

ATTRACTING FOREIGN INVESTMENT INTO HO CHI MINH CITY: CURRENT SITUATION, TRENDS, AND POLICY ORIENTATION***Pham ThiQuy**

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Abstract

This article presents the current situation and orientation for attracting foreign investment into Ho Chi Minh City in the context of increasingly fierce global competition and shifting capital flows following the COVID-19 pandemic. Although the city maintains its leading position nationwide in terms of the number of projects and investment capital, there are still many limitations, such as the low quality of projects, limited technology spillover, and uneven development between central and outlying areas. The study emphasizes the importance of institutional improvement, infrastructure development, human resource quality enhancement, and professionalized investment promotion activities. Accordingly, it proposes strategic solutions to improve the effectiveness of foreign capital attraction, promote linkages between foreign-invested enterprises and domestic ones, aiming toward sustainable development and enhancing the city's competitiveness in the upcoming period.

Keywords: Foreign investment, Ho Chi Minh City, Investment attraction policy.

INTRODUCTION

In the context of profound restructuring of global investment flows, especially after the COVID-19 pandemic, geopolitical conflicts, and the trend of shifting supply chains away from traditional economies, foreign direct investment (FDI) has become a strategic factor in development competition among nations and regions. Multinational corporations tend to move capital to countries with a stable investment environment, developed infrastructure, transparent institutions, and high-quality human resources. In Southeast Asia, Vietnam has emerged as an attractive destination thanks to its geopolitical advantages, macroeconomic stability, and relatively flexible open investment policies. To leverage these advantages, the Communist Party and the Government of Vietnam have issued several major directives aimed at selectively attracting FDI in line with sustainable development goals. Among these, Resolution No. 50-NQ/TW dated August 20, 2019, by the Politburo clearly states: "Foreign investment attraction and cooperation must be selective, focusing on quality, efficiency, technology, and environmental protection as the main evaluation criteria" [1]. This has become a guiding principle in the new phase, requiring a shift from extensive to intensive FDI attraction, focusing on high technology, innovation, and linkage with domestic enterprises. In this context, Ho Chi Minh City, as the economic locomotive of the country, plays a key role on the national FDI map. According to the Ministry of Planning and Investment, by the end of 2024, the total registered capital (including new registrations, adjustments, capital contribution, and share purchases) of foreign investors reached nearly USD 38.23 billion, a decrease of 3% compared to the same period in 2023 [2]. However, the quality of FDI in the city is still not commensurate with its potential, lacking large-scale, high-tech, and spillover-capable projects. At the same time, the city faces fierce competition from emerging industrial centers such as Long An, Binh Duong, Dong Nai,

and other countries in the region. Given the significant changes in the global investment environment and the need to elevate development, it is necessary to study the current situation, trends, and policy orientations for attracting foreign investment into Ho Chi Minh City. This will help propose strategic solutions to ensure the city's continued role as an economic leader and enhance its international integration quality in the new era.

THEORETICAL PERSPECTIVES**Review of previous research**

The issue of attracting FDI to Ho Chi Minh City has been addressed by many scholars from various perspectives: economic restructuring, local competitiveness, investment environment, legal policies, and international integration strategies. Nguyen ThiBichThuy, Tran Thi Ngoc Lan, and Tran ThanhTrung (2022), in their article on FDI attraction solutions to promote economic restructuring in Ho Chi Minh City, emphasized the strategic importance of sectoral investment selection linked to economic restructuring and regional connectivity [3]. Similarly, Pham Manh Thang, in the article "Some Results and Experiences of the Ho Chi Minh City Party Committee in Attracting Foreign Direct Investment from 2006 to 2010" (2016), also highlighted the decisive role of proactive local governance based on central guidelines [4]. From a macro perspective, Le NhuQuynh (2022), in her doctoral dissertation on "FDI Attraction Policy of Vietnam Until 2030," proposed a three-group policy structure: improving the investment environment, increasing attractiveness, and effective investment promotion. She emphasized the need for policy synchronization and institutional capacity enhancement to adapt to global capital flow shifts [5]. On a similar note, Bui KieuAnh (2023), in her dissertation "Foreign Direct Investment in Vietnam in the New Context," stated that Vietnam, including Ho Chi Minh City, should prioritize institutional reform and increase linkages

