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The Impact of the RCEP Agreement on Attracting Foreign Direct Investment into Vietnam

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Abstract: *The Regional Comprehensive Economic Partnership (RCEP) signed in 2020 and was effective from the next 2 years, which has become an important milestone in the integration process in the Asia - Pacific. Besides, foreign direct investment (FDI) plays an important role in Vietnam's economic development. Therefore, researching factors affecting FDI attraction into Vietnam to improve the investment environment and economic growth is extremely necessary. The article used a research sample of 58 investment partner countries in the period 2020-2022 to forecast the impacts of the RCEP Agreement on the shift of FDI capital flows into Vietnam. Through building an econometric model using panel data, the estimation results show gross domestic product, export turnover to Vietnam, government spending, national reserves, and trade openness. and participation in the RCEP agreement are factors that promote FDI into Vietnam. This empirical result can suggest some recommendations for management agencies in managing macroeconomic policies and domestic enterprises in improving their competitiveness to attract and effectively utilize results of FDI capital flows in Vietnam in the coming time.*

Keywords: Free Trade Agreement (FTA), The Regional Comprehensive Economic Partnership (RCEP), FDI, econometric model, impact, Vietnam, factor

I. INTRODUCTION

After 35 years of participating in the international economic integration, Vietnam has signed 16 Free Trade Agreements and is currently in the process of negotiating three additional FTAs. Notably, the Regional Comprehensive Economic Partnership (RCEP) is considered a 'super' agreement with the world's largest scale, marking a significant milestone in economic cooperation across the Asia-Pacific region and providing extensive opportunities for economic growth and comprehensive collaboration among regional nations.

RCEP is a free trade agreement signed between the 10 ASEAN member countries and five regional countries: China, South Korea, Japan, Australia, and New Zealand, initiated by ASEAN. In addition to fostering robust trade relations with Vietnam, the RCEP countries also play a crucial role as one of the most important foreign investment partners for Vietnam. According to statistics from the General Statistics Office, as of March 2023, the cumulative registered capital from RCEP countries constitutes over 63% of the total foreign direct investment (FDI) in Vietnam. Specifically, among the top 10 countries with the largest FDI in Vietnam, six are RCEP countries, including South Korea, Singapore, Japan, China, Thailand, and Malaysia. The RCEP agreement, with its extensive commitments to open trade, investment protection, and especially the commitments to promote and facilitate investment – a unique feature of RCEP, is creating favorable conditions for the development of the investment environment both domestically and internationally. Therefore, the Regional Comprehensive Economic Partnership (RCEP) is expected to bring numerous advantages in attracting FDI into Vietnam.

In the context of the global economy and the RCEP countries experiencing changes in foreign direct investment, researching the impact of the RCEP agreement on attracting FDI in Vietnam as well as proposing solutions to leverage opportunities and address challenges arising from this agreement are of utmost importance.

II. LITERATURE REVIEW

2.1. Some common models to evaluate the impact of Free Trade Agreement

2.1.1. Econometric model

The Econometric model evaluates the impact of the Free Trade Agreements based on factors such as GDP, fiscal policy, monetary policy, labor resources,... through the construction and analysis of economic theory, economic mathematical model and statistical data. The variables are modeled and the results of the econometric model are expressed in data, so the model estimates the impact of FTA statistically in a scientific, highly accurate way on the basis of given theory and based on the results of the model can be compared with reality to draw conclusions. However, the results of the econometric model come from a built database, so it is necessary to pay attention to the issue of variables, make assumptions consistent with reality, and have specific reliable data trust. In addition, the forecasting ability of the econometric model may not be correct in the future.

Gravity model is a typical model among the widely developed econometric models. The model was first applied in research by Jan Tinbergen in 1962 and is widely applied by researchers to measure the impact of trade agreements on trade flows between countries. The model can accurately estimate and differentiate between estimate and reality based on the variables in the model, so it is considered as one of the most stable experimental economic models. But like the econometric model, this model also needs to use a sufficiently large, complex, and reliable database, and during the research process, important variables or variables that are correlated with each other may be overlooked.

