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## FDI of Vietnam; Two-Way Linkages between FDI and GDP, Competition among Provinces and Effects of Laws

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### ABSTRACT

This study focuses on problems related to foreign direct investment (FDI) in the North Central Area and South Central Coast of Vietnam in the period from 2000 to 2010, they consist of bidirectional relationship between foreign direct investment and economic growth (GDP), competition among provinces and effects of laws in attracting FDI. By using panel data and Ordinary Least Square (OLS) Method. Empirical analysis results found that: 1) There is a strong bidirectional relationship between FDI and GDP in this area of Vietnam. Both FDI and GDP also contributed significantly and positively in explaining each other in the provinces which was extremely difficult socio-economic conditions, however this is especially accurate in provinces having better conditions such as Da Nang city; 2) There is no strong competition between provinces in attracting FDI, provinces having better governance in economics attracted less registered FDI; 3) Ability to access information and infrastructure quality of provinces affects significantly and positively to attract FDI in this region; 4) After promulgating Common Investment Law as well as Unified Enterprises Law in 2005 and Vietnam joined the World Trade Organization (WTO) in 2007, the amount of registered FDI capital has increased rapidly in provinces of North Central Region and South Central Coast—Vietnam.

### KEYWORDS

FDI—Foreign Direct Investment; Economic Growth (GDP); Viet Nam

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