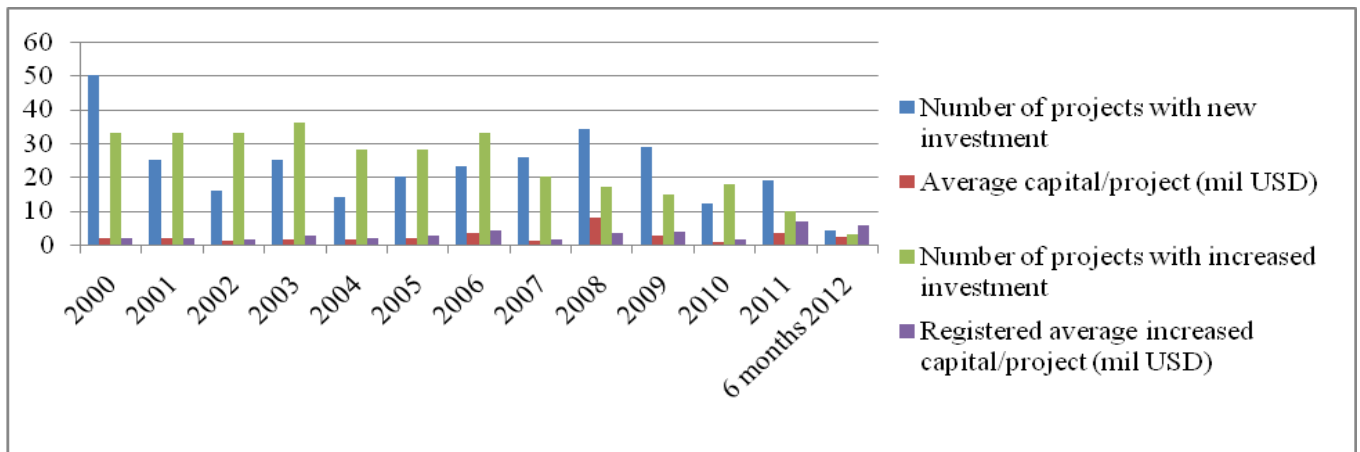
1.4. Reality of FDI inflow into agro-forestry and fishery

Since the beginning of FDI attraction into Vietnam (1988), its inflow into agro-forestry and fishery has accounted less than 1% of total registered FDI stock. Up to the end of 2013, the total registered FDI stock in Vietnam has achieved \$237 billion and there have been 16,323 valid licensed projects (MPI, 2014). The share of FDI in agro-forestry and fishery of total registered

amount of FDI in Vietnam on 2012, 2013 and in the first 4 months of 2014 are 0.6%, 0.4% and 0.25% respectively. (MPI, 2014).

In the period 2000-June 2012, FDI in agro-forestry and fishery in different aspects such as the number of projects with new investment, average capital of each project, the number of projects with increased investment and registered average increased capital of each project has been being modest although the industry of agro-forestry and fishery has acquired a lot of resources to be exploited. (See Figure 2).

Figure 2: FDI in Vietnam's agro-forestry and fishery in the period 2000-June 2012



• *Source: MPI*

According to the Association of Foreign Invested Capital Enterprises, Vietnam has not been successful at establishing the enterprises with foreign invested capital in aquaculture projects with Thailand, Taiwan (R.O.C) partners in term of fish catching and banana cultivating at the first period of FDI attraction. The reasons for little inflow of FDI in agriculture in Vietnam have been explained in different aspects as the long-term and low rate of return of the invested capital, high risks of doing business in this sector, the inappropriate policy against FDI attraction into agro-forestry and fishery, etc. To the year 2013, there are 50 countries and territories investing into agro-forestry and fishery of Vietnam. Surprisingly, one-third of total FDI in this field comes from Taiwan and HongKong. The countries with advanced agro-forestry and fishery like the US, France, Australia, Canada etc have very small number in term of projects and amount of FDI.

According to the form of investment, FDI in agro-forestry and fishery are mainly undertaken in the form of enterprise with 100% foreign invested capital (75,6%, 2012) and JVs (21,2%, 2012), and others. The partners coming from advanced countries focus on the JVs while partners from Asia paying much attention to enterprises with 100% foreign invested capital.

According to geographical area, 42.4% of the total number of FDI projects in agro-forestry and fishery is located in the Southeast part of Vietnam (2012). Other areas with land and climate advantages for agro-forestry development like the Northwest, Southwest areas and

Central Highlands have attracted a very small amount of FDI projects that are 2.4%, 8.6% and 16% respectively out of the total number of FDI projects in agro-forestry and fishery.

According to business activities, the FDI projects only concentrate on some main fields of business like the livestock, feed processing, aquaculture and seafood, plantation and wood processing, forestry products manufacturing.

Vietnamese businesses also have ability to make investment abroad firstly in agro-forestry and fishery. That means Vietnam's agro-forestry and fishery can connect with the agro-forestry and fishery at first with the countries in the region as a unified network. (See Box 1).

Box 1: Agro-forestry-fishery sector boosts overseas investment

According to MARD, Vietnam's 150 valid agro-forestry-fishery projects have so far invested a total of US\$2.5 billion abroad, accounting for 20.5 percent of the country's total foreign investment capital. Laos and Cambodia are the major destinations for Vietnamese investors. The sector currently constitutes 32 percent of projects and 28 percent of Vietnamese investment capital in Laos and 54.4 percent in Cambodia, primarily in wood processing, rubber plantation and latex exploitation. Vietnamese businesses are also present in other Southeast Asian nations, China and some South African nations under the South-South Cooperation Program. The Vietnam Rubber Group (VRG) is one of the four leading Vietnamese investors abroad, as well as the military telecommunication group Viettel, the Vietnam National Chemical Group (Vinachem), and the Vietnam National Oil and Gas Group (PVN). The VGR intends to pour US\$1 billion into rubber plantation projects overseas until 2015. Approximately US\$400 million has already been disbursed to date. As of early this year, the group had 100,000 ha of rubber trees in Laos and Cambodia and eight more projects involving an additional 27,000 hectares are currently underway in Laos. The VRG's Dien Bien-Northern Lao company debuted last year, aiming to expand investment in the northern Lao province of Oudomxay. Also in Laos, the Vietnam-Lao Rubber Joint Stock Company exploited nearly 5,500 ha of rubber and products bearing the Vietnamese-Lao trademark have officially come onto the market. By the end of 2012, 21 VRG-invested projects had been implemented in Cambodia including 19 in rubber plantations and building latex processing plants. The group has planted more than 70,000 ha of rubber in Cambodia and some of those in Tan Bien-Kampongthom are already being exploited.

The VRG plans to grow 25,000 ha of rubber in 2013 and joins hands with other groups to achieve the 100,000 ha rubber plantation target set for 2014, a year ahead of schedule. VGR-invested projects are expected to begin generating export revenues by 2015 and they are estimated to reach US\$400 million by 2020. Under the South-South Cooperation Program, the MARD has dispatched experts to Mozambique, Tanzania, Sudan, Mali, South Africa and Sierra Leone to support their people in growing rice and developing irrigation systems. Many Vietnamese businesses have also invested in rice, aquaculture, seafood processing and fisheries in some African nations, including South Africa and Mozambique. Investing abroad not only makes the best of human resources, fertile cultivated areas, and saves production and transport costs, it is also the best way to evade anti-dumping duties.

- *Source:* <http://english.vov.vn/Economy/Investment/Agroforestryfishery-sector-boosts-overseas-investment/260332.vov>

PART 2

POSITIVE ELEMENTS FOR FDI TO THE AGRO-FORESTRY AND FISHERY SECTOR

Generally, the foreign investors making decision on their investments base on their different options as the maximization of positive elements for their long-term investment. The options are the resource- seeking, market- seeking, performance- seeking or incentive- seeking, etc. The investors can focus on each or on all of these options. The positive elements of the investment environment against the agro-forestry and fishery much depend on their perception on investment opportunities and challenges in making profit.