2.1.2. Computable general equilibrium model (CGE)

Computable general equilibrium model (CGE) is a class of economic models introduced by Johansen in the 1960s, but more than 10 years later the model was developed and used by researchers to forecast changes in the economy. This is a quantitative method that uses endogenous variables such as output in exports, imports, taxes... and exogenous variables such as trade policies, elasticity of endogenous variables to analyze the direct and indirect effects of FTA on each industry and sector. The advantage of the model is that the assessment is quite complete, approximates consistent with reality and can serve as an empirical basis for long-term policy analysis. Besides, the disadvantage of the model is that it requires a large, detailed and complex database related to all research objects at the macro level, so it is difficult to find complete and common data, determine non-tariff factors and make related assumptions.

2.1.3. Knowledge - Capital Model

The Knowledge - Capital model was proposed by Markusen and Venables in 1998. Through independent variables related to countries' capital resources, the model analyzes the impact of FTAs vertically and horizontally at both the industry level and overall level. The model focuses on examining closely linked factors to consider the impact on the economy, thereby serving as a basis for researching and planning economic policies and strategies. Therefore, in practical application, it is difficult to model, measure and quantitatively analyze the variables in the model because they are related to each other and difficult to analyze clearly.

2.2. Some empirical researches to evaluate the impact of Trade Agreements on FDI.

2.2.1. Oversea researches

Ponce, Aldo Fernando (2006) studying the effects of trade agreements on foreign direct investment of Latin America from 1985-2003 by the econometric model showed that countries signing plenty of Free trade agreements with large economies have more ability to attract FDI. Changwon Bae, HyeyoonKeum (2013) presented similar research results using the Knowledge - Capital model to evaluate the impact of bilateral FTAs on FDI investment abroad and attracting FDI into Korea, figures out that Korean FDI inflows and outflows have both increased since the country participated in FTAs, in which FDI outflows witnessed a significant increase compared to inflows and the research also shows that FTAs signed with high-income countries will have a significant impact on Korea's FDI capital flows.

Most researches show that trade agreements have a positive impact on attracting FDI, which is similar to the results of the above studies, typically: Medvedev and Denis (2012) using the gravity model to consider the impact of trade agreements on foreign direct investment through panel data showed that FTAs have a positive impact on FDI flows of countries participating in trade agreements. GTAP (2017) evaluating the potential impact of the RCEP Agreement on FDI in China using the (CGE) Computable general equilibrium model indicated that RCEP will encourage FDI inflows into China through trade effects and direct effects of FDI. Specifically, boosting trade, attracting FDI to the domestic markets of member countries and forcing the least efficient companies to withdraw, will thereby improve the aggregate productivity of the industry.

2.2.2. Domestic researches

There are a lot of typical studies on the impact of FTAs on attracting FDI such as: Nguyen Dam Khanh Linh, Cao Thi Hong Vinh (2016) pointed out that the implementation of bilateral and multilateral trade agreements contributes to increases FDI of countries and FTAs have a significant impact on the change in FDI capital flows into Vietnam. My Duong, Mark J. Holmesa, Anna Strutta (2020) explained that FTAs are the main factor promoting domestic FDI attraction, especially in the post period, FTAs have a stronger stimulating effect on FDI capital flows. Ha Lam Oanh, Le ThiBich, Le Ngoc Nhan and Vuong Ngoc Ai (2022) concluded that most free trade agreements increase FDI inflows into Vietnam.

Hoang Chi Cuong and colleagues (2015) used the gravity model combined with panel data and the Hausman-Taylor estimation method to evaluate the impact of trade liberalization on attracting FDI to Vietnam. Research shows that WTO accession is one of the biggest factors promoting FDI into the country, while there is no convincing evidence that the FTAs which Vietnam has recently joined have contributed significantly to attracting FDI investment into this country. However, this study has not shown the impact of trade liberalization on FDI capital flows by economic sector, which provides a more specific view of the changes in FDI in each economic sector.

Regarding specific research on the impact of the RCEP agreement on attracting FDI capital flows into Vietnam, Nguyen Binh Duong (2019) using the OLI model, specifically focusing on location factors combined with using panel data showed that FDI capital flow into RCEP is encouraged by the abundant labor force, per capita income, natural resources and trade liberalization policies of member countries. As the number of signed free trade agreements increases, combined with tariff reductions within the framework of FTAs, it creates a favorable environment to attract FDI into RCEP.

In general, up to now there have been several researches on the impact of FTAs, the impact of FTAs in general and the RCEP Agreement in particular on FDI. Studies provide a full range of influencing factors such as: GDP, labor force, natural resource, trade policy... and most of them point out the positive impact of free trade agreements on attracting foreign direct investment capital flows, but there have been no studies using econometric models combining databases of countries in the RCEP block to fully and specifically analyze and evaluate the impact of RCEP Agreement to attract foreign direct investment into Vietnam.