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between FDI and domestic firms to enhance value spillover [6]. In terms of the investment environment, Ho ThiHien in the article “Studies on the Environment for Attracting Foreign Direct Investment” (2016) reviewed factors influencing investment decisions, including policy systems, infrastructure, transparency, and support services. She also pointed out that inconsistency between central and local levels is a bottleneck that needs addressing to improve national competitiveness [7]. Focusing on investment quality, Nguyen ThiThanhNga (2021), in the study “Improving FDI Competitiveness in VinhPhuc until 2025,” asserted that localities need to build a distinct investment image and selectively attract quality capital linked to sustainable development strategies [8]. Similarly, Nguyen ThiHoa, in “Attracting Foreign Indirect Investment to Vietnam via the Stock Market” (2009), also assessed the legal environment and investor psychology as influencing factors in attracting foreign capital [9]. Norkeo Kommadam, in the study “Implementation of Foreign Investment Law in the Lao People's Democratic Republic Today” (2016), clarified the importance of a transparent and stable legal framework—a factor that can transform investor trust into actual capital flows [10].

Thus, scholars such as Nguyen ThiBichThuy (2022), Pham Manh Thang (2016), and Le NhuQuynh (2022) agree that local leadership, institutional reform, and clear strategic direction are three fundamental pillars in attracting FDI to Ho Chi Minh City. Meanwhile, Ho ThiHien (2016) and Nguyen ThiThanhNga (2021) emphasize the substantive investment environment and local competitiveness. The intersection of these perspectives suggests a comprehensive approach: combining political–institutional factors with the city’s endogenous capacity to build selective, high-quality, and long-term effective FDI policies. Although the above studies have comprehensively addressed the roles of institutions, investment environment, competitiveness, and FDI attraction policies at both national and local levels, several notable gaps remain. First, there are not many in-depth studies analyzing FDI in Ho Chi Minh City in the post-COVID-19 global transition and the green–digital investment trends. Second, the connection between FDI attraction and urban economic restructuring, sustainable development, and regional linkages in Ho Chi Minh City is still fragmented and lacks theoretical frameworks grounded in local realities. Lastly, many studies are descriptive, statistical, or locally analytical, lacking clear, updated policy orientations in the context of increasingly intense FDI competition among major cities in the region. From these gaps, this article aims to comprehensively analyze the current state of foreign investment attraction in Ho Chi Minh City, identify new global and regional FDI trends, and propose policy orientations for selective, high-quality FDI attraction aligned with the city’s sustainable urban development strategy through 2030.

Research Methodology

The author employed both survey questionnaires and in-depth interviews. The survey method is described as follows:

1. **Sampling process:** A non-probability sample of 100 investment-related management officials was selected.
2. **Design:** The questionnaire consists of two parts—Part One: respondent profile; Part Two: current state of foreign investment attraction in Ho Chi Minh City.
3. **Respondents:** To ensure information accuracy, the respondents were officials involved in investment management.

4. **Data processing:** After data collection, questionnaires were checked, coded, cleaned, entered, and analyzed using SPSS version 20.0.

Research Questions and Hypotheses

(1) Research Questions

What is the current state of foreign direct investment (FDI) attraction in Ho Chi Minh City? What new global and regional FDI trends are influencing Ho Chi Minh City? What are the major challenges and barriers to attracting and effectively utilizing FDI in the city? How should policies be adjusted to improve the quality and efficiency of FDI attraction amid increasing competition among major cities in Vietnam and the region?