Vietnam has been an agricultural economy at the level of middle income since 2010 (11th Congress, 2011). The official income per capita in Vietnam in 2010 was USD 1,068. The share of agro-forestry and fishery in the economic composition has achieved about 37% (GSO, 2013). Vietnam has a lot of revealed comparative advantages including the weak points of its low value added for developing the agro-forestry and fishery from standpoint of foreign investors.

2.1. Cheap and abundant resource- seeking easing

The investors who want to make investment in agro-forestry and fishery always try to seek the resources suitable with the producing these products in this field. The main resources for these investments are land, labor, climate and the traditional way of crops cultivating and animals feeding. Vietnam has a lot of resources endowed by the nature. In Vietnam, up till now, there has been about 65% of population of 90 million people living in the rural areas and working in afro-forestry and fishery. The abundant low-cost labor is an attractive input for capital, modern technology and advanced management skills to make much value added. The investors from advanced countries including EU countries having advantages in such advanced factors pay much attention to the shortage of Vietnam. Hourly average labor cost of farming in Vietnam is less than USD 1 that may be considered as the absolute advantage for producing the labor intensive product in the field of agro-forestry and fishery. In additions, Vietnam's farmers are hardworking even in the very difficult working conditions. The inexpensive labor cost enhances the competitiveness of the products in domestic and international market both in term of price and quality made by

modern technology. The inflow of FDI in agro-forestry and fishery in Vietnam for exportation may enjoy dual benefit given by taking advantage of the low cost factors of production and high price of products sold in the world market.

Although the industrial parks (more 150 parks) have made narrow the agricultural land area to some extent, Vietnam has also had a lot of land, water and sea surface to co-operate with foreign investors. Vietnam has 10,000 ha for aquaculture of catfish and 430,000 ha for cultivating tea and cashew (MARD, 2013). With the fact that the coastline length is more than 3,200 km, every 20 km there is a river and there are a lot of lakes, coastal lagoons and others all over the country, Vietnam has been revealed by the long-term potential for agro-forestry and fishery to be developed. More than that, Vietnam is endowed by tropical climate with favorable conditions for crop cultivating and animal feeding. All of foreign investors coming to Vietnam are able to find the investment opportunities to earn a lot of money from their investment into Vietnam's agro-forestry and fishery.

The demand for job in the rural areas in Vietnam is very great and it can be met partly by FDI. Moreover, by working together with foreign investors, Vietnam's employees have opportunities to train their skills and follow seriously the industrial style of working in the projects with FDI. That means, FDI is a welcomed resource to be attracted into agro-forestry and fishery in Vietnam.

In accordance with the experiences of some high-tech projects operated in Vietnam like Intel and Samsung manufacturing the high-tech devices for computer and mobile phone, only for 4-6 months of training, Vietnam's workers without any knowledge and skills in these fields have completely ability to acquire the working skills for high-tech projects. The skills for using high-technology at the cheapest price of Vietnam's workers have opportunities to be applied to the projects with foreign invested capital in Vietnam that reduce the cost of investment.

2.2. Big market- seeking in the context of remarkably narrowing world market

With the population of about 90 million people of the USD 1,560- income per capita in 2013, Vietnam is a big market for agro-forestry and fishery products in the context of remarkably narrowing world market under the strong export promotion from different countries especially the countries have some similarities with Vietnam like Thailand, Myanmar and

Cambodia. By the strategic direction set by Communist Party, Vietnam tries to achieve a goal of being a basically industrial country towards a modernization by the year 2020 with the income of about USD 10.000 per capita. The demand for products of agro-forestry and fishery will be rapidly increased as the pulling force for FDI inflow. Besides, the way of consumption of products has some change in direction towards highly sanitary standards and quality for foods. The processing industry needs much investment to improve the standards of foods to meet the increased demand for them. FDI from EU has ability to cover the demand effectively.

Vietnam has signed a lot of international agreements with the countries in the region and the world that include the strategic and comprehensive strategic partnerships. By Vietnam, foreign investors can penetrate into foreign countries to expand their business activities on the regional market even on the global one. For example, the foreign investors can take advantage of removing tariff and non-tariff barriers in the regional free trade agreements like ACFTA, AKFTA, TTP, etc. to expand their exportation to these markets if meeting their requirements on C/O. Under the WTO commitments, EU investors can invest into logistics, warehouse and have the right to purchase rice in Vietnam via Vietnamese traders according to the Circular 08/2013/TT-BTC and Vietnamese government's regulation then export from 2013. For the establishment of AEC on 2015, the market with 600 million people is opened for free flow of agro-forestry and fishery products among members. Based on the unity of the market, the unity of production network has been built that connects all production bases on agro-forestry and fishery products in different members into a system.

2.3. Short-time performance-seeking

The scale of the business will be gained for lengthening the business cycle of the capital from the home countries to the host ones. For enjoying the favorable conditions, the performance of the project can be achieved in the short-time. In the financial aspect, the break-even point is able to be undertaken in the short period. In parallel with that situation, the economies of scale can be realized for foreign investors. As the forecast of FAO, the world demand for agricultural products has been rapidly increased that opens the big market for investment into agricultural industry.

The productivity of some products of afro-forestry and fishery of Vietnam is higher than that of the world. For example, the productivity of coffee is 3.5 times higher than that of the world. For pepper and cashew, the average level of productivity is higher than that of the world about 15 and 37 times respectively (Nhan, 2014). The high productivity is a very important condition to increase the performance of the projects and to optimize their scale.

2.4. Special incentive- seeking

Special incentives are the motivation for foreign investors. The agro-forestry and fishery belongs to the special encouraged list of projects. On the one hand, they are located in the region with special difficult socio-economic condition; therefore, the corporate tax holiday on the projects located in these regions is the longest of 8 years from the profitability point of time of business doing. On the other hand, afro-forestry and fishery is risky that needs much help from government to avoid or minimize the risks by strong fluctuation of price or natural disasters. Under WTO commitments, Vietnam's agriculture has the right to get 10% of GDP to be subsidized from government (about 4,000 billion VND). The foreign investors have the rights to invest into the rice or other agro-forestry and fishery products to be produced or collected via Vietnamese traders under Vietnamese government's regulations to export to the foreign markets. That means they have the rights to do business like Vietnam's enterprises in the playing field even take them over to acquire the market in consistent with the commitment. In fact, many China merchants come to the regions of agro-forestry and fishery products in Vietnam to collect them to export to China to earn a big amount of profit.

According to Article 53 of 2013 Vietnam's Revised Constitution, all of the land, water, natural resources, and public and assets belonging to all-people ownership are in term of the owner nominated and in unified way managed by the State. Such the regulatory institution grants clearly the rights on land and other resources that facilitate all transaction related to them. The foreign investors can go directly to the authorities in charge of land at the central or local levels to get the permission to approach to the land. The empowerment for the local authorities and the Board of Industrial Park Management in granting the investment license and other rights in land and resources using may be considered as the easily-approaching way to resources.

In reality of Vietnam, in order to enhance the competitiveness of the investment environment in comparison with other countries in the region, many localities have offered a lot of incentives for foreign investors that go beyond the general regulations of the government. For example, the time for tax holiday for foreign investors is the longest period of 10 years meanwhile the permission of the local authorities at the provincial or city level stipulates this period to 15 years. Such these incentives destroyed the countrywide unity of the policy against the FDI attraction into Vietnam. As the result, the foreign investors have enjoyed the greatest incentives in Vietnam in parallel with the minimizing the benefit of Vietnamese government as a whole.