III. ATTRACTING FDI'S SITUATION FROM RCEP COUNTRIES INTO VIETNAM

In recent years, member nations of the Regional Comprehensive Economic Partnership (RCEP) have consistently held a pivotal role as some of Vietnam's foremost investors. As of March 20, 2023, six RCEP countries have secured positions within the top 10 contributors to Vietnam's foreign direct investment (FDI). South Korea stands at the forefront, having invested over USD 81.5 billion in Vietnam with 9619 projects, constituting 18.4% of the total registered capital. Singapore and Japan ranked as the second and third largest contributors, with approximate investments of USD 72.5 billion and USD 69.4 billion, respectively. Contributions from China, Thailand, and Malaysia collectively made up 11.3% of the overall registered investment in Vietnam.

In terms of economic sectors, Vietnam's RCEP partners predominantly concentrated on the manufacturing and processing industry that the region's capital investment comprised more than 53.3% of the total investment in this sector of Vietnam. Notably, the registered capital in this industry from 3 biggest investors which are South Korea, Singapore, and Japan accounted for 45% of the aggregate investment in this sector. The second most attracted sector is real estate sector, representing 15% of the regional total investment, with the data of 9.7 billion USD registered capital from South Korea being the most significant figure (Table 1).

In the future, the fields of electronics, high technology, and semiconductor industry may become prominent investment trends in the RCEP region, given the current plans of major investors such as SK, Goertel, Luxshare to shift a portion of their manufacturing activities to Vietnam. This emphasizes the potential for Vietnam to emerge as a new global manufacturing hub in the future. In 2022, Vietnam attracted $6.5 billion in high-tech investment, marking a 25% increase compared to 2021, and $1.5 billion in semiconductor investment, reflecting a 150% increase from 2021. Additionally, Vietnam is demonstrating a trend in attracting FDI in the green energy sector. The Vietnamese government also has set the goal of developing renewable energy as one of the country's key industries. In the National Energy Development Strategy until 2030 and the vision towards 2045, Vietnam aims to have the proportion of renewable energy in the total electricity output reach 25-30% by 2030.

Table 1: FDI attraction in Vietnam by sector (Valid projects accumulated as of September 20, 2023)

Sector	Country	Registered Capital (USD Billion)
Manufacturing and Processing Industry	South Korea	53.1
	Singapore	27.75
	Japan	40.6
	China	7.22
	Thailand	9.78
	Malaysia	2.6
Real Estate Business	South Korea	9.7
	Singapore	18
	Japan	3.1
	China	4.7
	Thailand	0.8
	Malaysia	1.1

Source: Vietnam Foreign Investment Agency (2023)

The FDI from RCEP countries in Vietnam by location was also distributed diversely. In terms of total investment, Ho Chi Minh City currently leads in attracting FDI from RCEP nations, with a registered capital totaling 30.833 billion USD. Ha Noi was in the second position, with a total registered capital of 27.631 billion USD. The figure of Binh Duong, Dong Nai and Ba Ria - Vung Tau were much smaller with nearly 18 USD billion, 14,7 billion USD, 13,8 billion USD respectively.

Table 2 : Foreign Direct Investment (FDI) Situation in Vietnam by Location (Valid projects accumulated as of 2022)

Province/City	Country	Registered Capital (USD Billion)
Ho Chi Minh City	Singapore	13.863
	South Korea	5.439
	Japan	5.538
	Malaysia	4.888
	Thailand	0.506
	China	0.256