(2) Research Hypotheses

The current state of FDI attraction in Ho Chi Minh City still shows limitations in project quality, technological spillover, and linkage with domestic firms. Major barriers stem from infrastructure shortcomings, policy instability, administrative procedures, and local investment governance. As global FDI flows shift toward high technology, green, and digital investments, policy adjustments in Ho Chi Minh City toward selectivity, sustainability, and regional integration are key to enhancing competitiveness and investment effectiveness in

Operationalization of Key Concepts

In this article “Attracting Foreign Investment into Ho Chi Minh City,” the key concepts clarified include: (1) Investment attraction; (2) Foreign investment; and (3) Attracting foreign investment into Ho Chi Minh City. Investment attraction refers to the process of creating a favorable environment to encourage domestic and foreign investors to bring capital, technology, and resources into sectors such as production, business, services, or infrastructure development. This is a strategic activity involving coordination among government policies, local capacity, and market potential. Investment attraction goes beyond capital mobilization—it includes establishing mechanisms, legal frameworks, investment promotion, improving competitiveness indicators, and facilitating effective project implementation. Its ultimate goal is to boost economic development, restructure industries, enhance production capacity, generate employment, and achieve sustainable growth. Foreign investment refers to the capital contribution by individuals or organizations of foreign nationality into a host country through forms such as equity investment, share acquisition, joint ventures, business cooperation, or the establishment of foreign-invested enterprises. It is a crucial component of an open economy linked to globalization and international economic integration. Foreign investment not only provides supplementary development capital but also facilitates technology transfer, managerial skills, market expansion, and integration into global supply chains. It requires institutional stability, policy transparency, and market responsiveness. From these definitions, the central concept is Attracting foreign investment into Ho Chi Minh City—the process of implementing directives, policies, and solutions to facilitate foreign investors in coming to invest in the city. This is further illustrated by the author in Figure 1.



Figure 1. Foreign Investment Attraction into Ho Chi Minh City

Table 1. Foreign Investment Attraction in Ho Chi Minh City by Administrative Geographic Areas

| Current Status of Foreign Investment Attraction in Ho Chi Minh City | | Group of Administrative Geographic Areas | | | | | |
|---|---|--|--------|------------|--------|-------|--------|
| | | Rural Area | | Urban Area | | Total | |
| | | N | % | N | % | N | % |
| 1. | Incentive Policies and Legal Frameworks | 28 | 54.9% | 44 | 91.7% | 72 | 72.7% |
| 2. | Infrastructure and Investment Land | 32 | 62.7% | 37 | 77.1% | 69 | 69.7% |
| 3. | Human Resources and Labor Quality | 33 | 64.7% | 33 | 68.8% | 66 | 66.7% |
| 4. | Transparency and Efficiency in Investment | 29 | 56.9% | 34 | 70.8% | 63 | 63.6% |
| 5. | Investment Promotion and Support Activities | 27 | 52.9% | 29 | 60.4% | 56 | 56.6% |
| Total | | 51 | 100.0% | 48 | 100.0% | 99 | 100.0% |

P = 0,001

Source: Project Surve

RESULTS AND DISCUSSION

Research findings on the current situation of foreign investment attraction in Ho Chi Minh City

To assess the actual process of attracting foreign investment into Ho Chi Minh City in the current context, the author conducted surveys and analyses based on key components of the investment environment such as: preferential policies, technical infrastructure, human resource quality, investment promotion activities, and transparency in governance. The survey results not only reflect the satisfaction levels of foreign-invested enterprises currently operating in the city, but also help to clearly identify the advantages and difficulties in the practical implementation of FDI attraction policies. The following are the research findings presented according to each specific component. Table 1 reflects the current status of foreign investment attraction in Ho Chi Minh City by administrative geographic area, revealing a clear disparity between urban and rural areas in evaluating the components of the investment environment. In most surveyed indicators, officials from urban areas reported higher levels of positive assessment compared to those from rural regions. Specifically, Indicator 1 – “*Incentive Policies and Legal Frameworks*” – received a 91.7% positive response rate in urban areas, while the figure in rural areas was only 54.9%. Indicator 2 – “*Infrastructure and Investment Land*” – also showed a noticeable difference, with 77.1% positive responses from urban officials compared to 62.7% from rural counterparts. The remaining indicators, including 3 – “*Human Resources and Labor Quality*”, 4 – “*Transparency and Efficiency in Investment*”, and 5 – “*Investment Promotion and Support Activities*” – all recorded higher positive ratings from respondents in urban areas. This divergence reflects the unequal practical conditions between areas within the city. While urban zones tend to receive priority in technical infrastructure development, benefit from synchronized planning, better access to investment support services, and formal promotion channels, rural regions still face numerous challenges.