2.5. Simplified administrative procedures and formalities

In the past, to get the investment license, it took much time of the foreign investors from some months to some years. Now, the administrative procedures and formalities have been basically changed. The time for getting the investment license has been shortened to some weeks or some days. It has been shortened in some hours for the small projects. The online registration for investment license has been applied to the FDI system to economize the time and cost for foreign investors. Besides, the regulations on the files of the investment for licensing have been simplified that reveals the high trust from Vietnam's government on foreign investors. Moreover, many agreements related to the protecting the rights of foreign investors like Vietnam-US BTA, Vietnam- Japan Investment Protection, Freedom, Promotion Agreement, etc are the official commitments of Vietnam's Government to assist foreign investors in Vietnam in all spheres of FDI management including the administrative procedures. Many consulting firms for FDI are willing to provide "just-in-time" the high-quality consultation services for foreign investors in Vietnam in all phases of the process of FDI.

According to WB, on Doing Business 2014 data for Vietnam, the Ease of Doing Business ranks the country 99th out of 189 economies. Specifically, for protecting investors, the rank changes from 169 to 157. That means the rank of this topic increases by 12 points. The topic of trading cross border and the closing business have been improved. The investment environment in Vietnam has been remarkably changed. Clearly, the investors including the foreign investors coming to Vietnam have the opportunities to make great profit in Vietnam including the projects in the agro-forestry and fishery. (See Table 1)

Table 1: Doing Business rankings by topic

Topic rankings	DB 2014 rank	DB 2013 rank	Change in rank
Starting a business	109	107	-2
Dealing with construction permits	29	29	No change
Getting electricity	156	155	-1
Registering property	51	48	-3
Getting credit	42	40	-2
Protecting investors	157	169	+12
Paying taxes	149	145	-4
Trading across borders	65	66	+1
Enforcing contracts	46	46	No change
Closing a business	149	150	+1

Source: WB (2014), Doing business

(<http://www.doingbusiness.org/data/exploreeconomies/vietnam>)

2.6. The transparent and friendly investment environment for foreign investor

The foreign investors are considered as the friend of Vietnamese people and the sector of foreign invested capital is the organic part of Vietnamese economy. Vietnamese government provides the transparent investment environment in all aspects such as the “one-stop” administrative licensing and short time response to the requirement of the foreign investors. Besides, Vietnam also provides the “hot line” for foreign investors in urgent cases in the Department of Planning and Investment of the provinces and cities all over the countries. All of foreign investors’ complaints on the investment licensing are promptly responded by state agencies in charge of foreign investment. Vietnam has also organized the Association for Enterprises with Foreign Invested Capital to collect their comments on Vietnam’s policy towards FDI to be made perfect. The Association is a forum for foreign investors to exchange their experiences together in all sectors and different localities in Vietnam. This is the most

convenient way for them to penetrate to Vietnamese investment environment even for the ones who are the first time come to Vietnam. Besides, by mass media and the portals of the state agencies in charge of foreign investment, foreign investors can search for the most update information about the changes of Vietnam's policies.

Many investment promotion centers, scientific forums established in Vietnam to help foreign investors have the necessary information including the providing the applied model to systematically analyze political, legal, economic and competitive factors and some case studies as the references for foreign investors. The EuroCharm, JICA, KOTRA, USAID...are the sources of information and advices for them to be successful in Vietnam. In additions, the foreign investors can easily approach to policy makers in all levels of state agencies related to FDI as the friends or long-term partners.

Moreover, Vietnam's agro-forestry and fishery needs much investment into developing high-technology, network of consumption in international market and processing them fitting with the international standards. Many new kinds of animals, seeds and high bio-tech are the targeted policies for farmers, policymakers and researchers of Vietnam. Some seedlings of animals and rice have been imported from China with low level of disease resistance and of quality. Such these fields open the opportunities for foreign investors specifically the EU investors having these strengths. That means the high complementary between Vietnam's agro-forestry and fishery and EU one is the positive point for foreign investors.

Recently, for the strong conflict between Vietnam and China caused by the fact that China has aggressively installed Hai Duong 981 drilling frame for oil exploration in the exclusive economic zone, continental shelf belonging to sovereign rights and jurisdiction of Vietnam from the beginning of the May of 2013, Vietnam is awake of that for the long-time, the economy of Vietnam has depended on China in term of export, import and the investment. Therefore, Vietnam has changed the policy from the center of heavy dependence on China towards attracting resources from non-China countries and territories including EU. Clearly, this is the opportunity for EU investors move a lot of capital, advanced management skills of the farming enterprises, high technologies into agro-forestry and fishery industry of Vietnam. It is also to diversify the risks of investment for foreign investors. In fact, EU is one of the biggest importers of Vietnam with the wide range of products like sea products, fruits and other agro-

forestry and fishery products. Perhaps, it is the right time for EU investors to mostly deeply penetrate into agro-forestry and fishery sector of Vietnam through making FDI.

PART 3

CONSTRAINTS FOR FDI AND THE REASONS

The constraints in this paper are defined as the obstacles, risks or barriers to FDI movements from the home countries into the host countries. Such these weaken the speed of FDI even stop its movement. The constraints against FDI might be caused from the home countries, host countries and the strategy of investors or the strong competition between countries in the region against investment attraction. The paper focuses on the constraints for FDI from the perspective of host countries specifically from EU to the agro-forestry and fishery of Vietnam.

3.1. The constraints for FDI from EU in agro-forestry and fishery

3.1.1. The policy against FDI in agro-forestry and fishery has not been enough attractive for movement of FDI

By nature, FDI in agro-forestry and fishery is very risky in comparison with that in other fields like manufacturing or service. For advanced countries having a lot of capital and modern technology, their farmers have enjoyed much subsidy and other kinds of assistance from government, therefore, they can approach to such these supports in case of domestic investing into domestic market. Conversely, they cannot get any supports from their governments if investing abroad. In additions, they have to face with fear competition from competitors from other countries with no subsidies in the international market. Their options against the FDI certainly are based on the degree of attractiveness of the host countries. The higher the attractiveness of the policy related to FDI from host countries is the more FDI will be received.

The EU investors have approached to subsidies from government in the framework of agricultural subsidized program, for instant, the subsidies for sugar, beef, milk and other agricultural products. It is very difficult for them to select the best option for their investment abroad in the condition of that domestic support is better substitution for making foreign investment. The policymakers of Vietnam have not taken into consideration all of these

favorably special treatments from EU countries on their investors, consequently, the measures launched by Vietnam's government cannot meet high requirements of EU investors in agro-forestry and fishery. In fact, the policy of the host countries including Vietnam, for some times, has been the first experiments to be made perfect for next period in front of foreign investors. The foreign investors think of their loss making when making FDI abroad due to not receiving all of support from government even there are some prohibited regulations against the export subsidies under AOA and SCM. Moreover, the long-term cycle of production of agro-forestry and fishery counted in months diminishes the effort of the foreign investors in comparison with that of manufacturing or service sector measured in weeks or days.

3.1.2. The out of date infrastructure in rural areas and the lack of modern logistics servicing the agro-forestry and fishery in Vietnam

The road system and other infrastructure facilities for carrying and warehousing agro-forestry and fishery products have not been upgraded and equipped by modern ones to meet the high requirements of the products although many public and private funds and ODA from sponsors are used to modernize them for some extent. The South part of Vietnam on the Mekong Delta basin is often called a "mountain" of rice and other agricultural products, unfortunately, there does not exist the railway system to transport the "mountain" of these products with reasonable freight. The boats or small ships are the main transportation means for rice and other products. Recently, the railway system of Vietnam has been built from the French colony (nearly 100 years ago) with the size of 1,000 mm with the biggest capacity of a wagon of 30 tons that is much lower than 60 tons of a capacity of a wagon in case of the size of the railway of 1,400 mm.