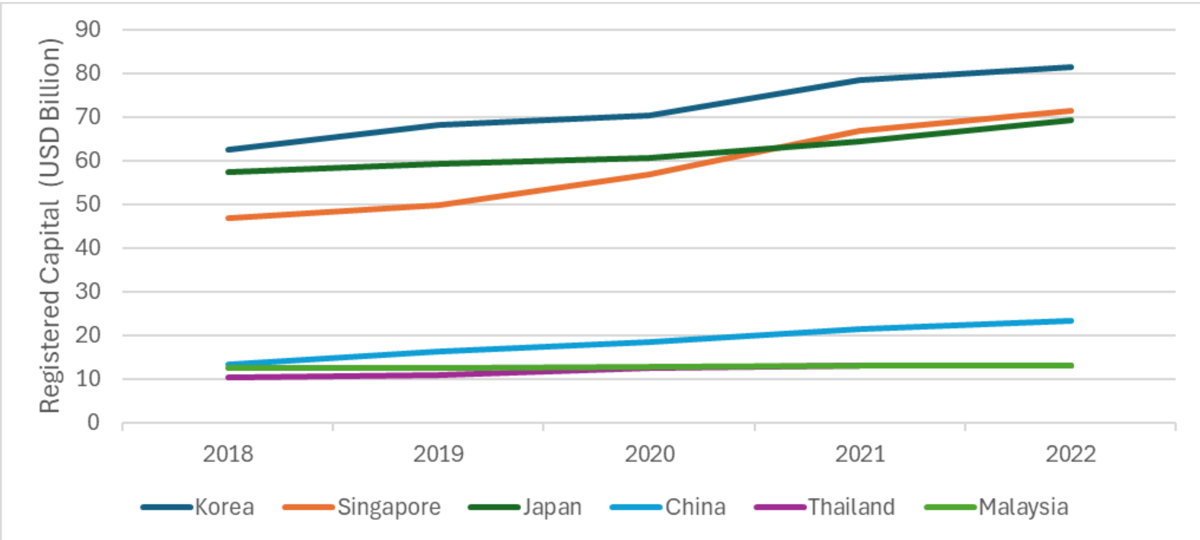
	Australia	0.21
	Philippines	0.072
	New Zealand	0.061
Hanoi	South Korea	6.727
	Japan	7.705
	China	0.637
	Singapore	9.09
	Australia	0.654
	Malaysia	2.275
	Thailand	0.543
Binh Duong	Japan	6.277
	South Korea	3.296
	Singapore	5.407
	Malaysia	0.896
	Thailand	0.682
	Brunei	0.25
	China	0.926
	Australia	0.136
	Philippines	0.74
	Indonesia	0.55
Ba Ria – Vung Tau	South Korea	5.241
	Singapore	1.782
	Japan	3.148
	China	0.244
	Australia	0.221
	Malaysia	0.329
	Brunei	0.169
	Thailand	3.632
	Indonesia	0.017
Dong Nai	South Korea	5.162
	Japan	0.223
	Malaysia	0.773

	Thailand	1.732
	Singapore	0.156
	Australia	0.841
	Philippines	1.198
	Indonesia	3.767
	Brunei	0.008
Cao Bang	China	0.02
Bac Kan	Japan	0.002
Ha Giang	China	0.007

Source: Statistical Yearbook of Provinces 2022

However, the distribution of investment from RCEP countries displayed a significant disparity in region. In mountainous areas such as Lai Chau, Dien Bien, and Ha Giang, the number of investment projects remains small, failing to attract substantial capital. However, for these provinces and cities, RCEP investments continue to constitute a significant proportion. Specifically, 5 out of 6 foreign direct investment projects in Cao Bang are from China within the RCEP bloc; in Bac Kan, one-third of the investment projects belong to RCEP countries, accounting for 31% of the total foreign direct investment capital of this province. The primary reasons for this imbalance stem from the fact that investment promotion activities in mountainous and rural areas are still relatively small-scale, lacking a clear plan and direction. Local industries are underdeveloped, production capabilities are limited, trade and services have not kept pace with the modern economy. Therefore, the government needs to assess and understand this situation in order to formulate policies that encourage investment as well as ensure a balanced distribution and efficiency in the utilization of foreign direct investment capital from RCEP countries in our country.

Table 3: Foreign Direct Investment Capital from Selected RCEP Countries into Vietnam during the Period 2018-2022



Source: Research team compilation from the data of Vietnam Foreign Investment Agency

The data from Table 3 demonstrates a continuous increase in the investment FDI capital from the RCEP region into Vietnam. Particularly the period from 2020 to 2021 recorded the most robust growth, from 232 billion USD in 2020 to 257.4 billion USD in 2021, attributing to the official signing of the RCEP agreement in 2020. In the period from 2021 to 2022, because of the impact of the Covid-19 pandemic, disruptions in the global supply chain and worldwide political instability, the growth rate of total investment from RCEP into Vietnam slightly decreased by 5% compared to 2021, reaching USD 271.4 billion in 2022.