These include underdeveloped physical infrastructure, limited labor quality, and inadequate access to investment policy information. Such gaps contribute to differences in perception and satisfaction among local management teams, and represent real obstacles in extending investment attraction efforts to outlying and suburban areas. Supporting the trend of FDI concentration in urban areas, a report by the Ministry of Planning and Investment indicates that, as of the end of 2024, Ho Chi Minh City had 13,620 active foreign-invested projects, accounting for 32.4% of the country’s total number of projects. The total registered capital reached USD 58.96 billion, representing 11.7% of national FDI [11]. These figures affirm the city’s central role in international capital attraction, while also highlighting the fact that investment flows mainly into areas with developed infrastructure, flexible institutional mechanisms, and favorable market access conditions. However, the survey results also expose several issues, in line with the research hypothesis. FDI attraction in Ho Chi Minh City still lacks geographical balance, the spillover effects of FDI remain limited, local-level promotion activities are underdeveloped, and there is no substantial support mechanism for investors operating outside central districts. Moreover, the investment environment in certain areas is not sufficiently appealing, hindered by administrative barriers, lack of standard investment sites, and a shortage of appropriately skilled labor aligned with investors’ technological innovation demands. From the above analysis, it can be concluded that while the trend of attracting FDI into Ho Chi Minh City is moving in a positive direction, it is not yet truly sustainable. The concentration of capital in central districts may generate short-term benefits but also risks infrastructure overload, development disparities, and the neglect of peripheral areas’ potential. Therefore, it is essential to adjust the investment attraction strategy toward expanding development space to rural areas, enhancing local competitiveness, accelerating institutional reforms, and implementing more focused and effective investment promotion. These are critical conditions for realizing the goal of balanced, comprehensive development and improving the quality of FDI in the coming period.

Discussion and Emerging Issues

The survey results on the current state of foreign investment attraction in Ho Chi Minh City by administrative geographic areas reveal a significant disparity between urban and rural regions in evaluating investment environment factors. This divergence not only reflects differences in socio-economic development conditions but also highlights the gap in policy access and implementation capacity across specific localities. Across the surveyed indicators, officials in urban areas reported significantly higher rates of positive evaluation compared to those in rural areas. This reflects a pattern of concentrated investment prioritization in city centers-areas with more comprehensive planning, better-developed infrastructure, quicker access to information, and greater benefits from international investment promotion programs. In contrast, rural regions still face numerous challenges, including underdeveloped infrastructure, a shortage of high-quality industrial land, and limitations in the availability of skilled labor. These are direct barriers that reduce the capacity of these localities to attract and absorb FDI.

The variation in assessments among different groups of officials reflects not only objective conditions but also differing levels of participation in policy formulation and implementation. Urban officials tend to access new policies earlier, receive more formal training, and participate more frequently in inter-sectoral coordination. Meanwhile, rural officials mainly handle administrative duties, lack support resources, have fewer opportunities for professional training, and often work under multiple responsibilities. The survey also underscores a paradox in the city's current FDI attraction strategy. While authorities are aiming to redistribute development space and encourage FDI to expand into suburban areas to relieve pressure on central districts, foundational conditions in those outer areas remain inadequate. The absence of integrated planning, weak coordination among administrative levels, and a lack of targeted support mechanisms are key factors preventing strategic intentions from being realized in practice. Another pressing issue is the limited effectiveness of investment promotion at the grassroots level. Programs for project introduction, business dialogue, and support services are primarily conducted at the municipal level, with local officials receiving limited authority and lacking specialized tools to engage with investors. This leads to an overreliance on central administrative agencies and undermines the proactiveness of localities in investment promotion efforts. These limitations are consistent with the initial research hypothesis. Although foreign investment inflows into Ho Chi Minh City have grown steadily and in significant volume, the quality of these investments remains modest, their spillover effects insufficient, and their contributions to sustainable development goals limited. Excessive concentration of FDI in central urban districts may deliver short-term growth benefits but also creates long-term risks, including infrastructure overload, environmental stress, and widening development disparities across regions within the city. Based on this analysis, Ho Chi Minh City faces an urgent need to restructure its foreign investment attraction strategy toward greater effectiveness, comprehensiveness, and depth. The goal should not merely be increasing the number of projects or total FDI volume, but more importantly, enhancing project quality, ensuring balanced regional distribution, strengthening interregional linkages, and enabling all areas of

the city to access, absorb, and benefit from international investment resources.