The national program for building new rural areas in Vietnam has set the goals of basic change of the panorama of rural areas all over the country with a set of 19 criteria by the year 2020. The implementing the line bases on two pillars of resources. On the one hand, the funds are allocated from the state budget of the central government and the localities; on the other hand, the funds can be collected from the voluntary contributions from the households or farmers. The foreign investors have to support the national program initiated from Vietnam's government as the compulsory social corporate responsibility in term of material assistance for

the localities where are located projects although the program brings much benefit for all stakeholders including the foreign investors in Vietnam.

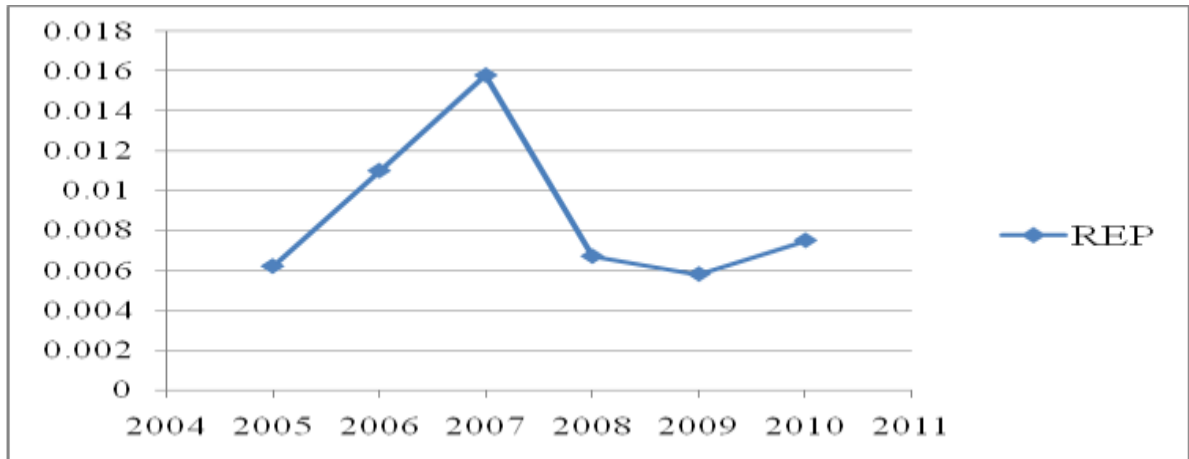
The storage system especially the specialized facilities for preserving and carrying the agro-forestry and fishery products have been very backward. On the coastline of 3,260 km and the road system, there are not any logistics centers in conformity of international standards suitable with the products. According to some researches of WB, logistics construct about 20-30% in the value chain as a whole, as a result, the low-quality logistics service increases the cost of investment and the price that weaken the competitiveness of the products. This disadvantage can be transformed to the advantage in case of that the weakness can be considered as the opportunity to attract the foreign investment.

The traditions of the farmers are often using the yard made by concrete or cement even the road for transportation to make dry for their paddy under the strong sun light due to the shortage of the suitable facilities and the small scale of production of the household. Such the way of processing the harvest increases the portion of the damaged products and raises the difficulty to ensure the high quality from the phase of harvesting. The materials manufactured and provided by farmers to the production process are low quality that needs much cost to improve their quality as expectation.

3.1.3. The tendency of trade liberalization weakens the strengths of the foreign investors to the agro-forestry and fishery

The trade liberalization for agro-forestry and fishery products have been achieving remarkable results in term of the removing the tariffs and market access. The international commitments between Vietnam and some other WTO and ASEAN members are step by step reducing REP for agro-forestry and fishery products. (See Figure 3) The REP increased from 0.0062 (2005) to 0.0158 (2007- Vietnam became WTO member) then sharply decreased to 0.0067 (2008), 0.0058 (2009) and 0.0075 (2010). For some branches of agro-forestry and fishery, their REPs are negative, for instance, the livestock and poultry, sugar cane and rubber latex. Such these branches are the potential business activities that may provide the big profit for foreign investors if making FDI on time.

Figure 3: REP for agro-forestry and fishery of Vietnam 2007-2010



Source: Bui Trinh & Kiyoshi Kobayashi (2014)

According to WTO commitments related to agro-forestry and fishery, Vietnam's average tariff for agricultural products will schedule to reduce from 23.5% to 20.9% in 2014. As intention, at the end of 2014, TPP will be completed in term of negotiation among 12 members and the wide trade space for agro-forestry and fishery will be opened for all investors. Naturally, the competition between players from domestic and international ones in the market for agro-forestry and fishery products will be strong. In additions, by 31st December 2018, Vietnam has completed the full implementation of all commitments in WTO framework and the NME status of Vietnam levied by the US in cases of anti-dumping will be removed. A huge amount of products originated from foreign countries like China or other ASEAN countries even EU are imported to Vietnam with the lowest price. Recently, it may be seen the rice of Thailand, apple of New Zealand and beef of Australia, etc have been being already in every corner of Vietnam's markets. Therefore, the advantages of the foreign investors in Vietnam brought by the protection barriers for trade are diminishing in parallel with the implementing the international commitments of the trade liberalization. The foreign investors have to be aware of the trade-off and even the substitution between the trade liberalization and free movement of the capital among countries.

3.1.4. The expansion of epidemic disease not being controlled effectively is the potential threat for foreign investors

Vietnam's agro-forestry and fishery industry is the natural favorability –based industry that faces many cases of the epidemic diseases such as the bird flu, blue ear disease, and foot

and mouth disease that took much money from farmers and funds from governments. The agro-forestry and fishery industry becomes much risky in front of the eyes of foreign investors.

MARD provides the mechanism to foresight the diseases for farmers to avoid the damages in the low effective measures. The divisions for plant and animal protection of the Department of Agriculture and Rural Development of the provinces and cities always bring the information about the epidemic diseases to farmers promptly. However, the solutions implemented by the state agencies for these diseases often are ineffective as expected. Therefore, the foreign investors if investing in agro-forestry and fishery of Vietnam have to prepare enough funds to cover the cost for the expending to protect their own products from the risk of epidemic diseases.

3.1.5. The small-size and very diverged production of Vietnamese famers makes obstacle for implementing the large-scale modern technology equipped by foreign investors

Although, the agro-forestry and fishery contributes about 20% GDP, 30% of total export value and 60% of employment, all of the customs and traditions in producing the products of agro-forestry and fishery in Vietnam have been characterized by the small-sized companies, cooperatives or households. The size of companies, cooperatives and households is measured by the number of employees and the amount of capital. They are often at least less than 10 people and 5 billion VND respectively. Their size is even very small that called as the micro small sized units with setting up by only one person even the invalid or disable people and some dozen of thousands of VND (about some dollars). Agro-forestry and fishery in Vietnam has been developing for long-time with revolutionary changes specifically the agrarian policy since 1954. In fact, the failure of the cooperative or state-owned farm “campaign” characterized by the high concentration of land and labor on the hand of the government and the policy on contract farming or the household policy have caused the diverged land in the hands of millions of farmers. The integration and the unification the lands between farmers to provide a large land area for cultivating are very complicated by the limitation of land on each household or farmer. Consequently, the organization of the large- scale of production is very difficult for Vietnam’s government not excluding for foreign investors. The cost and time for land clearance to implement projects in agro-forestry and fishery are very big. For about 30 years of economic renovation, in comparison with that of other countries, Vietnam’s agro-forestry and fishery has

been still backward and the room for applying high- technology into it not only has been very little but also faced with many barriers like the shortage of qualified human resource, logistics or facilities of R&D.