In relation to CPTPP countries, the RCEP bloc has substantially higher total investment. As of March 2023, the total investment from CPTPP countries only equaled 58.8% of the data of RCEP region. It is evident that Vietnam's major FDI partners mostly come from the RCEP region, with the top four being South Korea, Singapore, Japan, and China. Additionally, the GDP scale of the RCEP region is twice as high as that of the CPTPP region. Therefore, compared to the CPTPP agreement, the RCEP agreement is expected to have a more pronounced impact on attracting FDI into Vietnam. Despite the substantial difference in the total investment between the two regions, both indicate a common trend of investment in the electronics and high-tech sector. This is also a common development trend in the context of the Industrial Revolution 4.0, not only within the RCEP and CPTPP regions but also in other countries such as the United States and India

IV. ECONOMETRIC SPECIFICATIONS AND DATA SOURCES

Based on previous research models, the research team adopts an econometric model to assess the impact of the Regional Comprehensive Economic Partnership (RCEP) on attracting Foreign Direct Investment (FDI) into Vietnam. Regarded as a pivotal analytical tool, this econometric model has notably demonstrated success in the field of trade, initially introduced by Tinbergen (1962) to analyze the influence of Free Trade Agreements (FTAs) on trade trends. Subsequently, many authors have also utilized the econometric model to conduct studies on the impact of FTAs on the shift in FDI flows, contributing to the affirmation of the model's effectiveness (Ponce and Aldo Fernando, 2006; Medvedev and Denis, 2012; Hoang Chi Cuong and colleagues, 2015; Nguyen Binh Duong, 2019).
Typically, regression models with panel data are estimated using methods such as Pooled OLS, Fixed Effects (FE), and Random Effects (RE) (Hoang Chi Cuong and colleagues, 2015). However, in this study, the research employs a dummy variable and interaction terms in the model to reflect differences in FDI flows into Vietnam from countries that have participated in RCEP and those that have not. Therefore, FE and RE models are deemed no longer suitable. Additionally, results from Fixed Effects Model (FEM) and Random Effects Model (REM) are not robust when the model exhibits autocorrelation and a short research duration (t<15 years) (Nickell, 1981; Kiviet, 1995; Baltagi, 2001). Hence, Pooled OLS will be used in this study. The research team uses STATA 17 software as the analytical tool to test the regression model on panel data over a three-year period, encompassing 58 countries and territories being categorized the primary investment partners of Vietnam, according to the statistical yearbook from 2020 to 2022.

To assess the impact of RCEP participation on FDI inflows into Vietnam, the research team proposes the following model:

$$FDI_{it} = \beta_0 + \beta_1.GDP_{it} + \beta_2.GDP_{it}*D_{it} + \beta_3.Govsp_{it} + \beta_4.\ln(Exp_{it}) + \beta_4.Exp_{it}*D_{it} + \beta_5.Tr_{it} + \beta_6.Tr_{it}*D_{it} + \beta_7.Open_{it} + \beta_8.Open_{it}*D_{it} + \beta_9.D_{it} + u_{it}$$

In which: i, t refers to home countries and years, respectively.

V. EMPIRICAL RESULTS

Table 4: Definition and Data Sources of Variables

Variable	Description	Unit	Variable Type	Source
FDI	Foreign Direct Investment inflows from country i into Vietnam in the year t	USD Billion	Dependent Variable	General Statistics Office – GSO (https://www.gso.gov.vn/)
GDP	Gross domestic product of partner country i in the year t	USD Billion	Independent Variable	World Bank – (https://worldbank.org/)
Govsp	Government consumption of country i in year t	USD Billion	Independent Variable	
ln(Exp)	Natural logarithm of the export value of country i to Vietnam in year t	USD Billion	Independent Variable	
Tr	Total reserves of country i in year t	USD Billion	Independent Variable	
Open	Trade openness of country i in year t, computed as the sum of nominal export and import divided by the nominal GDP	%	Independent Variable	Research Team Compilation and Computation

D	=1 if country i joined RCEP in year t and =0 if not joined RCEP		Dummy Variable	
GDP*D		USD Billion	Interaction Term	
Exp*D		USD Billion	Interaction Term	
Tr*D		USD Billion	Interaction Term	
Open*D		%	Interaction Term	