Policy Recommendations

To improve the quality and effectiveness of foreign investment attraction in Ho Chi Minh City in the new development phase, a comprehensive set of strategic solutions is needed-aimed at addressing current shortcomings, unlocking the potential of peripheral areas, and promoting spillover and connectivity across the entire investment space of the city.

First and foremost, the city must continue institutional reforms to ensure a transparent, stable investment regime that is responsive to global volatility. A review and adjustment of regulations concerning licensing, investment incentives, administrative procedures, and regulatory oversight should be incorporated into an overarching strategy to enhance local competitiveness. Special attention should be given to empowering and delegating real authority to administrative units in suburban areas to improve project handling capacity.

Second, city authorities need to accelerate the development of synchronized economic and social infrastructure systems, especially in outlying and rural districts. This includes transportation connectivity, logistics systems, supporting industrial zones, and digital infrastructure to support investment management and promotion. Underdeveloped areas should be integrated into the city's overall spatial investment planning, with prioritized policies for public investment, clean land allocation, and investment stimulus programs.

Another key solution is to improve the quality of the local workforce to meet the demands of FDI-receiving areas. The city must expand vocational training aligned with business needs, enhance digital and language skills among local labor, and promote tripartite collaboration between educational institutions, enterprises, and local authorities to ensure a skilled workforce that matches the demands of economic restructuring during deep integration. In investment promotion, the policy direction must shift from broad, undifferentiated campaigns to targeted, in-depth strategies aligned with sustainable development visions. The city should build a professional local investment profile, clearly identify priority sectors, select target markets, and classify investors based on technology level, financial capacity, and social responsibility. Additionally, it should diversify promotion methods, including digital outreach, virtual conferences, and regular dialogues between investors and local governments. A critical strategic direction is to strengthen the linkage between FDI enterprises and domestic firms to enhance technology transfer, management skills, and value chain participation. The city should support local enterprises in improving competitiveness, developing supporting industrial clusters, and integrating into regional supply chains. At the same time, mechanisms should be put in place to encourage FDI businesses to transfer technology, train local labor, and enhance their corporate social responsibility.

Finally, to ensure effective governance and monitoring, the city should establish a system of FDI quality indicators-covering both quantitative and qualitative criteria.

These indicators should go beyond measuring capital volume to reflect levels of technological innovation, localization rates, employment stability, and alignment with green, digital, and inclusive development strategies. All of these solutions must be framed within a long-term vision, with clear planning and close coordination between government at all levels, the business sector, and civil society. Only when policies are designed flexibly and tailored to the realities of each administrative region can FDI attraction truly become a driver of balanced, effective, and sustainable development for Ho Chi Minh City in the decades to come.

Conclusion

Foreign direct investment plays a vital role in promoting economic growth, structural transformation, and enhancing Ho Chi Minh City's competitiveness in the process of international integration. This paper has shown that although Ho Chi Minh City continues to lead the country in terms of project numbers and total FDI volume, several bottlenecks in investment quality remain unresolved. In particular, disparities between urban and peripheral areas, limited spillover effects, and fragmented promotion strategies highlight the urgent need for a more selective and sustainable policy shift. Beyond reaffirming new trends in FDI-such as high technology, green investment, and value chain integration-the study proposes a set of practical and feasible solutions focused on institutional reform, infrastructure development, human resource training, targeted investment promotion, and stronger linkages between FDI and domestic enterprises. These solutions aim not only to improve the city's capacity to absorb and efficiently utilize foreign capital, but also to advance long-term goals in building a modern, innovative, and sustainable urban economy. From this analysis, it is clear that successful FDI attraction goes beyond offering policy incentives-it requires a holistic, proactive, and consistent strategy supported by the coordinated efforts of the entire political system, local governments, and the business community. With its existing advantages and potential, Ho Chi Minh City is well-positioned to become a national model for high-quality FDI attraction-if it can seize the moment, push forward with reforms, and foster a world-class investment environment.

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