From the experiments of some successful cases, in order to change the way of doing business in agro-forestry and fishery from backward production to high-tech one, it is needed to collect a huge amount of initial investment to modernize the facilities for production process. To build a glass house for flower planting in Dalat in the Central Highlands area of Vietnam (far from Hanoi 1,700 km), the famers need at least 7 billion VND (about USD 350,000). The project planting Ho Diep flower between Taiwan (R.O.C) and Vietnamese partners has invested USD 2 million to build the house for flowering to minimize the effect of the changes of the climate. The project planting and processing cucumber between Vietnam and Belgium partners in Hai Duong province (far from Hanoi about 100 km in the Northeast) has used the technology of cucumber planting and processing imported from EU to achieve the objective of the project. The TH true milk project between Vietnam and Israel to produce the milk under the support of the modern technologies originated from Israel is successful as the signal of Vietnam's policy towards FDI attraction.

Another concern is the big difference between the nature-based agro-forestry and fishery employed by Vietnam's farmers and high-tech-based one acquired by EU's investors. It becomes the most important difficulty in the movement of FDI from EU into Vietnam.

3.1.6. Vietnamese people are being gradually aware of the absolute advantage on production of agro-forestry and fishery then appears the tendency putting on the priority the domestic investment into agro-forestry and fishery instead of FDI attracting

By implementing the "open door" policy, the flow of information, labor, trade, investment, knowledge and technology between Vietnam and the rest of the world has been increasing. The process of "learning by doing" or "learning by working together" in the projects with foreign invested capital, the policy for farming promotion set by government, the literacy of the rural inhabitants on agro-forestry and fishery has been remarkably upgraded. The farmers' awareness on the scarcity of the land and the role of high-technology has been being improved. They do not want to sell or to transfer their land to other landlords or any owners if

the compensation from local authorities is inappropriate with the market price. Moreover, they trust on their ability to themselves acquire the high-technology to improve the productivity in agro-forestry and fishery even for the long-time. It is better for them than direct utilizing the knowledge and high-technology through foreign investors. The new skills and knowledge of the farmers endow them ability to approach to the high-tech that may make slowdown of the fast penetration of the foreign investors into Vietnam.

Under the change in the labor market influenced by the economic recession since 2008 in which the manufacturing and services become hard to be developed, the agro-forestry and fishery products is the center of concerning of many qualified people like scientists and other people jumping their jobs from non-agro-forestry and fishery into this, the foreign investors have to face with the gradually- narrowed market for their investment. By direct investment making, all of the profit made from the project is owned by the investors.

The national program for building new rural launched by the Government of Vietnam from 2008 has much effects on the master plan on land using and the lifestyle of the farmers. All of the resources in rural areas have been scientifically put on the long-term plan to serve the course of industrialization, modernization in the rural areas of Vietnam. Therefore, the opportunities for establishing the projects with much land using in agro-forestry and fishery are diminishing. During institution improving for FDI attraction, appear many opportunities to rent the land for projects in agro-forestry and fishery that need the strategic vision from investors to take them in time.

3.1.7. The long distance between Vietnam and EU countries increases the time and the cost for transportation then the cost of investment with other concerns

The distance between Vietnam and EU is about 18,000-20,000 km that takes about 20 hours of flying and about USD 1,500 for a round ticket. The goods shipped by sea vessel take about 20 days of travelling. The higher density of the travelling from Vietnam to EU countries and vice versa takes is, the more cost and time for travelling it can take. Such these fees are counted to the cost of investment. Moreover, the cost for shipping the products from Vietnam to EU and vice versa is too great to fully cover by both related parties. Besides, the difference between Vietnam's culture and EU's one can make some cultural shocks for the first investors

coming to Vietnam. The cultural conflicts in the projects with foreign invested capital in Vietnam including the JVs are the hidden and explicit interactions between partners threatening the failure of JVs. Some researches proved that in accordance with culture, Vietnam and EU are in the opposite extremes- high power distance and low power distance, high femininity and high masculinity, long-term orientation and short-term orientation, and collectivism and individualism, etc. The appropriate mechanism to weaken the conflicts between these partners is always necessary for all related partners in projects. One of the sharpest tools to overcome these differences is to develop the communication skills among members of the enterprises and between employer and employees.

Besides, for the imperfect institution against FDI attraction from EU to Vietnam, the bribery and corruption exist in the administrative apparatus of FDI management especially the investment licensing. The foreign investors have to use some hundreds of thousands USD to make smooth the administrative procedures and to build the close relationship with the cadre working in the state agencies in Vietnam from the central to local level. Such the money can be as the greasy one to ensure the long time and effective operation of the projects. Moreover, the investors have to take social responsibility to the communities where the projects are placed in the events of celebration or festival of the localities or to rescue the victims of the flood or other natural disasters occurred regularly in the rural areas of Vietnam.

3.2. The reasons for the constraints

The constraints for FDI movement into Vietnam's agro-forestry and fishery especially from EU may be interpreted in different aspects. The cause-effect relationship approach provides the framework to analyze the reasons for the constraints. They can be seen from the objective and subjective standpoint. The objective reasons do not depend on the internal relation but on the external facts including the external shocks. The subjective reasons are mainly explained from the awareness of the stakeholders or their wants and needs.

3.2.1. The objective reasons

The nature of the agro-forestry and fishery is the main factor affecting the strategy of FDI from foreign investors into Vietnam. This is the risky field for foreign investors caused by the risks of policy, deep impacts of natural disasters and spillover of the epidemic diseases.

Obviously, it is the biggest barrier much affecting the strategic option for foreign investors in agro-forestry and fishery.

The external shocks including the global economic recession narrow the market for agro-forestry and fishery directly caused by the increased rate of the unemployment and reduction of the demand for agro-forestry and fishery products. Moreover, the recession has made downsizing the investment, consequently, decreased the process of direct investment abroad. The EU has faced with the heavy situation of the public debt that might have negative impact on EU's FDI abroad.

The globalization and regionalization lays a fundamental base for the fair, liberal and transparent trading system by signing a lot of bilateral and multilateral agreements. The competition among the foreign investors in the same fields of investment to making direct investment will be strong. The less competitive and high profitable environment for foreign investors will be selected for FDI.

The big difference between Vietnam's customs and foreign ones is the obstacle for making FDI of EU foreign investors. For Vietnam, the traditional customs concentrating on the simple way of cultivating crops and feeding animals are the big barriers to receive the big capital and modern. For EU, the customs focusing on the utilizing the high technologies are the attractive sources for Vietnam with the sound constraint of intellectual property protection and capital. These customs of both sides have been established for the long-time that need much time and cost to be provided the training services in the effective way to change the local customs fitting with the international rules.

Some fast and recent changes in term of the institution for FDI of both Vietnam and EU have influence on FDI from EU into Vietnam. Since June 2014, Vietnamese National Assembly has amended the Law of Investment making transparent and wide the ownership for foreign investors and specially encouraging them to move great amount of FDI in Vietnam. That makes hesitate for investors from EU into Vietnam due to their waiting psychology for a better regulation in the following time because the basic tendency of the trade policy of all countries in the world is the trade liberalization. The trade barriers day by day decreased for free flow of

trade. The weak recovery of EU member economies and the situation of heavy public debt of some member countries have not motivated the movement of FDI from EU to Vietnam.

Vietnam has been in the transitional period from a centrally planned economy towards a market economy under the socialist ideology. This process faces with many difficulties originated from nature of modified market economy and some challenges arisen from its movement. The restructuring economy generally and agro-forestry and fishery particularly take much time and cost. Some new problems arisen from such the process of restructuring cause the instability of the agro-forestry and fishery that decreases the movement of FDI from EU.

3.2.2. The subjective reasons

The understanding about FDI from EU investors in agro-forestry and fishery of Vietnam's policymakers is very limited. The characteristics of EU investors have not been carefully analyzed and generalized to make the most appropriate policies with EU partners. The complementary or substitution effect between the strengths of the investors of EU and the advantages of Vietnam has not been made clear enough to put the scientific foundation for establishing the sustainable framework for policy.