Source: Research Team Compilation

Table 5: Results of Regression Model Estimation using Pooled OLS Method

				Prob > F = 0.0000	
				Number of obs = 158	
				R-squared = 0.8540	
				Adj R-squared = 0.8440	
FDI	**coefficient**	**Newey-West Std.err.**	**P > |t|**	**[95% conf. interval]**	
GDP	0.00413	0.00110	0.000	0.00630	0.00196
GDP*D	0.04323	0.00271	0.000	0.04860	0.03787
Govsp	0.03091	0.00749	0.000	0.01612	0.04570
ln(Exp)	0.76657	0.24851	0.002	1.25768	0.27545
Exp*D	0.12520	0.01310	0.000	0.09931	0.15108
Tr	0.00934	0.00350	0.008	0.00243	0.01624
Tr*D	0.08374	0.01666	0.000	0.05082	0.11666
Open	0.03879	0.01157	0.001	0.01593	0.06165
Open*D	0.23389	0.02931	0.000	0.29178	0.17594
D	22.01034	3.25758	0.000	15.57261	28.44807
cons	-1.59446	1.43872	0.270	-4.43772	1.24879

The estimation of the model using the Pooled OLS methodand robust standard errors (Newey-West) indicates that the partial regression coefficients are statistically significant at 99% level of confidence. The R-squared value suggests that the selected variables in the model explain 85.4% of the variation in foreign direct investment (FDI) into Vietnam from 2020 to 2022.

In the model, the partial regression coefficients of the independent variables are all positive, indicating that the Gross Domestic Product (GDP), Government Consumption (Govsp), Export Value (Exp), Total Reserves (Tr), and Trade Openness (Open) of a country all have a positive impact on its investment in Vietnam (FDI). This result aligns perfectly with the theoretical foundation above.

Dummy variable D has a positive impact on foreign direct investment flows into Vietnam at the 1% significance level. This implies that intra-RCEP nations attract more FDI into Vietnam compared to non-participating countries, estimated at 22.01034 billion USD. The above research result shows that the RCEP agreement has a strong impact on FDI capital flows into Vietnam. This is consistent with previous studies that have shown that free trade agreements have a positive impact on attracting foreign investment such as Shandre M. Thangavelu and Christopher Findlay (2011); Hoang Thanh Hien and Huynh Thi Dieu Linh (2019). However, research results from Hoang Chi Cuong and colleagues (2015) show that AANZFTA has a negative impact on FDI in Vietnam. This is explained by the high tariff, countries choose to export directly to other countries instead of investing FDI abroad. However, AANZFTA was signed in 2009 at the first stage of the international economic integration process, so tariff barriers are a huge barrier. However, the RCEP agreement, as a new-generation Free Trade Agreement (FTA) that Vietnam has joined, facilitates the removal of various tariffs and commits to investment provisions to boost FDI to countries. This reflects the inevitable trend of international economic integration of the era. Therefore, participating in the RCEP agreement still has a positive impact on the FDI flow into Vietnam.

The partner country's gross domestic product (GDP) has a positive impact on foreign direct investment capital into Vietnam with a significance level of 1%. When GDP increases by 1 billion USD, FDI capital flows into Vietnam increase by 0.00413 billion USD. This increase is relatively modest, but it also proves that the larger the economic scale of the partner countries, the more FDI flows into Vietnam increase. Developed countries, in particular, tend to invest abroad, and the investment decisions of multinational companies depend on the economic scale of their home country. The results are consistent with the conclusions in some experimental research such as Alan A. Bevan and Saul Estrin (2004); Dorothee J. Feils and Manzur Rahman (2008); Hoang Chi Cuong et al (2015); Duong et al (2020). The size of the partner country's economy not only represents the demand for products but also reflects growth potential and supply capacity. Through FDI, foreign investors can expand production into the RCEP region to meet consumer demand in these countries, this is a factor promoting FDI inflows into RCEP.

The coefficient of the interaction term between GDP and dummy variable D is positive and statistically significant at the 1% level. This implies that when the partner country's GDP increases by 1 billion USD, countries in the RCEP region will invest 0.04323 billion USD more than non-RCEP countries investing in FDI in Vietnam. This suggests that the large scale of the economy and the partner country's participation in RCEP have a reciprocal impact on the increase in FDI capital flows into Vietnam. This result is similar to the conclusion in the study of Yong Yoon Yang (2011) showing the indirect impact of the RCEP agreement on FDI capital flows into Vietnam.

Government spending of the partner country (Govsp) has a positive impact on foreign direct investment in Vietnam with the significance level of 1%, specifically, when government spending of the investment partner country increases 1 billion USD, the FDI capital flow into Vietnam increases by 0.03091 billion USD. Thus, countries with large government spending will invest more in Vietnam, this result coincides with the research of Avik Chakrabarti (2001); MT. Majeed and E. Ahmad (2007); M. Camarero, S. Moliner, C. Tamarit (2021). This is explained by the fact that increased government spending leads to higher fiscal deficits, creating macroeconomic instability and a country's poor credit position. Investing abroad helps diversify risks and protect against domestic challenges and therefore the RCEP region will attract more FDI inflows.

