

ABSTRACTS

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After the Vietnamese economic reforms in 1986, Vietnam's economy is one of countries growing in ASEAN. Foreign direct investment (FDI) that the flows are important factor to helping economic and development in Vietnam. It is expected to benefit the developing countries through raising domestic investment, Viet Nam has been creating benefit to Vietnam people as jobs, transferring technology, enhancing domestic competition and producing positive externalities.

However, each developing country has different initial conditions and distinctive institutional setups.

The forward of this independent of research study is to examine the role of FDI on economic growth in Vietnam by using data in the time series over the period 1968-2006. The period includes the 1990s, when Vietnam launched economic reform Doi Moi(or renovation) and financial liberalization process.

The economic indicates that there exists a long-run communication between FDI and economic strong growth up. Our need to research that both FDI and human capital has positive effects on economic growth. The domestic investment is developed by FDI. Nevertheless, the negative effects of interaction terms between FDI and human capital on economic growth show that the low labor skills in Vietnam restrict the contribution of FDI to economic growth. It means that absorptive capability of FDI in Vietnam is still slow and thus Vietnam needs to improve labor skills to maximize the benefits of FDI on economic growth.

The Government has strategy a long- time on FDI benefit. This will help clear guidelines for foreign investors about government priority given to FDI in short, medium and long term. Some point the lack of clear strategy on FDI that the generated unnecessary confusion for foreign investors determining their long term plans for doing business in Vietnam. The reason why a considerable of number of foreign investors invested in Vietnam for getting short term benefits and immediately, withdrawn their investment when the situation became less favorable.

The purpose improvement of the infrastructure some of in poor provinces will be enhancing by attractiveness to FDI investors. The purpose of government need to build infrastructure such as transportation, energy water and also human resource been good service to attractive larger of amount of FDI.