The policy towards FDI in agro-forestry and fishery in Vietnam changes, for some times, in the unpredictable direction. The ineffectiveness of market survey and of the forecasting technique about the tendency for developing the agro-forestry and fishery caused some troubles for policy making process and for managing and operating enterprises as well.

Compared with the manufacturing and service sectors, EU investors do not pay much attention to Vietnam's policy towards FDI attraction into agro-forestry and fishery. The competition among countries in the region like Thailand, the Philippines and others towards FDI attraction pushes the pressure to make suitable choice for foreign investors, or in other words, Vietnam has not been the best place in the region for EU investors operating in the agro-forestry and fishery.

The shortage of the reliable and easily-to-access information system about Vietnam's agro-forestry and fishery in FDI attraction as well as the criteria measuring the financial performance of FDI projects in Vietnam as the IRR, NPV, ROE, ROA, etc caused the hesitation of the foreign investors when decision making on FDI in Vietnam's agro-forestry and

fishery. Differed from the statistical system of EU in which the data in GDP and other criteria officially and publicly are informed after ending the period from 2 to 3 months, Vietnam's data are done officially in advanced 2-3 months as the hesitate of the planned economy thought. Such the way of statistical data processing reduces the reliability of the data published in Vietnam. Consequently, the forecasted data upon which the policy is based to build has led to some wrong response of policy to the fast change of the world market. In 2008, the price of rice in the world took the peak of USD 1,800/MT and Vietnam immediately stopped selling the rice into the world market for food security reason. This was a wrong decision because, for sometime later, the price of rice decreased to the level of USD 450/MT. Vietnam missed the opportunity to export rice at the highest price in the history of world rice market in the last dozen years. This fact says much about the low quality of the forecasted data using for policy response to the changes of the world market during Vietnam's integration into the region and the world. Another case related to rice exportation. Vietnam won the deal by bidding rice with the contract providing 800,000 tons of rice with 15% broken in Manila Commodity Exchange in the first months of 2014 in front of Thailand competitor and others. In fact, for unskillful techniques to do bidding with taking care about related factors emerging in the international relationships, Vietnam made loss of some money (about USD 23 million) from the winning the deal for offering too low price of rice.

PART 4:

**RECOMMENDATIONS AND THE ROADMAP TO ALLEVIATE THE
CONSTRAINTS**

For investors of EU, Vietnam is a very important market in the Asian region in term of agro-forestry and fishery products. With the recent changes in the political balance and security in the region especially the aggressive attitude of China on the South China Sea to some ASEAN members like Vietnam and the Philippines, the emerging of the agro-forestry and fishery industry becomes the center of the concerns of the foreign investors in different countries. In order to take advantage of FDI from EU to exploit Vietnam's resources and market, from EU investors' perspective, it is necessary to build the appropriate strategy and solutions to acquire Vietnam's position in the region.

4.1 Recommendations

Based on the above mentioned analysis including positive elements and constraints of Vietnam's investment environment for FDI from EU, it is totally agreed to put Vietnam's agro-forestry and fishery industry in the center of the agro-forestry and fishery policy of EU. It is an organic part of the global development strategy for EU and frankly speaking, the position of agro-forestry and fishery of Vietnam in EU policy determines the position of EU in the agro-forestry and fishery in the Asian region. Moreover, China is gradually emerging in the region in term of developing the agro-forestry and fishery industry, any hesitation of EU investors in the strategy to invest into the region certainly leads to the risky competition in the future. The FDI from EU to Vietnam's agro-forestry and fishery may be considered as the sharp weapon to limit the peaceful rise of China at least in the agro-forestry and fishery. Instead of the US superpower as the direct competitor of China, EU can be a "second best" option for the US in the region in case of the conflict between US and China.

It is essential to consider Vietnam's agro-forestry and fishery as the pillar of the agro-forestry and fishery in the Asian region to connect EU with ASEAN members then to Asia region as a whole. FDI from EU to Vietnam is the vital bridge to accelerate the influence of the EU to ASEAN by Vietnam as the mediation. The agro-forestry and fishery of Vietnam has to

approach to the advanced resources from EU to carry out its own mission- to fully provide the products for demand for them in the domestic and international markets.

In the context of the establishment of the global value chain of the agro-forestry and fishery products, EU and Vietnam should build the global value chain for Vietnam's agro-forestry and fishery products to maximize the value in the global market. Such this approach brings the mutual benefit for both sides and realizes the goals of EU-Vietnam FTA in the new conditions for developing both sides. It is needed to analyze the value chain of the agro-forestry and fishery products to place them in the appropriate position in the global value chain generally and in specific position of each side.

The EU investors should use the consulting organizations especially Euro Charm or the Association of Enterprises with Foreign Invested Capital to make consultation for Vietnam's government to change the policy towards FDI attraction in agro-forestry and fishery in the suitable direction based on the mutual beneficial principle for both sides.

4.2. The roadmap to alleviate the constraints

The constraints mentioned above are the components of Vietnam's investment environment. Such these constraints limit the effort of the investors to make FDI from EU into Vietnam.

4.2.1. For government level

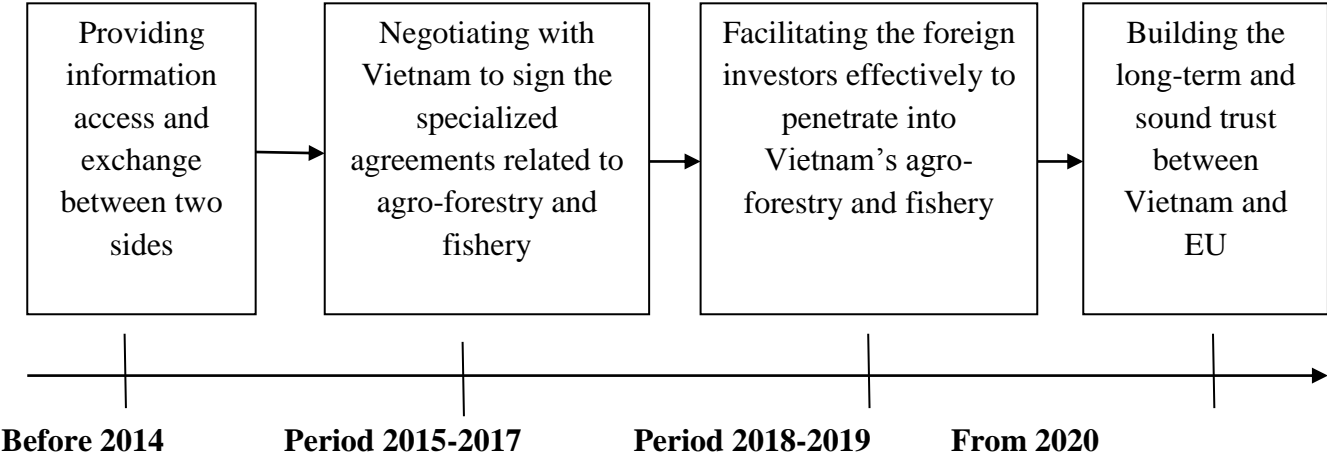
The government of EU as the unity of 27 members and the government of each member country should advise the information for enterprises to make FDI in Vietnam's agro-forestry and fishery as soon as possible to catch up with the opportunities "just-in-time". The governments of both countries cannot interfere into the affairs of the enterprises but by providing the favorable environment or any other indirect assistance.

In the time coming, both sides should carry out the specific projects of technical assistance to effectively implement the EU-Vietnam FTA in all of commitments. On the one hand, EU state agencies should provide the valuable information about Vietnam's agro-forestry and fishery for investors to build the strategy to penetrate into Vietnam market. On the other hand, such these agencies can do consultation for the EU government to negotiate with

Vietnamese government to access to Vietnam’s agro-forestry and fishery market in the greater framework of operation between two sides by the specific negotiations in each branch of the agro-forestry and fishery even both sides can negotiate to sign specialized agreements related to agro-forestry and fishery industry to facilitate the FDI in these fields.