The export value of the partner country into Vietnam (Exp): has a positive impact on oversea direct investment inflow into Vietnam, with the significance level at 1%. This means that when the export value of the partner country increases by 1%, the flow of foreign direct investment into Vietnam will increase to 0.00767 billion USD. There are two main reasons explaining this positive relationship. First, when Vietnam's imports increase, it proves that Vietnam's demand for goods and services is high, thus attracting foreign companies to invest in producing goods and services. Second, as imports increase, domestic businesses will face more competitors, compelling them to improve product quality and enhance competitiveness. This helps foreign investors also have more opportunities to seek capable partners for producing and providing high quality products and services, thereby increasing FDI into Vietnam. This finding aligns with the original theory, consistent with the research of Jordaan (2004) and Muhammad Tariq Majeed and Eatzaz Ahmad (2008).

The coefficient of the interaction term between Exp and dummy variable D is positive and statistically significant at the 1% level. That is, when the partner country's Exp increases by 1 billion USD, countries in the RCEP region will invest more than non-RCEP countries 0.12520 billion USD. The above results demonstrate that the partner country's exports to Vietnam and the partner country's participation in RCEP have a reciprocal impact on the increase in FDI capital flows into Vietnam. Thus, the RCEP agreement has an indirect impact on attracting FDI into Vietnam.

Total national reserves of the partner country have a positive impact on the flow of foreign direct investment into Vietnam at the 1% significance level. Thus, it can be seen that when the partner country's total national reserves increase by 1 billion USD, the FDI capital flow into Vietnam increases by 0.0093 billion USD, consistent with the results of research articles by Chen, Li and Liu (2022), Zhang, Zhao, and Zhou (2021). The above result is consistent in reality because total reserves are a factor used to evaluate the economic and financial stability of a country. A country with a stable and developed economy tends to invest abroad more to search for new markets and new resources.

The coefficient of the interaction ter between Tr and dummy variable D is positive and statistically significant at the 1% level. That is, when the total national reserves of partner countries increase by 1 billion USD, countries in the RCEP region will invest 0.08374 billion USD more than non-RCEP countries. The above result demonstrates that the total national reserves of partner countries and the partner country's participation in RCEP have a reciprocal impact on the increase in FDI capital flows into Vietnam. Thus, the RCEP agreement has an indirect impact on attracting FDI into Vietnam.

The trade openness of the partner country (Open) has a positive impact on foreign direct investment capital into Vietnam at the 1% significance level. When trade openness increases by 1%, FDI capital flows into Vietnam increase by 0.03879 billion USD. This implies that the greater the trade openness of partner countries, the more FDI capital into Vietnam increases, consistent with the studies of Florence Jaumotte (2004); ErdalDemirhan and MahmutMasca (2008); Chankwon Bae and Yong Joon Jang (2013); Hoang Thanh Hien and Huynh Thi Dieu Linh (2019). This is completely reasonable because trade openness is closely related to the level of economic liberalization of investing countries, especially investing abroad. The trade openness of economies also has a positive impact on the investment decisions of multinational companies.

The coefficient of the interaction termbetween Open and dummy variable D is positive and statistically significant at the 1% level. Accordingly, when the trade openness of partner countries increases by 1%, countries in the RCEP region will invest more than non-RCEP countries by 0.23386 billion USD. This implies that large trade openness and partner country's participation in RCEP have a reciprocal impact on the increase in FDI capital flows into Vietnam. Thus, the RCEP agreement has an indirect impact on attracting FDI into Vietnam.

VI. CONCLUSION, RECOMMENDATIONS AND LIMITATIONS

6.1. Conclusion

Quantitative analysis results show that the implementation of the RCEP Agreement has a positive impact on creating many opportunities to attract FDI capital flows into Vietnam. This is also the basis for Vietnam to ensure the full implementation of the Agreement's commitments, create a stable and favorable environment and policies to encourage and support FDI enterprises of other countries to attract FDI. Besides, the impact of RCEP on FDI will change depending on the environment of partner countries. Specifically, this study shows that FDI into Vietnam is driven by gross national product, export turnover to Vietnam, government spending, national reserves, trade openness and participation in RCEP agreement of investing countries, in which becoming a member of RCEP is still the most important factor. The combination of the above factors has created potential opportunities to attract FDI for Vietnam while helping foreign investors meet market demand, expand production and bring better investment efficiency to the enterprise.