The roadmap for government level to alleviate the constraints are presented in the following: (see Figure 4)

Figure 4: Roadmap for EU government to alleviate the constraints



Source: Author

In order to alleviate the constraints, it should apply the roadmap for solutions from EU’s government in different dialectically interrelated phases.

First, it should widely provide the information access and exchange between two sides before 2014. The most important pieces of information are the policies related to agro-forestry and fishery in Vietnam like master plan, land using, financial incentives, protecting FDI and intellectual properties. The information can be gathered from the websites of ministries, state agencies or VCCI in Vietnam even in the local agencies in charge of industry and investment. Such these shared or released by Vietnam’s government become the competitive advantage for EU’s investors in front of those from other countries. The Vietnam-EU FTA sets the wide legal framework for all commercial transactions between two sides. In order to acquire the full set of information about policies and investment environment in agro-forestry and fishery in Vietnam, it is based on the reliable sources like official and secondary sources from GSO, MPI, MARD,

MOIT, GDC, VCCI, Department of Planning and Investment of the cities and provinces. The authorities and contact points can be contacted writing in the Box 2 below.

Box 2: Authorities and contact points

Ministry of Planning and Investment (MPI)

No. 6B, Hoang Dieu, Ba Dinh, Hanoi

Tel: 84-80-44589/84-80 43485

E-mail: banbientap@mpi.gov.vn

Website: <http://www.mpi.gov.vn>

Ministry of Agriculture and Rural Development (MARD)

2 Ngoc Ha, Hanoi

Tel: (84-4) 8459670, Fax: (84-4) 7330752

Website: <http://www.mard.gov.vn>

Vietnam Chamber of Commerce and Industry (VCCI)

9 Dao Duy Anh, Hanoi

Tel: (84-4) 5742022/5742143/5742031

Fax: (84-4) 5742030/5742020

Website: <http://www.vcci.com.vn>

The primary sources can be collected by conducting the surveys, interviewing the managers or farmers, organizing the field trips in the areas with the advantages for agro-forestry and fishery development.

Second, EU government should negotiate with Vietnam's government to sign the specialized agreements related to agro-forestry and fishery to develop the branches of the sector subject to the combination between the comparative advantages of each branch and the strengths of EU investors. The specialized agreements might be signed as the milk, fish or wooden product agreements. Such these agreements should be completed in the period 2015-2017. It is the first years of the new term of Vietnam Communist Party with a new leading Board with hope that the new vision will be built.

Third, it is necessary to facilitate the foreign investors to penetrate into Vietnam's agro-forestry and fishery to take advantage of all of opportunities brought by free trade commitments and the new concepts on the gain from trade. The more proactively integration into region is deepened, the more beneficial all of the partners can be. This process will be realized in the period 2018-2019. This is the time for Vietnam's economy to be fully opened under WTO commitments.

Fourth, EU should build the long-term and sound trust between Vietnam and EU. It is a very first step for preparing the next strategic option. This period is counted from the year 2020. This is also the time for Vietnam to be a basically industrialized country towards a modernized country. It is time to build the strategic partnership between Vietnam and EU.

4.2.2. For enterprise level

Enterprises are the main direct players both in the domestic and international markets for agro-forestry and fishery products. The enterprises are also the force to make value added for the economy. The activities for enterprises can be done as in the following order to be mostly profitable for EU investors.

a. It is very important for investors to fully understand the legal framework of Vietnam in connection with EU in the FDI movement from EU to Vietnam and the bilateral commitments in agro-forestry and fishery sector. The forums, seminars, conferences, workshops, website, mass media, newspapers or journals, etc are the communication tools to provide the information for them to improve their awareness on opportunities, positive elements and constraints about FDI from EU to Vietnam's agro-forestry and fishery. It is useful to build the portal for providing and answering all questions and queries of the investors about Vietnam's agro-forestry and fishery to invest much capital and high-technologies into this field. The new investors from EU can use the Association of Enterprises with Foreign Invested Capital as the forum to exchange the necessary information about Vietnam's agro-forestry and fishery to help them make precisely decision.

b. Selecting the targeted components in the global value chain to invest much capital to acquire the biggest value in front of many competitors from different countries like China or Taiwan (R.O.C). In order to achieve the goal, it is needed to use the staff from EU such as the

researchers or experts in agro-forestry and fishery for analyzing the contemporary global value chain, making the research and development activities, and for establishing the new global value chain for each kind of product like rice, coffee, aquaculture or wooden ones manufactured in Vietnam. Usually, along with the global value chain, the R&D and marketing and sale are the biggest value activities and they are the advantages owned by the EU investors. The supply chains on the agro-forestry and fishery products should be built by EU investors in the model that the R&D and marketing and sale implemented by EU investors by using high technologies of EU and the super markets in all over the world, the manufacturing conducted in Vietnam under the supervision of the EU managers with the lowest cost and the serious labor principle of advanced countries.

c. In the context of limited land for agro-forestry and fishery as well as the high cost for land clearance to implementation of the projects in Vietnam, the projects with using little land are strongly welcomed to the high density population. To serve such the goal, the best choice is to utilize the high-technology to provide the high productivity and high quality products with very limited land using. The processing premises for agro-forestry and fishery products in conformity with the EU technical standards should be built. Their finished products can be sold in the EU market through the chain of supermarkets in the world. Therefore, the developing the value chain for agro-forestry and fishery between Vietnam and EU are the long-term alternative for both sides to be “win-win” situation.

d. Building the high-technology parks managed by EU investors for agro-forestry and fishery to get the dual target is unavoidable for EU investors in this field in Vietnam. On the one hand, they will provide the new and high quality products such as the new animals and crops with strong resistance with the new and dangerous diseases. They are highly competitive in the market under the globalization and integration. On the other hand, they allow EU investors to protect their intellectual properties from the action of violation against on their benefits. In additions, in the parks they can apply new technology to get high productivity without interference by any external forces including the competitors. In accordance with such the controlling idea, EU investors may establish the agro-forestry and fishery parks in the appropriate place in Vietnam. For example, the rice and fruit parks should built in the Southeast areas, the coffee and pepper parks- in the Central Highlands, parks for flowers- in Dalat,

vegetable parks- in the Hong Delta River basin in the North provinces. That means, there are at least 4 parks built in Vietnam by FDI of EU investors in the period 2018-2019. The EU investors can buy the patents from the research institutes or from scientists of Vietnam on new products to apply to their own projects. They also make the joint research groups between Vietnam and EU scientists to conduct the research projects about the necessary issues in agro-forestry and fishery in Vietnam. It is the time for Vietnam's economy recovered after economic slowdown since 2008, the fees for land renting are relatively low and the land using ratio in the industrial parks is still moderate so it is the opportunity for EU's investors to make the good deals. To the greater extent, EU's investors can acquire the contemporary industrial parks in Vietnam for some dozen years to place their projects to avoid the administrative procedures that might take some time and cost.

e. Investing much capital in the system of warehouse and logistics service providing to meet the high demand for these facilities and services. At least 3 logistics centers in conformity with the international standards for agro-forestry and fishery products in Vietnam should be built in the Southern, the Central and the Northern parts in Vietnam. For instant, a center should be placed in sub- Ho Chi Minh City, one - in Central Highlands and one- in sub- Hanoi City what collect all agro-forestry and fishery products to keep them in the safety conditions and provide the warehouse renting services for other companies if needed.