6.2. Recommendations

On the government side:

First, according to the results of the study, increasing trade openness will have a positive impact on attracting FDI, so the government needs to focus on promoting trade activities in the RCEP region in particular. and globally in general

Second, to meet the need of expanding production and satisfying consumption, many countries tend to invest in FDI. To be aware of this, Vietnam needs to invest in building infrastructure of transportation, roads, etc to best meet the production activities of FDI enterprises.

Third, in the context of increased government spending in partner countries leading to high financial deficits, affected by macroeconomic instability and poor credit positions, investing abroad is one of the most effective solutions to minimize domestic risks and challenges. To seize opportunities, Vietnam needs to stabilize the political and legal environment, especially need to adjust preferential policies, investment support, and issue directives on increasing the provision of information and applications, streamlining processes and minimizing administrative requirements.

Fourth, Vietnam needs to focus on improving the quality of project appraisal and specifically determining the direction of receiving FDI projects to suit each locality. Licensing FDI projects that do not ensure feasibility and are not suitable for local capabilities has led to a situation where projects are not implemented, causing waste of resources, which reduces the ability to transfer FDI. Selecting licensed FDI projects suitable for each locality helps increase conversion ability, thereby increasing the amount of FDI capital implemented in the economy, increasing the ability to absorb capital. In particular, the imbalance in the structure of investment regions is relatively serious, attracting new investment only focuses on developed areas. Therefore, the government needs to consider and grasp the situation to propose policies to encourage investment to ensure balance in distribution and efficiency in the use of foreign investment capital of RCEP countries into the country.

Fifth, in order to meet business conditions in the 4.0 business environment, reforming the policy system accordingly is absolutely inevitable. The state needs to promote the application of digital technology in state management of FDI activities, upgrade and complete the national information system on FDI activities while building and integrating specialized management information such as: labor, foreign exchange, land, construction, tax, finance, customs, visa... into the national information system on FDI activities into big data (Big Data) to perform online public services line and state management of FDI activities. Relevant ministries, branches and localities both exploit and are responsible for contributing data to the system.

Sixth, the research results show that partner countries increase national reserves to increase reputation, minimize financial risks, and support businesses in the process of investing abroad. Therefore, to become an attraction for FDI investment, Vietnam needs to increase national reserves to ensure stability and build credibility with partners.

On the Vietnamese enterprise side:
First, people's demand for imported goods is increasing, along with trade agreements being signed, which makes the amount of imported goods increasingly high. This requires domestic businesses to face more competitors. Therefore, to survive, businesses need to improve production capacity and invest more in research activities towards higher quality products.

Second, businesses need to proactively learn about regulations and actively participate in associations to be able to grasp information and policies related to the RCEP agreement. Thereby creating conditions to help businesses catch up with the world's FDI shift wave, accessing FDI projects in high-tech, environmentally friendly fields.

Third, the consumer market is increasingly expanding and has strict requirements. Therefore, businesses need to understand the unique characteristics of each area and territory they target to best meet the needs and demands of customers, thereby helping businesses increase their competitiveness in the market. school

Fourth, the needs of the new era require a highly qualified workforce. Therefore, businesses need to improve the quality of human resources. To do this, business owners need to have thinking, knowledge, and strategies to develop human resources, create a positive working environment, etc. .

6.3. Limitations
The author's study "The Impact of the RCEP Agreement on Attracting Foreign Direct Investment to Vietnam" by the authors still has some limitations. First, the RCEP Agreement has only been implemented for 2 years, so the data is still limited, leading to analysis results that are only predictive. Second, due to data lag, the time dimension only stops until 2022 and some observations are eliminated. Due to not fully updating the country's data, the analysis results are only representative and do not cover the entire data set. Third, the research team only considered the level of influence of individual factors. Factors and effects of RCEP on overall FDI, but have not considered the effects on FDI by specific sectors. Fourth, the study has not analyzed in-depth the impacts related to tariffs. This may affect the results of the research paper.

The following research articles need to try to find and develop information when the RCEP agreement has had a longer implementation period to further develop what the previous research group has achieved. In addition, future research articles can consider the influence of factors and effects of the RCEP agreement on each FDI by specific field and pay attention to issues related to the tariffs

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