f. Taking advantage of merging deals to have the shares of EU's investors in the good performance projects operating in agro-forestry and fishery in the field of the livestock, animal food processing and high value fruit planting. Therefore, they should use the stock exchange in Vietnam as the instrument to take part in the operation of the projects. Besides, the domestic market for some kinds of fruits of Vietnam and some foreign markets imported some fruits of Vietnam have signaled that Vietnam's guava and dragon fruit, etc can be the perspective products for EU's investors to do invest in cultivating and exporting to foreign markets. In fact, Vietnam investors have invested some projects in agro-forestry and fishery in Laos and Cambodia instead of direct investing to these markets. EU is one of the biggest imported market for Vietnam's sea food, therefore, FDI from EU into the sea food processing projects are also the profitable fields for long-term vision.

g. Looking for Vietnam's strategic partners to make long-term co-operation in the form of JVs with investors of EU. Many investors of Vietnam who are successful in doing business in agro-forestry and fishery may be the strategic partner for EU investors to make synergetic for both sides. Excluding the state-owned enterprises operating in the agro-forestry and fishery, the investors of EU should co-operate with the joint stock companies or private companies in this field to make JVs to do business partly for risk sharing among partners.

h. It is vital to build the hidden funds to assist the process of getting the investment license as the fees for lobbying and greasy money to accelerate the movement of the administrative procedures although such these procedures have been improved basically. By nature, these fees can be considered as the price for having the new relationships with the state agencies at central and local levels. These actions are prohibited or inconvenient from the perspective of investors of EU but acceptable in Vietnam for lacking of the lobbying legislation.

4.2.3. For other stakeholders

There are a lot of stakeholders regarding to FDI from EU to Vietnam's agro forestry and fishery sectors. Excluding the EU's investors, the stare agencies of EU government and those of each member country of EU are the sound base for investors in term of political, diplomatic and legal aspects, the investors should take the international co-operation policy of EU governments to build their appropriate external development strategy to be successful in Vietnam. The close relationships between investors and governments in several forms like direct dialogue, forum, meeting, workshops, hot line, conference, etc are the most important channels to connect government and investors that should be often used.

The consulting companies in EU and in Vietnam are the sources of very valuable and practical advices for EU's investors. It is necessary to use their knowledge, experiences and the relationships with Vietnam's state agencies to the establishment and operation of the projects in Vietnam. The network or forum between investors with these companies should be established to provide investors the precise and "just in time" information about Vietnam's agro-forestry and fishery.

The professional organizations or societies are the agents supporting investors to get the deals successfully. Their analytical information and advices are useful for investors to make

their choices optimal in the relation with Vietnam. They are the channels to provide some help for choosing the arbitration agencies or lawyers for conflict settlement related to FDI.

The Associations of overseas Vietnamese in EU, for example, in French, Germany, Italia, Belgium, etc can be seen as the important bridge between Vietnam's culture with investors of EU. By such associations, investors might access to the specific information about opportunities of investment even the potential of each region or locality in Vietnam for attracting FDI from EU. Many overseas Vietnamese like graduates or postgraduates studying in EU universities can effectively bring the important message from Vietnam to community of EU investors. They can work as the guide for investors making field trip from EU to Vietnam in parallel with the right explanation about Vietnam's policy towards FDI attraction for concerned people.

The trade fairs of Vietnamese goods organized in foreign countries or the FDI promotion programs conducted periodically by the ministries, state agencies or the local state agencies even by Vietnamese enterprises are the direct requirements FDI moving into the specific projects. As usually, the delegation from Vietnam in charge of FDI promotion when travelling abroad to attract FDI investors, they have full information about the list of projects to attract FDI in term of the total legal capital, level of technology, land area, location, the duration of the project and other aspects they need co-operate with foreign investors. By these delegates from Vietnam even from cities or provinces, all information about Vietnam as a whole and about provinces or cities in particular have been presented. They are the people who are willing to co-operate with foreign investors along with the process of establishing and operating the projects. The friendly treatment and relationship development with them during implementing the promotion program towards FDI attraction in the home countries is a very important step to bring much benefit for investors when making long-term investment in Vietnam in the time to come.

CONCLUSION

The policy towards FDI attraction into agro-forestry and fishery in Vietnam plays a very important role for receiving much FDI from EU. The agro-forestry and fishery has some specific characteristics that affecting the movement of FDI from EU to Vietnam. Vietnam has passed the Master Plan on Agriculture Development by the year 2030 in which the agro-forestry and fishery will be developed in the direction of the green and sustainable one using high-technology. Moreover, in the long-time even in next 10 years, agro-forestry and fishery will account for a remarkable share in the economic composition of Vietnam. It also has ability to be the leading position in the agro-forestry and fishery value chain in ASEAN network in line with the establishment of AEC on 2015- one of the three basic pillars of AC.

The policy towards FDI attraction into agro-forestry and fishery development has been being favorable and opened with special encouraged treatment for foreign investors in term of tax, administrative procedures and technology transfer. FDI is one of the most important sources for investment in agro-forestry and fishery of Vietnam. In fact, for about 30 years of FDI attraction, it accounts for about 1% out of total FDI stock in Vietnam.

There are some positive elements for FDI in agro-forestry and fishery in Vietnam like cheap and abundant resource- seeking easing, big market- seeking in the context of remarkably narrowing world market, short-time performance-seeking, special incentive- seeking, simplified administrative procedures and formalities, the transparent and friendly investment environment for foreign investor. However, there are some constraints for FDI from EU to Vietnam's agro-forestry and fishery that are considered from different aspects like inefficient policy, out of date infrastructure, the expansion of epidemic disease, the shortage of qualified human resources, the tendency of trade liberalization, the small-size and very diverged production, the long distance between Vietnam and EU countries and the traditional cultivating and feeding customs of Vietnam's farmers, etc. There are some reasons for these constraints from objective and subjective standpoints.

In order to alleviate these constraints, it is needed the recommendation as the general strategy for EU investors making FDI in agro-forestry and fishery of Vietnam from the

substitution of the strengths of both sides and complementary between the strengths and the weaknesses between them.

The roadmap to alleviate such these constraints can be seen from the government and enterprise level. For government level, EU and Vietnam should accelerate the process of signing and implementation EU-Vietnam FTA to take all opportunities to develop the bilateral investment agreement. The commitments between two sides should be undertaken to improve the flow of investment between two sides. There are 4 period for this road map. Before 2014, both sides providing information access and exchange between them to deeply understand each other in agro-forestry and fishery and to complete the negotiating and signing Vietnam-EU FTA to set the sound and specific legal framework for next activities. In the period 2015-2017, EU government should proactively negotiate with Vietnam to sign the specialized agreements in the agro-forestry and fishery to utilize all of the advantages of both sides. In the period 2018-2019, EU should facilitate the investors effectively penetrate into branches of agro-forestry and fishery in the framework of the Vietnam-EU FTA and specialized agreements. Since 2020, both sides build the long-term and sound trust to be strategic partner to each other.

For enterprise level, it is important for them to be proactive to build the strategy to move a huge amount of capital, modern technology and advanced management skills to go ahead of other competitors in the region. To be effective in Vietnam by making FDI in agro-forestry and fishery, it is necessary to establish the value chain for agro-forestry and fishery products connecting the comparative advantages of Vietnam's tropical agro-forestry and fishery with the advanced one of EU. Hence, EU investors should build the industrial parks for agro-forestry and fishery in Vietnam to combine all of the strengths of EU and Vietnam to improve the competitiveness of agro-forestry and fishery products made in Vietnam in domestic and international market. The agro-forestry and fishery market conducting should be done to assist these projects especially the high-tech projects. FDI from EU should pay much attention to logistics servicing development, the processing and R&D in the agro-forestry and fishery. The stakeholders like state agencies, consulting companies, FDI promotion programs, trade fairs, associations, etc are the important forces for accelerating FDI from EU to Vietnam in case of suitable way of taking their advantages.

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